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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 – LEASED ASSETS TRANSFER BUSINESS MASTER AGREEMENT

LEASED ASSETS TRANSFER BUSINESS MASTER AGREEMENT

On 17 January 2025, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Leased Assets Transfer Business Master Agreement with the Lessee. Pursuant to the Leased Assets Transfer Business Master Agreement, Chengtong Financial Leasing has agreed to provide Leased Assets Transfer Services to the Lessee, subject to the obtaining of the necessary Shareholders' approval in accordance with the Listing Rules and the maximum financing amount and other terms set out in the Leased Assets Transfer Business Master Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Chengtong Financial Leasing entered into the Haifa Baocheng Master Agreement with the Lessee on 12 August 2022. Pursuant to the Haifa Baocheng Master Agreement, Chengtong Financial Leasing and the Lessee entered into the Previous Arrangements on 21 February 2023 and 3 July 2023 respectively. Since the Previous Arrangements are still subsisting when the Leased Assets Transfer Business Master Agreement was entered into, the Leased Assets Transfer Business Master Agreement is aggregated with the Previous Arrangements 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 Leased Assets Transfer Business Master Agreement, both when calculated on a standalone basis and when aggregated with the Previous Arrangements, exceeds 25% but is less than 100%, the Leased Assets Transfer Business Master Agreement 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 Directors' knowledge, information and belief, 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 Leased Assets Transfer Business Master Agreement and the transaction(s) proposed thereunder. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Leased Assets Transfer Business Master Agreement. 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 Leased Assets Transfer Business Master Agreement 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 Leased Assets Transfer Business Master Agreement and the transaction(s) contemplated thereunder.

A circular containing, among other things, (i) information on the Leased Assets Transfer Business Master Agreement; and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 12 February 2025, which is within 15 business days after the publication of this announcement.

LEASED ASSETS TRANSFER BUSINESS MASTER AGREEMENT

On 17 January 2025, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Leased Assets Transfer Business Master Agreement with the Lessee.

Leased Assets Transfer Services

Pursuant to the Leased Assets Transfer Business Master Agreement, Chengtong Financial Leasing has agreed to provide the services of purchase of the Leased Assets from the Lessee and leasing of such Leased Assets to the Lessee ("**Leased Assets Transfer Services**"), subject to the obtaining of the necessary Shareholders' approval in accordance with the Listing Rules and the maximum financing amount and other terms set out in the Leased Assets Transfer Business Master Agreement.

The Lessee may apply to Chengtong Financial Leasing during the specified period ("**Availability Period**") in the Leased Assets Transfer Business Master Agreement for the provision of the Leased Assets Transfer Services. Chengtong Financial Leasing and the Lessee will, within the scope of the Leased Assets Transfer Business Master Agreement, negotiate on the specific terms and conditions of Individual Leased Assets Transfer Arrangement(s) (including but not limited to the Leased Assets, the individual financing amount, the lease term, the lease payment amount and the payment schedule), and enter into Individual Leased Assets Transfer Agreement(s) accordingly.

Financing Amount

The maximum amount of financing under the Leased Assets Transfer Business Master Agreement is determined according to the expected funding needs of the Lessee. Chengtong Financial Leasing may, at its discretion, decide whether to provide Leased Assets Transfer Services or unilaterally terminate, cancel or reduce the maximum amount of financing under the Leased Assets Transfer Business Master Agreement.

It is expected that the financing amount under the Leased Assets Transfer Business Master Agreement will be satisfied by the general working capital of the Group.

Method of transferring the Leased Assets to the Lessee

According to the Individual Leased Assets Transfer Arrangement, Chengtong Financial Leasing will purchase the relevant Leased Assets at the Purchase Price, and the relevant Leased Assets will be leased to the Lessee for such lease term and for such amount of lease payment as mutually agreed in the Individual Leased Assets Transfer Agreements. The ownership of the relevant Leased Assets shall vest in Chengtong Financial Leasing during the lease term of the relevant Individual Leased Assets Transfer Arrangement.

Purchase Price

The purchase price of the relevant Leased Assets under the Individual Leased Assets Transfer Arrangement will be determined with reference to appraised value of the relevant Leased Assets. The total Purchase Price under all Individual Leased Assets Transfer Arrangements with the Lessee shall not exceed the total appraised value of the relevant Leased Assets.

Set forth below is the valuation methodology commonly adopted by the Valuer in assessing the value of the Leased Assets.

The cost method is a method determining the value of an appraised asset by multiplying the replacement cost of the appraised asset by its newness rate. The value of the appraised asset is first to be obtained by estimating the replacement cost of the appraised asset, followed by deducting various estimated depreciation factors that currently exist in the appraised asset. The replacement cost is determined on the basis of the current market value of the appraised asset on the appraisal date, while the newness rate is determined through an on-site inspection and calculation and analysis based on technical and economic factors.

Based on the valuation methodology, the total appraised replacement cost of the Leased Assets is determined by aggregating the replacement cost of each of the Leased Assets. The replacement cost of each individual Leased Assets, where applicable, is composed of equipment purchase fee (including original purchase price and transportation and miscellaneous expenses), installation and tuning fee, equipment foundation fee, engineering construction fee and capital costs. Original purchase prices generally refer to ex-factory prices or the prices stated in the relevant order contract. Other expenses such as transportation and miscellaneous expenses, installation and tuning fee, equipment foundation fee, engineering construction fee and capital costs either constitute an insignificant portion of the replacement cost or are not applicable in the calculation of such replacement cost. The newness rate of the appraised asset is determined after taking into account the economic life of the appraised asset, the remaining service life of the appraised asset and the status of the appraised asset through an on-site inspection. Based on the above-mentioned, the total appraised value of the Leased Assets is calculated by multiplying the individual replacement cost of the Leased Assets by the relevant newness rate of the Leased Assets.

It is expected that the Leased Assets are not revenue generating assets with identifiable income stream.

Lease Payment

With reference to the maximum financing amount under the Leased Assets Transfer Business Master Agreement, the total amount of lease payment is estimated to be approximately RMB416.65 million (equivalent to approximately HK\$441.65 million) which shall be payable by the Lessee to Chengtong Financial Leasing during the relevant 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 is estimated to be approximately RMB16.65 million (equivalent to approximately HK\$17.65 million).

Nominal price

Upon the expiration of the relevant lease term of the relevant Individual Leased Assets Transfer arrangement and subject to the full payment of the relevant lease payments and all other amounts payable under the relevant Individual Leased Assets Transfer Agreements, the Lessee will purchase the relevant Leased Assets from Chengtong Financial Leasing at a nominal price. The total nominal price receivable from the Lessee under all Individual Leased Assets Transfer Arrangements shall not exceed the maximum total amount of nominal price as specified in the Leased Assets Transfer Business Master Agreement.

Security

In order to guarantee the performance of the Individual Leased Assets Transfer Agreements, the Lessee has agreed to pledge certain of its receivables to Chengtong Financial Leasing as security for all amounts payable under the Individual Leased Assets Transfer Agreements.

Material terms of the Leased Assets Transfer Business Master Agreement

The key terms of the Leased Assets Transfer Business Master Agreement are summarized below:

Maximum financing amount	RMB400 million (equivalent to HK\$424 million)
Leased Assets	Certain production machinery and equipment, power control equipment, waste soil disposal equipment, monitoring equipment and other equipment, including but not limited to heat exchanger, nitrogen generator, centrifugal press, interactive industrial control all-in-one machine, negative pressure separator, sewage solid-liquid separation equipment, waste soil mixing equipment, etc.
Availability Period	From 17 January 2025 to 16 January 2027 (both dates inclusive)
Maximum lease period of the Individual Leased Assets Transfer Arrangement	Two (2) years
Estimated lease interest	Approximately RMB16.65 million (equivalent to approximately HK\$17.65 million)
Maximum amount of nominal price under all Individual Leased Assets Transfer Arrangements	RMB100 (equivalent to HK\$106)

INFORMATION OF THE LESSEE

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessee is directly owned as to approximately 40.81% by COSCO SHIPPING, approximately 36.99% by China Insurance Investment and approximately 22.20% by State-owned Enterprise Reform Fund.

COSCO SHIPPING is a joint stock limited company incorporated in the PRC, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2866) and Shanghai Stock Exchange (stock code: 601866). The ultimate holding company of COSCO SHIPPING is China COSCO Shipping Corporation Limited, which is in turn wholly-owned by the State Council of the PRC.

China Insurance Investment was approved to be established by the State Council of the PRC as the general partner of the China Insurance Investment Fund and is owned by a total of 46 shareholders, which comprise 27 insurance companies, 15 insurance asset management companies and 4 social enterprises.

State-owned Enterprise Reform Fund is a state-owned fund, the establishment of which was approved by the State Council of the PRC, with CCHG as its principal founder owning approximately 34.23% of its equity interest. As State-owned Enterprise Reform Fund only owns approximately 22.20% of Haifa Baocheng, Haifa Baocheng is not an associate of CCHG and therefore not a connected person of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Lessee and its ultimate beneficial owners (save for CCHG) are Independent Third Parties; and (ii) the Lessee is principally engaged in the business of provision of finance lease services.

REASONS FOR AND BENEFITS OF THE LEASED ASSETS TRANSFER BUSINESS MASTER AGREEMENT

The Group is principally engaged in leasing, 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 Leased Assets Transfer Business Master Agreement is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn reasonable lease interest income.

In light of the above, the Directors are of the view that the terms of the Leased Assets Transfer Business Master Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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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
“CCHG”	means China Chengtong Holdings Group Limited, a company established in the PRC with limited liability and the ultimate holding company of the Company
“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

“China Insurance Investment”	means China Insurance Investment Co., Ltd., a company established in the PRC with limited liability
“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
“COSCO SHIPPING”	means COSCO SHIPPING Development Co., Ltd., a joint stock limited company established in the PRC
“Director(s)”	means the director(s) of the Company
“Group”	means the Company and its subsidiaries as at the date of this announcement
“Haifa Baocheng Master Agreement”	means, collectively, the Sale and Leaseback Master Agreement and the supplemental agreement both dated 12 August 2022 and entered into between Chengtong Financial Leasing and the Lessee
“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)
“Individual Leased Assets Transfer Agreement(s)”	means the individual leased assets transfer agreement(s) to be entered into between Chengtong Financial Leasing and the Lessee pursuant to the Leased Assets Transfer Business Master Agreement, which are expected to include a leased assets transfer agreement, an assets leasing agreement, and an accounts receivable pledge agreement

“Individual Leased Assets Transfer Arrangement(s) ”	means individual leased assets transfer arrangement(s) between Chengtong Financial Leasing and the Lessee based on the terms and conditions of relevant Individual Leased Assets Transfer Agreement(s)
“Leased Assets”	means certain production machinery and equipment, power control equipment, waste soil disposal equipment, monitoring equipment and other equipment, including but not limited to heat exchanger, nitrogen generator, centrifugal press, interactive industrial control all-in-one machine, negative pressure separator, sewage solid-liquid separation equipment, waste soil mixing equipment, etc.
“Leased Assets Transfer Business Master Agreement ”	means the Leased Assets Transfer Business Master Agreement entered into between Chengtong Financial Leasing and the Lessee dated 17 January 2025
“Lessee”	means Haifa Baocheng Financial Leasing 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
“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 Arrangements”	means the sale and leaseback arrangements between Chengtong Financial Leasing and the Lessee constituted under the terms and conditions of the relevant sale and leaseback agreements on 21 February 2023 and 3 July 2023, pursuant to the Haifa Baocheng Master Agreement detailed in the announcement dated 12 August 2022 and in the circular dated 23 September 2022
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for purchasing Leased Assets from the Lessee
“RMB”	means Renminbi, the lawful currency of the PRC

“Shareholder(s)”	means the shareholder(s) of the Company
“State-owned Enterprise Reform Fund”	means China State-owned Enterprises Mixed Ownership Reform Fund Co., Ltd., a company established in the PRC with limited liability
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Valuer”	means qualified asset valuation firm(s) in the PRC registered with the China Appraisal Society to appraise the value of the Leased Assets
“%”	means percent

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\$1.06. 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
Li Qian
Chairman

Hong Kong, 17 January 2025

As at the date of this announcement, the executive Directors are Mr. Li Qian and Ms. Sun Jie; and the independent non-executive Directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.