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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 TRANSACTIONS – THE ASSIGNMENT AND THE SALE AND LEASEBACK ARRANGEMENTS

THE ASSIGNMENT

On 22 August 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Leased Assets Transfer Agreement with the Transferor, pursuant to which the Transferor will transfer and assign the Assigned Properties to Chengtong Financial Leasing at the Consideration of approximately RMB179.03 million (equivalent to approximately HK\$209.47 million).

On 22 August 2022, the Transferor, the Lessees and Chengtong Financial Leasing also entered into the Three-party Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Assignment exceeds 5% but is less than 25%, the Assignment standalone constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

On 30 May 2022, Chengtong Financial Leasing entered into the Previous Transaction with the Previous Lessees, which are subsidiaries of China Minmetals and therefore associates (having the meanings ascribed to it under the Listing Rules) of Lessee A. Therefore, the Assignment and the Sale and Leaseback Arrangements are aggregated with the Previous Transaction for the purpose of calculating the relevant percentage ratios (as defined under the Listing Rules).

As the highest applicable percentage ratio in respect of the Assignment and the Sale and Leaseback Arrangements, when aggregated with the Previous Transaction, exceeds 25% but is less than 100%, the Assignment and the Sale and Leaseback Arrangements constitute major transactions of the Company and are 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) (having the meaning ascribed to it under the Listing Rules) has any material interest in the Assignment or the Sale and Leaseback Arrangements. Thus, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for approving the Assignment and the Sale and Leaseback Arrangements. 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 Assignment and the Sale and Leaseback Arrangements from World Gain Holdings Limited, which is a controlling shareholder 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 Assignment and the Sale and Leaseback Arrangements.

A circular containing, among other things, (i) information on the Assignment and the Sale and Leaseback Arrangements, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 13 September 2022, which is within 15 business days after the publication of this announcement.

THE ASSIGNMENT

(1) The Leased Assets Transfer Agreement

On 22 August 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Leased Assets Transfer Agreement with the Transferor.

The major terms of the Leased Assets Transfer Agreement are set out below:

Date 22 August 2022

Parties (i) The Transferor; and
(ii) Chengtong Financial Leasing

Subject matter

On the Transfer Date, the Transferor will transfer and assign, and Chengtong Financial Leasing will purchase and accept the assignment of, the Assigned Properties and with effect from the Transfer Date, Chengtong Financial Leasing shall have the right to receive directly from the Lessees all the lease payments and other sums outstanding and payable by them under the Sale and Leaseback Agreements.

Consideration

Subject to the fulfilment of all conditions precedent set out in the Leased Assets Transfer Agreement, Chengtong Financial Leasing shall pay the Consideration to the Transferor in one lump sum on or before the Transfer Date.

The conditions precedent as contained in the Leased Assets Transfer Agreement include but are not limited to the following:

- (i) the signing and the coming into effect of the Leased Assets Transfer Agreement and all appendices thereto;
- (ii) the receipt of all relevant documentary proofs by Chengtong Financial Leasing showing the Transferor's valid and legal ownership over the Leased Assets and its creditor's rights and security rights in respect of the Sale and Leaseback Arrangements; and
- (iii) the cancellation by the Transferor of the finance lease registration in respect of the Leased Assets in the relevant registration system of the PRC and the completion of the finance lease registration in respect thereof in the name of Chengtong Financial Leasing.

Based on the outstanding amount of lease principal under the Sale and Leaseback Arrangements as at the date of the Leased Assets Transfer Agreement (being approximately RMB176.85 million (equivalent to approximately HK\$206.91 million) and assuming that the Transfer Date falls on 28 September 2022, the Consideration is approximately RMB179.03 million (equivalent to approximately HK\$209.47 million).

The actual Consideration will be calculated as a sum of the aggregate outstanding amount of lease principal under the Sale and Leaseback Arrangements as at the actual Transfer Date and the aggregate amount of lease interest accrued and payable to the Transferor for the period from the Last Payment Date to the date immediately preceding the actual Transfer Date.

The Consideration will be satisfied by the internal resources of the Group and/or general bank borrowings.

(2) The Three-party Agreement

On 22 August 2022, the Transferor, the Lessees and Chengtong Financial Leasing entered into the Three-party Agreement in respect of the Assignment.

Pursuant to the Three-party Agreement, the Lessees acknowledged the Leased Assets Transfer Agreement signed between the Transferor and Chengtong Financial Leasing and confirmed that the Transferor shall cease to have any rights and obligations as the lessor under the Sale and Leaseback Agreements after the Transfer Date. The Lessees also acknowledged and confirmed that Chengtong Financial Leasing would be the new lessor under the Sale and Leaseback Agreements after the Transfer Date and the legal relationship between Chengtong Financial Leasing and the Lessees would continue to be implemented in accordance with the Sale and Leaseback Agreements.

It is further agreed that commencing from the Transfer Date, the Lessees shall make lease payments and any other payables to the designated bank account of Chengtong Financial Leasing according to the terms of the Three-party Agreement and the new lease payment schedule to be issued by Chengtong Financial Leasing to the Lessees.

THE SALE AND LEASEBACK ARRANGEMENTS

Details of the Sale and Leaseback Arrangements as at the date of the Leased Assets Transfer Agreement are set out below:

Table 1

	Lessees	Leased Assets	Expiry date of the lease term	Outstanding amount of lease principal (approximately)
1.	Lessee A and Lessee B	Certain electricity supply equipment, escalator equipment, lighting equipment, communication equipment and steel structure ceiling	29 December 2024	RMB42.27 million (equivalent to HK\$49.46 million)
2.	Lessee A and Lessee B	Certain steel structure ceiling	29 December 2024	RMB42.27 million (equivalent to HK\$49.46 million)
3.	Lessee A and Lessee B	Certain steel structure ceiling	24 February 2025	RMB46.15 million (equivalent to HK\$54 million)
4.	Lessee A and Lessee B	Certain steel structure ceiling	24 February 2025	RMB46.15 million (equivalent to HK\$54 million)
Total				RMB176.85 million (Note) (equivalent to HK\$206.91 million)

Note: The figures may not add up to the total due to rounding.

Based on the total outstanding amount of lease principal as at the date of the Leased Assets Transfer Agreement, the estimated total amount of lease payment receivable from the Lessees for the remaining lease term is approximately RMB192.61 million (equivalent to approximately HK\$225.35 million). However, the actual total amount of lease payment receivable by Chengtong Financial Leasing from the Lessees will be subject to change depending on the actual Transfer Date.

The total amount of lease payment receivable by Chengtong Financial Leasing from the Lessees for the remaining lease term will represent the sum of the outstanding lease principal amount as at the actual Transfer Date and the lease interest to be accrued thereon which will be calculated at a fixed interest rate of 5.95% per annum which was determined at a premium over the then prevailing five-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 lease payment under each of the Sale and Leaseback Arrangements is payable by the Lessees on a quarterly basis.

Upon expiry of the lease term of the respective Sale and Leaseback Arrangement, subject to the Lessees having paid all the lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the relevant Sale and Leaseback Agreement, the Lessees shall have the right to repurchase the relevant Leased Assets at a nominal repurchase price at RMB100.

Furthermore, pursuant to the Sale and Leaseback Agreements, provided that there is no breach of the terms of the relevant Sale and Leaseback Agreement by the Lessees, the Lessees may pay all outstanding lease payments (including those due and to be due), default interest, repurchase price and other payments to Chengtong Financial Leasing in accordance with the terms of the relevant Sale and Leaseback Agreement in one lump sum with prior written notice of not less than thirty (30) working days to repurchase the Leased Assets under the relevant Sale and Leaseback Agreement.

INFORMATION OF THE PARTIES

1. The Transferor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) the Transferor is directly owned as to (i) 35% by 珠海華發投資控股集團有限公司 (unofficial English translation being Zhuhai Huafa Investment Holdings Group Co., Ltd.), whose ultimate beneficial owner controlling more than 90% of its equity interest is the State-owned Assets Supervision and Administration Commission of the Zhuhai People's Government; (ii) 35% by 亨通集團有限公司 (unofficial English translation being Hengtong Group Co., Ltd.), whose ultimate beneficial owner holding approximately 90% of its equity interest is Mr. Cui Gen Liang (崔根良先生), a PRC individual; and (iii) the rest of its equity interest by other shareholders; and (b) the Transferor is principally engaged in the business of finance leasing.

2. Lessee A

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) Lessee A is directly owned as to approximately 98.58% by 中國冶金科工股份有限公司 (Metallurgical Corporation of China Ltd.) (“**Metallurgical Corporation**”), whose shares are listed on the Main Board of the Stock Exchange (stock code: 1618). The holding company of Metallurgical Corporation is 中國冶金科工集團有限公司 (China Metallurgical Group Corporation), which is in turn wholly-owned by China Minmetals; and (b) Lessee A is a large-scale enterprise group integrating engineering contracting, steel engineering and installation, real estate development and project investment.

3. Lessee B

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) Lessee B is directly owned as to (i) 80% by 四川省川投航信股權投資基金管理有限公司 (unofficial English translation being Sichuan Chuan Tou Aviation Communication Equity Interest Investment Fund Management Company Limited), whose ultimate beneficial owner controlling more than one-third of its equity interest is the State-owned Assets Supervision and Administration Commission of the Government of Sichuan Province; and (ii) 10% by Lessee A; (b) despite the fact that Lessee A only owns 10% of the equity interest of Lessee B, the day-to-day operation and financing decision of Lessee B is made by Lessee A and therefore Lessee A is regarded as the actual controller of Lessee B; and (c) Lessee B is principally engaged in the business of big data processing, provision of technological services and development of IT projects.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Transferor, Lessee A, Lessee B and their respective ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ASSIGNMENT AND THE SALE AND LEASEBACK ARRANGEMENTS

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 Assignment enables the Group to acquire four (4) high-quality finance leases which will be carried out in the ordinary and usual course of business of Chengtong Financial Leasing. After due consideration of the background and the credibility of the Lessees, the reasonable rate of return under the Sale and Leaseback Arrangements, the Directors consider that the overall level of risks associated with the Assignment and the Sale and Leaseback Arrangements is acceptable.

The Directors are therefore of the view that the terms of each of the Leased Assets Transfer Agreement, the Three-party Agreement and the Sale and Leaseback Agreements are fair and reasonable and that the Assignment and the Sale and Leaseback Arrangements are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Assignment exceeds 5% but is less than 25%, the Assignment standalone constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

On 30 May 2022, Chengtong Financial Leasing entered into the Previous Transaction with the Previous Lessees, which are the subsidiaries of China Minmetals and therefore associates (having the meanings ascribed to it under the Listing Rules) of Lessee A. Therefore, the Assignment and the Sale and Leaseback Arrangements are aggregated with the Previous Transaction for the purpose of calculating the relevant percentage ratios (as defined under the Listing Rules).

As the highest applicable percentage ratio in respect of the Assignment and the Sale and Leaseback Arrangements, when aggregated with the Previous Transaction, exceeds 25% but is less than 100%, the Assignment and the Sale and Leaseback Arrangements constitute major transactions of the Company and are 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) (having the meaning ascribed to it under the Listing Rules) has any material interest in the Assignment or the Sale and Leaseback Arrangements. Thus, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for approving the Assignment and the Sale and Leaseback Arrangements. 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 Assignment and the Sale and Leaseback Arrangements from World Gain Holdings Limited, which is a controlling shareholder 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 Assignment and the Sale and Leaseback Arrangements.

A circular containing, among other things, (i) information on the Assignment and the Sale and Leaseback Arrangements, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 13 September 2022, 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:

- “Assigned Properties” means all the rights and obligations of the Transferor as a lessor against the Lessees under the Sale and Leaseback Agreements, including but not limited to the ownership of the Leased Assets, the right to receive rent, default interest, liquidated damages, repurchase price or any other payments or expenses under the Sale and Leaseback Agreements
- “Assignment” means the assignment of the Assigned Properties by the Transferor to Chengtong Financial Leasing pursuant to the terms of the Leased Assets Transfer Agreement
- “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
- “China Minmetals” means 中國五礦集團有限公司 (China Minmetals Corporation), a state-owned enterprise established in the PRC with limited liability which is wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council
- “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
- “Consideration” means the aggregate consideration payable by Chengtong Financial Leasing to the Transferor for the Assignment
- “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 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)
“Last Payment Date”	the last rental payment date immediately before the actual Transfer Date on which the Lessees shall make rental payment to the Transferor under the Sale and Leaseback Arrangements
“Leased Assets”	means the facilities and equipment leased to the Lessees under the Sale and Leaseback Agreements, the particulars of which are set out in Table 1 of this announcement
“Leased Assets Transfer Agreement”	means the leased assets transfer agreement dated 22 August 2022 entered into between the Transferor and Chengtong Financial Leasing, pursuant to which the Transferor conditionally agrees to assign the Assigned Properties to Chengtong Financial Leasing
“Lessee A”	means 中國五冶集團有限公司 (China MCC5 Group Corp. Ltd.), a state-owned enterprise established in the PRC with limited liability
“Lessee B”	means 重慶桃冶雲溪大數據管理有限公司 (unofficial English translation being Chongqing Taoye Yunxi Big Data Management Co., Ltd.), a company incorporated in the PRC with limited liability
“Lessees”	means collectively, Lessee A and Lessee B
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“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

“Previous Lessees”	means 中國一冶集團有限公司 (China First Metallurgical Group Co., Ltd.) and 濮陽國冶城發建設有限公司 (unofficial English translation being Puyang Guoye Urban Development and Construction Co., Ltd.), which are subsidiaries of China Minmetals
“Previous Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Lessees in respect of certain crawler cranes, filter pumps, hydraulic crawler cranes, air circulating exchangers and hydraulic press machines for a term of three (3) years, the details of which are set out in the announcement of the Company dated 30 May 2022
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the four (4) sale and leaseback agreements signed between the Transferor as lessor and the Lessees as co-lessees on 29 November 2021, the particulars of which are set out in Table 1 of this announcement, and each a “Sale and Leaseback Agreement”
“Sale and Leaseback Arrangements”	means the sale and leaseback arrangements contemplated under the Sale and Leaseback Agreements
“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Three-party Agreement”	means the three-party agreement dated 22 August 2022 entered into among the Transferor, the Lessees and Chengtong Financial Leasing in relation to the Assignment
“Transfer Date”	means 28 September 2022 (or such other date as may be agreed between the Transferor and Chengtong Financial Leasing)
“Transferor”	means 橫琴華通金融租賃有限公司 (unofficial English translation being Hengqin Huatong Financial Leasing Co., Ltd.), a company incorporated in the PRC with limited liability
“%”	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\$1.17. 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, 22 August 2022

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