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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 22 July 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the Lessees, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the Lessees, and will lease the Leased Assets back to the Lessees for a term of four (4) years, subject to early termination in accordance with the terms and conditions of the Sale and Leaseback Agreements.

As the highest 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 22 July 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the Lessees in respect of the Sale and Leaseback Arrangement, the major terms of which are set out below.

SALE AND LEASEBACK ARRANGEMENT

Date

22 July 2022

Parties

Lessor: Chengtong Financial Leasing

Lessees: The Lessee I and the Lessee II

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Lessee I and the Lessee II are indirectly owned as to approximately 92.49% and 100% respectively by CHINA GLASS, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3300). The ultimate holding company of CHINA GLASS is China National Building Material Group Co., Ltd., which is in turn wholly-owned by the State Council of the PRC; (ii) the Lessees and their ultimate beneficial owner are Independent Third Parties; and (iii) the Lessees are principally engaged in the business of production and sales of glass products in the PRC.

Subject matter

Subject to the fulfilment of certain conditions as set out in the Sale and Leaseback Agreements (including but not limited to the obtaining of all necessary approvals by the Lessees in relation to the Sale and Leaseback Arrangement, the signing by the Guarantor and the coming into effect of the relevant guarantee agreements), Chengtong Financial Leasing will purchase the Leased Assets I from the Lessee I at a purchase price of RMB40 million (equivalent to HK\$46.4 million) and Leased Assets II from the Lessee II at a purchase price of RMB130 million (equivalent to HK\$150.8 million), and the Leased Assets will be leased back to the Lessee I and the Lessee II respectively for a period of four (4) years (“**Lease Term**”) from the date on which the respective purchase price is paid by Chengtong Financial Leasing.

If any of the conditions are not satisfied on or before 31 August 2022, Chengtong Financial Leasing shall have the right to unilaterally terminate the Sale and Leaseback Agreement(s).

Purchase price

The Purchase Price of RMB170 million (equivalent to HK\$197.2 million) was agreed between Chengtong Financial Leasing and the Lessees with reference to the appraised value of the Leased Assets I as at 31 May 2022 which amounted to RMB44.8 million (equivalent to approximately HK\$51.97 million) and the appraised value of the Leased Assets II as at 31 May 2022 which amounted to RMB149.5 million (equivalent to approximately HK\$173.42 million) respectively. The Lessees do not separately account for the profits before tax of the Leased Assets.

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 Term.

Lease payment

The total amount of lease payment from the Sale and Leaseback Agreements over the Lease Term is estimated to be approximately RMB184.50 million (equivalent to approximately HK\$214.02 million) which shall be paid by each of the Lessees to Chengtong Financial Leasing in sixteen (16) quarterly instalments during the Lease Term, from the date the respective purchase price is paid.

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 at the 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**”) from time to time on the then outstanding lease principal amount. 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 individual 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 I and the Lessee II shall pay a one-off service fee of RMB0.5 million (equivalent to approximately HK\$0.58 million) and RMB1.63 million (equivalent to approximately HK\$1.89 million) respectively (“**Service Fee**”) to Chengtong Financial Leasing within three (3) working days from the commencement date of the Lease Term for the preliminary services provided by Chengtong Financial Leasing. The Service Fee is non-refundable.

Lessee's right to repurchase the Leased Assets

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

Guarantee

The Guarantor has provided a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessees under the Sale and Leaseback Agreements, including but not limited to the 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 indirectly wholly owned by CHINA GLASS; (ii) the Guarantor and its ultimate beneficial owner are Independent Third Parties; and (iii) the Guarantor is principally engaged in investment holding business.

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 income of approximately RMB 16.63 million (equivalent to approximately HK\$19.29 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 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 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
“CHINA GLASS”	means China Glass Holdings Limited

“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 中玻投資有限公司 (unofficial English translation being China Glass Investment Ltd.)
“HK\$”	means Hong Kong dollars, 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 Leased Assets I and Leased Assets II collectively
“Leased Assets I”	means certain furnaces, boilers and auxiliary equipment
“Leased Assets II”	means certain furnaces and molding equipment
“Lessee I”	means 中玻(陝西)新技術有限公司 (unofficial English translation being Shaanxi CNG New Technology Limited), a sino-foreign joint venture established in the PRC with limited liability
“Lessee II”	means 東台中玻特種玻璃有限公司 (unofficial English translation being Dongtai China Glass Special Glass Company Limited), a sino-foreign joint venture 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 Lessees
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the following agreements each dated 22 July 2022 and signed between Chengtong Financial Leasing and the Lessees in relation to the Sale and Leaseback Arrangement: <ul style="list-style-type: none"> (1) two sets of leaseback assets transfer agreements; and (2) two sets of finance lease agreements (sale and leaseback)
“Sale and Leaseback Arrangement”	means the purchase of the Leased Assets by Chengtong Financial Leasing from the Lessees and the lease back of the Leased Assets to the Lessees 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\$1.16. 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, 22 July 2022

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