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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 – SALE AND LEASEBACK ARRANGEMENTS

SALE AND LEASEBACK ARRANGEMENTS

On 28 October 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into (i) the Ruiyuan & China MCC5 Agreements with the Ruiyuan & China MCC5 Co-Lessees; and (ii) the Rongyu & China MCC5 Agreements with the Rongyu & China MCC5 Co-Lessees, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the relevant Lessees and such Leased Assets will be leased back to the relevant Lessees for a term of three (3) years, subject to early termination in accordance with the terms and conditions of the relevant Sale and Leaseback Agreements.

IMPLICATIONS UNDER THE LISTING RULES

On 30 May 2022, Chengtong Financial Leasing entered into the First Metallurgical & Guoye Arrangement with the First Metallurgical & Guoye Co-Lessees. On 30 August 2022, Chengtong Financial Leasing acquired from the Transferor all the rights and obligations as a lessor and became the new lessor under the Taoye & China MCC5 Arrangement.

Since China MCC5 as well as the First Metallurgical & Guoye Co-Lessees are all subsidiaries of China Minmetals, and the Sale and Leaseback Arrangements are entered into within 12 months from the date of the First Metallurgical & Guoye Arrangement and the date of assignment of the Taoye & China MCC5 Arrangement, the Sale and Leaseback Arrangements are aggregated with both the First Metallurgical & Guoye Arrangement and the Taoye & China MCC5 Arrangement for the purpose of calculating the relevant percentage ratios (as defined in the Listing Rules).

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Sale and Leaseback Arrangements (both when calculated individually and when aggregated with the First Metallurgical & Guoye Arrangement and the Taoye & China MCC5 Arrangement) exceeds 25% but is less than 100%, 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) has a material interest in the Sale and Leaseback Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve 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 the written Shareholder's approval in respect of each of 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 Sale and Leaseback Arrangements.

A circular containing, among other things, (i) information on the Sale and Leaseback Arrangements, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 18 November 2022, which is within 15 business days after the publication of this announcement.

On 28 October 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into (i) the Ruiyuan & China MCC5 Agreements with the Ruiyuan & China MCC5 Co-Lessees; and (ii) the Rongyu & China MCC5 Agreements with the Rongyu & China MCC5 Co-Lessees. The major terms of the Sale and Leaseback Arrangements are set out below.

SALE AND LEASEBACK ARRANGEMENTS

Subject matter

In each of the Sale and Leaseback Arrangements, subject to the fulfilment of the conditions as set out in the relevant Sale and Leaseback Agreements (including but not limited to the provision of all necessary documents or information by the Lessees evidencing their ownerships in the Leased Assets, the obtaining of all necessary approvals by the Lessees in relation to the Sale and Leaseback Arrangements, the payment of the security money (if any) by the Lessees, and the signing and the coming into effect of the security agreement(s) (if any)), Chengtong Financial Leasing will purchase the Leased Assets from the relevant Lessees and such Leased Assets will be leased back to the relevant Lessees for a term of three (3) years commencing from the date on which the Purchase Price in respect of the relevant Leased Assets is paid by Chengtong Financial Leasing ("**Lease Term**"), subject to early termination in accordance with the terms and conditions of the relevant Sale and Leaseback Agreements.

If any of the conditions under the Sale and Leaseback Agreements is not satisfied on or before 28 November 2022, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant Sale and Leaseback Agreements.

Purchase Price

The Purchase Price under the Ruiyuan & China MCC5 Arrangement was agreed between Chengtong Financial Leasing and the Ruiyuan & China MCC5 Co-Lessees with reference to the amount of the original invoices of the relevant Leased Assets which were recently acquired and is approximately RMB27.06 million (equivalent to approximately HK\$29.77 million).

The Purchase Price under the Rongyu & China MCC5 Arrangement was agreed between Chengtong Financial Leasing and the Rongyu & China MCC5 Co-Lessees with reference to the appraised value of the relevant Leased Assets which is approximately RMB210.41 million (equivalent to approximately HK\$231.45 million) as at 31 August 2022.

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 in respect of each Sale and Leaseback Arrangement shall be paid by the relevant Lessees to Chengtong Financial Leasing in accordance with the payment schedule as set out in the relevant Sale and Leaseback Agreements.

The total amount of lease payment in respect of each Sale and Leaseback Arrangement represents the sum of the relevant lease principal amount (being the amount of the relevant Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest.

In respect of the Ruiyuan & China MCC5 Arrangement, the lease interest will be calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over the five (5)-year LPR from time to time. The lease interest rate will be subject to review on 1 January every year. In the event that the relevant LPR changes, the lease interest rate will be adjusted to a rate at the aforesaid fixed premium over the new LPR, except in the case where the Ruiyuan & China MCC5 Co-Lessees have overdue lease payment and have not paid all overdue payments and liquidated damages, the interest rate to be applied will not be adjusted when the relevant LPR is reduced.

In respect of the Rongyu & China MCC5 Arrangement, the lease interest will be calculated at a fixed interest rate.

The premium over the LPR in respect of the Ruiyuan & China MCC5 Arrangement and the fixed interest rate in respect of the Rongyu & China MCC5 Arrangement have been agreed after arm's length negotiations between the parties with reference to the relevant Purchase Price and the credit risks associated with the relevant Sale and Leaseback Arrangement.

Service Fee

The Rongyu & China MCC5 Co-Lessees shall pay a service fee (“**Service Fee**”) to Chengtong Financial Leasing for the preliminary services provided by Chengtong Financial Leasing in respect of the Rongyu & China MCC5 Arrangement. The Service Fee is non-refundable.

Lessees' right to repurchase the Leased Assets

Upon 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 Agreements, the Lessees shall have the right to repurchase the relevant Leased Assets under the relevant Sale and Leaseback Agreements at a nominal consideration of RMB1.00.

Material terms of each of the Sale and Leaseback Arrangements

The general terms and conditions of each of the Sale and Leaseback Arrangements are substantially the same. Their respective key terms are summarised as follows:

	Ruiyuan & China MCC5 Arrangement	Rongyu & China MCC5 Arrangement
Date of the Sale and Leaseback Agreements	28 October 2022	28 October 2022
Lessees	Ruiyuan & China MCC5 Co-Lessees	Rongyu & China MCC5 Co-Lessees

	Ruiyuan & China MCC5 Arrangement	Rongyu & China MCC5 Arrangement
Leased Assets	Certain parts and components of ringlock scaffoldings	Certain equipment including but not limited to filtration systems, air conditioning equipment, elevator equipment, steam boilers, compressors etc., and certain construction equipment including but not limited to mixing towers, cranes, transfer pumps etc.
Purchase Price	Approximately RMB25.71 million (equivalent to approximately HK\$28.28 million)	RMB200 million (equivalent to HK\$220 million)
Interest rate	Floating rate, which is determined at a fixed premium over the five (5)-year LPR from time to time	Fixed interest rate
Lease payment	Approximately RMB28.08 million (equivalent to approximately HK\$30.89 million), payable in six (6) half-yearly instalments during the Lease Term	Approximately RMB214.41 million (equivalent to approximately HK\$235.85 million), payable in twelve (12) quarterly instalments during the Lease Term
Service Fee	Nil	RMB5 million (equivalent to HK\$5.5 million)
Security money	Nil	RMB5 million (equivalent to HK\$5.5 million)

INFORMATION OF THE PARTIES

China MCC5

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) China MCC5 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 (ii) China MCC5 is a large-scale enterprise group integrating engineering contracting, steel engineering and installation, real estate development and project investment.

Shanghai Ruiyuan

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Shanghai Ruiyuan is directly owned as to (a) 62% by 中航信託股份有限公司 (AVIC Trust Co., Ltd.) which is an indirect subsidiary of 中航工業產融控股股份有限公司 (AVIC Industry-Finance Holdings Co., Ltd.) ("**AVIC Industry-Finance**"), whose shares are listed on the Shanghai Stock Exchange (stock code: 600705). The largest shareholder of AVIC Industry-Finance holding approximately 39.45% of its equity interest is 中國航空工業集團有限公司 (Aviation Industry Corporation of China., Ltd.), which is in turn wholly-owned by the SASAC of the State Council; and (b) 20% by China MCC5 which controls the day-to-day operation and management of Shanghai Ruiyuan; and (ii) Shanghai Ruiyuan is principally engaged in the business of procurement of raw materials and revolving materials for building construction.

Jiangsu Rongyu

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Jiangsu Rongyu is owned as to (a) 75% by 中冶建信投資基金管理(北京)有限公司 (unofficial English translation being Zhongye Jianxin Investment Fund Management (Beijing) Co., Ltd.) ("**Zhongye Jianxin**") which is in turned owned as to 50% by Metallurgical Corporation and 50% by 建信(北京)投資基金管理有限責任公司 (unofficial English translation being Jianxin (Beijing) Investment Fund Management Co., Ltd.), which is ultimately owned as to more than one-third of its equity interest by each of the State Council and the SASAC of Hefei City; and (b) 5% by China MCC5 which controls the day-to-day operation and management of Jiangsu Rongyu; and (ii) Jiangsu Rongyu is the project company set up by Zhongye Jianxin, China MCC5 and the PRC local government for the investment, financing and construction work of the urban renewal project in the Jurong Economic Development Zone of the Jiangsu Province, the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China MCC5, Shanghai Ruiyuan, Jiangsu Rongyu and their respective ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENTS

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 Arrangements is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn (i) an income of approximately RMB2.37 million (equivalent to approximately HK\$2.61 million) under the Ruiyuan & China MCC5 Arrangement; and (ii) approximately RMB19.41 million (equivalent to approximately HK\$21.35 million) under the Rongyu & China MCC5 Arrangement, each being the total of the relevant amount of Service Fee (if any) and the difference between the relevant estimated amount of total lease payment under the relevant Sale and Leaseback Arrangement and the relevant Purchase Price.

The Directors are of the view that the terms of each of the Sale and Leaseback Arrangements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

On 30 May 2022, Chengtong Financial Leasing entered into the First Metallurgical & Guoye Arrangement with the First Metallurgical & Guoye Co-Lessees. On 30 August 2022, Chengtong Financial Leasing acquired from the Transferor all the rights and obligations as a lessor and became the new lessor under the Taoye & China MCC5 Arrangement.

Since China MCC5 as well as the First Metallurgical & Guoye Co-Lessees are all subsidiaries of China Minmetals, and the Sale and Leaseback Arrangements are entered into within 12 months from the date of the First Metallurgical & Guoye Arrangement and the date of assignment of the Taoye & China MCC5 Arrangement, the Sale and Leaseback Arrangements are aggregated with both the First Metallurgical & Guoye Arrangement and the Taoye & China MCC5 Arrangement for the purpose of calculating the relevant percentage ratios (as defined in the Listing Rules).

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Sale and Leaseback Arrangements (both when calculated individually and when aggregated with the First Metallurgical & Guoye Arrangement and the Taoye & China MCC5 Arrangement) exceeds 25% but is less than 100%, 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) has a material interest in the Sale and Leaseback Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve 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 the written Shareholder's approval in respect of each of 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 Sale and Leaseback Arrangements.

A circular containing, among other things, (i) information on the Sale and Leaseback Arrangements, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 18 November 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 established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“China MCC5”	means 中國五冶集團有限公司 (China MCC5 Group Corp. Ltd.), a company established in the PRC with limited liability
“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 SASAC of the State Council
“close associate”	has the meaning ascribed to it under the Listing Rules

“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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the director(s) of the Company
“First Metallurgical & Guoye Arrangement”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the First Metallurgical & Guoye Co-Lessees on 30 May 2022 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
“First Metallurgical & Guoye Co-Lessees”	means, collectively, 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.) acting as co-lessees of the First Metallurgical & Guoye Arrangement
“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)
“Jiangsu Rongyu”	means 江蘇容裕建設發展有限公司 (unofficial English translation being Jiangsu Rongyu Construction Development Co., Ltd.), a company established in the PRC with limited liability

“Leased Assets”	means the leased assets under the Ruiyuan & China MCC5 Arrangement and the Rongyu & China MCC5 Arrangement (as the case may be)
“Lessees”	means, collectively, the Ruiyuan & China MCC5 Co-Lessees and the Rongyu & China MCC5 Co-Lessees
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“LPR”	means the 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 relevant Lessees
“RMB”	means Renminbi, the lawful currency of the PRC
“Rongyu & China MCC5 Agreements”	means, collectively, two (2) sets of the following agreements in respect of two (2) batches of leased assets, together with their supplemental agreements, all dated 28 October 2022 and signed between Chengtong Financial Leasing and the Rongyu & China MCC5 Co-Lessees: <ul style="list-style-type: none"> (1) leaseback assets transfer agreement; (2) finance lease agreement (sale and leaseback); and (3) security money agreement
“Rongyu & China MCC5 Arrangement”	means the sale and leaseback arrangement under the Rongyu & China MCC5 Agreements

“Rongyu & China MCC5 Co-Lessees”	means, collectively, Jiangsu Rongyu and China MCC5 acting as co-lessees of the Rongyu & China MCC5 Arrangement
“Ruiyuan & China MCC5 Agreements”	means, collectively, the following agreements, together with their supplemental agreements, all dated 28 October 2022 and signed between Chengtong Financial Leasing and the Ruiyuan & China MCC5 Co-Lessees:
	(1) leaseback assets transfer agreement; and
	(2) finance lease agreement (sale and leaseback)
“Ruiyuan & China MCC5 Arrangement”	means the sale and leaseback arrangement under the Ruiyuan & China MCC5 Agreements
“Ruiyuan & China MCC5 Co-Lessees”	means, collectively, Shanghai Ruiyuan and China MCC5 acting as co-lessees of the Ruiyuan & China MCC5 Arrangement
“Sale and Leaseback Agreements”	means, collectively, the Ruiyuan & China MCC5 Agreements and the Rongyu & China MCC5 Agreements
“Sale and Leaseback Arrangements”	means, collectively, the Ruiyuan & China MCC5 Arrangement and the Rongyu & China MCC5 Arrangement
“SASAC”	means the State-owned Assets Supervision and Administration Commission
“Shanghai Ruiyuan”	means 上海銳遠城市建設發展有限公司 (unofficial English translation being Shanghai Ruiyuan Urban Construction Development Co., Ltd.), a company established in the PRC with limited liability
“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

“Taoye & China MCC5 Arrangement”	means the sale and leaseback arrangement subsisting between Chengtong Financial Leasing and the Taoye & China MCC5 Co-Lessees in respect of certain electricity supply equipment, escalator equipment, lighting equipment, communication equipment and steel structure ceiling, which were assigned to Chengtong Financial Leasing by the Transferor on 30 August 2022, the details of which are set out in the announcement of the Company dated 22 August 2022 and the circular of the Company dated 23 September 2022
“Taoye & China MCC5 Co-Lessees”	means, collectively, 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.) and China MCC5 acting as co-lessees of the Taoye & China MCC5 Arrangement
“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 established 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\$1.10. 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, 28 October 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.