

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

On 13 August 2021, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreements with the Lessee, pursuant to which Chengtong Financial Leasing will purchase the Facilities from the Lessee and will lease the Facilities back to the Lessee for a term of three (3) years.

On 4 December 2020, Chengtong Financial Leasing entered into the Previous Transaction with the Lessee. Since the Finance Lease Arrangement is entered into within 12 months from the date of the Previous Transaction, the Finance Lease Arrangement is aggregated with the Previous Transaction for the purpose of calculating the relevant 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, both when calculated individually and when aggregated with the Previous Transaction, 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 13 August 2021, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreements with the Lessee in respect of the Finance Lease Arrangement, the major terms of which are set out below.

FINANCE LEASE ARRANGEMENT

Date of the Finance Lease Agreements

13 August 2021

Parties

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Lessee is wholly-owned by the Guarantor I, which is in turn owned as to 62.5% by 遂寧市政府國有資產監督管理委員會 (unofficial English translation being State-owned Assets Supervision and Administration Commission of Suining Municipal Government); (ii) the Lessee and its ultimate beneficial owners are Independent Third Parties; and (iii) the Lessee is principally engaged in the business of mining, production and sale of sand and gravel.

Subject matter

Subject to the fulfilment of certain conditions as set out in the Finance Lease Agreements (including but not limited to the obtaining of all necessary approvals by the Lessee in relation to the Finance Lease Arrangement, the payment of the security money (as set out below), the signing and the coming into effect of the relevant security agreement(s)), Chengtong Financial Leasing will purchase the Facilities from the Lessee at the Purchase Price of RMB100 million (equivalent to HK\$120 million), and the Facilities 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 Finance Lease Agreements.

If any of the conditions under the Finance Lease Agreements are not satisfied on or before 15 September 2021, Chengtong Financial Leasing shall have the right to unilaterally terminate the Finance Lease Agreements.

Purchase Price

The Purchase Price of RMB100 million (equivalent to HK\$120 million) was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised value of the Facilities as at 10 July 2021 which amounted to approximately RMB109.11 million (equivalent to approximately HK\$130.93 million).

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 Facilities during the Lease Term.

Lease payment

The total amount of lease payment over the Lease Term is estimated to be approximately RMB110.02 million (equivalent to approximately HK\$132.02 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 is calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a premium over the one-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 payable by Chengtong Financial Leasing for the purchase of the Facilities and the credit risks associated with the Finance Lease Arrangement.

Lessee's right to repurchase the Facilities

Upon the Lessee having paid all the lease payments 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 repurchase the Facilities at a nominal consideration of RMB1.00.

Security money

The Lessee agrees to pay a sum of RMB3 million (equivalent to HK\$3.6 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 payments 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 payments and other payables under the Finance Lease Agreements and any remaining balance of the security money shall be returned to the Lessee.

Guarantee

Each of the Guarantor I and the Guarantor II will provide a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under the Finance Lease Agreements, including but not limited to liquidated damages, outstanding and prospective lease payment, repurchase price and other payables. Both of the guarantees are irrevocable and continuing in nature.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Guarantor I is owned as to 62.5% by 遂寧市政府國有資產監督管理委員會 (unofficial English translation being State-owned Assets Supervision and Administration Commission of Suining Municipal Government), and the Guarantor II is owned as to 97% by the Guarantor I; (ii) the Guarantors and their ultimate beneficial owners are Independent Third Parties; (iii) the Guarantor I is principally engaged in the business of urban land consolidation, construction of infrastructure and management of State-owned assets; and (iv) the Guarantor II is principally engaged in the business of construction of infrastructure and indemnificatory apartments and the development of the travel industry in Suining City, Sichuan Province, the PRC.

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 RMB10.02 million (equivalent to approximately HK\$12.02 million), being the difference between the estimated total lease payments under the Finance Lease Arrangement and the Purchase Price.

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 4 December 2020, Chengtong Financial Leasing entered into the Previous Transaction with the Lessee. Since the Finance Lease Arrangement is entered into within 12 months from the date of the Previous Transaction, the Finance Lease Arrangement is aggregated with the Previous Transaction for the purpose of calculating the relevant 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, both when calculated individually and when aggregated with the Previous Transaction, 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:

“2020 Finance Lease Agreements”	means, collectively, the following agreements each dated 4 December 2020 and signed between Chengtong Financial Leasing and the Lessee in relation to the Previous Transaction: (1) leaseback assets transfer agreement; (2) finance lease agreement; and (3) security money agreement
“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

“Facilities”	means certain facilities and equipment pertaining to sand and gravel production
“Finance Lease Agreements”	means, collectively, the following agreements each dated 13 August 2021 and signed between Chengtong Financial Leasing and the Lessee in relation to the Finance Lease Arrangement: <ul style="list-style-type: none"> (1) leaseback assets transfer agreement; (2) finance lease agreement; and (3) security money agreement
“Finance Lease Arrangement”	means the purchase of the Facilities by Chengtong Financial Leasing from the Lessee and the leaseback of the Facilities to the Lessee pursuant to the terms of the Finance Lease Agreements
“Group”	means the Company and its subsidiaries as at the date of this announcement
“Guarantor I”	means 遂寧市天泰實業有限責任公司 (unofficial English translation being Suining City Tian Tai Industry Co., Ltd.), a State-owned enterprise established in the PRC with limited liability
“Guarantor II”	means 遂寧市天泰旅遊投資開發有限公司 (unofficial English translation being Suining City Tian Tai Travel and Investment Development Co., Ltd.), a State-owned enterprise established in the PRC with limited liability
“Guarantors”	means collectively Guarantor I and Guarantor II
“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)

“Lessee”	means 遂寧市天泰鴻涪建材有限公司 (unofficial English translation being Suining City Tian Tai Hung Fu Construction Materials 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 Transaction”	means the purchase of certain facilities and equipment pertaining to sand and gravel production by Chengtong Financial Leasing from the Lessee and the leaseback of such facilities to the Lessee for four (4) years pursuant to the terms of the 2020 Finance Lease Agreements, the details of which are set out in the announcement of the Company dated 4 December 2020
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Facilities from the Lessee
“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\$1.20. 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, 13 August 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.