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## **CHINA CHENGTONG DEVELOPMENT GROUP LIMITED**

**中國誠通發展集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 217)**

### **DISCLOSEABLE TRANSACTION: FINANCE LEASE ARRANGEMENT**

On 23 December 2016, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreement with the Lessee pursuant to which Chengtong Financial Leasing will purchase the Facilities from the Lessee and will lease the Facilities back to the Lessee for a term of three (3) years.

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement exceeds 5% but is less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

### **FINANCE LEASE AGREEMENT**

#### **Date**

23 December 2016

#### **Parties**

Lessor : Chengtong Financial Leasing

Lessee : The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessee and its ultimate beneficial owners are Independent Third Parties. The Lessee is principally engaged in the construction and investment of urban infrastructure and public utilities as well as investment, operation and management of State-owned assets.

### **Finance Lease Arrangement**

Subject to the fulfilment of certain conditions as set out in the Finance Lease Agreement (including but not limited to the obtaining of all necessary approvals by the Lessee in relation to the Finance Lease Arrangement and the signing by the Guarantor and the coming into effect of the relevant guarantee agreement), Chengtong Financial Leasing will purchase the Facilities from the Lessee at the Purchase Price of RMB110 million (equivalent to approximately HK\$123 million), and the Facilities will be leased back to the Lessee for a period of three (3) years ("**Lease Term**") from the date on which the Purchase Price is paid by Chengtong Financial Leasing.

If any of the conditions are not satisfied on or before 31 January 2017, Chengtong Financial Leasing shall have right to unilaterally terminate the Finance Lease Agreement.

### **Handling fee**

The Lessee is required to pay to Chengtong Financial Leasing a handling fee of RMB2.20 million (equivalent to approximately HK\$2.46 million) ("**Handling Fee**") under the Finance Lease Agreement within fifteen (15) working days after receiving the Purchase Price in full from Chengtong Financial Leasing.

### **Purchase Price**

The Purchase Price of RMB110 million (equivalent to approximately HK\$123 million) was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised value of the Facilities as at 19 December 2016 in the amount of approximately RMB123 million as assessed by a qualified independent valuer.

The Purchase Price will be satisfied by the internal resources of the Group or bank loans obtained by the Group.

## **Lease payment**

The total amount of lease payment over the Lease Term is approximately RMB122 million (equivalent to approximately HK\$137 million) which shall be paid by the Lessee to Chengtong Financial Leasing in twelve (12) equal instalments on a quarterly basis during the Lease Term.

The lease payment has been agreed after arm's length negotiations between the parties with reference to the Purchase Price payable by Chengtong Financial Leasing for the purchase of the Facilities and the prevailing benchmark lending rate of the People's Bank of China with a premium.

## **Lessee's right to repurchase the Facilities**

Upon expiry of the Lease Term, subject to the Lessee having paid all the lease payment and any other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Finance Lease Agreement, the Lessee shall have right to repurchase the Facilities at a nominal consideration of RMB1.

## **Guarantee**

The Guarantor, which is a State-owned enterprise principally engaged in the management of State-owned assets and the construction of urban infrastructure, has provided a joint guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under the Finance Lease Agreement, including but not limited to the lease payment and other payables.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Guarantor and its ultimate beneficial owners are Independent Third Parties.

## **REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT**

The Group is principally engaged in property development, property investment, finance leasing, hotel and marine travelling services and trading of coal.

The entering into of the Finance Lease Arrangement is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn an income of approximately RMB14 million (equivalent to approximately HK\$15.68 million), being the Handling Fee plus the difference between the total lease payment under the Finance Lease Arrangement and the Purchase Price to be paid by Chengtong Financial Leasing for the Facilities.

The Directors are of the view that the terms of the Finance Lease Arrangement are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

## **IMPLICATION UNDER THE LISTING RULES**

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement exceeds 5% but is less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	means the board of Directors
“Chengtong Financial Leasing”	means 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	means China Chengtong Development Group Limited (中國誠通發展集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	means the directors of the Company
“Facilities”	means certain underground sewage network and ancillary facilities and equipment

“Finance Lease Agreement”	means the finance lease agreement dated 23 December 2016 and signed between Chengtong Financial Leasing and the Lessee in relation to the Finance Lease Arrangement
“Finance Lease Arrangement”	means the purchase of the Facilities by Chengtong Financial Leasing from the Lessee and the lease back of the Facilities to the Lessee pursuant to the terms of the Finance Lease Agreement
“Group”	means the Company and its subsidiaries as at the date of this announcement
“Guarantor”	means 鐵嶺財政資產經營有限公司, a State-owned enterprise established in the PRC with limited liability
“HK\$”	means the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	means party(ies) independent of the Company and its connected persons
“Lessee”	means 鐵嶺公共資產投資運營有限公司, a State-owned enterprise established in the PRC with limited liability
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	means the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Facilities from the Lessee

“RMB”	means Renminbi, the lawful currency of the PRC
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“%”	means per cent

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.12. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

By Order of the Board  
**China Chengtong Development Group Limited**  
**Wang Hongxin**  
*Managing Director*

Hong Kong, 23 December 2016

*As at the date of this announcement, the executive Directors are Mr. Yuan Shaoli, Mr. Wang Hongxin, Mr. Wang Tianlin and Mr. Zhang Bin, and the independent non-executive Directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.*