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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 ARRANGEMENT

THE FINANCE LEASE ARRANGEMENT

On 9 June 2021, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, agreed on the Finance Lease Arrangement by entering into:

- (i) the Three-party Agreement with the Vendor and the Lessee, pursuant to which Chengtong Financial Leasing shall, in substitution of the Lessee, purchase the Equipment from the Vendor at a purchase price of approximately RMB69.63 million (equivalent to approximately HK\$84.25 million);
- (ii) the Licensing Agreement with the Lessee and the Licensor, pursuant to which Chengtong Financial Leasing will acquire the exclusive right to use the Software from the Licensor at a License Fee of RMB8.05 million (equivalent to approximately HK\$9.74 million) for a period of six (6) years; and
- (iii) the Finance Lease Agreements with the Lessee, pursuant to which Chengtong Financial Leasing will lease the Facilities to the Lessee for a term of five (5) years in return for an estimated lease payment of approximately RMB91.49 million (equivalent to approximately HK\$110.70 million).

IMPLICATIONS UNDER THE LISTING RULES

In March 2021, Chengtong Financial Leasing entered into the Previous Finance Lease Arrangement A and the Previous Finance Lease Arrangement B with, among others, Hangzhou Haoxin and Guangdong Haoyun respectively.

The Previous Finance Lease Arrangements, on standalone or aggregated basis, did not constitute a discloseable transaction of the Company. As each of the Lessee and Hangzhou Haoxin is a wholly-owned subsidiary of Guangdong Haoyun, and the Previous Finance Lease Arrangements were entered into within 12 months before the date of the Finance Lease Arrangement, the Finance Lease Arrangement is aggregated with the Previous Finance Lease Arrangements in calculating the applicable percentage ratios (as defined under the Listing Rules).

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement alone, and when aggregated with the Previous Finance Lease Arrangements, exceeds 5% but is less than 25%, the Finance Lease 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 9 June 2021, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, agreed on the Finance Lease Arrangement by entering into (i) the Three-party Agreement with the Vendor and the Lessee; (ii) the Licensing Agreement with the Lessee and the Licensor; and (iii) the Finance Lease Agreements with the Lessee. The major terms of the Finance Lease Arrangement are set out below.

FINANCE LEASE ARRANGEMENT

(1) The Three-party Agreement

Date

9 June 2021

Parties

- (i) The Vendor (as vendor);
- (ii) the Lessee (as original purchaser and lessee); and
- (iii) Chengtong Financial Leasing (as new purchaser and lessor).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor, the Lessee and each of their respective ultimate beneficial owners are Independent Third Parties. The Vendor is principally engaged in the business of integrated cloud computing services of servers, storage and database, while the Lessee is principally engaged in the business of information processing and storage support services.

Subject matter

Chengtong Financial Leasing has agreed to assume all the rights and obligations of the Lessee as the purchaser under the Sale and Purchase Agreement and shall, in substitution of the Lessee, become the new purchaser to purchase the Equipment from the Vendor in accordance with the terms and conditions of the Three-party Agreement.

Purchase Price

The Purchase Price is approximately RMB69.63 million (equivalent to approximately HK\$84.25 million) which includes, among others, fees for the design, manufacturing, installation and testing of the Equipment, technical service fees, technical documentation fees and taxes. The Purchase Price was agreed among the parties after arm's length negotiation with reference to the prevailing market price for the design, manufacturing, installation and testing of comparable equipment.

The Purchase Price is payable by Chengtong Financial Leasing subject to the fulfilment of certain conditions as set out in the Three-party Agreement, including but not limited to the following:

- (i) the signing and coming into effect of the Finance Lease Agreements and other ancillary agreements;
- (ii) the receipt by Chengtong Financial Leasing of the payables from the Lessee pursuant to the relevant agreements including but not limited to the handling fee (if any) and the security money;
- (iii) the receipt by Chengtong Financial Leasing of the certificates of initial inspection and final inspection jointly signed by the Lessee and the Vendor in the agreed forms in respect of the Equipment; and
- (iv) the receipt by Chengtong Financial Leasing of the confirmation of acceptance signed by the Lessee in respect of the Equipment.

Subject to the fulfilment of the conditions of payment, the Purchase Price shall be paid by Chengtong Financial Leasing to the Vendor in the following manner:

- (i) approximately RMB24.50 million (equivalent to approximately HK\$29.65 million) shall be paid by 30 June 2021; and
- (ii) approximately RMB45.13 million (equivalent to approximately HK\$54.60 million) shall be paid by 30 July 2021.

The Purchase Price will be satisfied by the internal resources of the Group and/or borrowings.

Delivery and acceptance

Chengtong Financial Leasing authorises the Vendor to deliver the Equipment to the Lessee directly.

The legal ownership of the Equipment shall be vested in Chengtong Financial Leasing upon completion of the inspection procedures as set out in the Three-party Agreement.

(2) The Licensing Agreement

Date

9 June 2021

Parties

- (i) The Licensor (as licensor);
- (ii) Chengtong Financial Leasing (as licensee); and
- (iii) the Lessee (as lessee).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Licensor and its ultimate beneficial owners are Independent Third Parties, and the Licensor is principally engaged in the business of development of industrial Internet of Things (IoT) software, robotics and automation facilities.

Subject matter

Chengtong Financial Leasing will acquire the exclusive right to use the Software for a period of six (6) years commencing from the completion of installation and acceptance of the Software.

The parties agree and confirm that if Chengtong Financial Leasing transfers, leases or disposes of the device in which the Software is installed (i.e. the Equipment to be leased to the Lessee under the Finance Lease Agreements), Chengtong Financial Leasing shall have the right to dispose of the right to use the Software under the Licensing Agreement at the same time and the Licensor is deemed to have granted the exclusive right to use the Software to such transferee or lessee.

The License Fee

The License Fee is RMB8.05 million (equivalent to approximately HK\$9.74 million) and shall be paid by Chengtong Financial Leasing to the Licensor on or before 30 June 2021.

The License Fee was agreed between Chengtong Financial Leasing and the Licensor after arm's length negotiation with reference to the prevailing market price of the Software.

The License Fee will be satisfied by the internal resources of the Group and/or borrowings.

(3) Finance Lease Agreements

Date

9 June 2021

Parties

- (i) Chengtong Financial Leasing (as lessor); and
- (ii) the Lessee (as lessee).

Subject matter

The Facilities will be leased to the Lessee for a period of five (5) years (“**Lease Term**”) from the date on which the License Fee or the first instalment of the Purchase Price is paid by Chengtong Financial Leasing.

Lease payment

The total amount of lease payment over the Lease Term is estimated to be approximately RMB91.49 million (equivalent to approximately HK\$110.70 million) which shall be paid by the Lessee to Chengtong Financial Leasing in sixty (60) monthly instalments during the Lease Term.

The total amount of lease payment represents the sum of the lease principal amount (being the aggregate amount of the Purchase Price and the License Fee) and the lease interest which is calculated based on the then outstanding lease principal amount with a floating interest rate to be determined at a premium over the five-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 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 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 and the License Fee payable by Chengtong Financial Leasing in relation to the Facilities and the credit risks associated with the Finance Lease Arrangement.

Lessee's right to purchase the Facilities

Upon the Lessee having paid all the lease payment and any other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Finance Lease Agreements, the Lessee shall have the right to purchase the Facilities at a nominal consideration of RMB1.00.

Security money

The Lessee agrees to pay a sum of RMB2 million (equivalent to HK\$2.42 million) as security money for the performance of its obligations under the Finance Lease Agreements.

If the Lessee fails to fully perform any obligation under the Finance Lease 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 payment and repurchase price. If the Lessee has fully performed all its obligations under the Finance Lease Agreements, Chengtong Financial Leasing shall return the security money to the Lessee upon the expiry of the Lease Term and the Lessee's presentation of the receipt of the security money.

When the amount payable by the Lessee under the Finance Lease Agreements is less than the balance of the security money, the Finance Lease 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 payment and other payables under the Finance Lease Agreements and any remaining balance of the security money shall be returned to the Lessee.

Further security

In addition to the security money, the following is provided in favour of Chengtong Financial Leasing as further security for the due payment of all amounts payable by the Lessee under the Finance Lease Agreements:

- (i) an equity pledge created by Guangdong Haoyun over the entire equity interest of the Lessee and the benefits derived therefrom;
- (ii) a pledge created by Guangdong Haoyun over all the receivables owed to it by one of its customers who is an Independent Third Party; and
- (iii) a joint guarantee given by Guangdong Haoyun and the Individual Guarantors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) Guangdong Haoyun, being the sole shareholder of the Lessee, is principally engaged in the business of provision of value-added telecommunication services; (b) the Individual Guarantors are three of the ultimate beneficial owners of Guangdong Haoyun and the Lessee; and (c) each of Guangdong Haoyun and its ultimate beneficial owners (including the Individual Guarantors) 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, property 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 entering into of the Finance Lease 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 RMB13.81 million (equivalent to approximately HK\$16.71 million), being the difference between the estimated total lease payment under the Finance Lease Arrangement and the total amount of the Purchase Price and the License Fee to be paid by Chengtong Financial Leasing for the Facilities.

The Directors are of the view that the terms of the Finance Lease 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

On 1 March 2021, Chengtong Financial Leasing, as purchaser, purchased certain cloud platform equipment from the Previous Vendor, which is an Independent Third Party, at a purchase price of approximately RMB6.74 million (equivalent to approximately HK\$8.16 million) and acquired the exclusive right, as licensee, to use certain cloud software, the related update and technological support from the Previous Vendor at a license fee of approximately RMB5.23 million (equivalent to approximately HK\$6.33 million) for a period of four (4) years. Then on 26 March 2021, Chengtong Financial Leasing entered into a finance lease agreement with Hangzhou Haoxin pursuant to which Chengtong Financial Leasing leased the aforesaid cloud platform equipment and software to Hangzhou Haoxin for a term of four (4) years in return for an estimated lease payment of approximately RMB12.98 million (equivalent to approximately HK\$15.71 million).

Also on 1 March 2021, Chengtong Financial Leasing, as purchaser, purchased certain cloud platform equipment from the Previous Vendor at a purchase price of approximately RMB9.29 million (equivalent to approximately HK\$11.24 million) and acquired the exclusive right, as licensee, to use certain cloud software, the related update and technological support from the Previous Vendor at a license fee of approximately RMB4.28 million (equivalent to approximately HK\$5.18 million) for a period of four (4) years. Then on 26 March 2021, Chengtong Financial Leasing entered into a finance lease agreement with Guangdong Haoyun pursuant to which Chengtong Financial Leasing leased the aforesaid cloud platform equipment and software to Guangdong Haoyun for a term of four (4) years in return for an estimated lease payment of approximately RMB14.71 million (equivalent to approximately HK\$17.80 million).

The Previous Finance Lease Arrangements, on standalone or aggregated basis, did not constitute a discloseable transaction of the Company. As each of the Lessee and Hangzhou Haoxin is a wholly-owned subsidiary of Guangdong Haoyun, and the Previous Finance Lease Arrangements were entered into within 12 months before the date of the Finance Lease Arrangement, the Finance Lease Arrangement is aggregated with the Previous Finance Lease Arrangements in calculating the applicable percentage ratios (as defined under the Listing Rules).

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement alone, and when aggregated with the Previous Finance Lease Arrangements, exceeds 5% but is less than 25%, the Finance Lease 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
“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
“Equipment”	means the equipment and software of a data centre, including the electricity supply system, cooling system and monitoring system
“Facilities”	means, collectively, the Equipment and the Software, being the leased assets under the Finance Lease Agreements
“Finance Lease Agreements”	means, collectively, the following agreements each dated 9 June 2021 and signed between Chengtong Financial Leasing and the Lessee in respect of the Finance Lease Arrangement: (1) finance lease agreement; and (2) security money agreement
“Finance Lease Arrangement”	means, collectively, the transactions contemplated under the Three-party Agreement, the Licensing Agreement and the Finance Lease Agreements
“Group”	means the Company and its subsidiaries as at the date of this announcement

“Guangdong Haoyun”	means 廣東浩雲長盛網路股份有限公司 (unofficial English translation being Guangdong Haoyun Changsheng Internet Company Limited), a company established in the PRC with limited liability whose ultimate beneficial owner controlling more than one-third of its equity interest is Huang Zhaoshun (黃昭舜)
“Hangzhou Haoxin”	means 杭州浩信和君網路科技有限公司 (unofficial English translation being Hangzhou Haoxin Hejun Internet Technology Company Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Haoyun
“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)
“Individual Guarantors”	means, collectively, Huang Zhaoshun (黃昭舜), Liu Li’ao (劉里奧) and Deng Zhixiang (鄧志祥), who are three of the ultimate beneficial owners of Guangdong Haoyun and the Lessee
“Lessee”	means 中衛浩盛科技有限公司 (unofficial English translation being Zhongwei Haosheng Technology Company Limited), a company established in the PRC with limited liability which is a wholly-owned subsidiary of Guangdong Haoyun
“License Fee”	means the license fee payable by Chengtong Financial Leasing for the exclusive use of the Software under the Licensing Agreement
“Licensing Agreement”	means the licensing agreement dated 9 June 2021 and signed among Chengtong Financial Leasing, the Licensor and the Lessee in relation to the acquisition of the exclusive right to use the Software by Chengtong Financial Leasing

“Licensor”	means 固遠(深圳)智能機器人有限公司 (unofficial English translation being Guyuan (Shenzhen) Smart Robot Company Limited), a company established in the PRC with limited liability whose ultimate beneficial owner controlling more than one-third of its equity interest is Yang Song (楊松)
“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 Finance Lease Arrangement A”	means the finance lease arrangement contemplated under a three-party sale and purchase agreement and a software licensing agreement both dated 1 March 2021 entered into among Chengtong Financial Leasing (as new purchaser, licensee and lessor), Hangzhou Haoxin (as original purchaser and lessee) and the Previous Vendor (as vendor and licensor) and the finance lease agreement dated 26 March 2021 entered into between Chengtong Financial Leasing (as lessor) and Hangzhou Haoxin (as lessee)
“Previous Finance Lease Arrangement B”	means the finance lease arrangement contemplated under a three-party sale and purchase agreement and a software licensing agreement both dated 1 March 2021 entered into among Chengtong Financial Leasing (as new purchaser, licensee and lessor), Guangdong Haoyun (as original purchaser and lessee) and the Previous Vendor (as vendor and licensor) and the finance lease agreement dated 26 March 2021 entered into between Chengtong Financial Leasing (as lessor) and Guangdong Haoyun (as lessee)
“Previous Finance Lease Arrangements”	means, collectively, the Previous Finance Lease Arrangement A and Previous Finance Lease Arrangement B

“Previous Vendor”	means 雲粒智慧科技有限公司 (unofficial English translation being Yunli Smart Technology Company Limited), a company established in the PRC with limited liability whose ultimate beneficial owners controlling more than one-third of its equity interest are (i) 聯通數字科技有限公司 (Unicom Digital Technology Co., Ltd.), which is a wholly-owned subsidiary of China Unicom (Hong Kong) Limited whose shares are listed on the Stock Exchange and the New York Stock Exchange, and (ii) 阿里巴巴(中國)網絡技術有限公司 (Alibaba (China) Technology Co., Ltd.), which is a subsidiary of Alibaba Group Holding Limited whose shares are listed on the Stock Exchange and the New York Stock Exchange
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing to the Vendor for the purchase of the Equipment
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	means the sale and purchase agreement dated 10 December 2020 originally signed between the Vendor and the Lessee in relation to the purchase of the Equipment by the Lessee from the Vendor
“Software”	means the software developed by the Licensor to be used in the operation and management of the data centre of the Lessee
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Three-party Agreement”	means the three-party sale and purchase agreement dated 9 June 2021 and signed among the Vendor (as vendor), the Lessee (as original purchaser) and Chengtong Financial Leasing (as new purchaser), pursuant to which Chengtong Financial Leasing shall, in substitution of the Lessee, purchase the Equipment from the Vendor

“Vendor” means 騰訊雲計算(北京)有限責任公司 (unofficial English translation being Tencent Cloud Computing (Beijing) Company Limited), a company established in the PRC with limited liability whose ultimate beneficial owners controlling more than one-third of its equity interest are Ma Huateng (馬化騰) and Xu Chenye (許晨曄)

“%” 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\$1.21. 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, 9 June 2021

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