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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 – THE SALE AND LEASEBACK ARRANGEMENT

THE SALE AND LEASEBACK ARRANGEMENT

On 29 March 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the Lessee A, Lessee B and Lessee C, as co-Lessees, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the co-Lessees and the Leased Assets will be leased back to the co-Lessees 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 entering into of 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 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 China Chengtong Hong Kong Company 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 April 2023, which is within 15 business days after the publication of this announcement

On 29 March 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the co-Lessees 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

29 March 2023

Parties

Lessor: Chengtong Financial Leasing

Co-Lessees: Lessee A, Lessee B and Lessee C

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

- (i) the Lessee A is directly owned as to (a) approximately 50% by CICC Urban Development Private Equity Investment Fund Management (Shenzhen) Co., Ltd. (中財城市發展私募股權投資基金管理(深圳)有限公司), which is in turn indirectly owned as to (1) one-third by CITIC Group Corporation (中國中信集團有限公司), which is wholly-owned by The Ministry of Finance of the PRC; (2) one-third by Party School of the Central Communist Party of C.P.C (National Academy of Governance) (中共中央黨校(國家行政學院)); and (3) one-third by Huadi Computer Group Co., Ltd. (華迪計算機集團有限公司), which is owned as to approximately 66.5% by AISINO CO., LTD. (航天信息股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600271); and (b) approximately 49% by Lessee B;

- (ii) the Lessee B is directly and wholly owned by China Railway Construction Corporation Limited (中國鐵建股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 601186) and the Main Board of the Stock Exchange (stock code: 1186);
- (iii) the Lessee C is directly owned as to (a) approximately 75% by CICC Urban Development Private Equity Investment Fund Management (Shenzhen) Co., Ltd. (中財城市發展私募股權投資基金管理(深圳)有限公司); and (b) approximately 25% by Lessee B;
- (iv) each of the co-Lessees and their ultimate beneficial owners are Independent Third Parties;
- (v) the Lessee A is principally engaged in investment, construction, operation, and maintenance of engineering projects in Yangjiang City, Guangdong Province, the PRC;
- (vi) the Lessee B is principally engaged in provision of design, construction and engineering services for highway, railway and housing projects in the PRC; and
- (vii) the Lessee C is principally engaged in investment and asset management.

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 co-Lessees evidencing its ownership in the Leased Assets, and the obtaining of all necessary approvals by the co-Lessees in relation to the Sale and Leaseback Arrangement), Chengtong Financial Leasing will purchase the Leased Assets from the co-Lessees at an aggregate Purchase Price of RMB300 million (equivalent to HK\$342 million) and the Leased Assets will be leased back to the co-Lessees for a term of three (3) years commencing from the date on which the relevant Purchase Price is paid by Chengtong Financial Leasing in respect of the relevant Leased Assets (“**Lease Term**”), 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 15 September 2023, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant Sale and Leaseback Agreements.

Purchase Price

The aggregate Purchase Price of the Leased Assets was agreed between Chengtong Financial Leasing and the co-Lessees with reference to the aggregate appraised value of the Leased Assets as at 1 March 2023 which amounted to approximately RMB341.13 million (equivalent to approximately HK\$388.89 million) as assessed by way of cost method by a professional PRC valuer which is an Independent Third Party. The Leased Assets form part of the facilities or equipment in the railway system and are not revenue generating assets with identifiable income stream.

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 estimated to be approximately RMB326.84 million (equivalent to HK\$372.60 million) which shall be paid by the co-Lessees to Chengtong Financial Leasing in six (6) half-yearly instalments during the Lease Term.

The total amount of lease payments represents the sum of the lease principal amount (being the amount of the aggregate Purchase Price to be paid by Chengtong Financial Leasing) and the lease interests which will be 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 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 LPR, except in the case where the co-Lessees 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 interest rate applicable to the Sale and Leaseback Arrangement (including the applicable LPR and the premium) 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, the prevailing market conditions and the movement of the LPR.

Co-Lessees' right to repurchase the Leased Assets

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

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 RMB26.84 million (equivalent to

approximately HK\$30.60 million), which represents the difference between the estimated amount of total lease payments under the Sale and Leaseback Arrangement and the aggregate 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 entering into of 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 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 China Chengtong Hong Kong Company 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 April 2023, 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 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, including but not limited to shield machine, bridge erecting machine, multi-functional drilling machine, concrete mixing station, beam lifting machine, loader and ancillary facilities and equipment
“Lessee A”	means Yangjiang Zhongcai Railway Construction Project Management Co., Ltd. (陽江市中財鐵建項目管理有限公司), a state-owned enterprise established in the PRC with limited liability
“Lessee B”	means China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司), a state-owned enterprise established in the PRC with limited liability
“Lessee C”	means Chengdu Caitie Asset Management Co., Ltd. (成都財鐵資產管理有限公司), 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
“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 co-Lessees
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, three (3) sets of the following agreements in respect of three (3) batches of leased assets, all dated 29 March 2023 and signed between Chengtong Financial Leasing and the co-Lessees: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
“Sale and Leaseback Arrangement”	means the sale and leaseback arrangement 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
“%”	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\$1.14. 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.

The English names of all PRC entities in this announcement are for identification purpose only.

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

Hong Kong, 29 March 2023

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