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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)

CONNECTED TRANSACTION: ENTRUSTED LOAN ARRANGEMENT

On 11 September 2023, Huandao Travel Investment, an indirect wholly-owned subsidiary of the Company, entered into the Entrusted Loan Agreement with the Bank and the Borrower, pursuant to which Huandao Travel Investment agreed to entrust the Bank to provide the Borrower with a loan in the principal amount of RMB25,000,000 (equivalent to HK\$27,000,000) for a term of 24 months.

As at the date of this announcement, the Borrower is a wholly-owned subsidiary of CCHG, the ultimate holding company of the Company, and is therefore a connected person of the Company and the Entrusted Loan Arrangement constitutes a connected transaction for the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Entrusted Loan Arrangement exceeds 0.1% but is less than 5%, the Entrusted Loan Arrangement is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 11 September 2023, Huandao Travel Investment, the Bank and the Borrower entered into the Entrusted Loan Agreement, the major terms of which are set out below.

ENTRUSTED LOAN AGREEMENT

Date

11 September 2023

Parties

- (1) Huandao Travel Investment, an indirect wholly-owned subsidiary of the Company, as the entrusting lender;
- (2) the Borrower, as the borrower; and
- (3) the Bank, as the trustee.

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

- (1) Huandao Travel Investment is an indirect wholly-owned subsidiary of the Company, and is principally engaged in marine recreation services and hotel business;
- (2) the Borrower is a company established in the PRC and is principally engaged in enterprise management services and education investment. The Borrower is a wholly-owned subsidiary of CCHG, the ultimate holding company of the Company, and is therefore a connected person of the Company. CCHG and its subsidiaries are principally engaged in the business of fund investment, equity management, assets management, financial services, as well as cultivation and incubation of strategic emerging industries; and
- (3) the Bank is a branch of a licensed bank incorporated under the laws of the PRC and is principally engaged in, among other things, the provision of banking, financial and other financial related services. The Bank and its ultimate owners are independent third parties of the Company and its connected persons.

Entrusted Loan Arrangement

Huandao Travel Investment agreed to entrust the Bank to provide the Borrower with a loan in the principal amount of RMB25,000,000 (equivalent to HK\$27,000,000) for a term of 24 months from 11 September 2023 to 10 September 2025, or from the actual withdrawal date the Entrusted Loan.

The interest rate for the Entrusted Loan fixed at 8% per annum and the interest will be payable yearly.

The Entrusted Loan will be funded by the internal resources of the Group.

Repayment

Subject to the right of Huandao Travel Investment to demand for early repayment of the Entrusted Loan in accordance with the Entrusted Loan Agreement, the Borrower shall repay the principal and unpaid interest upon the maturity of the Entrusted Loan. With the consent of Huandao Travel Investment, the Borrower shall also be entitled to early repay the Entrusted Loan before the maturity without any compensation to Huandao Travel Investment.

Default interest

If the Borrower fails to use the loan proceeds as its working capital or to pay any sum under the Entrusted Loan Agreement to the Bank (collectively “Events of Default”), the Borrower shall be liable to pay an additional default interest at the rate of 8% per annum on the relevant principal amount of the Entrusted Loan from the date when the Events of Default occur until they are rectified.

Management Fee

The Bank shall not charge any management fee for the Entrusted Loan Arrangement.

Undertakings of the Borrower

The Borrower undertakes that it will use certain commercial properties which it holds in an office building located in Haikou city, Hainan Province, the PRC as one of the sources of funds for the repayment of the Loan and that, without the prior consent of Huandao Travel Investment, the Borrower will not deal with the aforesaid properties in any manner, including but not limited to by way of sale, swap, gift or creation of security over the aforesaid properties before the full repayment of the Loan. In addition, Huandao Travel Investment shall have the right to request the Borrower to provide a mortgage over the aforesaid properties at any time before the full repayment of the Loan by the Borrower.

REASONS FOR AND BENEFITS OF THE ENTRUSTED LOAN ARRANGEMENT

The Group is principally engaged in leasing, property development and investment, marine recreation services and hotel business as at the date of this announcement, and has suspended its bulk commodity trading since early 2023.

The terms of the Entrusted Loan Agreement, including the interest rate applicable, were agreed by the parties after arm’s length negotiations having taken into account the prevailing market interest rates and practices. The Directors consider that the Entrusted Loan Arrangement would be beneficial to the Group in terms of return and risk control. In view of the above, the Directors (including the independent non-executive Directors) are of the opinion that although the Entrusted Loan Arrangement is not in the ordinary and usual course of business of the Group, the terms of the Entrusted Loan Arrangement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Borrower is a wholly-owned subsidiary of CCHG, the ultimate holding company of the Company, and is therefore a connected person of the Company and the Entrusted Loan Arrangement constitutes a connected transaction for the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Entrusted Loan Arrangement exceeds 0.1% but is less than 5%, the Entrusted Loan Arrangement is subject to the reporting and announcement requirements but is exempt from the circular and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Bank”	means Industrial Bank Co. Ltd. Haikou Branch. The shares of Industrial Bank Co. Ltd. are listed on the Shanghai Stock Exchange (Stock Code: 601166) and the substantial shareholders (holding more than 5% of its issued share capital) are (i) Fujian Financial Investment Co. Ltd. which holds approximately 16.91%; and (ii) China National Tobacco Corporation which holds approximately 5.34%
“Board”	means the board of Directors
“Borrower”	means China Huandao Group Limited, a company established in the PRC with limited liability, being the borrower in the Entrusted Loan Arrangement
“CCHG”	means China Chengtong Holdings Group Limited, a state-owned enterprise established in the PRC with limited liability and the ultimate holding company of the Company and the Borrower
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the director(s) of the Company
“Entrusted Loan”	means the loan in the principal amount of RMB25,000,000 (equivalent to HK\$27,000,000) made pursuant to the Entrusted Loan Agreement
“Entrusted Loan Agreement”	means the entrusted loan agreement dated 11 September 2023 entered into between Huandao Travel Investment, the Bank and the Borrower in relation to the Entrusted Loan Arrangement
“Entrusted Loan Arrangement”	means the provision of the Entrusted Loan by Huandao Travel Investment, through the Bank, to the Borrower pursuant to the Entrusted Loan Agreement
“Group”	means the Company and its subsidiaries as at the date of this announcement
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Huandao Travel Investment”	means Hainan Huandao Travel Investment Group Co., Ltd. (formerly known as Hainan Huandao Hotel and Travel Investment Co., Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“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
“RMB”	means Renminbi, the lawful currency of the PRC
“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, 11 September 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.