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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 30 May 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with Lessee A and Lessee B, as co-Lessees, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the co-Lessees and will lease the Leased Assets back to the co-Lessees for a term of three (3) years, subject to early termination in accordance with the terms and conditions of the Sale and Leaseback Agreements.

As the highest applicable 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 30 May 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the co-Lessees 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

30 May 2022

Parties

Lessor: Chengtong Financial Leasing

Co-Lessees: Lessee A and Lessee B

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the co-Lessees and their ultimate beneficial owners are Independent Third Parties. Lessee A is principally engaged in the construction business in the PRC. Lessee B holds 31% equity interest in Lessee A and is principally engaged in the business of construction contracting, real estate development and equipment fabrication 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 co-Lessees in relation to the Sale and Leaseback Arrangement, and the payment of the security money (as set out below) by the co-Lessees), Chengtong Financial Leasing will purchase the Leased Assets from the co-Lessees at the Purchase Price of RMB150 million (equivalent to HK\$177 million), and the Leased Assets will be leased back to the co-Lessees 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 Sale and Leaseback Agreements.

If any of the conditions are not satisfied on or before 25 June 2022, Chengtong Financial Leasing shall have the right to unilaterally terminate the Sale and Leaseback Agreements.

Purchase Price

The Purchase Price of RMB150 million (equivalent to HK\$177 million) was agreed between Chengtong Financial Leasing and the co-Lessees with reference to the appraised value of the Leased Assets as at 25 April 2022 which amounted to approximately RMB191.00 million (equivalent to approximately HK\$225.38 million). The co-Lessees do not separately account for the profits before and after 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 over the Lease Term is estimated to be approximately RMB162.87 million (equivalent to approximately HK\$192.19 million) which shall be paid by the co-Lessees to Chengtong Financial Leasing in six (6) semi-annual 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 fixed interest rate. 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.

Co-Lessees' right to repurchase the Leased Assets

Upon the co-Lessees 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 co-Lessees shall have the right to repurchase the Leased Assets at nominal consideration of RMB1.00 (equivalent to HK\$1.18).

Security money

The co-Lessees agree to pay a sum of RMB1.50 million (equivalent to HK\$1.77 million) as security money for the performance of its obligations under the Sale and Leaseback Agreements.

If the co-Lessees fail 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 co-Lessees 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 co-Lessees have fully performed all its obligations under the Sale and Leaseback Agreements, Chengtong Financial Leasing shall return the security money to the co-Lessees upon the expiry of the Lease Term and the presentation of the receipt of the security money by the co-Lessees.

When the amount payable by the co-Lessees 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 co-Lessees' application. The co-Lessees 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 co-Lessees.

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 RMB12.87 million (equivalent to approximately HK\$15.19 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

As the highest applicable 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
“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
“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 certain crawler cranes, filter pumps, hydraulic crawler cranes, air circulating exchangers and hydraulic press machines
“Lessee A”	means 濮陽國冶城發建設有限公司 (unofficial English translation being Puyang Guoye Urban Development and Construction 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 State-owned Assets Supervision and Administration Commission of the State Council
“Lessee B”	means China First Metallurgical 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 State-owned Assets Supervision and Administration Commission of the State Council
“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 co-Lessees
“RMB”	means Renminbi, the lawful currency of the PRC

“Sale and Leaseback Agreements”	means, collectively, the following agreements each dated 30 May 2022 and signed between Chengtong Financial Leasing and the co-Lessees in relation to the Sale and Leaseback Arrangement:
	(1) leaseback assets transfer agreement;
	(2) finance lease agreement (sale and Leaseback); and
	(3) security money agreement
“Sale and Leaseback Arrangement”	means the purchase of the Leased Assets by Chengtong Financial Leasing from the co-Lessees and the lease back of the Leased Assets to the co-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\$1.18. 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, 30 May 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.