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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 28 April 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the Lessee, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the Lessee and will lease the Leased Assets back to the Lessee for a term of five (5) years, subject to early termination in accordance with the terms and conditions of the Sale and Leaseback Agreements.

On 7 June 2021, Chengtong Financial Leasing entered into the Previous Transaction with the Lessee. Since the Sale and Leaseback Arrangement is entered into within 12 months from the date of the Previous Transaction, the Sale and Leaseback 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 Sale and Leaseback Arrangement, both when calculated individually and when aggregated with the Previous Transaction, 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 28 April 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the Lessee in respect of the Sale and Leaseback Arrangement, the major terms of which are set out below.

SALE AND LEASEBACK ARRANGEMENT

Date of the Sale and Leaseback Agreements

28 April 2022

Parties

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessee and its ultimate beneficial owners are Independent Third Parties, and the Lessee is principally engaged in the business of management of public transportation in Shengzhou City, Zhejiang Province, 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 Lessee in relation to the Sale and Leaseback Arrangement, the signing and the coming into effect of the relevant guarantee agreement and the payment of the security money (as set out below) by the Lessee), Chengtong Financial Leasing will purchase the Leased Assets from the Lessee at the Purchase Price of RMB100 million (equivalent to HK\$120 million), and the Leased Assets will be leased back to the Lessee for a period of five (5) 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 Sale and Leaseback Agreements.

If any of the conditions are not satisfied on or before 31 May 2022, Chengtong Financial Leasing shall have the right to unilaterally terminate the Sale and Leaseback Agreements.

Leased Assets and Purchase Price

The Leased Assets comprise public transportation vehicles with net book value of RMB68.18 million (equivalent to approximately HK\$81.82 million), and certain intelligent operating system, monitoring system, HVAC system, lighting system and charging stations and facilities with a total appraised value of approximately RMB44.89 million (equivalent to approximately HK\$53.87 million). The Lessee does not separately account for the profits before and after tax of the Leased Assets.

The Purchase Price of RMB100 million (equivalent to HK\$120 million) was agreed between Chengtong Financial Leasing and the Lessee with reference to the total of appraised value and net book value of the respective parts 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 over the Lease Term is estimated to be approximately RMB112.62 million (equivalent to approximately HK\$135.14 million) which shall be paid by the Lessee to Chengtong Financial Leasing in twenty (20) 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 at the five(5)-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 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 Leased Assets and the credit risks associated with the Sale and Leaseback Arrangement.

After the Lessee has fully and punctually settled the lease payment for at least 36 months during the Lease Term and subject to the full payment of all the payables (including the lease principal) under the Sale and Leaseback Agreements by the Lessee in one lump sum, Chengtong Financial Leasing agrees to waive the lease interest in the remaining installments of lease payment. The Sale and Leaseback Agreements shall thereafter be early terminated.

Lessee's right to repurchase the Leased Assets

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 Sale and Leaseback Agreements, the Lessee shall have the right to repurchase the Leased Assets at nominal consideration of RMB2.00 (equivalent to HK\$2.40).

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 Sale and Leaseback Agreements.

If the Lessee fails to fully perform any obligation under the Sale and Leaseback 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 Sale and Leaseback 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 Sale and Leaseback Agreements is less than the balance of the security money, the Sale and Leaseback 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 Sale and Leaseback Agreements and any remaining balance of the security money shall be returned to the Lessee.

Guarantee

The Guarantor will provide a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under the Sale and Leaseback Agreements, including but not limited to 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, the Guarantor and its ultimate beneficial owners are Independent Third Parties, and the Guarantor is principally engaged in the construction of key urban infrastructure projects and affordable housing development in Shengzhou City.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT

The Group is principally engaged in leasing, bulk commodity trade, property development and 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 Sale and Leaseback Arrangement is in the ordinary and usual course of business of Chengtong Financial Leasing. Assuming that the Sale and Leaseback Agreements are not early terminated, it is expected that Chengtong Financial Leasing will earn an income of approximately RMB12.62 million (equivalent to approximately HK\$15.14 million), being the difference between the estimated total amount of lease payment under the Sale and Leaseback Arrangement and the Purchase Price to be paid by Chengtong Financial Leasing for the Leased Assets.

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

On 7 June 2021, Chengtong Financial Leasing entered into the Previous Transaction with the Lessee. Since the Sale and Leaseback Arrangement is entered into within 12 months from the date of the Previous Transaction, the Sale and Leaseback 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 Sale and Leaseback Arrangement, both when calculated individually and when aggregated with the Previous Transaction, 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:

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| “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
“Group”	means the Company and its subsidiaries as at the date of this announcement
“Guarantor”	means 嵊州市城市建設投資發展集團有限公司(unofficial English Translation being Shengzhou City Urban Construction and Investment Development Group Company Limited), a State-owned enterprise established in the PRC with limited liability whose ultimate beneficial owner controlling more than one-third of its equity interest is 嵊州市財政局 (Shengzhou City Finance Bureau)
“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)
“Lessee”	means 嵊州市公共交通有限公司(unofficial English name being Shengzhou City Public Transportation Company Limited), a State-owned enterprise established in the PRC with limited liability whose ultimate beneficial owner controlling more than one-third of its equity interest is 嵊州市財政局 (Shengzhou City Finance Bureau)
“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 previous sale and leaseback arrangement between Chengtong Financial Leasing and the Lessee, details of which are set out in the announcement of the Company dated 7 June 2021

“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Leased Assets from the Lessee
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the following agreements each dated 28 April 2022 and signed between Chengtong Financial Leasing and the Lessee in relation to the Sale and Leaseback Arrangement: <ul style="list-style-type: none"> (1) two sets of leaseback assets transfer agreements; (2) two sets of Sale and Leaseback agreements; and (3) two sets of security money agreements
“Sale and Leaseback Arrangement”	means the purchase of the Leased Assets by Chengtong Financial Leasing from the Lessee and the lease back of the Leased Assets to the Lessee 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\$1.20. 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, 28 April 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.