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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 — TERMINATION AND ENTERING INTO SALE AND LEASEBACK ARRANGEMENT

TERMINATION AND ENTERING INTO SALE AND LEASEBACK ARRANGEMENT

On 29 September 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, terminated the Previous Transaction with the Lessee and 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 three (3) 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 termination of Previous Transaction and the Sale and Leaseback Arrangement exceeds 5% but is less than 25%, the termination of Previous Transaction and the Sale and Leaseback Arrangement constitute discloseable transactions of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

TERMINATION OF PREVIOUS TRANSACTIONS

On 29 September 2022, Chengtong Financial Leasing agreed to terminate the Previous Transactions with the Lessee upon the receipt of next instalment of lease payment (“**14th Instalment**”) and to enter into Sale and Leaseback Agreements. The original estimated amount of total lease payment of Previous Transaction was approximately RMB108.76 million and was payable in twenty (20) quarterly instalments during its lease term.

The 14th Instalment is falling due on 24 October 2022 according to the repayment schedule of the Previous Transaction, the then outstanding lease principal amounts to approximately RMB35.36 million (equivalent to approximately HK\$38.90 million) and the unearned lease interest for the period from 24 October 2022 up to the end of its original lease term is approximately RMB2.04 million (equivalent to approximately HK\$2.25 million).

On 29 September 2022, the Lessee paid Chengtong Financial Leasing an amount of approximately RMB30.62 million (equivalent to approximately HK\$33.68 million), which represented the sum of the 14th Instalment of approximately RMB5.44 million (equivalent to approximately HK\$5.98 million), the then outstanding lease principal of approximately RMB30.58 million (equivalent to approximately HK\$33.64 million) and the nominal consideration of RMB1.00 payable by the Lessee for the repurchase of the leased assets after deducting the security money of RMB5.4 million (equivalent to approximately HK\$5.94 million) previously paid by the Lessee. The Previous Transaction was duly terminated.

SALE AND LEASEBACK ARRANGEMENT

On 29 September 2022, Chengtong Financial Leasing 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.

Date of the Sale and Leaseback Agreements

29 September 2022

Parties

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) the Lessee is wholly-owned by 鶴壁市路橋建設投資有限公司 (unofficial English translation being Hebi City Road and Bridge Construction Investment Co., Ltd.) which in turn is ultimately controlled by 河南省鶴壁市國有資產監督管理局 (unofficial English translation being State-owned Assets Supervision and Administration Bureau of Hebi City, Henan Province); (b) the Lessee and its ultimate beneficial owner are Independent Third Parties; and (c) the Lessee is principally engaged in the business of urban public transportation, sale of automotive parts and accessories, provision of property-related services, and production and publication of advertisements.

Subject matter

Subject to the fulfilment 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) and the signing and the coming into effect of the relevant security agreements), Chengtong Financial Leasing will purchase the Leased Assets from the Lessee at the Purchase Price of RMB150 million (equivalent to HK\$165 million), and the

Leased Assets will be leased back to the Lessee for a period of three (3) 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 28 October 2022, 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 19 August 2022 which amounted to approximately RMB161.89 million (equivalent to approximately HK\$178.08 million). The Lessee does not separately account for the profits before and after tax of the Leased Assets.

The Purchase Price will be funded 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 RMB162.17 million (equivalent to approximately HK\$178.39 million which shall be paid by the Lessee to Chengtong Financial Leasing in twelve (12) 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 will be calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a premium over the five (5)-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China (“**LPR**”). 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 reduced 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.

Security money

The Lessee agrees to pay a sum of RMB4.5 million (equivalent to HK\$4.95 million) as security money for the performance of its obligations under the Sale and Leaseback Agreements.

If the Lessee fails 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 has fully performed all its 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 Lessee 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 Lessee's application. The Lessee 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 Lessee.

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 RMB2.00.

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, (a) the Guarantor is directly owned as to approximately 90% by, and ultimately controlled by 河南省鶴壁市國有資產監督管理局 (unofficial English translation being State-owned Assets Supervision and Administration Bureau of Hebi City, Henan Province); (b) the Guarantor and its ultimate beneficial owner are Independent Third Parties; and (c) the Guarantor is principally engaged in the business of urban infrastructure construction, provision of financing, and operation of State-owned assets within Hebi City, Henan Province.

REASONS FOR AND BENEFITS OF TERMINATION AND ENTERING INTO 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 termination of the Previous Transaction with the Lessee enable the Lessee to regain the legal title in the leased assets in respect of the Previous Transaction which can be in turn used in a larger Sale and Leaseback Arrangement.

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 RMB12.17 million (equivalent to approximately HK\$13.39 million), being 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 (as defined under the Listing Rules) in respect of the termination of Previous Transaction and the Sale and Leaseback Arrangement exceeds 5% but is less than 25%, the termination of Previous Transaction and the Sale and Leaseback Arrangement constitute discloseable transactions of the Company and are 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
“Group”	means the Company and its subsidiaries as at the date of this announcement

“Guarantor”	means 鶴壁投資集團有限公司 (unofficial English translation being Hebi Investment Group Co., Ltd.), a State-owned enterprise established in the PRC with limited liability
“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 a total of 477 public transit vehicles as well as the relevant ancillary, replacement and/or additional equipment
“Lessee”	means 鶴壁市國控公共交通有限公司 (unofficial English translation being Hebi Guokong Public Transport 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 sale and leaseback arrangement between Chengtong Financial Leasing and the Lessee, the details of which are set out in the announcements of the Company dated 23 April 2019
“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 29 September 2022 and signed between Chengtong Financial Leasing and the Lessee in relation to the Sale and Leaseback Arrangement
	(1) 2 sets of leaseback assets transfer agreement;
	(2) 2 sets of finance lease agreement (sale and leaseback); and
	(3) 2 sets of security money agreement
“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\$1.10. 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, 29 September 2022

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