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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)

**VERY SUBSTANTIAL ACQUISITION AND
CONTINUING CONNECTED TRANSACTION
FINANCE LEASE SERVICES FRAMEWORK AGREEMENT**

FINANCE LEASE SERVICES FRAMEWORK AGREEMENT

The Board is pleased to announce that on 20 July 2022, the Company entered into the Finance Lease Services Framework Agreement with CCHG.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Finance Lease Services Framework Agreement will constitute transactions under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the Annual Caps exceeds 100%, the transactions contemplated thereunder constitute a very substantial acquisition for the Company, subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Acquisitions of the Leased Assets by the Group form part and parcel of the transactions contemplated under the Finance Lease Services Framework Agreement. Each acquisition of Leased Assets by the Group (including but not limited to Leased Asset I under the Leaseback Assets Transfer Agreement) will constitute a transaction under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the acquisitions of the Leased Assets by the Group calculated with reference to the expected annual purchase price payable by the Group to CCHG Group for the acquisition of Leased Assets in connection with the transactions contemplated under the Finance Lease Services Framework Agreement may (on individual or aggregate basis) exceed 100%, and in any event the annual purchase price for the acquisition of such Leased Assets will not exceed the total outstanding balance of the principal, i.e. RMB500,000,000, RMB750,000,000 and RMB1,000,000,000, equivalent to approximately HK\$580,000,000, HK\$870,000,000 and HK\$1,160,000,000, respectively, for the years ending 31 December 2022, 2023 and 2024, respectively, the transactions contemplated thereunder constitute a very substantial acquisition for the Company, subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, CCHG is interested in 53.14% of the total issued share capital of the Company and is the ultimate holding company of the Company. Thus, CCHG is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Finance Lease Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Annual Caps is more than 5%, the transactions contemplated under the Finance Lease Services Framework Agreement are subject to announcement, reporting, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, pursuant to Rule 14A.52 of the Listing Rules, as the term of the Individual Agreement to be entered into pursuant to the Finance Lease Services Framework Agreement may exceed three (3) years, the Company has appointed INCU Corporate Finance Limited as the Independent Financial Adviser to provide an independent opinion, which will be set out in the circular to be despatched by the Company, to explain why the Individual Agreement requires a longer period and to confirm that it is a normal business practice for agreements of this type to be of such duration.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the transactions contemplated under the Finance Lease Services Framework Agreement, and its advice and recommendation will be set out in the circular to be despatched by the Company. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

GM

At the GM, resolution will be proposed by the Company to seek the Independent Shareholders' approval on the Finance Lease Services Framework Agreement, the financial leasing services and acquisitions of the Leased Assets contemplated thereunder and the Annual Caps. CCHG and its associates will abstain from voting for the resolution regarding the Finance Lease Services Framework Agreement. The proposed resolution will be passed by way of an ordinary resolution and voted on by way of poll in accordance with the requirements of the Listing Rules.

CIRCULAR

A circular containing, among other things, (i) details of the Finance Lease Services Framework Agreement; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Finance Lease Services Framework Agreement; (iii) a letter of recommendation from the Independent Board Committee in relation to the Finance Lease Services Framework Agreement; and (iv) a notice of the GM and a form of proxy are expected to be despatched to the Shareholders on or before 25 August 2022 as additional time is needed to finalise the circular.

FINANCE LEASE SERVICES FRAMEWORK AGREEMENT

The principal terms of the Finance Lease Services Framework Agreement are set out as follows:

Date

20 July 2022

Parties

(i) the Company; and

(ii) CCHG

Term

From the Effective Date to 31 December 2024 (both dates inclusive)

Subject of the transaction

The relevant member of the Group will provide finance lease services in relation to the Leased Assets by way of, including but not limited to, sale and leaseback service and direct finance lease service:

- (i) under sale and leaseback service, the relevant member of CCHG Group (as lessee) sells the Leased Assets to the relevant member of the Group (as lessor) at the principal amount the relevant member of the Group granted to and to be utilized by the relevant member of CCHG Group pursuant to Individual Agreements, and the relevant member of the Group then leases the Leased Assets back to the relevant member of CCHG Group for its use in return for periodic Lease Payments; and
- (ii) under the direct finance leasing service, the relevant member of the Group (as lessor) purchases the Leased Assets from the relevant supplier or seller pursuant to instructions given by the relevant member of CCHG Group (as lessee), and the relevant member of the Group then leases the Leased Assets to the relevant member of CCHG Group for its use in return for periodic Lease Payments.

Contract period

The contract periods of the Individual Agreements are expected to range from one (1) year to six (6) years, depending on the type of Leased Assets involved.

The Board considered that (i) the Leased Assets, such as construction vehicles and construction equipment, generally have a longer expected lifespan, the leased terms of which normally align with the expected payback period of the specific Leased Asset and may range from three (3) to six (6) years in the industry; (ii) it is in line with industry practice that the finance leasing agreements involving assets which are of similar type and nature as the Leased Assets may be entered into for a term of not less than three (3) years; (iii) the Individual Agreements for the Leased Assets, in particular the Leased Assets involving large size logistics, storage, transportation or production related equipment and facilities, typically involve a relatively larger financing amount and thus a relatively longer repayment term. In light of the above, the contract periods of the Individual Agreements with respect to finance lease services under the Finance Lease Services Framework Agreement are expected to range from one (1) to six (6) years, depending on the type of Leased Assets involved, and the Board is of the view that it is in normal business practice, fair and reasonable, on the normal commercial terms to enter into Individual Agreements with longer terms.

The Individual Agreements may have contract periods ending on a date after 31 December 2024. Subject to compliance of the applicable requirements under the Listing Rules, the Individual Agreements duly executed shall remain to have full force and effect for their respective contract periods even if the Finance Lease Services Framework Agreement is expired or terminated and is not renewed. In this regard, under the Individual Agreements, the Group shall have the right to terminate or cancel any Individual Agreement if the Group could no longer perform or shall delay performance of the obligations under the Individual Agreements contemplated under the Finance Lease Services Framework Agreement due to requirements of the Stock Exchange, or any applicable laws and regulations (including but not limited to the Listing Rules). Upon termination or cancellation of the Individual Agreement, Lease Payment receivable by the Group will accrue up to the date of termination or cancellation, and the Leased Asset may be repurchased by the relevant lessee subject to repayment of all outstanding principal and settlement of all outstanding Lease Payment at the nominal consideration of RMB1.00. The Company will closely monitor the effectiveness and validity of the Finance Lease Services Framework Agreement and the Individual Agreements, and shall comply with the relevant requirements in accordance with the Listing Rules as and when appropriate.

Principal Amount and Lease Payment

The transactions contemplated under the Finance Lease Services Framework Agreement shall be conducted on normal commercial terms through arm's length negotiations and shall not be less favourable than those offered to or provided by the Independent Third Parties for transactions of the same type.

The principal amount shall be calculated using the cost method by multiplying the full replacement cost by (i) residual ratio in the estimated range of 80% to 100%, which will be determined based on the expected lifespan and the condition of the relevant Leased Assets with reference to results of site inspection conducted by Independent Third Parties, and (ii) relevant loan-to-value discount rate in the estimated range of 80% to 100%, which will be determined based on the liquidity of the relevant Leased Asset in the secondary market. The replacement cost shall be determined based on the cost of purchasing the relevant Leased Asset with reference to (i) the indicative purchase prices offered to the Group by not less than three Independent Third Parties and/or the quotations and/or valuations provided by independent valuers, and (ii) with respect to newly acquired assets, using the price index method based on the actual original acquisition cost.

The amount of Lease Payment to be received by the Group may be calculated based on a fixed or variable lease interest rate linked to the LPRs, and shall be fair and reasonable, determined after arm's length negotiation between the relevant member of the Group and CCHG Group taking into account the prevailing market conditions when the Individual Agreement is entered into. The return rate (taking into account the aggregate amounts of interests and other payables (including handling fees)) shall be at a rate not less favourable than the relevant LPRs and that offered to Independent Third Parties for comparable leasing arrangements when the relevant Individual Agreement is entered into. If, under the Individual Agreement, the amount of Leased Payment to be received by the Group shall be adjusted as LPRs change, 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 expected profit margin from the transactions contemplated under the Individual Agreements will be comparable to those from finance lease transactions between the Group and Independent Third Parties.

The Lease Payments shall be paid by the lessee during the lease term by installments, which may be quarterly, semi-annually or otherwise, in the manner to be specified in the Individual Agreements.

Legal Title and Control over Leased Assets

The Group shall own the legal title of the Leased Assets during the lease term. The lessees will retain control of the Leased Assets before and after entering into the Individual Agreements under the Finance Lease Services Framework Agreement. Thus, the transactions contemplated under the Individual Agreements, comprising both the acquisition of Leased Assets and the provision of finance lease services, will be accounted for as a secured loan and recognised in accordance with HKFRS 9 Financial Instruments for accounting purposes. The Lease Payment, in essence, represent the interest receivable by the Group and will be determined based on, among others, the then prevailing LPRs as promulgated by the National Interbank Funding Center under the People's Bank of China, and the Leased Assets are, in substance, the security for the loan and are not revenue-generating assets with identifiable income stream. Moreover, as the Leased Assets are equipment or facilities used by the lessees in their ordinary course of production, the lessees would not separately account for the profits before tax and after tax of the Leased Assets.

CCHG Group's Right to Repurchase the Leased Assets

Subject to the repayment of the principal amounts, the settlement of all the Lease Payments and any other payables (if any) by the relevant member of CCHG Group to the Group in accordance with the terms of Individual Agreements, the relevant member of CCHG Group shall have the right to repurchase the Leased Assets at a nominal consideration of RMB1.00 normally at the end of the lease term to be specified in the relevant Individual Agreement, or in case of early termination, on a date to be agreed by the relevant member of the Group and CCHG Group.

Others

The Finance Lease Services Framework Agreement is conditional upon the approval by the Independent Shareholders of the Finance Lease Services Framework Agreement.

The relevant member(s) of the CCHG Group and the relevant member(s) of the Group may from time to time enter into Individual Agreements in relation to the subject matters contemplated under the Finance Lease Services Framework Agreement upon and subject to the terms and conditions in compliance with those of the Finance Lease Services Framework Agreement.

Annual Caps and Basis of Determination

The estimated total outstanding balance of the principal and the total amount of Lease Payments for the transactions contemplated under the Finance Lease Services Framework Agreement for the years ending 31 December 2022, 2023 and 2024 are set out as follows:

	For the years ending 31 December		
	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Total outstanding balance of the principal	500,000,000	750,000,000	1,000,000,000
	(equivalent to	(equivalent to	(equivalent to
	approximately	approximately	approximately
	HK\$580,000,000)	HK\$870,000,000)	HK\$1,160,000,000)
Total amount of the Lease Payments			
(which will take into account the aggregate	32,500,000	48,750,000	65,000,000
amounts of interests and other payables	(equivalent to	(equivalent to	(equivalent to
(including handling fees)) to be received	approximately	approximately	approximately
by the Group	HK\$37,700,000)	HK\$56,550,000)	HK\$75,400,000)

Based on the above-estimated total outstanding balance of the principal and the total amount of the Lease Payments (which will take into account the aggregate amounts of interests and other payables (including handling fees) to be received by the Group for the transactions contemplated under the Finance Lease Services Framework Agreement for the years ending 31 December 2022, 2023 and 2024, the proposed Annual Caps on the principal and the Lease Payments (taking into account the aggregate outstanding interests and other payables (including handling fees)) receivable by the Group for the transactions contemplated under the Finance Lease Services Framework Agreement for the same periods are as follows:

	For the years ending 31 December		
	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Total principal and the Lease Payment (taking into account the aggregate outstanding amounts of interests and other payables (including handling fees)) to be received by the Group	500,000,000 (equivalent to approximately HK\$580,000,000)	1,021,000,000 (equivalent to approximately HK\$1,184,360,000)	1,677,000,000 (equivalent to approximately HK\$1,945,320,000)

The Annual Caps are determined after considering the following:

- (i) the amounts to be utilized by the CCHG Group pursuant to the Individual Agreements to be entered into, together with the relevant interests and fees including handling fees, including prospective finance lease services projects between the Group and CCHG Group in the aggregate estimated principal amount of not less than RMB950 million (equivalent to approximately HK\$1,102 million) over the three years ending 31 December 2022, 2023 and 2024, among which, it is estimated that the principal amount of RMB450 million will be utilized by CCHG Group in the year ending 31 December 2022 as disclosed in paragraph (b) below, and the remaining RMB500 million will be utilized by CCHG Group during the two years ending 31 December 2023 and 2024, taking into account:
 - (a) the business plan of the Group, in particular the intended strategic expansion of the leasing business of the Group;
 - (b) on 20 July 2022, the Group has entered into the Leaseback Assets Transfer Agreement and Finance Lease Agreement (Sale and Leaseback) with members of the CCHG Group. Pursuant to the Leaseback Assets Transfer Agreement and Finance Lease Agreement (Sale and Leaseback), the Group will purchase from Lessee I the Leased Asset I at the purchase price of RMB300 million (equivalent to approximately HK\$348 million), and will lease Leased Asset I to Lessee I for a term of three (3)

years in return for a payment of approximately RMB318.9 million (equivalent to approximately HK\$369.9 million, and comprising both the lease principal amount of RMB300 million (equivalent to approximately HK\$348 million) and estimated Lease Payment of RMB18.9 million (equivalent to approximately HK\$21.9 million)). The transactions contemplated under the Leaseback Assets Transfer Agreement and Finance Lease Agreement (Sale and Leaseback) will proceed upon the Finance Lease Services Framework Agreement being approved by the Independent Shareholders, and will be governed by the framework of the Finance Lease Services Framework Agreement to the extent practicable. Accordingly, the Leaseback Assets Transfer Agreement and the Finance Lease Agreement (Sale and Leaseback) are subject to Independent Shareholders' approval on the Finance Lease Services Framework Agreement, and the Finance Lease Agreement (Sale and Leaseback) are expected to account for approximately RMB300 million, RMB152.7 million and RMB51.8 million (equivalent to approximately HK\$348 million, HK\$177.1 million and HK\$60.1 million, respectively) of the total outstanding balance of principal for each of the years ending 31 December 2022, 2023 and 2024, respectively, and RMB2.9 million, RMB9.3 million and RMB5.3 million, equivalent to approximately HK\$3.4 million, HK\$10.8 million and HK\$6.1 million, respectively, of the total amount of Lease Payment for the years ending 31 December 2022, 2023 and 2024, respectively; and

- (ii) the outstanding principal amount and Leased Payments expected to be received by the Group under the Existing Finance Lease Transactions with CCHG Group;
- (iii) the Group's potential risk exposure should the members of the CCHG Group were unable to make timely repayments;
- (iv) the current financing market conditions, including the interest rates and fees arrangement and level of similar services provided by Independent Third Parties, and the potential adjustments to be made by the People's Bank of China to the LPR(s) in the future. In the case of any adjustment to the LPR(s) made by the People's Bank of China in the future, the Lease Payments to be specified in the Individual Agreements will be determined with reference to the adjusted LPR(s); and
- (v) the nature, estimated value and expected lifespan of the Leased Assets.

Historical Transaction Amount

The historical aggregate outstanding principal amount transacted with CCHG Group were approximately RMB33.5 million, RMB26.5 million and RMB25.0 million, equivalent to approximately HK\$38.9 million, HK\$30.7 million and HK\$29.0 million, respectively, as at 31 December 2020 and 2021 and 31 May 2022, respectively. The historical aggregate Lease Payments received by the Group from CCHG Group were approximately RMB1.9 million, RMB2.1 million and RMB0.7 million, equivalent to approximately HK\$2.2 million, HK\$2.4 million and HK\$0.8 million, respectively, for the years ended 31 December 2020 and 2021 and the five months ended 31 May 2022, respectively. For details on the aforesaid transactions (the "**Existing Finance Lease Transactions with CCHG Group**"), please refer to the announcement of the Company dated 18 March 2020.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE SERVICES FRAMEWORK AGREEMENT

The Group is principally engaged in leasing, bulk commodity trade, property development and investment, marine recreation services and hotel business. The Group intends to strategically develop and accelerate the scale of its leasing business, and specifically, with finance lease customers with sufficient assets and sound credibility to safeguard the credit risk of the Group. By entering into the Finance Lease Service Framework Agreement, it enables the Group to extend its leasing business cooperation with CCHG Group which has reliable repayment capability.

CCHG is a state-owned company established in the PRC on 22 January 1998 with registered capital of RMB11.3 trillion. CCHG is one of the 97 state-owned companies under the State-owned Assets Supervision and Administration Commission (the “SASAC”), a conglomerate principally engaged in fund investment, equity management, asset management, financial services and nurturing of emerging industries.

CCHG was awarded as “Grade A” in the annual performance appraisal of SASAC in 2020. As of 31 December 2021, the total assets of CCHG Group amounted to approximately RMB493.5 billion, representing a year-on-year increase of 24.16%. Moreover, in 2021, the revenue and net profit of CCHG Group amounted to approximately RMB171.1 billion and RMB11.0 billion, respectively, representing a year-on-year increase of 37.82% and 21.44%, respectively. In view of the financial position and performance of CCHG Group, the Company considers that CCHG Group has substantial asset base and liquidity to satisfy the liability as they fall due and is therefore one of our core target customers for our financial leasing business.

Moreover, the Company has established entrusted business relationship with CCHG Group on financial leasing contemplated under the Existing Finance Lease Transactions with CCHG Group. In view of the cooperation history between CCHG Group and the Group, the Group is expected to benefit from CCHG Group’s better understanding of the operations of the Group which would allow more expedient and efficient cooperation. In addition, it also allows the Group to secure stable and long-term revenue income from provision of financial leasing services to CCHG Group, a customer of the Group with sound financial position, substantial business and positive reputation in the PRC.

Furthermore, financial leasing is one of the core business segments of the Group. By entering into the Finance Lease Services Framework Agreement with CCHG, the Group may leverage the positive brand image and market position of CCHG, which would allow the Group to target a broader spectrum of premium finance lease customers and accelerate client growth, and in turn, foster the growth and smooth development and operations of the Group.

The provision of finance lease services by the Group to CCHG Group under the Finance Lease Services Framework Agreement is in the ordinary and usual course of business of the Group while the Group will in return receive a stable revenue and cashflow stream during the term of the Finance Lease Services Framework Agreement.

The transactions contemplated under the Finance Lease Services Framework Agreement will be funded by internal resources of the Group and/or borrowings.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Adviser) are of the view that the terms under the Finance Lease Services Framework Agreement are on normal commercial terms in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Zhang Bin, an executive Director and chairman of the Board, is also the chairman of China Chengtong Hong Kong Company Limited, a wholly-owned subsidiary of CCHG and a member of CCHG Group. Mr. Zhang Bin has therefore abstained from voting on the Board resolution in relation to the Finance Lease Services Framework Agreement. Save as Mr. Zhang Bin, none of the Directors has any material interest in the Finance Lease Services Framework Agreement or is required to abstain from voting on the Board resolution in relation to the Finance Lease Services Framework Agreement.

INFORMATION ON THE PARTIES

The Company is a limited company incorporated in Hong Kong on 11 August 1972. The Group is principally engaged in leasing, bulk commodity trade, property development and investment, marine recreation services and hotel business. The Group's leasing business is mainly carried out through Chengtong Financial Leasing as its principal business.

CCHG is a state-owned enterprise established in the PRC and the ultimate holding company of the Company. The major businesses of CCHG and its subsidiaries include fund investment, equity management, asset management, financial services and nurturing of emerging industries.

INTERNAL CONTROL MEASURES AND RISK MANAGEMENT

To safeguard the interest of the Shareholders, the Group has adopted, among others, the following internal control and risk management procedures to ensure that continuing connected transactions will be conducted within the Finance Lease Services Framework Agreement:

Review and Approval before entering into the Individual Agreements

- (i) The business department of Chengtong Financial Leasing ("**Business Department**") will carry out due diligence on the potential lessee including its background, business profile, industry ranking, financial position, credit rating, compliance records and loan repayment records, and identify the intended use of the principal amount with the potential lessee.
- (ii) The legal department of Chengtong Financial Leasing ("**Legal Department**") will carry out due diligence on the title of the Leased Assets. To be considered as an acceptable Leased Assets, the asset must be legally tradable and has clear and good title.
- (iii) The review and appraisal department of Chengtong Financial Leasing ("**Review Department**") will then further assess and scrutinize each transaction, carry out risk assessment. In assessing the risk profile of the lessee, the following factors will be considered: (i) source of funds available for repayment, including the profitability, equity position and the cash flow condition of the lessee; (ii) the valuations of the Leased Asset when they are being sold in secondary markets to discharge the debt of the lessee; (iii) the

risk and return analysis of other financing projects between the Group and other Independent Third Parties lessees with similar background; and (iv) the market conditions and outlook of lessee's business.

- (iv) The Review Department will also record and calculate, among others, the amount of principal amount and expected Lease Payment payable or receivable by the Group. When 80% of the relevant annual cap is reached, the Review Department will notify the Business Department, the finance department of Chengtong Financial Leasing (“**Finance Department**”) and the company secretary of the Company for carrying out necessary and appropriate actions to ensure the Annual Caps will not be exceeded.
- (v) A committee comprising three members including Chengtong Financial Leasing's deputy general manager and respective department heads of the Review Department and Legal Department will be formed to consider and approve the business proposal taking into account the due diligence reports prepared by the Business Department and the record and calculation of the principal amount and expected Lease Payments payable or receivable by the Group prepared by the Review Department. Business proposals shall only be approved by the committee if the Annual Caps will not be exceeded upon entering into the transaction(s) contemplated under such business proposal. Subject to the approval of the committee, each of the Individual Agreements shall be further submitted to the Chengtong Financial Leasing's board of directors, the Company's executive committee, the Board, as the case maybe, for final approval.

Pricing Terms

- (vi) The Business Department, the Review Department and the Finance Department will obtain and compare the relevant LPR(s) published by the People's Bank of China with the terms of the proposed financial lease services under the Individual Agreement, compare the terms of the proposed financial lease services such Individual Agreement to those of the similar transactions with Independent Third Parties to ensure that the terms under the Individual Agreement available to the Group are no less favourable than those offered by the Group to other Independent Third Parties. They shall evaluate the transaction terms under each Individual Agreement, in particular, the fairness and reasonableness of the pricing terms thereunder.

Monitoring and Risk Management

- (vii) The Company's risk management department (“**Risk Management Department**”), which is led by the managing director of the Company, will oversee and guide the implementation of the continuing connected transactions contemplated under the Finance Lease Services Framework Agreement and control the risk thereof and to formulate solutions in resolving any risk which may arise in connection therewith.
- (viii) The Risk Management Department will conduct the sampling inspection at least twice per annum on the comprehensiveness and effectiveness of the Group's internal control measures on continuing connected transactions, and periodically review and examine the progress of the continuing connected transactions.

- (ix) The Company will engage external auditors to review the data of the continuing connected transactions twice a year in compliance with the annual reporting and review requirements under the Listing Rules and provide confirmation in the Company's annual report on whether such transactions are entered into in the ordinary course of business on normal commercial terms or better and are carried out pursuant to the terms thereof, and whether the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
- (x) The audit committee of the Company will review the implementation of the continuing connected transactions twice a year.

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As at the date of this announcement, CCHG is interested in 53.14% of the total issued share capital of the Company and is the ultimate holding company of the Company. Thus, CCHG is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Finance Lease Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of Annual Caps is more than 5%, the transactions contemplated under the Finance Lease Services Framework Agreement are subject to announcement, reporting, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, pursuant to Rule 14A.52 of the Listing Rules, as the term of the Individual Agreement to be entered into pursuant to the Finance Lease Services Framework Agreement may exceed three (3) years, the Company has appointed INCU Corporate Finance Limited as the Independent Financial Adviser to provide an independent opinion, which will be set out in the circular to be despatched by the Company, to explain why the Individual Agreement requires a longer period and to confirm that it is a normal business practice for agreements of this type to be of such duration.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the transactions contemplated under the Finance Lease Services Framework Agreement, and its advice and recommendation will be set out in the circular to be despatched by the Company. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

GM

At the GM, resolution will be proposed by the Company to seek the Independent Shareholders' approval on the Finance Lease Services Framework Agreement, the financial leasing services and acquisitions of the Leased Assets contemplated thereunder and the Annual Caps. CCHG and its associates will abstain from voting for the resolution regarding the Finance Lease Services Framework Agreement. The proposed resolution will be passed by way of an ordinary resolution and voted on by way of poll in accordance with the requirements of the Listing Rules.

CIRCULAR

A circular containing, among other things, (i) details of the Finance Lease Services Framework Agreement; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Finance Lease Services Framework Agreement; (iii) a letter of recommendation from the Independent Board Committee in relation to the Finance Lease Services Framework Agreement; and (iv) a notice of the GM and a form of proxy are expected to be despatched to the Shareholders on or before 25 August 2022 as additional time is needed to finalise the circular.

DEFINITIONS

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

“30%-controlled companies”	means	has the meaning ascribed to it under the Listing Rules
“Annual Caps”	means	for the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the Finance Lease Services Framework Agreement for each of the three financial years ending 31 December 2022, 2023 and 2024 set out in this announcement

“Board”	means	the board of Directors
“CCHG”	means	中國誠通控股集團有限公司 (unofficial English translation being China Chengtong Holdings Group Limited), a state-owned company incorporated in the PRC with limited liability and the ultimate holding company of the Company
“CCHG Group”	means	CCHG, its subsidiaries and 30%-controlled companies, excluding the Group, and for the avoidance of doubt, Chengtong World Trade Limited shall not be considered as a subsidiary or 30%-controlled company of CCHG nor a member of CCHG Group
“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
“connected person(s)”	means	has the meaning ascribed to it under the Listing Rules
“Directors”	means	the directors of the Company
“Effective Date”	means	20 July 2022, or the date of the approval of the Finance Lease Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps by the Independent Shareholders at the GM (whichever is later)
“Finance Lease Agreement (Sale and Leaseback)”	means	the conditional finance lease agreement (sale and leaseback) dated 20 July 2022 entered into by Chengtong Financial Leasing and Lessee I in relation to potential leasing of Leased Asset I for sale and lease back services

“Finance Lease Services Framework Agreement”	means	the finance lease services framework agreement dated 20 July 2022 entered into between the Company and CCHG
“GM”	means	the general meeting of the Company to be held to consider and, if thought fit, approve the Annual Caps and the acquisitions of Leased Assets and transactions contemplated under the Finance Lease Services Framework Agreement
“Group”	means	the Company and its subsidiaries
“HK\$”	means	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	means	the independent committee of the Board, comprising all three independent non-executive Directors, established to advise the Independent Shareholders in respect of the continuing connected transactions under the Finance Lease Services Framework Agreement
“Independent Financial Adviser”	means	INCU Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions under the Finance Lease Services Framework Agreement
“Independent Shareholders”	means	Shareholders who do not have a material interest in the Finance Lease Services Framework Agreement
“Independent Third Party(ies)”	means	third party(ies) independent of the Company and its connected persons
“Individual Agreement(s)”	means	the individual agreement(s) to be entered into between the member(s) of the Group and member(s) of CCHG Group pursuant to the Finance Lease Services Framework Agreement

“Lease Payment(s)”	means	the lease payment(s) (taking into account the aggregate amounts of interests and other payables (including handling fees)) to be received by the Group under the Individual Agreements
“Leaseback Assets Transfer Agreement”	means	the conditional leaseback assets transfer agreement dated 20 July 2022 entered into by Chengtong Financial Leasing and Lessee I in relation to acquisition of Leased Asset I
“Leased Asset I”	means	chlorine-alkali production facility
“Leased Assets”	means	the assets to be leased by the Group pursuant to Individual Agreements, which is expected to include vessels, turbine power units, containers, integrated papermaking system, transformers, UPS facilities, medium and low voltage cabinets, air-conditioning facilities, cabinet equipment, servers, new energy vehicles, new energy battery rental, equipment for battery cell production, construction vehicles, construction equipment, drainage and sewage treatment facilities, thermal incinerators, electricity generators, electricity storage units, inverters, power management systems and related equipment, or any other logistics, storage, transportation or production related equipment and facilities
“Lessee I”	means	黑龍江昊華化工有限公司 (unofficial English translation being Heilongjiang Haohua Chemical Co., Ltd), a limited liability company incorporated in the PRC, ultimately owned as to 34.8% by CCHG, and a member of the CCHG Group
“LPRs”	means	the relevant loan prime rates as promulgated by the National Interbank Funding Center under the People’s Bank of China
“Listing Rules”	means	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	means	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“RMB”	means	Renminbi, the lawful currency of the PRC
“Shareholders”	means	holders of Shares of the Company
“Stock Exchange”	means	The Stock Exchange of Hong Kong Limited
“%”	means	per cent.

Conversion of RMB to HK\$ in this announcement is based on the exchange rate of RMB1.00 = HK\$1.16. Such conversion is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at such or any other rates or at all.

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

Hong Kong, 20 July 2022

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Bin, and Mr. Yang Tianzhou; the non-executive director of the Company is Mr. Wang Daxiong and the independent non-executive directors of the Company are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.