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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 MASTER AGREEMENT

THE FINANCE LEASE MASTER AGREEMENT

On 21 April 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Master Agreement with the Lessee, pursuant to which Chengtong Financial Leasing has agreed to provide finance lease services to the Lessee, subject to a maximum financing amount of RMB160 million (equivalent to HK\$195.20 million) and other terms set out in the Finance Lease Master Agreement.

IMPLICATION UNDER THE LISTING RULES

As the highest applicable 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 for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE FINANCE LEASE MASTER AGREEMENT

On 21 April 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Master Agreement with the Lessee. The material terms of the Finance Lease Arrangement contemplated under the Finance Lease Master Agreement are set out below.

Date of the Finance Lease Master Agreement

21 April 2022.

Parties

- (1) Chengtong Financial Leasing, as lessor; and
- (2) the Lessee, as lessee.

Subject matter

Chengtong Financial Leasing has agreed to provide finance lease services to the Lessee, subject to a maximum financing amount of RMB160 million (equivalent to HK\$195.20 million) and other terms set out in the Finance Lease Master Agreement. The Finance Lease Master Agreement sets out the rights and obligations between Chengtong Financial Leasing and the Lessee in relation to each of the Finance Lease Arrangement to be constituted by the Finance Lease Master Agreement and the relevant Finance Lease Agreements.

Availability period

The Lessee may make application(s) to Chengtong Financial Leasing, between the period from 20 April 2022 to 19 April 2023 (both days inclusive), for the provision of finance lease services by Chengtong Financial Leasing in respect of the Leased Assets.

Upon acceptance of the application by Chengtong Financial Leasing, Chengtong Financial Leasing and the Lessee will enter into individual Finance Lease Agreements in accordance with the terms and conditions of the Finance Lease Master Agreement in respect of each individual Finance Lease Arrangement.

Financing amount/lease principal

The maximum financing amount (being the lease principal amount) under the Finance Lease Master Agreement is RMB160 million (equivalent to HK\$195.20 million) which is determined according to the expected funding needs of the Lessee and the estimated value of the Leased Assets.

Chengtong Financial Leasing shall have the discretion to decide whether to provide the finance lease or to unilaterally terminate, cancel or reduce the maximum financing amount under the Finance Lease Master Agreement.

It is expected that the financing amount under the Finance Lease Master Agreement will be funded by the internal resources of the Group and/or borrowings.

Lease method

Chengtong Financial Leasing shall, at the choice of the Lessee, purchase the relevant Leased Assets from the Vendor(s), and the relevant Leased Assets will then be leased to the Lessee in return for a lease payment.

The Leased Assets will be newly manufactured assets. The Purchase Price for the relevant Leased Assets under each Finance Lease Arrangement will therefore be determined with reference to the prevailing market price of comparable assets and agreed after arm's length negotiation between the Lessee and the relevant Vendor(s). The total Purchase Price will not exceed the maximum financing amount.

Lease period

The lease period for each Finance Lease Arrangement shall not exceed five (5) years.

Lease payment

The lease payment under each Finance Lease Arrangement represents the sum of the lease principal amount (being the amount of Purchase Price to be paid by Chengtong Financial Leasing for the relevant Leased Assets) and the lease interest which is calculated on the then outstanding lease principal amount with an interest rate to be determined between Chengtong Financial Leasing and the Lessee on an arm's length basis after considering, among other factors, the Purchase Price, the internal rate of return, the loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China and the credit risks associated with the Finance Lease Arrangement.

The payment schedule of the lease payment will also be determined under the individual Finance Lease Agreements but is expected to be paid either on a monthly or quarterly basis.

Ownership of the Leased Assets

The ownership of the relevant Leased Assets shall vest in Chengtong Financial Leasing during the lease period of the relevant Finance Lease Arrangement.

Nominal price

Upon expiry of the lease period of each Finance Lease Arrangement and subject to the full settlement of the relevant lease payment and all other payables under such Finance Lease Arrangement, the Lessee shall purchase the Leased Assets from Chengtong Financial Leasing at a nominal price. The maximum of the total amount of nominal price payable by the Lessee to Chengtong Financial Leasing for the purchase of the Leased Assets under the Finance Lease Master Agreement is RMB100 (equivalent to HK\$122).

Service fee

Under the individual Finance Lease Agreement, a service fee may be charged by Chengtong Financial Leasing for each Finance Lease Arrangement. The maximum of the total amount of service fee payable by the Lessee to Chengtong Financial Leasing under the Finance Lease Master Agreement is RMB5.60 million (equivalent to approximately HK\$6.83 million).

INFORMATION OF THE LESSEE AND THE VENDORS

Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) the Lessee is an indirect non-wholly owned subsidiary of China Communications Services Corporation Limited, the shares of which are listed on the Main Board of the Stock Exchange, whose ultimate holding company is China Telecommunications Corporation, a State-owned enterprise wholly-owned by the SASAC of the State Council; (b) the Lessee and its ultimate beneficial owners are Independent Third Parties; and (c) the Lessee is a smart supply chain integration service provider in the information and communication industry and is principally engaged in the business of provision of maintenance services, facilities management services and supply chain services for communication network, and provision of merchandise distribution services.

Vendors

According to the list of potential vendors provided by the Lessee, the Vendors designated by the Lessee comprise Hangzhou Yingtong, Hangzhou Joyware, Zhejiang Dahua, Zhejiang Hongcheng and Zhongxun Network.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

- (a) Hangzhou Yingtong is principally engaged in the provision of internet access services and sales of telecommunication equipment and is owned as to (i) approximately 33.38% by Cao Zhilong (曹志龍); (ii) approximately 33.31% by Li Juqin (李菊琴); and (iii) approximately 33.31% by Wei Chenchen (魏晨晨);
- (b) Hangzhou Joyware is a leading video surveillance solution provider whose shares are listed on the Shenzhen Stock Exchange;
- (c) Zhejiang Dahua is a subsidiary of 浙江大華技術股份有限公司 (unofficial English translation being Zhejiang Dahua Technology Co., Ltd.), whose shares are listed on the Shenzhen Stock Exchange, and Zhejiang Dahua is principally engaged in the development and sales of computer software, provision of technical services, and the design, development, production and sales of security equipment, electronic products and communication products;
- (d) Zhejiang Hongcheng is principally engaged in the development and sale of computer systems for data processing and storage support and is owned as to (i) approximately 34.22% by 杭州仕澤科技有限公司 (unofficial English translation being Hangzhou Shize Technology Co., Ltd.); (ii) approximately 34.15% by 浙江省公眾信息產業有限公司 (unofficial English translation being Zhejiang Province Public Information Industry Co., Ltd.), which is ultimately controlled as to more than one-third of its equity interest by the SASAC of the State Council; and (iii) approximately 31.63% by 浙江浙能資產經營管理有限公司 (unofficial English translation being Zhejiang Zheneng Assets Operation and Management Co., Ltd.), which is ultimately controlled as to more than one-third of its equity interest by the SASAC of the People's Government of Zhejiang Province;

- (e) Zhongxun Network is principally engaged in the provision of information system integration and network technology services and sale of communication transmission equipment and is ultimately controlled as to more than one-third of its equity interest by the SASAC of the State Council; and
- (f) each of the potential Vendor(s) and their ultimate beneficial owners is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE 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 Finance Lease Master Agreement is in the ordinary and usual course of business of Chengtong Financial Leasing and will enable the Group to earn a sizeable aggregate finance lease income.

The Directors are of the view that the terms of the Finance Lease Master Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As the highest applicable 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 for 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

“Finance Lease Agreements”	means the individual transaction agreements to be entered into between Chengtong Financial Leasing and the Lessee in respect of the purchase and lease of the relevant Leased Assets made pursuant to the Finance Lease Master Agreement, which will comprise a purchase entrustment agreement and a finance lease agreement
“Finance Lease Arrangement”	means the finance lease arrangement involving the purchase of the Leased Assets by Chengtong Financial Leasing from the Vendor(s) and the leasing of the Leased Assets to the Lessee pursuant to the terms and conditions of the Finance Lease Master Agreement and the individual Finance Lease Agreements
“Finance Lease Master Agreement”	means the finance lease master agreement dated 21 April 2022 and entered into between Chengtong Financial Leasing and the Lessee in relation to the Finance Lease Arrangement
“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
“Hangzhou Yingtong”	means 杭州盈通科技有限公司 (unofficial English translation being Hangzhou Yingtong Technology Co., Ltd.), a company incorporated in the PRC with limited liability
“Hangzhou Joyware”	means 杭州中威電子股份有限公司 (unofficial English translation being Joyware Electronics Co., Ltd.), a company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange
“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 network security equipment and electronic products, including but not limited to video surveillance camera, computer case, server, network switch, data hard drive, cloud database and lightning protection module
“Lessee”	means 浙江中通通信有限公司 (unofficial English translation being Zhejiang Zhongtong Communications Co., Ltd.), a company incorporated 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 Vendor(s)
“RMB”	means Renminbi, the lawful currency of the PRC
“SASAC”	means the State-owned Assets Supervision and Administration Commission
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Vendors”	means collectively Hangzhou Yingtong, Hangzhou Joyware, Zhejiang Dahua, Zhejiang Hongcheng and Zhongxun Network, and “Vendor” shall mean any one of them
“Zhejiang Dahua”	means 浙江大華科技有限公司 (unofficial English translation being Dahua Technology Co., Ltd.), a company incorporated in the PRC with limited liability
“Zhejiang Hongcheng”	means 浙江鴻程計算機系統有限公司 (unofficial English translation being Zhejiang Hongcheng Computer System Co., Ltd.), a company incorporated in the PRC with limited liability
“Zhongxun Network”	means 中訊網絡科技有限公司 (unofficial English translation being Zhongxun Network Technology Co., Ltd.), a company incorporated in the PRC with limited liability
“%”	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\$1.22. 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, 21 April 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.