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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 22 February 2021, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreements 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 four (4) 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.

On 22 February 2021, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreements with the Lessee in respect of the Finance Lease Arrangement, the major terms of which are set out below.

FINANCE LEASE ARRANGEMENT

Date of the Finance Lease Agreements

22 February 2021

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 owner are Independent Third Parties, and the Lessee is principally engaged in the business of logistics operation.

Subject matter

Subject to the fulfilment of certain conditions as set out in the Finance Lease Agreements (including but not limited to the obtaining of all necessary approvals by the Lessee in relation to the Finance Lease Arrangement, the signing and the coming into effect of the relevant guarantee agreement, and the payment of the security money (as set out below) by the Lessee), Chengtong Financial Leasing will purchase the Facilities from the Lessee at the Purchase Price of RMB100 million (equivalent to approximately HK\$120 million), and the Facilities will be leased back to the Lessee for a period of four (4) 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 15 March 2021, Chengtong Financial Leasing shall have the right to unilaterally terminate the Finance Lease Agreements.

Purchase Price

The Purchase Price of RMB100 million (equivalent to approximately HK\$120 million) was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised value of the Facilities as at 22 December 2020 which amounted to approximately RMB120.11 million (equivalent to approximately HK\$144.13 million).

The Purchase Price will be satisfied by the internal resources of the Group.

Legal title

Chengtong Financial Leasing owns the legal title of the Facilities during the Lease Term.

Lease payment

The total amount of lease payment over the Lease Term is estimated to be approximately RMB110.72 million (equivalent to approximately HK\$132.86 million) which shall be paid by the Lessee to Chengtong Financial Leasing in sixteen (16) quarterly instalments during the Lease Term.

The total amount of lease payment is calculated on the then outstanding lease principal amount (being initially the amount of Purchase Price to be paid by Chengtong Financial Leasing) with a floating interest rate to be determined at a premium over the one-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China (“**LPR**”) from time to time. In the event that the LPR changes during the Lease Term, adjustments will be made to such lease interest rate on an annual basis on 1 January every year except in the case where the Lessee has overdue lease payment and has not paid all overdue payments and liquidated damages, the interest rate applied will not be adjusted when the LPR is reduced. The interest rate 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 credit risks associated with the Finance Lease Arrangement.

Lessee's right to repurchase the Facilities

Upon the expiry of the Lease Term, subject to the Lessee having paid all the lease payments and any other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Finance Lease Agreements, the Lessee shall have the right to repurchase the Facilities at a nominal consideration of RMB1.00.

Security money

The Lessee agrees to pay a sum of RMB4 million (equivalent to HK\$4.8 million) as security money for the performance of its obligations under the Finance Lease Agreements.

If the Lessee fails to fully perform any obligation under the Finance Lease Agreements, Chengtong Financial Leasing has the right to apply the security money to set off against any amount owed by the Lessee to it in the following order: liquidated damages, other payables including but not limited to damages (if any), outstanding and prospective lease payments and repurchase price. If the Lessee has fully performed all its obligations under the Finance Lease Agreements, Chengtong Financial Leasing shall return the security money to the Lessee upon the expiry of the Lease Term and the Lessee's presentation of the receipt of the security money.

When the amount payable by the Lessee under the Finance Lease Agreements is less than the balance of the security money, the Finance Lease Agreements may be early terminated upon the Lessee's application. The Lessee shall then present the receipt of the security money to Chengtong Financial Leasing upon which the security money shall be used to set off the lease payments and other payables under the Finance Lease Agreements and any remaining balance of the security money shall be returned to the Lessee.

Guarantee

The Guarantors have each provided a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under the Finance Lease Agreements, including but not limited to liquidated damages, outstanding and prospective lease payments, repurchase price and other payables. The guarantees are irrevocable and continuing in nature.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Guarantors and their ultimate beneficial owners are Independent Third Parties, and the principal businesses of the First Guarantor and the Second Guarantor are the construction of city infrastructure facilities, and the investment and construction of municipal, traffic and hydraulic engineering projects respectively.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Group is principally engaged in finance leasing, bulk commodity trade, property development, property investment and marine recreation services and hotel business.

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 RMB10.72 million (equivalent to approximately HK\$12.86 million), being the difference between the estimated total lease payments 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, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	means the director(s) of the Company
“Facilities”	means certain infrastructure and facilities located in the Xinyi Road Port Logistics Park including power distribution, fire protection, electrical lighting, security monitoring, network system, refueling, smart parking equipment and facilities

“Finance Lease Agreements”	means, collectively, the following agreements each dated 22 February 2021 and signed between Chengtong Financial Leasing and the Lessee in relation to the Finance Lease Arrangement: (1) finance lease agreement; (2) security money agreement; and (3) leaseback assets transfer agreement.
“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 Agreements
“Group”	means the Company and its subsidiaries as at the date of this announcement
“Guarantors”	means: (1) 新沂市城市投資發展有限公司 (“ First Guarantor ”), a State-owned enterprise established in the PRC with limited liability which is ultimately wholly-owned by 新沂市人民政府 (Xinyi City People’s Government); and (2) 新沂市交通投資有限公司 (“ Second Guarantor ”), the immediate holding company of the Lessee and a State-owned enterprise established in the PRC with limited liability which is ultimately wholly-owned by 徐州市人民政府 (Xuzhou Municipal People’s Government).
“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(ies)”	means third party(ies) independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Lessee”	means 新沂市公路港物流有限公司, a State-owned enterprise established in the PRC with limited liability which is ultimately wholly-owned by 徐州市人民政府 (Xuzhou Municipal People’s Government)

“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“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
“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\$1.20. 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

Hong Kong, 22 February 2021

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