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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 — SALE AND LEASEBACK ARRANGEMENT**

On 17 August 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.

The Group had entered into the Previous Transactions with the Lessee which have ended on 22 July 2021 and 16 August 2021 respectively.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Sale and Leaseback Arrangement, both when calculated individually and when aggregated with the Previous Transactions, exceeds 5% but is less than 25%, the Sale and Leaseback 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 17 August 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 Sale and Leaseback Arrangement, the major terms of which are set out below.

## **SALE AND LEASEBACK ARRANGEMENT**

### **Date of the Finance Lease Agreements**

17 August 2021

### **Parties**

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Lessee is a wholly-owned subsidiary of the Guarantor, which is in turn wholly-owned by 諸暨市國有資產經營有限公司 (unofficial English translation being Zhu Ji City State-owned Assets Operations Co., Ltd.) and ultimately wholly-owned by 諸暨市國有資產監督管理委員會 (unofficial English translation being State-owned Assets Supervision and Administration Bureau of Zhu Ji City); (ii) the Lessee and its ultimate beneficial owner are Independent Third Parties; and (iii) the Lessee is principally engaged in the business of management and leasing of procurement centre, logistics centre and shopping centre for socks and textile raw materials.

### **Subject matter**

Subject to the fulfilment of the 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 Sale and Leaseback Arrangement, and the signing and the coming into effect of the relevant security agreement(s)), Chengtong Financial Leasing will purchase the Facilities from the Lessee at the Purchase Price of RMB100 million (equivalent to 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, subject to early termination in accordance with the terms and conditions of the Finance Lease Agreements.

If any of the conditions under the Finance Lease Agreements are not satisfied on or before 30 September 2021, Chengtong Financial Leasing shall have the right to unilaterally terminate the Finance Lease Agreements.

### **Purchase Price**

The Purchase Price of the Facilities was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised value of the Facilities as at 13 July 2021 which amounted to approximately RMB114.95 million (equivalent to approximately HK\$137.94 million).

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 Facilities during the Lease Term.

## **Lease payment**

The total amount of lease payment over the Lease Term is estimated to be approximately RMB111.35 million (equivalent to approximately HK\$133.62 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 represents the sum of the lease principal amount (being the amount of Purchase Price to be paid by Chengtong Financial Leasing) 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 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 Sale and Leaseback Arrangement.

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

Upon 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.

## **Guarantee**

The Guarantor has 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 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 wholly-owned by 諸暨市國有資產經營有限公司 (unofficial English translation being Zhu Ji City State-owned Assets Operations Co., Ltd.) and is ultimately wholly-owned by 諸暨市國有資產監督管理委員會 (unofficial English translation being State-owned Assets Supervision and Administration Bureau of Zhu Ji City); (ii) the Guarantor and its ultimate beneficial owner are Independent Third Parties; and (iii) the Guarantor is principally engaged in the business of urban infrastructure development, property development, property leasing and management, and provision of maintenance services of vehicles.

## **REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK 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 Sale and Leaseback 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 RMB11.35 million (equivalent to approximately HK\$13.62 million), being the difference between the estimated total lease payments under the Sale and Leaseback Arrangement and the Purchase Price.

The Directors are of the view that the terms of the Sale and Leaseback 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**

The Group had entered into the Previous Transactions with the Lessee which have ended on 22 July 2021 and 16 August 2021 respectively. Although the Sale and Leaseback Arrangement is entered into within 12 months from the respective end date of the Previous Transactions, as there is no outstanding lease payment under the Previous Transactions, the Previous Transactions do not have any impact on the classification of the Sale and Leaseback Arrangement for the purpose of Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Sale and Leaseback Arrangement, both when calculated individually and when aggregated with the Previous Transactions, exceeds 5% but is less than 25%, the Sale and Leaseback 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 facilities/equipment in relation to lighting system, fire prevention system, air-conditioning system, lifts and escalators, and LED displays
“Finance Lease Agreements”	means, collectively, the following agreements each dated 17 August 2021 and signed between Chengtong Financial Leasing and the Lessee in relation to the Sale and Leaseback Arrangement:  (1) leaseback assets transfer agreement; and  (2) finance lease agreement.
“Group”	means the Company and its subsidiaries as at the date of this announcement
“Guarantor”	means 諸暨市新城投資開發集團有限公司 (unofficial English translation being Zhu Ji City New City Investment Development Group Co. Ltd.), a State-owned enterprise 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)
“Lessee”	means 浙江大唐襪業城有限公司 (unofficial English translation being Zhejiang Da Tang Socks Industry Co., Ltd.), 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 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 Transactions”	means the two previous sale and leaseback transactions with the Lessee as transferred and assigned to Chengtong Financial Leasing in October 2019, with an aggregate amount of outstanding lease principal of RMB105 million (equivalent to HK\$126 million) as at the date of transfer and assignment

“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
“Sale and Leaseback Arrangement”	means the purchase of the Facilities by Chengtong Financial Leasing from the Lessee and the leaseback of the Facilities to the Lessee pursuant to the terms of the Finance Lease Agreements
“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, 17 August 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.*