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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 13 September 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with Lessee A and Lessee B, as the co-Lessees, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the co-Lessees and will lease the Leased Assets back to the co-Lessees for a Lease 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

On 19 January 2023, Chengtong Financial Leasing entered into the Previous Transaction with the Previous co-Lessees. Since the Sale and Leaseback Arrangement is entered into within 12 months from the date of the Previous Transaction and the Previous co-Lessees comprise of Lessee A and its wholly-owned subsidiary, the Sale and Leaseback Arrangement is aggregated with the Previous Transaction 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 Arrangement, both on standalone basis and when aggregated with the Previous Transaction, 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 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 5 October 2023, which is within 15 business days after the publication of this announcement.

On 13 September 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.

SALE AND LEASEBACK ARRANGEMENT

Date of the Sale and Leaseback Agreements

13 September 2023

Parties

Lessor: Chengtong Financial Leasing

Lessees: Lessee A and Lessee B (collectively, the "co-Lessees")

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and based on the information publicly available as of the date of this announcement, (a) Lessee A is a company whose shares are listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 300197), its single largest shareholder holding approximately 24.8% equity interests of Lessee A is China Energy Conservation and Environmental Protection Group Co., Ltd, a company which is owned by the State-owned Assets Supervision and Administration Commission of the State Council and the National Council for Social Security Fund for approximately 91.5% and approximately 8.5% respectively; (b) Lessee B is directly or indirectly owned as to 80.0% by Lessee A, and is directly owned as to 20.0% by Fengcheng Rural Habitat Environment Investment Co., Ltd, which is ultimately controlled by the Fengcheng State-owned Assets Supervision and Administration Office; (c) each of the co-Lessees and their ultimate beneficial owners are Independent Third Parties; (d) Lessee A is principally engaged in the business of provision of environmental engineering services including water conservation

and landscape construction, etc; and (e) Lessee B is principally engaged in environmental engineering related business including environmental engineering design and construction, project management, research and development, and sale of related equipment, etc.

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 their 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 a total Purchase Price of RMB200 million (equivalent to HK\$218 million), and the Leased Assets will be leased back to the co-Lessees for a Lease Term of three (3) years from the respective date on which the relevant 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 29 December 2023, 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 co-Lessees with reference to the appraised value of the Leased Assets as at 8 July 2023 which amounted to approximately RMB212.89 million (equivalent to approximately HK\$232.05 million) as assessed by way of cost method by an independent PRC valuer. The Leased Assets 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 payment

The total amount of lease payment over the Lease Term is estimated to be approximately RMB214.82 million (equivalent to approximately HK\$234.15 million) which shall be paid by the co-Lessees to Chengtong Financial Leasing in twelve (12) instalments payable quarterly during the Lease Term.

The total amount of lease payment represents the sum of the lease principal amount (being the amount of Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest which will be calculated on the then outstanding lease principal amount with a fixed monthly interest rate which is no less favourable than the prevailing one(1)-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China.

Service Fee

The co-Lessees shall pay a one-off service fee of RMB4.02 million (equivalent to approximately HK\$4.38 million) (“**Service Fee**”) to Chengtong Financial Leasing within five (5) working days after the coming into effect of the Sale and Leaseback Agreements for the preliminary services provided by Chengtong Financial Leasing. The Service Fee is non-refundable.

The lease payment (including the interest rate and the premium) and the Service Fee applicable to the Sale and Leaseback Arrangement have been agreed between the parties after arm’s length negotiation taking into account 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 Service Fee and the prevailing market conditions.

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 RMB2.00 in total.

Credit enhancement measures

Depending on the overall risks associated with a sale and leaseback arrangement, Chengtong Financial Leasing may request appropriate credit enhancement measure(s) on a case-by-case basis. Chengtong Financial Leasing will monitor, among others, the financial conditions of the lessee(s) and the security provider(s) (if any) from time to time and may request the lessee(s) to provide security such as the payment of security money and the provision of corporate guarantee to safeguard its interests as the lessor as and when Chengtong Financial Leasing considers necessary.

Security money

The co-Lessees agree to pay a sum of RMB4 million (equivalent to HK\$4.36 million) as security money for the performance of their obligations under the Sale and Leaseback Agreements. The amount of the security money was determined after evaluating the background and credibility etc. of the co-Lessees.

If the co-Lessees fail to fully perform any obligation under the Sale and Leaseback Agreements, Chengtong Financial Leasing has the right to apply the security money to set off against any amount owed by the co-Lessees to it in the following order: liquidated damages, other payables including but not limited to insurance premiums and damages (if any), outstanding and prospective lease payments and repurchase price. If the co-Lessees have fully performed all their obligations under the Sale and Leaseback Agreements, Chengtong Financial Leasing shall return the security money to the co-Lessees upon the co-Lessees’ presentation of the receipt(s) of the security money.

When the amount payable by the co-Lessees under the Sale and Leaseback Agreements is less than the balance of the security money, the Sale and Leaseback Agreements may be early terminated upon the co-Lessees' application. The co-Lessees shall then present the receipt(s) 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 Agreements and any remaining balance of the security money shall be returned to the co-Lessees.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT

The Group is principally engaged in leasing, property development and investment, marine recreation services and hotel business as at the date of this announcement, and has suspended its bulk commodity trading since early 2023. The Group's leasing business is mainly carried out through Chengtong Financial Leasing as its principal business.

The entering into 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 RMB18.84 million (equivalent to approximately HK\$20.54 million), being the total of (i) the Service Fee and (ii) 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.

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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.

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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 established 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
“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)
“Lease Term”	means the lease term under the Sale and Leaseback Agreements
“Leased Assets”	means certain equipment assets and facilities of sewage treatment plants in Fengcheng City, Jiangxi Province, PRC, including but without limitation integrated biochemical treatment equipment, HDPE pipes and HDPE special high pressure drainage pipes, PLC systems, electrical distribution boards and lighting distribution boards, etc.

“Lessee A”	means CECEP Techand Ecology & Environment Co., Ltd., a company whose shares are listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 300197)
“Lessee B”	means Fengcheng City Han Chen Environmental Engineering Company Limited, a company established in the PRC with limited liability
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 co-Lessees”	means, collectively, Lessee A and its wholly-owned subsidiary, Baisha Hanxuyuan Water Environment Management Co., Ltd., acting as co-lessees of the Previous Transaction
“Previous Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous co-Lessees on 19 January 2023 in respect of certain sewage treatment equipment and pipes network in Bangxi Town, Baisha Li Autonomous County, Hainan Province, PRC and certain granulator, GNSS receiver, grinder equipment for a term of three (3) years, the details of which are set out in the announcement of the Company dated 19 January 2023
“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, the two (2) sets of the following agreements in respect of the Leased Assets dated 13 September 2023 and signed between Chengtong Financial Leasing and the co-Lessees: <ul style="list-style-type: none"> (1) leaseback assets transfer agreements; and (2) finance lease agreements (sale and leaseback)

“Sale and Leaseback Arrangement”	means the purchase of the Leased Assets by Chengtong Financial Leasing from the co-Lessees and the leaseback of the Leased Assets to the co-Lessees 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\$1.09. 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, 13 September 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.