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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 24 March 2025, 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 the Lease Term of five (5) 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 Directors' knowledge, information and belief, having made all reasonable inquiries, 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 15 April 2025, which is within 15 business days after the publication of this announcement.

On 24 March 2025, 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.

SALE AND LEASEBACK ARRANGEMENT

Date of the Sale and Leaseback Agreements

24 March 2025

Parties

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

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, and the obtaining of all necessary approvals by the Lessee in relation to the Sale and Leaseback Arrangement), Chengtong Financial Leasing will purchase the Leased Assets from the Lessee at the Purchase Price of RMB300 million (equivalent to HK\$321 million) and the Leased Assets will be leased back to the Lessee for a term of five (5) years commencing from the date on which the Purchase Price is paid by Chengtong Financial Leasing in respect of the 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 24 April 2025, 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 5 February 2025 which amounted to approximately RMB377.53 million (equivalent to approximately HK\$403.96 million) as assessed by way of cost method by an independent PRC valuer (the “**Valuer**”). The Leased Assets are not revenue generating assets with identifiable income stream.

The cost method, being adopted by the Valuer for the valuation of the Leased Assets, 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, the total appraised replacement cost of the Leased Assets is approximately RMB407.73 million (equivalent to approximately HK\$436.27 million). The aggregate replacement cost was determined by aggregating the replacement cost of each of the Leased Assets ranging from RMB729 (equivalent to approximately HK\$780) to approximately RMB68.67 million (equivalent to approximately HK\$73.48 million). 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.

The equipment purchase fees of the respective Leased Assets account for approximately 98.38% to approximately 99.53%, with an average of approximately 98.75%, of the replacement cost of the respective Leased Assets. Among the equipment purchase fees, the original purchase prices of the Leased Assets range from approximately RMB652 (equivalent to approximately HK\$698) to approximately RMB65.66 million (equivalent to approximately HK\$70.26 million), and the aggregate original purchase prices of the Leased Assets account for approximately 96.25% of the aggregate equipment purchase fees of the Leased Assets. Other expenses such as transportation and miscellaneous expenses, installation and tuning fee, equipment foundation fee, engineering construction fee and capital costs either constitute an in significant 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. The newness rates for the Leased Assets, evaluated by the Valuer, is approximately 92.59%. Based on the above-mentioned, the total appraised value of the Leased Assets is approximately RMB377.53 million (equivalent to approximately HK\$403.96 million), which is calculated by multiplying the individual replacement cost of the Leased Assets by the relevant newness rate of the Leased Assets.

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 RMB339.92 million (equivalent to approximately HK\$363.71 million) which shall be paid by the Lessee to Chengtong Financial Leasing in twenty (20) quarterly installments 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 is estimated to be approximately RMB39.92 million (equivalent to approximately HK\$42.71 million).

The lease payment and 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 having considered the amount of lease interests and the prevailing market conditions.

Guarantee

The Guarantor has provided a guarantee in favour of Chengtong Financial Leasing as security for all amounts payable by the Lessee under the Sale and Leaseback Agreements including but not limited to liquidated damages, outstanding and prospective lease payments and other payables. The guarantee is irrevocable and continuing in nature.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Guarantor is a direct wholly-owned subsidiary of Kunming Iron & Steel Holdings Co., Ltd., which is directly owned as to approximately 76.46% by the SASAC of Yunnan Provincial People's Government, the ultimate beneficial owner of the Lessee; (ii) the Guarantor and its ultimate beneficial owner are Independent Third Parties; and (iii) the Guarantor is principally engaged in the business of environmental protection equipment manufacturing.

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 each of the Sale and Leaseback Agreements at a nominal consideration of RMB1.00.

Credit enhancement measures

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

The Lessee

To the best of the Directors' knowledge, information and belief, after making all reasonable inquiries, and based on the information publicly available as of the date of this announcement, (a) the Lessee is indirectly owned as to (i) approximately 78.46% by Kuming Iron & Steel Holdings Co., Ltd. and (ii) approximately 21.54% by Wugang Group Kunming Iron & Steel Co., Ltd., which is owned as to approximately 48.41% by Wugang Group Co., Ltd. (an indirect wholly-owned subsidiary of SASAC of the State Council) and 47.41% by Kuming Iron & Steel Holdings Co., Ltd.; (b) the Lessee and its ultimate beneficial owner are Independent Third Parties; and (c) the Lessee is principally engaged in the business of the iron ore mining, iron powder processing, mineral products development and marketing.

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 of the date of this announcement. 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 RMB39.92 million (equivalent to approximately HK\$42.71 million), which represents the difference between the estimated amount of total lease payments under the Sale and Leaseback Arrangement and the Purchase Price of the Leased Assets.

In light of the above, 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

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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 incorporated 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 Hong Kong 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
“Guarantor”	means Yunnan Tianlang Energy Saving and Environmental Protection Group Co., Ltd., a State-owned enterprise established in the PRC with limited liability
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“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 mining production equipment and facilities, including field selecting machine, vertical mill, waste rock blasting machine, etc.
“Lessee”	means Yuxi Dahongshan Mining Co., Ltd., a State-owned enterprise established in the PRC with limited liability
“Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong 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
“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, three sets of the following agreements in respect of the Leased Assets dated 24 March 2025 and signed between Chengtong Financial Leasing and the Lessee: (1) leaseback assets transfer agreements; and (2) finance lease agreements (sale and leaseback)
“Sale and Leaseback Arrangement”	means the sale and leaseback arrangement 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
“Valuer”	means Beijing Zhonghuantai Asset Appraisal Co., Ltd., a qualified independent valuer in the PRC
“%”	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\$1.07. 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, 24 March 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.