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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 March 2022, Chengtong Trading, a wholly-owned subsidiary of the Company, agreed on the Finance Lease Arrangement by entering into the Three-party Agreements with the Vendors and the Lessee and the Finance Lease Agreements with the Lessee, pursuant to which Chengtong Trading will purchase the Leased Assets from the Vendors at an aggregate purchase price of US\$1,517,802.53 (equivalent to approximately HK\$11,838,859.73) and Chengtong Trading will then lease the Leased Assets to the Lessee for a term of five (5) years in return for lease payment in an aggregate amount of US\$1,653,935.48 (equivalent to approximately HK\$12,900,696.74).

IMPLICATION UNDER THE LISTING RULES

On 15 November 2019, Chengtong Trading entered into the Previous Arrangement with the Lessee. The Previous Arrangement did not constitute a notifiable transaction for the Company.

Since the Previous Arrangement is still subsisting when the Finance Lease Arrangement is entered into, the Finance Lease Arrangement is aggregated with the Previous Arrangement for the purpose of calculating the relevant percentage ratios (as defined under the Listing Rules).

The highest applicable percentage ratio in respect of the Finance Lease Arrangement is less than 5% on a standalone basis, while it exceeds 5% but is less than 25% when aggregated with the Previous Arrangement. Therefore, the Finance Lease Arrangement when aggregated with the Previous Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE FINANCE LEASE ARRANGEMENT

On 9 March 2022, Chengtong Trading, a wholly-owned subsidiary of the Company, agreed on the Finance Lease Arrangement by entering into the Three-party Agreements with the Vendors and the Lessee and the Finance Lease Agreements with the Lessee, pursuant to which Chengtong Trading will purchase the Leased Assets from the Vendors for an aggregate purchase price of US\$1,517,802.53 (equivalent to approximately HK\$11,838,859.73) and Chengtong Trading will then lease the Leased Assets to the Lessee for a term of five (5) years in return for lease payment in an aggregate amount of US\$1,653,935.48 (equivalent to approximately HK\$12,900,696.74).

The Finance Lease Arrangement is divided into two tranches, the major terms of which are set out below.

(A) **Tranche One Arrangement:**

(1) *Tranche One Three-party Agreements*

On 9 March 2022, Chengtong Trading (as lessor and purchaser), together with the Lessee (as lessee), entered into a three-party agreement with each of the Tranche One Vendors, pursuant to which Chengtong Trading will purchase the Tranche One Leased Assets from the Tranche One Vendors at an aggregate purchase price of US\$878,875.48 (equivalent to approximately HK\$6,855,228.74).

Tranche One Purchase Price

The Tranche One Purchase Price was determined after arm's length negotiation between the Lessee and the relevant Tranche One Vendors with reference to the prevailing market price of assets comparable to the Tranche One Leased Assets.

Chengtong Trading shall pay the Tranche One Purchase Price in one lump sum to the relevant Tranche One Vendors within five (5) working days after the satisfaction of the following conditions:

- (i) the receipt of the payment instruction in writing from the Lessee in respect of the Tranche One Purchase Price, the security money and other payables from the Lessee;
- (ii) the relevant transaction agreements have been signed and remain effective and there are no material adverse events which may cause any such agreements being revoked, or becoming invalid or being early terminated;

- (iii) all necessary information and/or procedures reasonably required by Chengtong Trading and the Lessee for the purpose of performing the Tranche One Three-party Agreements have been completed;
- (iv) the provision of a one-year warranty cheque by each of Xuzhou Construction Machinery and ZX Top Trailer in favor of the Lessee; and
- (v) all other conditions as may be requested by Chengtong Trading.

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

Ownership of the Tranche One Leased Assets

The Tranche One Vendors, the Lessee and Chengtong Trading confirm and agree that Chengtong Trading shall automatically acquire the ownership of the relevant Tranche One Leased Assets upon its payment in full of the respective Tranche One Purchase Price.

Delivery and acceptance

The Tranche One Vendors shall deliver the Tranche One Leased Assets to the Lessee directly in the United Arab Emirates and the Lessee shall accept delivery in accordance with the terms and conditions of the Tranche One Three-party Agreements. Upon the payment in full of the Tranche One Purchase Price by Chengtong Trading in accordance with the written instruction of the Lessee, Chengtong Trading shall be deemed to have completed the obligation of delivery of the Tranche One Leased Assets to the Lessee.

(2) *Tranche One Finance Lease Agreements*

On the same date, Chengtong Trading (as lessor) has entered into the Tranche One Finance Lease Agreements with the Lessee (as lessee), pursuant to which it is agreed that Chengtong Trading shall, at the choice of the Lessee, purchase the Tranche One Leased Assets from the Tranche One Vendors in accordance with the terms and conditions of the Tranche One Three-party Agreements, and Chengtong Trading shall then lease the Tranche One Leased Assets to the Lessee for a term of five (5) years commencing from the date on which Chengtong Trading has paid the full amount of the Tranche One Purchase Price, subject to early termination in accordance with the terms and conditions of the Tranche One Finance Lease Agreements.

Lease payment

The total amount of lease payment over the lease term of the Tranche One Arrangement is estimated to be approximately US\$957,171.17 (equivalent to approximately HK\$7,465,935.13) which shall be paid by the Lessee to Chengtong Trading in eleven (11) instalments in the following manner:

- (i) the first instalment shall be in the amount of US\$26,366.27 (equivalent to approximately HK\$205,656.91) and shall be paid on the next day of the date of commencement of the lease term; and
- (ii) the subsequent instalments shall each be in the amount of US\$93,080.49 (equivalent to approximately HK\$726,027.82) and shall be paid on a half-yearly basis commencing on the expiry of six (6) months after the date of commencement of the lease term.

Security

The Lessee shall pay US\$43,943.78 (equivalent to approximately HK\$342,761.48), being approximately 5% of the Tranche One Purchase Price, to Chengtong Trading within ten (10) working days after the signing of the Tranche One Finance Lease Agreements as security money for the performance of its obligations under the Tranche One Finance Lease Agreements.

As an additional security measure to Chengtong Trading, the Lessee has agreed to pledge the Tranche One Leased Assets to Chengtong Trading as security for all amounts payable by the Lessee under the Tranche One Finance Lease Agreements.

Lessee's right to purchase the Tranche One Leased Assets

Upon the Lessee having paid all the lease payment and any other payables (if any) to Chengtong Trading in accordance with the terms of the Tranche One Finance Lease Agreements, the Lessee shall have the right to purchase the Tranche One Leased Assets from Chengtong Trading at a Nominal Price of US\$87,887.55 (equivalent to HK\$685,522.89), being approximately 10% of the Tranche One Purchase Price.

(B) Tranche Two Arrangement:

(1) *Tranche Two Three-party Agreements*

On 9 March 2022, Chengtong Trading (as lessor and purchaser), together with the Lessee (as lessee), also entered into a three-party agreement with each of the Tranche Two Vendors, pursuant to which Chengtong Trading will purchase the Tranche Two Leased Assets from the Tranche Two Vendors at an aggregate purchase price of US\$638,927.05 (equivalent to HK\$4,983,630.99).

Tranche Two Purchase Price

The Tranche Two Purchase Price was determined after arm's length negotiation between the Lessee and the relevant Tranche Two Vendors with reference to the prevailing market price of assets comparable to the Tranche Two Leased Assets.

Chengtong Trading shall pay the Tranche Two Purchase Price to the Tranche Two Vendors in two (2) instalments in the following manner:

- (a) the first instalment in the amount of US\$78,660 (equivalent to HK\$613,548) shall be paid to Shaanxi Automobile I&E within five (5) working days after the satisfaction of the following conditions:
 - (i) the receipt of the payment instruction in writing from the Lessee in respect of the first instalment amount of the Tranche Two Purchase Price, the security money and other payables from the Lessee;
 - (ii) the receipt by the Lessee of a guarantee letter from Shaanxi Automobile I&E in respect of the advance payment;
 - (iii) the relevant transaction agreements have been signed and become effective;
 - (iv) all other conditions as may be requested by Chengtong Trading; and

- (b) the second instalment in an aggregate amount of US\$560,267.05 (equivalent to HK\$4,370,082.99) shall be paid to the Tranche Two Vendors within five (5) working days after the satisfaction of the following conditions:
- (i) the receipt of the payment instruction in writing from the Lessee in respect of the second instalment amount of the Tranche Two Purchase Price;
 - (ii) the relevant transaction agreements have been signed and remain effective and there are no material adverse events which may cause any such agreements being revoked, or becoming invalid or being early terminated;
 - (iii) all necessary information and/or procedures reasonably required by Chengtong Trading and the Lessee for the purpose of performing the Tranche Two Three-party Agreements have been completed;
 - (iv) the provision of a one-year warranty cheque/bank guarantee letter by the Tranche Two Vendors in favor of the Lessee; and
 - (v) all other conditions as may be requested by Chengtong Trading.

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

Ownership of the Tranche Two Leased Assets

The Tranche Two Vendors, the Lessee and Chengtong Trading confirm and agree that Chengtong Trading shall automatically acquire the ownership of the relevant Tranche Two Leased Assets upon its payment in full of the respective Tranche Two Purchase Price.

Delivery and acceptance

The Tranche Two Vendors shall deliver the Tranche Two Leased Assets to the Lessee directly in the United Arab Emirates and the Lessee shall accept delivery in accordance with the terms and conditions of the Tranche Two Three-party Agreements. Upon the payment in full of the Tranche Two Purchase Price by Chengtong Trading in accordance with the written instructions of the Lessee, Chengtong Trading shall be deemed to have completed the obligation of delivery of the Tranche Two Leased Assets to the Lessee.

(2) *Tranche Two Finance Lease Agreements*

On the same date, Chengtong Trading (as lessor) has also entered into the Tranche Two Finance Lease Agreements with the Lessee (as lessee), pursuant to which it is agreed that Chengtong Trading shall, at the choice of the Lessee, purchase the Tranche Two Leased Assets from the Tranche Two Vendors in accordance with the terms and conditions of the Tranche Two Three-party Agreements, and Chengtong Trading shall then lease the Tranche Two Leased Assets to the Lessee for a term of five (5) years commencing from the date on which Chengtong Trading has paid the full amount of the Tranche Two Purchase Price, subject to early termination in accordance with the terms and conditions of the Tranche Two Finance Lease Agreements.

Lease payment

The total amount of lease payment over the lease term of the Tranche Two Arrangement is estimated to be approximately US\$696,764.31 (equivalent to approximately HK\$5,434,761.62) which shall be paid by the Lessee to Chengtong Trading in eleven (11) instalments in the following manner:

- (i) the first instalment in the amount of approximately US\$20,085.51 (equivalent to approximately HK\$156,666.98) shall be paid on the next day of the date of commencement of the lease term; and
- (ii) the subsequent instalments each in the amount of US\$67,667.88 (equivalent to approximately HK\$527,809.46) shall be paid on a half-yearly basis commencing on the expiry of six (6) months after the date of commencement of the lease term.

Security

The Lessee shall pay US\$31,946.35 (equivalent to HK\$249,181.53), being approximately 5% of the Tranche Two Purchase Price, to Chengtong Trading within ten (10) working days after the signing of the Tranche Two Finance Lease Agreements as security money for the performance of its obligations under the Tranche Two Finance Lease Agreements.

As an additional security measure to Chengtong Trading, the Lessee has agreed to pledge the Tranche Two Leased Assets to Chengtong Trading as security for all amounts payable by the Lessee under the Tranche Two Finance Lease Agreements.

Lessee's right to purchase the Tranche Two Leased Assets

Upon the Lessee having paid all the lease payment and any other payables (if any) to Chengtong Trading in accordance with the terms of the Tranche Two Finance Lease Agreements, the Lessee shall have the right to purchase the Tranche Two Leased Assets from Chengtong Trading at a Nominal Price of US\$63,892.70 (equivalent to HK\$498,363.06), being approximately 10% of the Tranche Two Purchase Price.

INFORMATION OF THE VENDORS AND THE LESSEE

The Vendors

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, (i) Xuzhou Construction Machinery is principally engaged in the business of sales of construction machinery and equipment; (ii) ZX Top Trailer is principally engaged in the business of manufacturing of automotive rims, trailers, and accessories of trailers; (iii) Beijing Futon is principally engaged in the business of sales of vehicles, import and export of goods and provision of warehousing services; (iv) Shaanxi Automobile I&E is principally engaged in the business of provision of import and export agency services for various goods and technology; and (v) the Vendors and their respective ultimate beneficial owners are Independent Third Parties.

The Lessee

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, (i) the Lessee is instituted as a major overseas operational enterprise of China State Construction and is principally engaged in the business of construction of housing and infrastructures, mechanical and electrical installation, steel construction and financial investment; and (ii) the Lessee and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Group is principally engaged in leasing, bulk commodity trade, property development and investment, marine recreation services and hotel. The Group's overseas leasing business is mainly carried out through Chengtong Trading as its principal business.

The entering into of the Finance Lease Arrangement is in the ordinary and usual course of business of Chengtong Trading and it is expected that Chengtong Trading will earn an income of approximately US\$287,913.20 (equivalent to HK\$2,245,722.96), being the difference between (i) the sum of the total lease payment and the total Nominal Price payable by the Lessee under the Finance Lease Arrangement; and (ii) the total amount of the Tranche One Purchase Price and the Tranche Two 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 15 November 2019, Chengtong Trading entered into the Previous Arrangement with the Lessee. The Previous Arrangement did not constitute a notifiable transaction for the Company.

Since the Previous Arrangement is still subsisting when the Finance Lease Arrangement is entered into, the Finance Lease Arrangement is aggregated with the Previous Arrangement for the purpose of calculating the relevant percentage ratios (as defined under the Listing Rules).

The highest applicable percentage ratio in respect of the Finance Lease Arrangement is less than 5% on a standalone basis, while it exceeds 5% but is less than 25% when aggregated with the Previous Arrangement. Therefore, the Finance Lease Arrangement when aggregated with the Previous 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:

“Beijing Futon”	means 北京福田國際貿易有限公司 (unofficial English translation being Beijing Foton International Trade Co., Ltd.), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of 北汽福田汽車股份有限公司 (Beiqi Futon Motor Co., Ltd.), the shares of which are listed on the Shanghai Stock Exchange
“Board”	means the board of Directors
“Chengtong Trading”	means Chengtong Trading (International) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“China State Construction”	means 中國建築股份有限公司 (unofficial English translation being China State Construction Engineering Corporation Ltd.), the shares of which are listed on the Shanghai Stock Exchange
“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
“Finance Lease Agreements”	means, collectively, the Tranche One Finance Lease Agreements and the Tranche Two Finance Lease Agreements
“Finance Lease Arrangement”	means, collectively, the Tranche One Arrangement and the Tranche Two Arrangement
“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
“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, collectively, the Tranche One Leased Assets and the Tranche Two Leased Assets
“Lessee”	means 中建中東有限責任公司 (China State Construction Engineering Corporation (Middle East) L.L.C), a company incorporated in the United Arab Emirates which is beneficially controlled by China State Construction
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange

“Nominal Price”	means the consideration payable by the Lessee to Chengtong Trading for the purchase of the Leased Assets at the end of the lease term
“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 Arrangement”	means the arrangement entered into among Chengtong Trading, the Lessee and a vendor, which is an Independent Third Party, on 15 November 2019 pursuant to which Chengtong Trading purchased certain bridge-erection cranes and auxiliary equipment and support system from the vendor at a consideration of US\$5,786,646.35 (equivalent to HK\$45,135,841.53) and leased to the Lessee for a term of five (5) years in return for an estimated lease payment of US\$6,425,230 (equivalent to HK\$50,116,794)
“Shaanxi Automobile I&E”	means 陝西重型汽車進出口有限公司 (unofficial English translation being Shaanxi Heavy-duty Automobile Import and Export Co., Ltd.), a company established in the PRC with limited liability which is indirectly owned (i) as to 51% by 濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company whose shares are listed on the main board of the Stock Exchange and the Shenzhen Stock Exchange, and (ii) as to 49% by 陝西汽車集團股份有限公司 (unofficial English translation being Shaanxi Automobile Group Co., Ltd.), which is ultimately controlled as to more than one-third of its equity interest by the State-owned Assets Supervision and Administration Commission of the People’s Government of Shaanxi Province
“Three-party Agreements”	means, collectively, the Tranche One Three-party Agreements and the Tranche Two Three-party Agreements

“Tranche One Arrangement”	means, collectively, the finance lease transactions contemplated under the Tranche One Three-party Agreements and the Tranche One Finance Lease Agreements
“Tranche One Finance Lease Agreements”	means, collectively, the following agreements each dated 9 March 2022 and signed between Chengtong Trading and the Lessee: <ul style="list-style-type: none"> (1) finance lease agreement in respect of the Tranche One Leased Assets; (2) security money agreement; and (3) pledge agreement in respect of the Tranche One Leased Assets
“Tranche One Leased Assets”	means certain cranes, flat bed trailers and pickup trucks which will be purchased by Chengtong Trading from the Tranche One Vendors and lease to the Lessee under the Tranche One Arrangement
“Tranche One Purchase Price”	means the total purchase price in the sum of US\$878,875.48 (equivalent to HK\$6,855,228.74) payable by Chengtong Trading to the Tranche One Vendors for the Tranche One Leased Assets
“Tranche One Three-party Agreements”	means, collectively, the three (3) sets of three-party sale and purchase agreements each dated 9 March 2022 and signed by Chengtong Trading and the Lessee with each of the Tranche One Vendors respectively
“Tranche One Vendors”	means, collectively, Xuzhou Construction Machinery, ZX Top Trailer and Beijing Futon
“Tranche Two Arrangement”	means, collectively, the finance lease transactions contemplated under the Tranche Two Three-party Agreements and the Tranche Two Finance Lease Agreements

“Tranche Two Finance Lease Agreements”	means, collectively, the following agreements each dated 9 March 2022 and signed between Chengtong Trading and the Lessee: <ol style="list-style-type: none"> (1) finance lease agreement in respect of the Tranche Two Leased Assets; (2) security money agreement; and (3) pledge agreement in respect of the Tranche Two Leased Assets
“Tranche Two Leased Assets”	means certain tractors and aerial lift vehicles which will be purchased by Chengtong Trading from the Tranche Two Vendors and lease to the Lessee under the Tranche Two Arrangement
“Tranche Two Purchase Price”	means the total purchase price in the sum of US\$638,927.05 (equivalent to HK\$4,983,630.99) payable by Chengtong Trading to the Tranche Two Vendors for the Tranche Two Leased Assets
“Tranche Two Three-party Agreements”	means, collectively, the two (2) sets of three-party sale and purchase agreements each dated 9 March 2022 and signed by Chengtong Trading and the Lessee with each of the Tranche Two Vendors respectively
“Tranche Two Vendors”	means, collectively, Xuzhou Construction Machinery and Shaanxi Automobile I&E
“US\$”	means the United States dollars, the lawful currency of the United States of America
“Vendors”	means, collectively, the Tranche One Vendors and the Tranche Two Vendors
“Xuzhou Construction Machinery”	means Xuzhou Construction Machinery Overseas FZE, a company incorporated in the United Arab Emirates and is wholly-owned by Mr. Bi ju Chandrasekharan

“ZX Top Trailer” means ZX Top Trailer Trading L.L.C, a company incorporated in the United Arab Emirates which is ultimately controlled by Mr. Gao Wulin (高武林)

“%” means per cent.

In this announcement, for the purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at the rate of US\$1.00 to HK\$7.80. 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 March 2022

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