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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 30 September 2022, 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 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 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 World Gain Holdings 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 despatched to the Shareholders on or before 24 October 2022, which is within 15 business days after the publication of this announcement.

On 30 September 2022, 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**

30 September 2022

### **Parties**

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Lessee is a company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 600010) and its largest shareholder holding approximately 55.02% of its equity interest is the Guarantor; (ii) the Lessee and its ultimate beneficial owners are Independent Third Parties; and (iii) the Lessee is principally engaged in the business of development of mineral resources and the production and supply of steel products.

### **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, the obtaining of all necessary approvals by the Lessee in relation to the Sale and Leaseback Arrangement, the payment of the security money (as set out below) by the Lessee, and the signing and the coming into effect of the relevant security agreements), Chengtong Financial Leasing will purchase the Leased Assets from the Lessee at an aggregate Purchase Price of RMB300 million (equivalent to HK\$330 million), and the Leased Assets will be leased back to the Lessee for a period of three (3) years (“**Lease Term**”) from the respective date on which the relevant Purchase Price is paid by Chengtong Financial Leasing in respect of the Leased Assets I and the Leased Assets II, 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 30 November 2022, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant 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 7 September 2022 which amounted to approximately RMB364.45 million (equivalent to approximately HK\$400.90 million) in aggregate.

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 RMB322.40 million (equivalent to HK\$354.64 million) which shall be paid by the Lessee to Chengtong Financial Leasing in twelve (12) quarterly instalments during the respective Lease Term of the Leased Assets I and the Leased Assets II.

The total amount of lease payment represents the sum of the lease principal amount (being the amount of the Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest which is calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over 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 (“**LPR**”) from time to time. The lease interest rate will be subject to review on 1 January every year. In the event that the one (1)-year LPR changes, the lease interest rate will be adjusted to a rate at the aforesaid fixed premium over the new one (1)-year LPR, except in the case where the Lessee has 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 one (1)-year LPR is reduced.

The premium over the one (1)-year LPR has been agreed after arm's length negotiations between the parties with reference to the Purchase Price and the credit risks associated with the Sale and Leaseback Arrangement.

## **Service Fee**

Within one (1) working day after the commencement of the respective Lease Term of the Leased Assets I and the Leased Assets II, the Lessee shall pay a service fee of RMB1.5 million (equivalent to HK\$1.65 million) and RMB1.5 million (equivalent to HK\$1.65 million) respectively (collectively, the “**Service Fee**”) to Chengtong Financial Leasing for the preliminary services provided by it in respect of the Sale and Leaseback Arrangement for each of the Leased Assets I and the Leased Assets II respectively. The Service Fee is non-refundable.

## **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 I and the Leased Assets II at a nominal consideration of RMB1.00 respectively.

## **Security money**

The Lessee agrees to pay an aggregate of RMB1.5 million (equivalent to HK\$1.65 million) as security money for the performance of its obligations under the Sale and Leaseback Agreements.

## **Guarantee**

The Guarantor has provided a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under the Sale and Leaseback Agreements, including but not limited to liquidated damages, outstanding and prospective lease payment, repurchase price and other payables. The guarantee is irrevocable and continuing in nature.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) 內蒙古自治區人民政府 (unofficial English translation being The People's Government of Inner Mongolia Autonomous Region) is the Guarantor's largest shareholder holding approximately 69.15% of its equity interest; (ii) the Guarantor and its ultimate beneficial owners are Independent Third Parties; and (iii) the Guarantor is principally engaged in the business of production and supply of steel and rare earth products.

## **REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT**

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.

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 RMB25.40 million (equivalent to HK\$27.94 million), being the total of the Service Fee and the difference between the estimated amount of total lease payment under the Sale and Leaseback Arrangement and the Purchase Price of the Leased Assets.

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 World Gain Holdings 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 despatched to the Shareholders on or before 24 October 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:

“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

“Guarantor”	means 包頭鋼鐵(集團)有限責任公司 (unofficial English translation being Baotou Steel (Group) Co., Ltd.), a state-owned enterprise established in the PRC with limited liability
“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, collectively, the Leased Assets I and the Leased Assets II
“Leased Assets I”	means certain mineral processing cooling towers, excavators, crawler hydraulic excavators, wheel dozers and other steel production equipment
“Leased Assets II”	means certain wheel loaders, generator trucks, road rollers, hydraulic crushers, spectrometers, motor graders and other steel production equipment
“Lessee”	means 內蒙古包鋼鋼聯股份有限公司 (unofficial English translation being Inner Mongolia Baotou Steel Union Co., Ltd.), a state-owned enterprise established in the PRC with limited liability
“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
“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, two (2) sets of the following agreements, each in respect of the Leased Assets I and the Leased Assets II respectively, and a supplemental agreement, all dated 30 September 2022 and signed between Chengtong Financial Leasing and the Lessee:
	(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 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 HK\$1.10. 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, 30 September 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.*