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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

THE SALE AND LEASEBACK ARRANGEMENT

On 27 June 2023 Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback 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 two (2) years, subject to early termination in accordance with the terms and conditions of the Sale and Leaseback Agreements.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Sale and Leaseback Arrangement 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 27 June 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback 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 Sale and Leaseback Agreements

27 June 2023

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 directly owned as to (a) approximately 73.72% by the Guarantor; and (b) approximately 9.96% by Dongfeng Automobile Co. Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600006); (ii) the Lessee and its ultimate beneficial owner are Independent Third Parties; and (iii) the Lessee is principally engaged in the business of manufacturing and distribution of trucks and related accessories.

Subject matter

Subject to the fulfillment of the conditions as set out in the Sale and Leaseback Agreements (including but not limited to the provision by the Lessee of all necessary documents or information evidencing its ownership in the Leased Assets, the obtaining of all necessary approvals by the Lessee in relation to the Sale and Leaseback Arrangement, the payment of security money (as set out below) by the Lessee) and the signing and the coming into effect of the relevant agreements), Chengtong Financial Leasing will purchase the Leased Assets from the Lessee at the Purchase Price of RMB100 million (equivalent to HK\$108 million), and the Leased Assets will be leased back to the Lessee for a period of two (2) 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 Sale and Leaseback Agreements.

If any of the conditions under the Sale and Leaseback Agreements are not satisfied on or before 29 December 2023, Chengtong Financial Leasing shall have the right to unilaterally terminate the Sale and Leaseback Agreements.

Purchase Price

The Purchase Price of the Leased Assets was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised value of the Leased Assets as at 9 June 2023 which amounted to approximately RMB128.10 million (equivalent to approximately HK\$138.35 million) as assessed by way of cost method by an independent PRC valuer. The Leased Assets are not revenue generating assets with identifiable income stream.

The Purchase Price will be satisfied by the general working capital of the Group.

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 over the Lease Term is estimated to be approximately RMB105.14 million (equivalent to approximately HK\$113.55 million) which shall be paid by the Lessee to Chengtong Financial Leasing in eight (8) 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 fixed interest rate to be determined at a premium over the then prevailing one (1)-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China (“LPR”) at the time when the Sale and Leaseback Agreements were entered into.

Service fee

The Lessee shall pay a one-off service fee of RMB1.55 million (equivalent to approximately HK\$1.67 million) (“**Service Fee**”) to Chengtong Financial Leasing within two (2) business days after the commencement date of the Lease Term. The Service Fee is non-refundable.

The interest rate (including the applicable LPR and the premium) and Service Fee applicable to the Sale and Leaseback Arrangement have been agreed between the parties after arm's length negotiation taking into account a number of factors, such as the amount of lease principal, the lease term, the overall return rate attained by the Group taking into account the amount of lease interests and Service Fee, the prevailing market conditions and the movement of the LPR.

Security money

The Lessee agrees to pay a sum of RMB3.50 million (equivalent to approximately HK\$3.78 million) as security money for the performance of their obligations under the Sale and Leaseback Agreements. If the Lessee fail to fully perform any obligation under the Sale and Leaseback 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 have fully performed all their obligations under the Sale and Leaseback Agreements, Chengtong Financial Leasing shall return the security money to the Lessee upon the Lessee's presentation of the receipt of the security money.

When the amount payable by the Lessees under the Sale and Leaseback Agreements is less than the balance of the security money, the Sale and Leaseback Agreements may be early terminated upon the Lessees' application. The Lessees 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 Sale and Leaseback Agreements and any remaining balance of the security money shall be returned to the Lessees.

Guarantee

The Guarantor has provided a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under the Sale and Leaseback 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 a company whose shares are listed on the Shanghai Stock Exchange (stock code: 900953), directly owned as to (a) approximately 29.83% by the China Hengtian Group Co. Ltd., which is the Guarantor's largest shareholder, and is wholly owned by China National Machinery Industry Corporation, and is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council; and (b) approximately 12.13% by Weichai Holding Corporation; and (c) approximately 10% by Nanchang Guojin Industrial Investment Co. Ltd., (ii) the Guarantor and its ultimate beneficial owner are Independent Third Parties; and (iii) the Guarantor is principally engaged in the business of manufacturing and distribution of agricultural trucks, diesel engines, small electro-mechanical products etc.

Lessee's right to repurchase the Leased Assets

Upon the Lessee having paid all the lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Sale and Leaseback Agreements, the Lessee shall have the right to repurchase the Leased Assets at a nominal consideration of RMB1.00.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT

The Group is principally engaged in leasing, bulk commodity trade, property development and 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 RMB6.69 million (equivalent to approximately HK\$7.23 million), being the total of the Service Fee and the difference between the estimated amount of total lease payments under the Sale and Leaseback Arrangement and the Purchase Price of the Leased Assets.

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.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Sale and Leaseback Arrangement 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 Chengtong Financial Leasing Company Limited, a company established 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
“Group”	means the Company and its subsidiaries as at the date of this announcement
“Guarantor”	means Kama Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 900953)
“HK\$”	means Hong Kong dollar, 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)
“Leased Assets”	means certain automobile production equipment including painting lines, welding machines and pressing machines etc.
“Lessee”	means Shandong Kaima Automobile Manufacturing 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
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Leased Assets from the Lessee
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the following agreements each dated 27 June 2023 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 (sale and leaseback)
“Sale and Leaseback 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 Sale and Leaseback 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\$1.08. 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.

The English names of all PRC entities in this announcement are for identification purpose only.

By Order of the Board
China Chengtong Development Group Limited
Zhang Bin
Chairman

Hong Kong, 27 June 2023

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