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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)

MAJOR TRANSACTION – SALE AND LEASEBACK ARRANGEMENT

SALE AND LEASEBACK ARRANGEMENT

On 28 March 2024, 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 Leased Assets from the Lessee and will lease the Leased Assets back to the Lessee for a Lease Term of four (4) 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 in the Listing Rules) in respect of the Sale and Leaseback Arrangement exceeds 25% but is less than 100%, the Sale and Leaseback Arrangement constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of his/her/its close associate(s) (as defined in the Listing Rules) has a material interest in the Sale and Leaseback Arrangement. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Sale and Leaseback Arrangement. In light of the foregoing, written Shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Company has obtained written Shareholder's approval in respect of the Sale and Leaseback Arrangement from China Chengtong Hong Kong Company Limited, which is a controlling shareholder (as defined in the Listing Rules) of the Company holding 3,169,656,217 issued shares of the Company, representing approximately 53.14% of the issued share capital of the Company as at the date of this announcement. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Sale and Leaseback Arrangement.

A circular containing, among other things, (i) information on the Sale and Leaseback Arrangement, and (ii) other information required under the Listing Rules will be made available to the Shareholders on or before 23 April 2024, which is within 15 business days after the publication of this announcement.

On 28 March 2024, 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

28 March 2024

Parties

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and based on the information publicly available as of the date of this announcement, (a) the Lessee is ultimately controlled and owned as to approximately 58.46% in aggregate by the China Merchants Group Limited, which is owned as to 90% by State-owned Assets Supervision and Administration Commission of the State Council and 10% by National Council for Social Security Fund; (b) save that CCHG indirectly held approximately 0.72% equity interests in the Lessee, each of the Lessee and its ultimate beneficial owner(s) is Independent Third Party(ies); and (c) the Lessee is principally engaged in the business of the urban, community and park investment; development and operation construction; transportation and industrial manufacturing etc.

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 of all necessary documents or information by the Lessee evidencing its ownership in the Leased Assets, and the obtaining of all necessary approvals by the Lessee in relation to the Sale and Leaseback Arrangement), Chengtong Financial Leasing will purchase the Leased Assets from the Lessee at a total Purchase Price of RMB400 million (equivalent to HK\$432 million), and the Leased Assets will be leased back to the Lessee for a Lease Term of four (4) years from the date on which the Purchase Price is paid by Chengtong Financial Leasing in respect of the Leased Assets, 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 is not satisfied on or before 18 September 2024, 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 Lessee with reference to the appraised value of the Leased Assets as at 26 February 2024 which amounted to RMB406.90 million (equivalent to approximately HK\$439.45 million) as assessed by way of cost method by an independent PRC valuer. The Leased Assets are not revenue generating assets with identifiable income stream.

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 RMB412.34 million (equivalent to approximately HK\$445.33 million). The first installment is due in the third month after the date of the payment of the Purchase Price and the second to seventh instalments are due every six months. The final installment is due on the maturity of 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 floating interest rate to be determined at a fixed discount to the LPR from time to time.

The lease interest rate will be subject to review on 1 January every year. In the event that the LPR changes, the lease interest rate will be adjusted to a rate at the aforesaid fixed discount to the new LPR, except in the case where the Lessee has an overdue lease payment and has not paid all overdue payments and liquidated damages, the interest rate to be applied will not be adjusted when the LPR is reduced.

Service Fee

The Lessee shall pay a one-off service fee of RMB27.20 million (equivalent to approximately HK\$29.38 million) (“**Service Fee**”) to Chengtong Financial Leasing for the preliminary services provided by Chengtong Financial Leasing.

The lease payment (including the interest rate to be determined in accordance with the applicable LPR) and the Service Fee applicable to the Sale and Leaseback Arrangement have been agreed between the parties after arm’s length negotiation, having considered 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 amount of lease interests and the Service Fee, the prevailing market conditions and the movement of the LPR.

Lessee’s right to repurchase the Leased Assets

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 Leased Assets under the Sale and Leaseback Agreements at a nominal consideration of RMB0.80.

Credit enhancement measures

Depending on the overall risks associated with a sale and leaseback arrangement, Chengtong Financial Leasing may request appropriate credit enhancement measure(s) on a case-by-case basis. Chengtong Financial Leasing will monitor, among others, the financial conditions of the lessee(s) and the security provider(s) (if any) from time to time and may request the lessee(s) to provide security such as the payment of security money and the provision of corporate guarantee to safeguard its interests as the lessor as and when Chengtong Financial Leasing considers necessary.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT

The Group is principally engaged in leasing, property development and investment, marine recreation services and hotel business as of the date of this announcement. The Group’s leasing business is mainly carried out through Chengtong Financial Leasing as its principal business.

The entering into 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 RMB39.54 million (equivalent to approximately HK\$42.70 million), being the total of (i) the Service Fee and (ii) the difference between the estimated amount of total lease payment under the Sale and Leaseback Arrangement and the Purchase Price of the Leased Assets.

Taking into account the Service Fee receivable by the Group upfront is relatively substantial and the possible benefits that may be derived therefrom, 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 as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Sale and Leaseback Arrangement exceeds 25% but is less than 100%, the Sale and Leaseback Arrangement constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of his/her/its close associate(s) (as defined in the Listing Rules) has a material interest in the Sale and Leaseback Arrangement. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Sale and Leaseback Arrangement. In light of the foregoing, written Shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Company has obtained written Shareholder's approval in respect of the Sale and Leaseback Arrangement from China Chengtong Hong Kong Company Limited, which is a controlling shareholder (as defined in the Listing Rules) of the Company holding 3,169,656,217 issued shares of the Company, representing approximately 53.14% of the issued share capital of the Company as at the date of this announcement. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Sale and Leaseback Arrangement.

A circular containing, among other things, (i) information on the Sale and Leaseback Arrangement, and (ii) other information required under the Listing Rules will be made available to the Shareholders on or before 23 April 2024, which is within 15 business days after the publication of this announcement.

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 |
| “CCHG” | means China Chengtong Holdings Group Limited, a state-owned enterprise established in the PRC with limited liability and the ultimate holding company of the Company |
| “Chengtong Financial Leasing” | means Chengtong Financial Leasing Company Limited, a company established 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) |
| “Lease Term” | means the lease term under the Sale and Leaseback Agreements |
| “Leased Assets” | means certain seaport equipment including jetty motorised boat bridge, stationary crane and flood control water gate system equipment |

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| “Lessee” | means China Merchants Shekou Industrial Zone Holdings Co., Ltd., a company established in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 001979) |
| “Listing Rules” | means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “LPR” | means the one (1)-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China |
| “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 Lessee |
| “RMB” | means Renminbi, the lawful currency of the PRC |
| “Sale and Leaseback Agreements” | means, collectively, the following agreements in respect of the Leased Assets dated 28 March 2024 and signed between Chengtong Financial Leasing and the Lessee: <ul style="list-style-type: none"> (1) leaseback assets transfer agreements; and (2) finance lease agreements (sale and leaseback) |
| “Sale and Leaseback Arrangement” | means the purchase of the Leased Assets by Chengtong Financial Leasing from the Lessee and the leaseback of the Leased Assets to the Lessee pursuant to the terms of the Sale and Leaseback Agreements |
| “Shareholder(s)” | means the shareholder(s) of the Company |
| “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 approximately HK\$1.08. 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.

The English names of all PRC entities in this announcement are for identification purpose only.

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

Hong Kong, 28 March 2024

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