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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

FINANCE LEASE ARRANGEMENT

On 3 August 2021, Chengtong Leasing entered into the Finance Lease Arrangement with Zhejiang Narada pursuant to which Chengtong Leasing has agreed to purchase the Equipment from Zhejiang Narada at a consideration of RMB80 million (equivalent to HK\$96 million) and lease the Equipment back to Zhejiang Narada for a term of five (5) years.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the entering into of the Finance Lease Arrangement constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the relevant disclosure requirements under the Listing Rules.

THE FINANCE LEASE ARRANGEMENT

(1) Finance Lease Agreement

Set out below are the principal terms of the Finance Lease Agreement:

Date : 3 August 2021

Parties : Lessor: Chengtong Leasing; and

Lessee: Zhejiang Narada

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhejiang Narada and its ultimate beneficial owners are Independent Third Parties.

Finance Lease Agreement

On 3 August 2021, Chengtong Leasing entered into the Finance Lease Agreement with Zhejiang Narada pursuant to which Chengtong Leasing has agreed to purchase the Equipment from Zhejiang Narada at a consideration of RMB80 million (equivalent to HK\$96 million) and lease the Equipment back to Zhejiang Narada for a term of five (5) years. The consideration for the purchase of the Equipment was determined with reference to the appraised value of the Equipment as at 30 June 2021 in the amount of RMB81.30 million (equivalent to HK\$97.56 million) as assessed by a qualified independent valuer in the PRC and after arm's length negotiation between Chengtong Leasing and Zhejiang Narada. The payment of consideration will be satisfied by Chengtong Leasing through its internal resources and/or borrowings.

Subject matter of the lease

The Equipment comprised 24 sets of energy storage equipment of Zhejiang Narada which were not separately accounted for the profit before and after tax.

Lease rent and principal lease cost

The total estimated lease rent to be paid by Zhejiang Narada to Chengtong Leasing is calculated as the sum of the principal lease cost and the lease interest. The principal lease cost under the Finance Lease Agreement was RMB80 million (equivalent to HK\$96 million), being the purchase price of the Equipment.

The estimated lease interest for the Lease Period is calculated at a floating interest rate based on a premium over the one-year LPR Rate. The aggregate estimated lease rent payable by Zhejiang Narada to Chengtong Leasing under the Lease Period will be approximately RMB92.08 million (equivalent to approximately HK\$110.50 million), which shall be paid in ten (10) installments on a biannual basis. Pursuant to the Finance Lease Agreement, Zhejiang Narada shall pay the first (1st) installment of the lease rent to Chengtong Leasing on the twentieth (20th) day of the sixth (6th) month from the commencement of the Lease Period and each of the remaining installments on the same day in each of the sixth (6th) month thereafter.

The terms of the Finance Lease Agreement including the lease rent and the lease interest rate were determined after arm's length negotiation between Chengtong Leasing and Zhejiang Narada with reference to the prevailing market rates for finance lease for similar asset(s) and the credit risks associated with the Finance Lease Arrangement.

Ownership of the Equipment

During the Lease Period, the ownership and all rights of the Equipment shall vest in Chengtong Leasing. Zhejiang Narada shall be responsible for the costs, expenses and taxes arising from the installation, maintenance, upkeep, uses and rent repayment of the Equipment. Upon expiry of the Lease Period and subject to the full payment of the entire amount of lease rent under the Finance Lease Agreement, Zhejiang Narada will have the option to purchase the Equipment at a nominal purchase price of RMB1.00. Upon full payment of the entire amount of lease rent and the nominal purchase price by Zhejiang Narada, the ownership and all rights of the Equipment shall vest in Zhejiang Narada.

(2) Ancillary agreements under the Finance Lease Arrangement

(a) Leaseback Assets Transfer Agreement

Under the Leaseback Assets Transfer Agreement entered into on 3 August 2021, Zhejiang Narada assigned the Equipment to Chengtong Leasing with the consideration of RMB80 million (equivalent to HK\$96 million). The Leaseback Assets Transfer Agreement forms part of the Finance Lease Arrangement.

(b) Agreement for Pledge of Account Receivables

Zhejiang Narada provides guarantee in favour of Chengtong Leasing to the satisfaction of Chengtong Leasing under the Agreement for Pledge of Account Receivables as entered into on 3 August 2021. Zhejiang Narada undertakes to Chengtong Leasing that, where (i) Zhejiang Narada fails to fully perform its obligations in accordance with the Finance Lease Agreement and related agreements or (ii) in the event of any situation in which the pledge rights under the Agreement for Pledge of Account Receivables are realized, Chengtong Leasing has the right to directly deduct the funds in the Special Account for the Pledge of Accounts Receivables for realizing the price with the pledged property and paying off Zhejiang Narada's liabilities under the Finance Lease Agreement.

REASONS AND BENEFITS FOR FINANCE LEASE ARRANGEMENT

The entering into of the Finance Lease Arrangement is in the ordinary and usual course of business of Chengtong Leasing and it is expected that Chengtong Leasing will earn an income of approximately RMB12.08 million (equivalent to approximately HK\$14.50 million), being the total payment of principal lease cost and the lease interest under the Finance Lease Arrangement after deducting the consideration paid for the purchase of the Equipment by Chengtong Leasing.

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.

INFORMATION ABOUT THE GROUP

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

INFORMATION ABOUT ZHEJIANG NARADA

Zhejiang Narada is a limited liability company established under the laws of the PRC which shares are listed on the Shenzhen Stock Exchange (Stock Code: 300068) and is principally engaged in the manufacturing and sales of electrical power supply equipment and energy storage products.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the entering into of the Finance Lease Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the relevant disclosure requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Leaseback Assets Transfer Agreement”	the leaseback assets transfer agreement dated 3 August 2021 entered into between Chengtong Leasing and Zhejiang Narada
“Agreement for Pledge of Account Receivables”	the Agreement for Pledge of Account Receivables dated 3 August 2021 entered into between Chengtong Leasing and Zhejiang Narada
“Board”	the board of Directors
“Chengtong Leasing”	Chengtong Financial Leasing Company Limited* (誠通融資租賃有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

“Company”	China Chengtong Development Group Limited (Stock Code 217), a company incorporated in Hong Kong whose shares are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Equipment”	24 sets of energy storage equipment of Zhejiang Narada located at a grid-side energy storage power station in Hunan Province
“Finance Lease Agreement”	the Finance Lease Agreement dated 3 August 2021 entered into between Chengtong Leasing and Zhejiang Narada
“Finance Lease Arrangement”	the Finance Lease Arrangement between Chengtong and Zhejiang Narada, involving the Financial Lease Agreement, the Leaseback Assets Transfer Agreement and the Agreement for Pledge of Account Receivables
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (has the meaning ascribed to it under the Listing Rules)
“Lease Period”	a period of five (5) years commencing from 3 August 2021 (subject to the date of draw down)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LPR Rate”	the Loan Prime Rate as adjusted from time to time by the National Interbank Funding Center under the China Foreign Exchange Trade System
“PRC”	the People’s Republic of China, but for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Special Account for the Pledge of Accounts Receivables”	Special account for holding the total amount of the accounts receivables under the Agreement for Pledge of Accounts Receivables
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Narada”	Zhejiang Narada Power Source Co., Ltd* (浙江南都電源動力股份有限公司), a limited liability company established under the laws of the PRC which shares are listed on the Shenzhen Stock Exchange (Stock Code: 300068) and is principally engaged in the manufacturing and sales of electrical power supply equipment and energy storage products, and an Independent Third Party of the Company
“%”	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.

* For identification purpose only

By order of the Board
China Chengtong Development Group Limited
Zhang Bin
Chairman

Hong Kong, 3 August 2021

As at the date of this announcement, the Board comprises (i) four executive Directors, namely Mr. Zhang Bin, Mr. Yang Tianzhou, Mr. Wang Tianlin and Mr. Li Shufang, and (ii) three independent non-executive Directors, namely, Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.