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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

On 27 May 2021, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease 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 two (2) years.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement exceeds 5% but is less than 25%, the Finance Lease 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 27 May 2021, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreements with the Lessee in respect of the Finance Lease Arrangement, the major terms of which are set out below.

FINANCE LEASE ARRANGEMENT

Date of the Finance Lease Agreements

27 May 2021

Parties

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessee and its ultimate beneficial owners are Independent Third Parties and the Lessee is principally engaged in the business of provision of finance lease services.

Subject matter

Subject to the fulfilment of certain conditions as set out in the Finance Lease Agreements (including but not limited to the obtaining of all necessary approvals by the Lessee in relation to the Finance Lease Arrangement, the signing and the coming into effect of the relevant security agreements, the completion of the requisite registration for the corresponding collateral), Chengtong Financial Leasing will purchase the Facilities from the Lessee at the Purchase Price of RMB130 million (equivalent to HK\$157.30 million), and the Facilities will be leased back to the Lessee for a period of two (2) years (“**Lease Term**”) from the date on which the Purchase Price is paid by Chengtong Financial Leasing.

If any of the conditions are not satisfied on or before 30 June 2021, Chengtong Financial Leasing shall have the right to unilaterally terminate the Finance Lease Agreements.

Purchase Price

The Purchase Price of RMB130 million (equivalent to HK\$157.30 million) was agreed between Chengtong Financial Leasing and the Lessee with reference to the aggregate outstanding lease principal amount under the Original Finance Lease Agreements as at 21 May 2021 (after deducting the security money received by the Lessee from the Sub-lessees) which amounted to approximately RMB137.41 million (equivalent to approximately HK\$166.27 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 RMB137.19 million (equivalent to approximately HK\$166.00 million) which shall be paid by the Lessee to Chengtong Financial Leasing in eight (8) installments during the Lease Term.

The total amount of lease payment is calculated on the then outstanding lease principal amount (being initially the amount of Purchase Price to be paid by Chengtong Financial Leasing) 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 Finance Lease Arrangement.

Service Fee

The Lessee shall pay a service fee of RMB1.30 million (equivalent to approximately HK\$1.57 million) (“Service Fee”) to Chengtong Financial Leasing within 30 working days after the coming into effect of the Finance Lease Agreements for the preliminary services provided by Chengtong Financial Leasing in respect of the Finance Lease Arrangement. The service fee is non-refundable.

Lessee's right to repurchase the Facilities

Upon the expiry of the Lease Term, subject to the Lessee having paid all the lease payments and any other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Finance Lease Agreements, the Lessee shall have the right to repurchase the Facilities at a nominal consideration of RMB1.00.

Security

The Lessee, as a lessor, entered into the Original Finance Lease Agreements with the Sub-lessees, pursuant to which the legal title of the Facilities was vested in the Lessee and the Lessee has leased the Facilities to the Sub-lessees. In order to guarantee the Lessee's performance of the Finance Lease Agreements, the Lessee has agreed to pledge all its receivables under the Original Finance Lease Agreements to Chengtong Financial Leasing as security for all amounts payable by the Lessee under the Finance Lease Agreements.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

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 Financial Leasing as its principal business.

The entering into of the Finance Lease 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 RMB8.49 million (equivalent to approximately HK\$10.27 million), being the aggregate of the Service Fee and the difference between the estimated total lease payments under the Finance Lease Arrangement and the Purchase Price.

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.

IMPLICATION UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement exceeds 5% but is less than 25%, the Finance Lease 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 railway construction equipment and facilities and transport logistics vehicles and ancillary facilities
“Finance Lease Agreements”	means, collectively, the following agreements, all dated 27 May 2021 and signed between Chengtong Financial Leasing and the Lessee in relation to the Finance Lease Arrangement: <ol style="list-style-type: none"> (1) leaseback assets transfer agreement; (2) finance lease agreement; and (3) receivables pledge agreement
“Finance Lease Arrangement”	means the purchase of the Facilities by Chengtong Financial Leasing from the Lessee and the lease back of the Facilities to the Lessee pursuant to the terms of the Finance Lease Agreements
“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)
“Lessee”	means 中鐵融資租賃有限公司, a company established in the PRC with limited liability whose ultimate beneficial owner controlling more than one-third of its equity interest is 國務院國有資產監督管理委員會(the 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
“Original Finance Lease Agreements”	means a series of finance lease 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
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Sub-lessees”	means eighteen companies incorporated in the PRC with limited liability, all of which are Independent Third Parties, which are the lessees under the Original Finance Lease Agreements
“%”	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\$1.21. 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, 27 May 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.