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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)

MAJOR TRANSACTION — FINANCE LEASE ARRANGEMENT

On 19 July 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 Leased Assets from the Lessee and will lease the Leased Assets back to the Lessee for a term of five (5) years.

On 30 October 2020, Chengtong Financial Leasing entered into the Previous Transaction with the Previous Lessee. Since the Finance Lease Arrangement is entered into within 12 months from the date of the Previous Transaction and each of the Lessee and the Previous Lessee is controlled by a common beneficial owner, namely Lanzhou Construction Investment, the Finance Lease Arrangement is aggregated with the Previous Transaction for the purpose of calculating the relevant percentage ratios (as defined under the Listing Rules).

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement, both when calculated individually and when aggregated with the Previous Transaction, exceeds 25% but is less than 100%, the Finance Lease Arrangement constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Finance Lease Arrangement, written Shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Company has obtained written Shareholder's approval in respect of the Finance Lease Arrangement from World Gain Holdings Limited, which is a controlling shareholder of the Company holding 3,022,154,119 issued Shares, representing approximately 52.03% of the issued share capital of the Company as at the date of this announcement. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Finance Lease Arrangement.

A circular containing, among other things, (i) information on the Finance Lease Arrangement, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 25 August 2021, which is determined after taking into account the estimated time required for the Company to prepare the relevant information for inclusion in the circular.

On 19 July 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

19 July 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 immediate shareholder controlling more than one-third of the equity interest of the Lessee is 蘭州國資投資（控股）建設集團有限公司 (unofficial English translation being Lanzhou State-owned Investment (Holdings) Construction Group Co. Ltd.), which is in turn owned as to 80% by Lanzhou Construction Investment. Lanzhou Construction Investment is ultimately owned by Lanzhou SASAC.

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, and the Lessee is principally engaged in the business of operation and management of procurement centre for the wholesale of agricultural and sideline products.

Subject matter

Subject to the fulfilment of the conditions as set out in each of the Finance Lease Agreement I and Finance Lease Agreement II (including but not limited to the obtaining of the relevant Shareholder's approval by the Company approving each of the Finance Lease Agreement I and Finance Lease Agreement II and the Finance Lease Arrangement contemplated thereunder in accordance with the requirements of the Listing Rules, 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 agreements and the payment of the security money (as set out below) by the Lessee), Chengtong Financial Leasing will purchase Facilities I and Facilities II from the Lessee at the Purchase Price of RMB100 million (equivalent to approximately HK\$120 million) and RMB200 million (equivalent to approximately HK\$240 million) respectively, and Facilities I and Facilities II will be leased back to the Lessee for a period of five (5) years from the date on which the respective Purchase Price is paid by Chengtong Financial Leasing (“**Lease Term**”).

If any of the conditions under the Finance Lease Agreement I and Finance Lease Agreement II are not satisfied on or before 19 September 2021, Chengtong Financial Leasing shall have the right to unilaterally terminate the Finance Lease Agreement I and/or the Finance Lease Agreement II (as the case may be).

Purchase Price

The respective Purchase Price of Facilities I and Facilities II was agreed between Chengtong Financial Leasing and the Lessee with reference to the respective appraised value of the Facilities I and Facilities II as at 28 June 2021 which amounted to approximately RMB101.90 million (equivalent to approximately HK\$122.28 million) and RMB211.16 million (equivalent to approximately HK\$253.39 million) respectively.

The Purchase Price will be satisfied by the internal resources of the Group and/or borrowings.

Legal title

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

Lease payment

The total amount of lease payment in respect of Facilities I and Facilities II over the Lease Term is estimated to be approximately RMB114.50 million (equivalent to approximately HK\$137.40 million) and approximately RMB229.01 million (equivalent to approximately HK\$274.81 million) respectively, which shall be paid by the Lessee to Chengtong Financial Leasing in twenty (20) quarterly instalments during the Lease Term.

The total amount of lease payment represents the sum of the relevant lease principal amount (being the respective amount of Purchase Price to be paid by Chengtong Financial Leasing pursuant to Financial Lease Agreement I and Finance Lease Agreement II) and the lease interest which is calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a premium over the five-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 Leased Assets and the credit risks associated with the Finance Lease Arrangement.

Lessee's right to repurchase the Leased Assets

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

Security money

The Lessee agrees to pay RMB5 million (equivalent to HK\$6 million) and RMB10 million (equivalent to approximately HK\$12 million) as security money for the performance of its obligations under the Finance Lease Agreement I and Finance Lease Agreement II respectively.

If the Lessee fails to fully perform any obligation under any of the Finance Lease Agreements, Chengtong Financial Leasing has the right to apply the respective 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 respective Finance Lease Agreements, Chengtong Financial Leasing shall return the respective security money to the Lessee upon the expiry of the Lease Term and the Lessee's presentation of the receipt(s) of the security money.

When the respective amount payable by the Lessee under the Finance Lease Agreement I and the Finance Lease Agreement II is less than the respective balance of the security money, the Finance Lease Agreement I and/or Finance Lease Agreement II (as the case may be) may be early terminated upon the Lessee's application. The Lessee shall then present the receipt(s) 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 Agreement I and/or Finance Lease Agreement II (as the case may be) and any remaining balance of the security money shall be returned to the Lessee.

Guarantee

The Guarantor will provide a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under each of the Finance Lease Agreement I and the Finance Lease Agreement II, including but not limited to liquidated damages, outstanding and prospective lease payment, repurchase price and other payables. The guarantee is irrevocable and continuing in nature.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Guarantor is owned as to 97% by Lanzhou Construction Investment, which is in turn ultimately owned by Lanzhou SASAC; (ii) the Guarantor and its ultimate beneficial owners are Independent Third Parties; and (iii) the Guarantor is principally engaged in the construction of urban infrastructure and the provision of public utilities in the PRC.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Group is principally engaged in leasing, bulk commodity trade, property development, property investment and marine recreation services and hotel business. The Group's leasing business is mainly carried out through Chengtong Financial Leasing as its principal 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 aggregate amount of income of approximately RMB43.51 million (equivalent to approximately HK\$52.21 million), being the difference between the estimated total lease payment under the Finance Lease Arrangement and the aggregate Purchase Price to be paid by Chengtong Financial Leasing for the Leased Assets.

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 as a whole.

IMPLICATION UNDER THE LISTING RULES

On 30 October 2020, Chengtong Financial Leasing entered into the Previous Transaction with the Previous Lessee. The Previous Lessee is wholly-owned by Lanzhou Construction Investment, which is in turn ultimately owned by Lanzhou SASAC. Since the Finance Lease Arrangement is entered into within 12 months from the date of the Previous Transaction and each of the Lessee and the Previous Lessee is controlled by a common beneficial owner,

namely Lanzhou Construction Investment, the Finance Lease Arrangement is aggregated with the Previous Transaction for the purpose of calculating the relevant percentage ratios (as defined under the Listing Rules).

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement, both when calculated individually and when aggregated with the Previous Transaction, exceeds 25% but is less than 100%, the Finance Lease Arrangement constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Finance Lease Arrangement, written Shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Company has obtained written Shareholder's approval in respect of the Finance Lease Arrangement from World Gain Holdings Limited, which is a controlling shareholder of the Company holding 3,022,154,119 issued Shares, representing approximately 52.03% of the issued share capital of the Company as at the date of this announcement. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Finance Lease Arrangement.

A circular containing, among other things, (i) information on the Finance Lease Arrangement, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 25 August 2021, which is determined after taking into account the estimated time required for the Company to prepare the relevant information for inclusion in the circular.

DEFINITIONS

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

“2020 Finance Lease Agreements” means, collectively, the following agreements each dated 30 October 2020 and signed between Chengtong Financial Leasing and the Previous Lessee in relation to the Previous Transaction:

- (1) two sets of leaseback assets transfer agreement;
- (2) two sets of finance lease agreement; and
- (3) two sets of security money 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, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the director(s) of the Company
“Facilities I”	means certain cold storage refrigeration equipment and ancillary facilities
“Facilities II”	means certain structures and facilities of a food procurement centre and cold storage refrigeration equipment
“Finance Lease Agreement I”	means the following agreement each dated 19 July 2021 and signed between Chengtong Financial Leasing and the Lessee in relation to the sale and leaseback of Facilities I: <ol style="list-style-type: none"> (1) leaseback assets transfer agreement; (2) finance lease agreement; and (3) security money agreement.
“Finance Lease Agreement II”	means the following agreement each dated 19 July 2021 and signed between Chengtong Financial Leasing and the Lessee in relation to the sale and leaseback of Facilities II: <ol style="list-style-type: none"> (1) leaseback assets transfer agreement; (2) finance lease agreement; and (3) security money agreement.
“Finance Lease Agreements”	means, collectively, Finance Lease Agreement I and Finance Lease Agreement II

“Finance Lease Arrangement”	means the purchase of the Leased Assets by Chengtong Financial Leasing from the Lessee and the leaseback of the Leased Assets 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
“Guarantor”	means 蘭州市城市發展投資有限公司 (unofficial English translation being Lanzhou Urban Development Investment Co. Ltd.), a company established in the PRC with limited liability
“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)
“Lanzhou Construction Investment”	means 蘭州建設投資（控股）集團有限公司 (unofficial English translation being Lanzhou Construction Investment (Holdings) Group Co. Ltd.)
“Lanzhou SASAC”	means 蘭州市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Lanzhou Municipal Government)
“Leased Assets”	means, collectively, Facilities I and Facilities II
“Lessee”	means 蘭州國際高原夏菜副食品採購中心有限公司 (unofficial English translation being Lanzhou International Gao Yuan Xia Cai Sideline Food Procurement Centre Co., Ltd.), a company 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 which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Previous Lessee”	means 蘭州建投環保節能產業有限公司 (unofficial English translation being Lanzhou Construction Investment Environmental Conservation Industry Co., Ltd.), a company established in the PRC with limited liability
“Previous Transaction”	means the purchase of certain sewage treatment equipment and structures by Chengtong Financial Leasing from the Previous Lessee and the leaseback of such facilities to the Previous Lessee pursuant to the terms of the 2020 Finance Lease Agreements, the details of which are set out in the announcement of the Company dated 30 October 2020
“Purchase Price”	means the respective consideration payable by Chengtong Financial Leasing for the purchase of the Facilities I and Facilities II from the Lessee
“RMB”	means Renminbi, the lawful currency of the PRC
“Shareholder(s)”	means the shareholder(s) of the Company
“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, 19 July 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.