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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

THE SALE AND LEASEBACK ARRANGEMENT

On 28 November 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) has any 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 the written Shareholder's approval in respect of the Sale and Leaseback Arrangement 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 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 19 December 2022, which is within 15 business days after the publication of this announcement.

On 28 November 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.

THE SALE AND LEASEBACK ARRANGEMENT

Date of the Sale and Leaseback Agreements

28 November 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 beneficially controlled by 中國航天科工集團有限公司 (China Aerospace Science and Industry Corporation Limited), which is in turn wholly-owned by the SASAC of the State Council of the PRC; (ii) the Lessee and its ultimate beneficial owners are Independent Third Parties; and (iii) the Lessee is principally engaged in the business of provision of construction services.

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 and the payment of the security money (as set out below) by the Lessee), Chengtong Financial Leasing will purchase the Leased Assets from the Lessee at a Purchase Price of RMB150 million (equivalent to HK\$165 million), and the Leased Assets will be leased back to the Lessee for a period of three (3) years (“**Lease Term**”) from the date on which the Purchase Price is paid by Chengtong Financial Leasing in respect of the Leased Assets, subject to early termination in accordance with the terms and conditions of the Sale and Leaseback Agreements.

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

Purchase Price

The Purchase Price of the Leased Assets was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised value of the Leased Assets as at 15 November 2022 which amounted to approximately RMB165.37 million (equivalent to approximately HK\$181.91 million).

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 payments

The total amount of lease payments over the Lease Term is approximately RMB160.64 million (equivalent to approximately HK\$176.70 million) which shall be paid by the Lessee to Chengtong Financial Leasing in twelve (12) quarterly instalments during the Lease Term.

The total amount of lease payments 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 fixed interest rate which is no less favourable than the prevailing one (1)-year LPR at the time when the Sale and Leaseback Agreements were entered into.

The interest rate applicable to the Sale and Leaseback Arrangement is one of the major commercial terms negotiated between the parties on an arm's length basis and the setting of the interest rate depends on a number of factors, such as the amount of lease principal, the lease term, the overall return rate attained by the Group taking into account the amount of lease interests and other receivables including but not limited to the Service Fee (as defined below) and the prevailing market conditions.

Service Fee

The Lessee shall pay a service fee ("**Service Fee**") of RMB5.4 million (equivalent to HK\$5.94 million) for the corporate finance advisory services provided by Chengtong Financial Leasing to the Lessee and the preliminary work for the setting up of the Sale and Leaseback Arrangement. The amount of the Service Fee was determined according to the extent of services required by the Lessee and the financing amount involved. 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 under the Sale and Leaseback Agreements at a nominal consideration of RMB1.00.

Security money

The Lessee shall pay a security money of RMB1.5 million (equivalent to HK\$1.65 million to Chengtong Financial Leasing for the performance of its obligations under the Sale and Leaseback Arrangement. The amount of the security money was determined after evaluating the background and creditability etc. of the Lessee.

If the Lessee fails to fully perform any obligation under the Sale and Leaseback Arrangement, Chengtong Financial Leasing has the right to apply the security money to set off against any amount owed by the Lessee to it in the following order: liquidated damages, other payables including but not limited to damages (if any), outstanding and prospective lease payments and repurchase price. If the Lessee has fully performed all its obligations under the Sale and Leaseback Arrangement, Chengtong Financial Leasing shall return the security money to the Lessee upon the presentation of the receipt of the security money by the Lessee.

When the amount payable by the Lessee under the Sale and Leaseback Arrangement is less than the balance of the security money, the Sale and Leaseback Arrangement may be early terminated upon the application of the Lessee. The Lessee shall then present the receipt of the security money to Chengtong Financial Leasing upon which the security money shall be used to set off the lease payments and other payables under the Sale and Leaseback Arrangement and any remaining balance of the security money shall be returned to the Lessee.

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 RMB16.04 million (equivalent to approximately HK\$17.64 million), which represents the total of the Service Fee and the difference between the amount of total lease payments under the Sale and Leaseback Arrangement and the Purchase Price.

Having considered the background, financial condition, business prospects and income flow of the Lessee, the nature, condition and marketability of the Leased Assets as well as the prevailing market conditions, 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) has any 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 the written Shareholder's approval in respect of the Sale and Leaseback Arrangement 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 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 19 December 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
“close associate(s)”	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
“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)
“Leased Assets”	means certain facilities and equipment in the Scientific Research and Production Guarantee Centre of Xiaogan Industrial Zone (孝感工業區科研生產保障中心) of the Sanjiang Industrial Park located in Xiaogan City of Hubei Province, the PRC, including but not limited to room ventilators attaching to room ceilings and centrifugal exhaust fans attaching to the surface of a unit

“Lessee”	means 湖北三江航天建筑工程有限公司 (unofficial English translation being Hubei Sanjiang Aerospace Construction Work Co., Ltd.), a company established in the PRC with limited liability
“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 Lessee
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the following agreements, all dated 28 November 2022 and signed between Chengtong Financial Leasing and the Lessee: <ul style="list-style-type: none"> (1) leaseback assets transfer agreement; (2) finance lease agreement (sale and leaseback); (3) security money agreement
“Sale and Leaseback Arrangement”	means the sale and leaseback arrangement contemplated under the Sale and Leaseback Agreements
“SASAC”	means the State-owned Assets Supervision and Administration Commission
“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, 28 November 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.