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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 – ASSIGNMENT OF FINANCE LEASE AGREEMENTS**

On 15 October 2019, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Transfer Agreement with the Transferor, pursuant to which the Transferor will transfer and assign the Assigned Properties to Chengtong Financial Leasing at an aggregate Consideration of approximately RMB243 million (equivalent to approximately HK\$269.73 million).

On 15 October 2019, the Transferor and Chengtong Financial Leasing have also entered into the Repurchase Agreement and the Receivables Pledge Agreement.

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

### **BACKGROUND**

The Transferor, as lessor, has entered into eight (8) Finance Lease Agreements with six (6) Lessees during the period from October 2016 to July 2019 in respect of the Finance Lease Arrangements. Each of the Finance Lease Agreements is secured by certain security provided by the Security Provider(s).

On 15 October 2019, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Transfer Agreement with the Transferor in respect of the Assignment.

## **THE TRANSFER AGREEMENT**

The major terms of the Transfer Agreement are set out below:

- Date** 15 October 2019
- Parties** (i) The Transferor; and  
(ii) Chengtong Financial Leasing

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Transferor and its ultimate beneficial owners is an Independent Third Party, and the Transferor is principally engaged in the business of the provision of finance and operating leasing services, acquisition of leased assets in overseas and domestic markets, and provision of consultation and management services for lease transactions.

### **Subject matter**

On the Transfer Date, the Transferor will transfer and assign, and Chengtong Financial Leasing will purchase and accept the assignment of, the Assigned Properties at an aggregate Consideration of approximately RMB243 million (equivalent to approximately HK\$269.73 million).

With effect from the Transfer Date, Chengtong Financial Leasing shall have right to receive directly from the Lessees all the lease payments and other sums outstanding and payable by them under the Finance Lease Arrangements.

Details of each of the Finance Lease Arrangements are set out below:

*Table 1*

	Lessees	Leased Assets	Expiry date of the lease term	Outstanding amount of principal	Outstanding amount of lease interest	Amount of security money	Type of security provided
1.	A company incorporated in Zhejiang Province, the PRC which principally engages in the business of property leasing	Certain lighting, air-conditioning, fire prevention, elevator, water drainage systems and equipment	27 October 2021	RMB60.00 million (equivalent to approximately HK\$66.60 million)	Approximately RMB3.33 million (equivalent to approximately HK\$3.70 million)	RMB10.50 million (equivalent to approximately HK\$11.66 million)	Corporate guarantee
2.		Certain lighting, air-conditioning, fire prevention and elevator systems and equipment	9 November 2021	RMB45.00 million (equivalent to approximately HK\$49.95 million)	Approximately RMB2.75 million (equivalent to approximately HK\$3.05 million)	RMB7.00 million (equivalent to approximately HK\$7.77 million)	Corporate guarantee
3.	A company incorporated in Zhejiang Province, the PRC which principally engages in the hydro-electric power generation, water supply and hydraulic engineering services	Certain electricity power generation equipment	6 December 2023	RMB45.00 million (equivalent to approximately HK\$49.95 million)	Approximately RMB8.34 million (equivalent to approximately HK\$9.26 million)	RMB2.50 million (equivalent to approximately HK\$2.78 million)	Corporate guarantee and pledge of assets
4.	A company incorporated in Zhejiang Province, the PRC which principally engages in the business of logistics, warehouse storage, trading and supply chain services	Certain equipment and facilities of a processing packaging area	12 December 2022	Approximately RMB41.45 million (equivalent to approximately HK\$46.01 million)	Approximately RMB4.86 million (equivalent to approximately HK\$5.39 million)	RMB2.50 million (equivalent to approximately HK\$2.78 million)	Corporate guarantee

	Lessees	Leased Assets	Expiry date of the lease term	Outstanding amount of principal	Outstanding amount of lease interest	Amount of security money	Type of security provided
5.	A company incorporated in Henan Province, the PRC which principally engages in the business of public transport operation	Certain large ordinary passenger vehicles	20 September 2022	Approximately RMB38.76 million (equivalent to approximately HK\$43.02 million)	Approximately RMB4.73 million (equivalent to approximately HK\$5.25 million)	RMB3.00 million (equivalent to approximately HK\$3.33 million)	Corporate guarantee
6.	A company incorporated in Zhejiang Province, the PRC which principally engages in the business of provision of big data services and leasing of cabinet server racks	Certain UPS system equipment, air conditioning system, fire extinguishing system, lined refrigerator, ASCO automatic transfer switch, flexible cable, diesel engine set, low voltage piezoelectric cabinet, transformer, power distribution equipment, rack, cabinet, etc., PSMS monitoring, cable rack	23 March 2021	Approximately RMB26.72 million (equivalent to approximately HK\$29.66 million)	Approximately RMB1.29 million (equivalent to approximately HK\$1.43 million)	RMB7.00 million (equivalent to approximately HK\$7.77 million)	Corporate and personal guarantee, share pledge and pledge of assets
7.		Certain system integration equipment, surveillance control platform and 3G players	26 May 2021	Approximately RMB16.97 million (equivalent to approximately HK\$18.84 million)	Approximately RMB0.90 million (equivalent to approximately HK\$1.00 million)	RMB4.00 million (equivalent to approximately HK\$4.44 million)	Corporate and personal guarantee, share pledge and pledge of assets, and supervision of bank account

	Lessees	Leased Assets	Expiry date of the lease term	Outstanding amount of principal	Outstanding amount of lease interest	Amount of security money	Type of security provided
8.	A company incorporated in Beijing, the PRC which principally engages in the business of leasing of equipment for underground utility tunnels construction	Certain vehicles used in construction and charging pile	11 January 2021	Approximately RMB8.43 million (equivalent to approximately HK\$9.36 million)	Approximately RMB0.28 million (equivalent to approximately HK\$0.31 million)	Approximately RMB2.83 million (equivalent to approximately HK\$3.14 million)	Corporate and personal guarantee, pledge of assets and third party repurchase guarantee
<b>Total</b>				Approximately RMB282.34 million (equivalent to approximately HK\$313.40 million)	Approximately RMB26.48 million (equivalent to approximately HK\$29.39 million)	Approximately RMB39.33 million (equivalent to approximately HK\$43.66 million)	

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Lessees, the Security Providers and their respective ultimate beneficial owners is an Independent Third Party.

Pursuant to the Transfer Agreement, Chengtong Financial Leasing shall have the right to be registered as the registered owner of the Leased Assets as well as the lease payments, and other receivables under the Finance Lease Arrangements in the relevant registration system in the PRC. Without prejudice to the beneficial interest of Chengtong Financial Leasing in relation to the security provided by the Security Providers, it is agreed that the Transferor shall remain as the registered owner of certain security interest. If any proceeds (whether in the form of cash or other assets) is received by the Transferor as a result of its exercising of the security rights, the Transferor shall pay and transfer such proceeds to Chengtong Financial Leasing within three (3) working days upon receipt.

The security money as set out in Table 1 above was paid by the Lessees to the Transferor as security for the performance of their obligations under the Finance Lease Agreements. The Transferor and Chengtong Financial Leasing have signed the Confirmation on 15 October 2019, pursuant to which it is confirmed that notwithstanding anything to the contrary in the Transfer Agreement, the rights and obligations of the Transferor in respect of the security money under the Finance Lease Arrangements (including but not limited to the right to set off any unpaid rent, damages and other payables from the security money and the obligation to pay the security money or the balance thereof to the Lessees upon expiry of the lease term) will be transferred to Chengtong Financial Leasing on the Transfer Date.

Upon the expiry of the lease term of the respective Finance Lease Arrangement, subject to the relevant Lessee having paid all the lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Finance Lease Agreement, the Lessee shall have the right to repurchase the relevant Leased Assets at a nominal repurchase price which varies among the Finance Lease Agreements ranging from RMB1 to RMB5,000.

## **Consideration**

The Consideration for the Assignment is approximately RMB243 million (equivalent to approximately HK\$269.73 million).

Subject to the fulfilment of all the conditions set out in the Transfer Agreement, Chengtong Financial Leasing shall pay the Consideration to the Transferor in one lump sum before 20 October 2019 (or such other date as may be agreed between the Transferor and Chengtong Financial Leasing).

The conditions as contained in the Transfer Agreement include but are not limited to the following:

- (i) the signing and the coming into effect of the Transfer Agreement, the Repurchase Agreement and the Receivables Pledge Agreement;
- (ii) the receipt of all relevant documentary proofs by Chengtong Financial Leasing showing the Transferor's legal title over the Leased Assets and its creditor's rights and security rights in respect of the Finance Lease Arrangements;
- (iii) the registration of Chengtong Financial Leasing as the registered owner of the Assigned Properties with the relevant authority in the PRC; and
- (iv) the registration of the Receivables Pledge Agreement with the relevant authority in the PRC.

The Consideration was agreed between Chengtong Financial Leasing and the Transferor based on the aggregate outstanding amount of principal under the Finance Lease Agreements, being approximately RMB282.34 million (equivalent to approximately HK\$313.40 million), less the aggregate amount of security money in the sum of approximately RMB39.33 million (equivalent to approximately HK\$43.66 million) which Chengtong Financial Leasing is obliged to pay to the Lessees upon the expiry of the lease term.

The Consideration will be satisfied by the internal resources of the Group.

## **THE REPURCHASE AGREEMENT**

As a condition precedent to the completion of the Assignment, the Transferor and Chengtong Financial Leasing also entered into the Repurchase Agreement on 15 October 2019.

Pursuant to the Repurchase Agreement, upon the occurrence of an event of default as specified thereunder, including but not limited to the following:

- (i) the Transferor breaches its obligations under the Transfer Agreement, the Repurchase Agreement or the Receivables Pledge Agreement;
- (ii) any Finance Lease Agreement becomes invalid, is terminated or revoked, or there is any breach of or any event of default occurs under any Finance Lease Agreement (including but not limited to any Lessee or Security Provider failing to pay any sum thereunder on time or in full);
- (iii) any approval or registration in relation to the validity of the Repurchase Agreement, the Finance Lease Arrangement or the Assignment or any security in relation thereto becomes invalid or is revoked; or
- (iv) there occurs any circumstances which may affect the ability of the Transferor or any Lessee or Security Provider in performing their respective obligations under the Repurchase Agreement, any Finance Lease Agreement or any relevant security agreement,

Chengtong Financial Leasing shall have the right to give notice in writing to the Transferor and request the Transferor to repurchase the relevant Assigned Properties at a repurchase price which is equivalent to the amount of all outstanding lease payments, interests, default interests (if any), repurchase price of the Leased Assets or termination payment and any other payables under the relevant Finance Lease Agreement. The repurchase price shall be paid by the Transferor within five (5) days from the date of the written notice issued by Chengtong Financial Leasing.

In addition, it is also agreed under the Repurchase Agreement that if a Lessee fails to pay any lease payment when due or the amount paid falls short of the amount payable, Chengtong Financial Leasing shall have the right to give notice in writing to the Transferor and request the Transferor to settle the sum of the overdue payment or to make good the shortfall in the amount paid by the Lessee.

## **THE RECEIVABLES PLEDGE AGREEMENT**

Also as a condition precedent to the completion of the Assignment, the Transferor and Chengtong Financial Leasing further entered into the Receivables Pledge Agreement on 15 October 2019.

Pursuant to the Receivables Pledge Agreement, the Transferor agrees to pledge the Pledged Assets in favour of Chengtong Financial Leasing as security for the full payment of the lease payments and other receivables under the Finance Lease Arrangements and for the performance obligations of the Transferor under the Transfer Agreement and the Repurchase Agreement. The maturity dates of the Relevant Pledged Agreements range from 21 May 2021 to 20 January 2023.

The Transferor shall designate one or more than one bank account(s) (“**Account(s)**”) and deposit to such Account(s) all receivables received from the Relevant Pledged Agreements. In the event that the Transferor has not fully performed its obligations under the Transfer Agreement and other related agreements or upon the occurrence of any specified event leading to the enforcement of the security created under the Receivables Pledge Agreement, Chengtong Financial Leasing has the right to use the money in the Account(s) to set off the sum owed to it by the Transferor, the Lessees and/or the Security Providers under the Transfer Agreement and other relevant agreements (as the case may be).

The security created under the Receivables Pledge Agreement will be valid commencing from the date of registration of the Receivables Pledge Agreement with the relevant authority in the PRC until all amounts secured thereunder have been settled.

## **REASONS FOR AND BENEFITS OF THE ASSIGNMENT**

The Group is principally engaged in property investment, property development, finance leasing, bulk commodity trade (including trading of coal, steel and non-ferrous metals) and hotel and marine travelling services.

The Assignment enables the Group to acquire eight (8) quality finance leases which will be carried out in the ordinary and usual course of business of Chengtong Financial Leasing. After due consideration of the background and the repayment records of the Lessees, the satisfactory rate of return under the Finance Lease Arrangements as well as the security provided by the Transferor under the Repurchase Agreement and the Receivables Pledge Agreement, the Directors consider that the overall level of risks associated with the Assignment and the Finance Lease Arrangements is acceptable.



The Directors are therefore of the view that the terms of each of the Transfer Agreement, the Repurchase Agreement and the Receivables Pledge Agreement are fair and reasonable and that the Assignment is in the interests of the Company and its shareholders as a whole.

## **IMPLICATION UNDER THE LISTING RULES**

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Assignment exceeds 5% but is less than 25%, the Assignment 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:

“Assigned Properties”	means (i) the ownership in relation to the Leased Assets; (ii) all the rights and interests of the lessor against the Lessees under the Finance Lease Agreements, including but not limited to the right to receive rent, security money, default interest, liquidated damages, repurchase price, termination payment and any other payments or expenses under the Finance Lease Agreements; and (iii) the rights and interests in relation to the security provided in respect of the Finance Lease Agreements
“Assignment”	means the assignment of the Assigned Properties by the Transferor to Chengtong Financial Leasing pursuant to the terms of the Transfer Agreement
“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
“Confirmation”	means the confirmation dated 15 October 2019 signed between the Transferor and Chengtong Financial Leasing in respect of the arrangement relating to the security money and the repurchase of the Leased Assets by the Lessees under the Finance Lease Arrangements
“Consideration”	means the aggregate consideration payable by Chengtong Financial Leasing to the Transferor for the Assignment
“Director(s)”	means the director(s) of the Company
“Finance Lease Agreements”	means the eight (8) finance lease agreements signed between the Transferor and the Lessees, the particulars of which are set out in Table 1 of this announcement, and each a “Finance Lease Agreement”
“Finance Lease Arrangements”	means the purchase of the Leased Assets by the Transferor from the Lessees and the lease back of the Leased Assets to the Lessees pursuant to the terms of the Finance Lease Agreements, and each a “Finance Lease Arrangement”
“Group”	means the Company and its subsidiaries as at the date of this announcement
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	means third party independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)

“Leased Assets”	means the facilities and equipment leased to the Lessees under the Finance Lease Arrangements
“Lessees”	means the six (6) lessees under the Finance Lease Arrangements, and each a “Lessee”
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Pledged Assets”	means the right of the Transferor to receive payment from the debtors under the Relevant Pledged Agreements, including but not limited to all present and future right to receive rent, security money, default interest, liquidated damages, repurchase price, termination payment and any other sums or expenses payable under the Relevant Pledged Agreements
“PRC”	means the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Repurchase Agreement”	means the leased assets repurchase agreement dated 15 October 2019 entered into between the Transferor and Chengtong Financial Leasing in respect of the repurchase of the Assigned Properties by the Transferor
“Receivables Pledge Agreement”	means the receivables pledge agreement dated 15 October 2019 entered into between the Transferor and Chengtong Financial Leasing in relation to the pledge of the Pledged Assets in favour of Chengtong Financial Leasing
“Relevant Pledged Agreements”	means a total of twelve (12) finance lease agreements signed by the Transferor with lessees which form the subject matter of the Receivables Pledge Agreement
“RMB”	means Renminbi, the lawful currency of the PRC
“Security Providers”	means the parties who provide security in relation to the Finance Lease Arrangements

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Transfer Agreement”	means the finance lease assets transfer agreement dated 15 October 2019 entered into between the Transferor and Chengtong Financial Leasing, pursuant to which the Transferor assigns the Assigned Properties to Chengtong Financial Leasing
“Transfer Date”	means 20 October 2019 (or such other date as may be agreed between the Transferor and Chengtong Financial Leasing), on which the Consideration is paid to the Transferor
“Transferor”	means 浙江匯金融資租賃有限公司 (unofficial English translation being Zhejiang Hui Jin Financial Leasing Company Limited), a company incorporated in the Zhejiang Province, PRC with limited liability
“%”	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\$1.11. 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**  
**Zhang Bin**  
*Chairman and Managing Director*

Hong Kong, 15 October 2019

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