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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 23 April 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 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

Chengtong Financial Leasing entered into (i) the Previous Transaction I with the Previous Lessee I and the Previous Lessee II on 2 June 2023; (ii) the Previous Transaction II with the Previous Lessee III on 16 December 2024. Since (i) the Previous Transactions are still subsisting when the Sale and Leaseback Arrangement was entered into, and (ii) the Lessee, the Previous Lessee II and the Previous Lessee III are companies directly or indirectly owned more than 50% by China Baowu, and Previous Lessee I is owned as to 40% by a company controlled by China Baowu, thus the Sale and Leaseback Arrangement is aggregated with the Previous Transactions 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, when aggregated with the Previous Transactions, 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 Director's 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 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 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 16 May 2025, which is within 15 business days after the publication of this announcement.

On 23 April 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

23 April 2025

Parties

Lessor: Chengtong Financial Leasing

Lessee: Lessee

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, (i) the Lessee is a wholly owned subsidiary of Sinosteel Equipment Technology Co., Ltd., which is an indirect wholly-owned subsidiary of Sinosteel Group Co., Ltd., which is in turn wholly owned by China Baowu. China Baowu is wholly owned by SASAC of the State Council; (ii) the Lessee and its ultimate beneficial owners are Independent Third Parties; and (iii) the Lessee is principally engaged in the business of research and development, production and services of metallurgical rolls and equipment.

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 a total Purchase Price of RMB60 million (equivalent to HK\$63.6 million), and the Leased Assets will be leased back to the Lessee for a Lease Term of three (3) years 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 23 May 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 net book value of the Leased Assets of approximately RMB68.84 million (equivalent to approximately HK\$72.97 million). 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 RMB63.59 million (equivalent to approximately HK\$67.41 million) which shall be paid by the Lessee to Chengtong Financial Leasing in twelve (12) quarterly installments during the Lease Term.

The total amount of lease payment represents the sum of the lease principal amount (being the total amount of the Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest which is estimated to be approximately RMB3.59 million (equivalent to approximately HK\$3.81 million).

Service Fee

The Lessee shall pay a one-off service fee of RMB0.3 million (equivalent to approximately HK\$0.32 million) (“**Service Fee**”) to Chengtong Financial Leasing for the preliminary services provided by Chengtong Financial Leasing. The Service Fee is non-refundable.

The lease payment and the Service Fee of the Sale and Leaseback Arrangement have been agreed between the parties after arm's length negotiation and 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 amounts of lease interests and Service Fee as well as the prevailing market conditions.

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 RMB0.60.

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 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 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 further security as and when Chengtong Financial Leasing considers necessary.

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 RMB3.89 million (equivalent to approximately HK\$4.12 million), being the total of the Service Fee and the lease interest in respect of the Sale and Leaseback Arrangement.

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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To the best of the Director's 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 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 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 16 May 2025, 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 established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“China Baowu”	means China Baowu Steel Group Co., Ltd., a state-owned enterprise 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
“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 core ring molds, cold processing equipment, connection boxes, end cover connection boxes and ingot mold equipment, etc.
“Lessee”	means Sinosteel Xingtai Machinery & Mill Roll 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 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 Lessee I”	means Chongqing Yufei Infrastructure Construction Co., Ltd., a company established in the PRC with limited liability
“Previous Lessee II”	means Wuhan Iron and Steel Green City Technology Development Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Previous Lessee III”	means Baosteel Desheng Stainless Steel Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Previous Lessees”	means, collectively, Previous Lessee I, Previous Lessee II and Previous Lessee III
“Previous Transaction I”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Lessee I and Previous Lessee II on 2 June 2023 in respect of certain steel sheet piles, vibratory hammers, diesel engines, etc. for a term of three (3) years, the details of which are set out in the announcement of the Company dated 2 June 2023 and the circular of the Company dated 19 June 2023
“Previous Transaction II”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Lessee III on 16 December 2024 in respect of the welding machine, annealing furnace and other related equipment, etc. in two production lines for a term of five (5) years, the details of which are set out in the announcement of the Company dated 16 December 2024 and the circular of the Company dated 24 January 2025

“Previous Transactions”	means, collectively, Previous Transaction I and Previous Transaction II
“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 in respect of the Leased Assets dated 23 April 2025 and signed between Chengtong Financial Leasing and the Lessee: <ul style="list-style-type: none"> (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
“Sale and Leaseback Arrangement”	means the purchase of the Leased Assets by Chengtong Financial Leasing from the Lessee and the leaseback of the Leased Assets to the Lessee pursuant to the terms of 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\$1.06. 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, 23 April 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.