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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 23 February 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements I and Sale and Leaseback Agreements II with the Lessee, pursuant to which Chengtong Financial Leasing will purchase the Facilities I and Facilities II from the Lessee and will lease the Facilities I and Facilities II back to the Lessee for terms of thirty four (34) months and twenty four (24) months respectively.

As the highest applicable percentage ratio in respect of the Sale and Leaseback Arrangement, when aggregated, 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 23 February 2022, 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

23 February 2022

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 owners are Independent Third Parties and the Lessee is principally engaged in the business of provision of finance and leasing services in the PRC.

Subject matter

Subject to the fulfilment of the conditions as set out in each of the Sale and Leaseback Agreements (including but not limited to the obtaining of all necessary approvals by the Lessee in relation to the Sale and Leaseback Arrangement, the signing and the coming into effect of the relevant security agreements and the completion of the requisite registration for each of the securities (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\$123 million) and RMB80 million (equivalent to approximately HK\$98.40 million) respectively, and Facilities I and Facilities II will be leased back to the Lessee for a period of thirty four (34) months and twenty four (24) months respectively from the date on which the respective Purchase Price is paid by Chengtong Financial Leasing (“**Lease Terms**”). If any of the conditions under the Sale and Leaseback Agreements I and Sale and Leaseback Agreements II are not satisfied on or before 31 March 2022, Chengtong Financial Leasing shall have the right to unilaterally terminate the Sale and Leaseback Agreements I and/or the Sale and Leaseback Agreements 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 aggregate outstanding lease principal amount under the Original Finance Lease Agreements as at 23 February 2022 which amounted to approximately RMB109.42 million (equivalent to approximately HK\$134.59 million) and RMB80.64 million (equivalent to approximately HK\$99.19 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 Terms.

Lease payment

The total amount of lease payment in respect of Facilities I and Facilities II over the Lease Terms is estimated to be approximately RMB105.75 million (equivalent to approximately HK\$130.07 million) and approximately RMB83.60 million (equivalent to approximately HK\$102.83 million) respectively, which shall be paid by the Lessee to Chengtong Financial Leasing on a quarterly basis in twelve (12) equal instalments and eight (8) equal instalments during the Lease Terms respectively.

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 Sale and Leaseback Agreements I and Sale and Leaseback Agreements 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 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 Terms, 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 Sale and Leaseback Arrangement.

Service Fee

The Lessee shall pay a total of service fees of approximately RMB3.05 million (equivalent to approximately HK\$3.75 million) (“Service Fee”) to Chengtong Financial Leasing in four (4) equal instalments on the first day of the Lease Terms, and the subsequent three instalment due dates for the preliminary services provided by Chengtong Financial Leasing in respect of the Sale and Leaseback Arrangement. The Service Fee is non-refundable.

Lessee's right to repurchase the Facilities

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 I and Sale and Leaseback Agreements II, the Lessee shall have the right to repurchase the Facilities I and Facilities II at a nominal consideration of RMB1.00 respectively.

Security

In order to guarantee the Lessee's performance of the Sale and Leaseback Agreements, the Lessee has agreed to pledge all its receivables from the Sub-lessee under the Original Finance Lease Agreements to Chengtong Financial Leasing as security for all amounts payable by the Lessee under the Sale and Leaseback Agreements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sub-lessee and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT

The Group is principally engaged in leasing, bulk commodity trade, property development and investment, marine recreation services and hotel. 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 aggregate amount of income of approximately RMB12.40 million

(equivalent to approximately HK\$15.25 million), being the aggregate of the Service Fee and the difference between the estimated total lease payment 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

As the highest applicable percentage ratio in respect of the Sale and Leaseback Arrangement I and the Sales and Leaseback Arrangement II, when aggregated, exceeds 5% but is less than 25%, the Sale and Leaseback Arrangements constitute 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
“CCCG”	means 中國交通建設股份有限公司 (unofficial English translation being China Communications Construction Group Company Limited), a state-owned enterprise established in the PRC with limited liability
“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 I”	means certain equipment for power supply, lighting, monitoring and ancillary facilities
“Facilities II”	means certain equipment for weak electricity system, broadcast, air condition, machine room and ancillary facilities
“Group”	means the Company and its subsidiaries as at the date of this announcement
“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, collectively, Facilities I and Facilities II
“Lessee”	means 中交融資租賃(廣州)有限公司 (unofficial English translation being China Communications Financial Leasing (Guangzhou) Company Limited), a company established in the PRC with limited liability whose is owned by CCCG as to more than one-third of its equity interest
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Original Finance Lease Agreements”	means the finance lease agreements in respect of the Facilities I and Facilities II entered into between the Lessee (as lessor) and the Sub-lessee(s) (as lessee)
“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 I and Facilities II from the Lessee
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements I”	means, collectively, the following agreements, each dated 23 February 2022 and signed between Chengtong Financial Leasing and the Lessee in relation to the Sale and Leaseback Arrangement of Facilities I: <ul style="list-style-type: none"> (1) leaseback assets transfer agreement; (2) finance lease agreement (sale and leaseback); and (3) receivables pledge agreement

“Sale and Leaseback Agreements II”	means, collectively, the following agreements, each dated 23 February 2022 and signed between Chengtong Financial Leasing and the Lessee in relation to the Sale and Leaseback Arrangement of Facilities II
	(1) leaseback assets transfer agreement;
	(2) finance lease agreement (sale and leaseback); and
	(3) receivables pledge agreement
“Sale and Leaseback Agreements”	means, collectively, Sale and Leaseback Agreements I and Sale and Leaseback Agreements II
“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
“Sub-lessee”	means the lessee(s) under the Original Finance Lease Agreements, being companies incorporated in the PRC with limited liability, and its ultimate beneficial owner are Independent Third Parties
“%”	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\$1.23. 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, 23 February 2022

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