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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION – FINANCE LEASE ARRANGEMENT

Reference is made to the announcement of the Company dated 9 March 2022 (“**Announcement**”). Unless otherwise defined in this announcement, capitalised terms used in this announcement have the same meaning as defined in the Announcement.

The Board wishes to provide the shareholders of the Company with additional information in relation to the Previous Arrangement as follows:

PREVIOUS ARRANGEMENT

On 15 November 2019, Chengtong Trading agreed on the Previous Arrangement by entering into the Previous Purchase Agreement with the Previous Vendor and the Previous Lease Agreements with the Lessee, pursuant to which Chengtong Trading purchased the Previous Leased Assets from the Previous Vendor for a purchase price of US\$5,786,640 (equivalent to HK\$45,135,792) (instead of US\$5,786,646.35 (equivalent to HK\$45,135,841.53) as stated in the Announcement) and Chengtong Trading then leased the Previous Leased Assets to the Lessee for a total lease term of five (5) years in return for a total lease payment of US\$6,425,230 (equivalent to HK\$50,116,794).

The major terms of the Previous Arrangement are set out below.

(1) Previous Purchase Agreement

On 15 November 2019, Chengtong Trading (as purchaser) and the Previous Vendor (as seller) entered into the Previous Purchase Agreement, pursuant to which Chengtong Trading purchased the Previous Leased Assets from the Previous Vendor at a purchase price of US\$5,786,640 (equivalent to HK\$45,135,792).

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

Under the Previous Purchase Agreement, it was agreed that Chengtong Trading should pay the Previous Purchase Price to the Previous Vendor in two (2) instalments in the amount of US\$1,446,660 (equivalent to HK\$11,283,948) and US\$4,339,980 (equivalent to HK\$33,851,844) respectively upon satisfaction of certain conditions precedent. All the conditions precedent to the payment of the Previous Purchase Price have been satisfied and the Previous Purchase Price was settled in two instalments by bank remittances on 22 November 2019 and 3 April 2020 respectively. The Previous Purchase Price was satisfied by the internal resources of the Group and/or borrowings.

The ownership of the Previous Leased Assets vested in Chengtong Trading upon its payment in full of the Previous Purchase Price.

The Previous Leased Assets were delivered by the Previous Vendor to the Lessee directly in the United Arab Emirates and the Lessee (as agent of Chengtong Trading) has accepted delivery in accordance with the terms and conditions of the Previous Purchase Agreement.

(2) Previous Lease Agreements

On 15 November 2019, Chengtong Trading (as lessor) entered into a lease agreement with the Lessee (as lessee), pursuant to which it was agreed that Chengtong Trading should lease the Previous Leased Assets to the Lessee for a term of one (1) year commencing from the Lease Commencement Date (which fell on 3 April 2020), subject to renewal of the lease term as maybe agreed between Chengtong Trading and the Lessee by way of supplemental agreement(s).

On the same date, as a condition precedent of Chengtong Trading agreeing to sign the aforesaid lease agreement and the performance of its obligations thereunder, an undertaking letter was signed between Chengtong Trading and the Lessee, pursuant to which the Lessee made irrevocable and unconditional undertakings in favour of Chengtong Trading that, among other things,

- (a) the total lease term of the Previous Leased Assets should be five (5) years commencing from the Lease Commencement Date and the Lessee should enter into supplemental agreement(s) with Chengtong Trading before the expiry of the then prevailing lease term to renew the lease term until the expiry of five (5) years from the Lease Commencement Date;

- (b) the total amount of lease payment for the total lease term of five (5) years was US\$6,425,230 (equivalent to HK\$50,116,794) which should be paid by the Lessee to Chengtong Trading in ten (10) equal instalments on a half-yearly basis;
- (c) upon the expiry of the total lease term of five (5) years and upon its payment of all outstanding lease payments, liquidated damages (if any) and any other payables to Chengtong Trading, the Lessee should purchase or procure its designated third party to purchase the Previous Leased Assets at the Previous Nominal Price of US\$578,664 (equivalent to approximately HK\$4,513,579); and
- (d) the Lessee should not early terminate the lease term and/or purchase the Previous Leased Assets prior to the expiry of the total lease term of five (5) years without the prior written consent of Chengtong Trading.

It was agreed between Chengtong Trading and the Lessee in the above undertaking letter that in the event that the Lessee failed to sign supplemental agreement(s) with Chengtong Trading to renew the lease term, the lease term would be automatically extended for one (1) year from the expiry of the then subsisting lease term, until the expiry of five (5) years from the Lease Commencement Date.

The total amount of lease payment in respect of the Previous Leased Assets was determined after considering, among other factors, the internal rate of return, the prevailing interest rate applicable to US\$-denominated borrowings and the risks associated with leasing arrangement in the Middle East. The same determination basis was also consistently applied in the Finance Lease Arrangement.

On 3 April 2021, Chengtong Trading and the Lessee entered into a supplemental agreement to the lease agreement dated 15 November 2019 to extend the lease term for 12 months to 3 April 2022.

The Lessee has paid US\$578,664 (equivalent to approximately HK\$4,513,579) to Chengtong Trading as security money for the performance of its obligations under the Previous Lease Agreements.

INFORMATION OF THE PREVIOUS VENDOR

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, (i) the Previous Vendor is principally engaged in the business of supply of large-scale bridge construction equipment and is a service provider for bridge construction technology; (ii) the ultimate beneficial owner owning more than one-third of the equity interest of the Previous Vendor is Mr. Song Quanqi and none of the other ultimate beneficial owners of the Previous Vendor owns more than one-third of its equity interest; and (iii) the Previous Vendor and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE PREVIOUS ARRANGEMENT

As disclosed in the Announcement, 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 Previous 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 US\$1,217,254 (equivalent to approximately HK\$9,494,581), being the difference between (i) the sum of the total amount of lease payment over the total lease term of five (5) years and the Previous Nominal Price payable by the Lessee; and (ii) the Previous Purchase Price.

The Directors are of the view that the terms of the Previous 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

The Previous Arrangement alone did not constitute a notifiable transaction for the Company at the time it was entered into. However, since the Previous Arrangement was still subsisting when the Finance Lease Arrangement was entered into, the Previous Arrangement and the Finance Lease Arrangement were aggregated for the purpose of calculating the relevant percentage ratios (as defined under the Listing Rules).

The highest applicable percentage ratio in respect of the Previous Arrangement and the Finance Lease Arrangement on an aggregated basis exceeded 5% but was less than 25%. Therefore, the Finance Lease Arrangement when aggregated with the Previous Arrangement constituted a discloseable transaction of the Company and details of the Finance Lease Arrangement were disclosed in the Announcement pursuant to the 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:

- “Lease Commencement Date” means the date on which Chengtong Trading has paid the full amount of the Previous Purchase Price
- “Previous Lease Agreements” means, collectively, the following agreements signed between Chengtong Trading and the Lessee:
- (1) the lease agreement dated 15 November 2019 in respect of the lease of the Previous Leased Assets from Chengtong Trading to the Lessee for one (1) year;
 - (2) the undertaking letter dated 15 November 2019, pursuant to which it was agreed, among other things, that the total lease term of the Previous Leased Assets shall be five (5) years; and
 - (3) the supplemental agreement dated 3 April 2021 to the lease agreement pursuant to which the lease term of the Previous Leased Assets was extended to 3 April 2022
- “Previous Leased Assets” means certain bridge-erection cranes and auxiliary equipment and support system purchased by Chengtong Trading from the Previous Vendor and leased to the Lessee under the Previous Lease Agreements
- “Previous Nominal Price” means the consideration payable by the Lessee to Chengtong Trading for the purchase of the Previous Leased Assets at the end of the total lease term of five (5) years
- “Previous Purchase Agreement” means the sale and purchase agreement dated 15 November 2019 and signed between Chengtong Trading (as purchaser) and the Previous Vendor (as vendor) in respect of the purchase of the Previous Leased Assets

“Previous Purchase Price” means the purchase price in the sum of US\$5,786,640 (equivalent to HK\$45,135,792) paid by Chengtong Trading to the Previous Vendor for the Previous Leased Assets

“Previous Vendor” means Struktur DF International HK Co., Limited, a company incorporated in Hong Kong

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, 28 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.