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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

THE SALE AND LEASEBACK ARRANGEMENT

On 19 January 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the 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.

IMPLICATIONS 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.

On 19 January 2023, 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

19 January 2023

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, (a) Lessee B is indirectly and wholly owned by Lessee A whose shares are listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 300197) and is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC; (b) each of the co-Lessees and their ultimate beneficial owners are Independent Third Parties; (c) Lessee A is principally engaged in the business of provision of environmental engineering services including water conservation and landscape construction; and (d) Lessee B is principally engaged in the business of the eco-environmental management services.

Subject matter

Subject to the fulfilment of the conditions as set out in the Sale and Leaseback Agreements (including but not limited to the provision by the co-Lessees of all necessary documents or information evidencing their ownership in the Leased Assets, the obtaining of all necessary approvals by the co-Lessees in relation to the Sale and Leaseback Arrangement, the payment of security money (as set out below) and the signing and the coming into effect of the relevant agreements), Chengtong Financial Leasing will purchase the Leased Assets from the co-Lessees at the Purchase Price of RMB100 million (equivalent to HK\$116 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 under the Sale and Leaseback Agreements are not satisfied on or before 30 June 2023, Chengtong Financial Leasing shall have the right to unilaterally terminate the Sale And Leaseback Agreements.

Purchase Price

The Purchase Price of the Leased Assets was agreed between Chengtong Financial Leasing and the co-Lessees with reference to the appraised value of the Leased Assets as at 26 December 2022 which amounted to approximately RMB102.37 million (equivalent to approximately HK\$118.75 million).

The Purchase Price will be satisfied by the general working capital of the Group.

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 RMB107.84 million (equivalent to approximately HK\$125.09 million) which shall be paid by the co-Lessees 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 will be calculated on the then outstanding lease principal amount with a fixed interest rate to be determined at a premium over the prevailing one (1)-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China at the time when the Sale and Leaseback Agreements were entered into.

The interest rate applicable to the Sale and Leaseback Arrangement is one of the major commercial terms negotiated between the parties on an arm's length basis and may vary on a case-by-case basis depending on a number of factors, such as the amount of lease principal, the lease term, the overall return rate attained by the Group taking into account the aggregate amount of lease interests and other receivables including but not limited to the Service Fee (as defined below) and the prevailing market conditions.

Service fee

The co-Lessees shall pay a one-off service fee of approximately RMB2.51 million (equivalent to approximately HK\$2.91 million) ("**Service Fee**") to Chengtong Financial Leasing within five (5) working days after the coming into effect of the Sale and Leaseback Agreements) for the preliminary services provided by Chengtong Financial Leasing. The Service Fee is non-refundable.

Security money

The co-Lessees agree to pay a sum of approximately RMB2.50 million (equivalent to HK\$2.90 million) as security money for the performance of their 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 their obligations under the Sale and Leaseback Agreements, Chengtong Financial Leasing shall return the security money to the co-Lessees upon the co-Lessees' presentation of the receipt of the security money.

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.

Co-Lessees' right to repurchase the Leased Assets

Upon the co-Lessees 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 co-Lessees shall have the right to repurchase the Leased Assets at a nominal consideration of RMB1.00.

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 and it is expected that Chengtong Financial Leasing will earn an income of approximately RMB10.35 million (equivalent to approximately HK\$12.00 million), being the sum of the service fee and the difference between the estimated total lease payment amount and the purchase price under the sale and leaseback arrangement.

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:

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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 |
| “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) |
| “Leased Assets” | means certain sewage treatment equipment and pipes network in Bangxi Town, Baisha Li Autonomous County, Hainan Province, PRC and certain granulator, GNSS receiver, grinder equipment |
| “Lessee A” | means CECEP Techand Ecology & Environment Co., Ltd., a company whose shares are listed on the ChiNext market of the Shenzhen Stock Exchange |
| “Lessee B” | means 白沙漢旭緣水環境治理有限公司 (unofficial English translation being Baisha Hanxuyuan Water Environment Management Co., Ltd), an indirectly wholly owned subsidiary of Lessee A |
| “Listing Rules” | means the Rules Governing the Listing of Securities on the Stock Exchange |

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| “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 19 January 2023 and signed between Chengtong Financial Leasing and the co-Lessees 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) security money agreement |
| “Sale and Leaseback Arrangement” | means the purchase of the Leased Assets by Chengtong Financial Leasing from the co-Lessees and the leaseback 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\$1.16. 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, 19 January 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Bin, Mr. Yang Tianzhou and Mr. Gu Honglin; and the independent non-executive Directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.