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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 26 August 2021, 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 Facilities from the Lessee and will lease the Facilities back to the Lessee for a term of three (3) years.

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 26 August 2021, 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

26 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 indirectly owned as to more than one-third by the Guarantor, which is in turn ultimately controlled by Shanxi SASAC; (ii) the Lessee and its ultimate beneficial owner(s) are Independent Third Parties; and (iii) the Lessee is principally engaged in the business of leasing, factoring and provision of entrusted loans.

Subject matter

Subject to the fulfilment of the 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 security agreement(s) and the completion of the requisite registration for the security (as set out below)), Chengtong Financial Leasing will purchase the Facilities from the Lessee at the Purchase Price of RMB190 million (equivalent to HK\$228 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 Sale and Leaseback Agreements.

If any of the conditions under the Sale and Leaseback Agreements are not satisfied on or before 30 October 2021, Chengtong Financial Leasing shall have the right to unilaterally terminate the Sale and Leaseback Agreements.

Purchase Price

The Purchase Price of the Facilities was agreed between Chengtong Financial Leasing and the Lessee with reference to the respective appraised values of different parts of the Facilities as at 20 February 2021 and 10 April 2021 which amounted to a total of approximately RMB201.20 million (equivalent to approximately HK\$241.44 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 RMB205.45 million (equivalent to approximately HK\$246.54 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 Sale and Leaseback Arrangement.

Service Fee

The Lessee shall pay a service fee of RMB2.85 million (equivalent to HK\$3.42 million) ("Service Fee") to Chengtong Financial Leasing within 30 working days after the coming into effect of the Sale and Leaseback Agreements for the preliminary services provided by Chengtong Financial Leasing in respect of the Sale and Leaseback Arrangement. The service fee is non-refundable.

Lessee's right to repurchase the Facilities

Upon the Lessee having paid all the lease payments and 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 Facilities at a nominal consideration of RMB100.00.

Security

In order to guarantee the Lessee's performance of the Sale and Leaseback Agreements, the Lessee has agreed to pledge all its receivables from the Sub-lessees, including the receivables under the Original Sale and Leaseback Agreements, to Chengtong Financial Leasing as security for all amounts payable by the Lessee under the Sale and Leaseback Agreements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sub-lessees and their ultimate beneficial owner(s) are Independent Third Parties.

Guarantee

The Guarantor has provided 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, (i) the Guarantor is ultimately controlled by Shanxi SASAC; (ii) the Guarantor and its ultimate beneficial owner(s) are Independent Third Parties; and (iii) the Guarantor is principally engaged in the business of coal mining, provision of electricity and trading.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT

The Group is principally engaged in leasing, bulk commodity trading, property development and investment, marine recreation services and hotel. 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 and it is expected that Chengtong Financial Leasing will earn an income of approximately RMB18.30 million (equivalent to approximately HK\$21.96 million), being the aggregate of the Service Fee and the difference between the estimated total lease payments under the Sale and Leaseback Arrangement and the Purchase Price.

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
“Facilities”	means certain power generation equipment and ancillary facilities
“Group”	means the Company and its subsidiaries as at the date of this announcement
“Guarantor”	means 晉能控股煤業集團有限公司 (unofficial English translation being Jinneng Holding Coal Mining Group Co., Ltd.), a company incorporated in the PRC with limited liability
“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 同煤漳澤（上海）融資租賃有限責任公司 (unofficial English translation being Tongmei Zhangze (Shanghai) Financing Lease Co., Ltd.), a company incorporated in the PRC with limited liability
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Original Sale and Leaseback Agreements”	means the sale and leaseback agreements in respect of the Facilities entered into between the Lessee (as lessor) and the Sub-lessees (as lessees)
“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 Facilities from the Lessee
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the following agreements each dated 26 August 2021 and signed between Chengtong Financial Leasing and the Lessee in relation to the Sale and Leaseback Arrangement: <ul style="list-style-type: none"> (1) leaseback assets transfer agreement; (2) finance lease agreement (sale and leaseback); and (3) receivables pledge agreement
“Sale and Leaseback 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 Sale and Leaseback Agreements
“Shanxi SASAC”	means 山西省國有資產監督管理委員會 (unofficial English translation being State-owned Assets Supervision and Administration Commission of Shanxi Province)
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Sub-lessees”	means the lessees under the Original Sale and Leaseback Agreements, being two companies incorporated in the PRC with limited liability, both of which and their respective ultimate beneficial owners are Independent Third Parties
“%”	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, 26 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.