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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)

VERY SUBSTANTIAL ACQUISITION – SALE AND LEASEBACK ARRANGEMENT AND DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

SALE AND LEASEBACK ARRANGEMENT

On 3 November 2025, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Yili Agreements with Yili.

Pursuant to the Yili Agreements, Chengtong Financial Leasing has agreed to purchase the Yili Leased Assets from Yili and will lease the Yili Leased Assets back to Yili for a lease term of two (2) years.

IMPLICATIONS UNDER THE LISTING RULES

Since (i) the Previous Chongqing Transaction, the Previous Baosteel Transactions and the Previous Sinosteel Transaction were still subsisting when the Yili Agreements were entered into; and (ii) Yili, and the lessees under each of the Previous Chongqing Transaction, the Previous Baosteel Transactions and the Previous Sinosteel Transaction are either the subsidiaries or associates of China Baowu, thus the Yili Arrangement is aggregated with the Previous Chongqing Transaction, the Previous Baosteel Transactions and the Previous Sinosteel 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 Yili Arrangement (when aggregated with the Previous Chongqing Transaction, Previous Baosteel Transactions and Previous Sinosteel Transaction) exceeds 100%, the Yili Arrangement constitutes a very substantial acquisition of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE GENERAL MEETING

The GM will be convened and held by the Company for the purpose of considering and, if thought fit, approving the Yili Arrangement.

A circular containing, among other things, (i) information on the Yili Arrangement; (ii) other information required under the Listing Rules; and (iii) the notice of the GM will be despatched to the Shareholders on or before 13 November 2025, which is within 15 business days after the publication of this announcement.

SALE AND LEASEBACK ARRANGEMENT

On 3 November 2025, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Yili Agreements with Yili.

Subject matter

Conditional upon the approval by the Shareholders of the Yili Arrangement and subject to the fulfilment of all the applicable conditions as set out in the Yili Agreements, Chengtong Financial Leasing has agreed to purchase the Yili Leased Assets from Yili and the Yili Leased Assets will be leased back to Yili for a period of two (2) years from the date on which the purchase price is paid by Chengtong Financial Leasing in respect of the Yili Leased Assets, subject to early termination in accordance with the terms and conditions of the Yili Agreements.

The conditions as stipulated in each of the Yili Agreements are identical which include the following:

- (i) the signing and the coming into effect of the Yili Agreements and all other ancillary documents;
- (ii) the provision of all necessary documents or information by Yili evidencing its ownership in the Yili Leased Assets;
- (iii) the full payment of security money (if applicable) by Yili;
- (iv) the obtaining of all necessary approvals by Yili in relation to the Yili Arrangement;
- (v) the signing and the coming into effect of the relevant security agreements (if applicable) and the completion of the relevant mortgage or pledge registration;
- (vi) the purchase of insurance in respect of the Yili Leased Assets in accordance with the terms of the Yili Agreements by Yili, as well as the signing and coming into effect of the insurance contracts; and
- (vii) any other condition(s) as may be required by Chengtong Financial Leasing.

If any of the applicable conditions under the relevant Yili Agreements is not satisfied on or before 31 December 2025, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant Yili Agreements.

Purchase price

The purchase price payable by Chengtong Financial Leasing for the Yili Leased Assets is RMB200 million (equivalent to HK\$218 million) in aggregate and was agreed between Chengtong Financial Leasing and Yili with reference to the aggregated net book value of the Yili Leased Assets of approximately RMB245.41 million (equivalent to approximately HK\$267.50 million) as at 30 September 2025 with a discount of approximately 18.50%.

The discount to the aggregated net book value of the Yili Leased Assets was determined through arm's length negotiation between the parties after a prudent assessment of key commercial factors, such as the Yili Leased Assets' advanced age, their remaining useful life, and their residual value upon lease expiry. The Directors believe that the agreed discount represents a fair commercial term, aligning the purchase price with the risk profile of the Yili Arrangement.

The Yili 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.

Having considered the above, the Directors are of the view that the purchase price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Legal title

Chengtong Financial Leasing owns the legal title of the Yili Leased Assets during the lease term.

Lease payment

The total amount of lease payment in respect of the Yili Arrangement is estimated to be approximately RMB207.09 million (equivalent to approximately HK\$225.73 million), which 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. Subject to the then applicable interest rate, the lease interest is estimated to be approximately RMB7.09 million (equivalent to approximately HK\$7.73 million). The lease payment shall be paid by Yili to Chengtong Financial Leasing on a quarterly basis in accordance with the payment schedule as set out in the Yili Agreements.

Service Fee

Yili shall pay an aggregate one-off service fee of RMB0.3 million (equivalent to approximately HK\$0.33 million) to Chengtong Financial Leasing for the preliminary services provided by Chengtong Financial Leasing in respect of the Yili Arrangement. Such services include the provision of corporate finance consulting services, including but not limited to advising Yili on strategic analysis, investment and financing channels and models, as well as macroeconomic and market research. The service fee is non-refundable.

The lease interests and the service fee of the Yili 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, and the overall return rate to be achieved that is commensurate with the prevailing market conditions. The lease interests and the service fee are determined as a whole to ensure that Chengtong Financial Leasing would achieve its overall targeted return. Specifically, the lease interests are calculated on the then outstanding lease principal amount at a floating interest rate, being determined at a discount to the one-year LPR from time to time. In the event that the LPR changes during the lease term, adjustments will be made to such lease interest rate on an annual basis on 1 January every year.

The discount to the LPR was set as a commercial measure to secure a high-quality, low-risk investment on competitive terms. The discount was determined on an arm's length basis with reference to a comprehensive assessment of the Yili Arrangement, taking into account (i) the short lease term, (ii) the credit profile of Yili and (iii) the respective financing cost of the Group and Yili:

(i) Short lease term

The two-year lease term of the Yili Arrangement is short as compared to other finance lease arrangements conducted by the Group, thereby limiting the Group's risk exposure.

(ii) Credit risk assessment

Prior to executing the Yili Agreements, the relevant business department of Chengtong Financial Leasing conducted a comprehensive risk assessment on Yili, which involved scrutinising Yili's background, business profile and financial standings, as well as verifying the legal titles of Yili Leased Assets to ensure their tradability. The assessment gave primary consideration to Yili's leading market position in the steel industry, its sound financial condition, and the strong support from its ultimate parent company, China Baowu. Yili holds a dominant market share in the construction steel market of Northern Xinjiang of the PRC and is the sole manufacturer of a specialised refined steel in the region. A review of Yili's recent financial statements confirmed that it maintains positive cash flow from operating activities, indicating a solid capacity to meet its financial obligations under the Yili Arrangement. Furthermore, the alignment of Yili's core business with that of China Baowu further ensures robust shareholder support.

(iii) Financing cost of the Group and Yili

The interest rate for the Yili Arrangement is considered as commercially sound as compared with the Group's recent cost of borrowing. As disclosed in the Company's interim report for the six months ended 30 June 2025, the Group issued corporate bonds with effective interest rates ranging from 2.17% to 2.18% per annum and obtained new bank loans with effective interest rate as low as 2.15% per annum. By deploying general working capital, sourced in part at these low interest rates, the Group will secure an immediate and positive net interest margin from the Yili Arrangement.

The Directors consider that the discount represents an optimal balance of risk and return and a strategic measure to secure the successful execution of the Yili Agreements under a competitive market environment.

By virtue of the aforementioned and taking into consideration that (i) the terms of the Yili Arrangement were negotiated between Chengtong Financial Leasing and Yili on an arm's length basis; (ii) after having conducted credit assessment on Yili, it is believed that Yili would have the financial ability to repay the lease payments; (iii) the Yili Arrangement would yield an immediate and positive net interest margin and put the Group's capital resources to productive use, rather than leaving them idle; and (iv) the Yili Arrangement aligns with the national strategic goals to foster industrial advancement in the Western China, the Directors consider that the terms of the Yili Arrangement (including the floating interest rate) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The service fee was separately benchmarked to a rate commensurate with the services provided and aligns with the targeted return rate of Chengtong Financial Leasing in respect of the Yili Arrangement.

Yili's right to repurchase the Yili Leased Assets

Upon Yili having paid all the lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Yili Agreements, Yili shall have the right to repurchase the Yili Leased Assets under the Yili Agreements at an aggregate nominal consideration of RMB1.00.

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.

The Board considers that the existing credit enhancement measure is sufficient to safeguard the interest of the Company and the Shareholders.

INFORMATION OF THE PARTIES

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 the Yili Agreements, (i) Yili is owned as to approximately 77.12% and 20% by Xinjiang Tianshan Iron and Steel United Co., Ltd. and Xinjiang Bayi Iron and Steel Group Co., Ltd. respectively, both of which are ultimately controlled by China Baowu; China Baowu is wholly owned by SASAC of the State Council; (ii) Yili and its ultimate beneficial owners are Independent Third Parties; and (iii) Yili is principally engaged in the business of production of steel bar products for construction, mining of non-coal mine mineral resources, etc.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as the Previous Chongqing Transaction, the Previous Baosteel Transactions and the Previous Sinosteel Transaction, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Company, any connected person at the Company's level, and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transactions); and (b) any of Yili and its directors, legal representatives and ultimate beneficial owner(s) who can exert influence on the transactions.

REASONS FOR AND BENEFITS OF THE YILI ARRANGEMENT

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 the Yili 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 RMB7.39 million (equivalent to approximately HK\$8.06 million), being the total of the service fee and lease interest under the Yili Arrangement.

In light of the above and as disclosed in this announcement, the Directors are of the view that the terms of the Yili Arrangement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES AND RULE 13.13 DISCLOSURE

Since (i) the Previous Chongqing Transaction, the Previous Baosteel Transactions and the Previous Sinosteel Transaction were still subsisting when the Yili Agreements were entered into; and (ii) Yili, and the lessees under each of the Previous Chongqing Transaction, the Previous Baosteel Transactions and the Previous Sinosteel Transaction are either the subsidiaries or associates of China Baowu, thus the Yili Arrangement is aggregated with the Previous Chongqing Transaction, the Previous Baosteel Transactions and the Previous Sinosteel 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 Yili Arrangement (when aggregated with the Previous Chongqing Transaction, Previous Baosteel Transactions and Previous Sinosteel Transaction) exceeds 100%, the Yili Arrangement constitutes a very substantial acquisition of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the aggregate outstanding lease principal amount under the Previous Chongqing Transaction, Previous Baosteel Transactions and Previous Sinosteel Transaction is RMB718.41 million (equivalent to approximately HK\$783.07 million). Assuming that there is no change as to the above aggregate outstanding lease principal amount at the time when the entire aggregate lease principal amount under the Yili Arrangement is granted, the total outstanding lease principal exposure of the Group to China Baowu and its subsidiaries and associates will exceed 8% of the asset ratio (as defined in the Listing Rules). Details of the Previous Chongqing Transaction, Previous Baosteel Transactions and Previous Sinosteel Transaction were disclosed in the Company's announcements and circulars as set out in the definition of "Previous Chongqing Transaction" and "Previous Baosteel Transactions" and "Previous Sinosteel Transaction" respectively.

The Company will comply with the disclosure requirements under Rule 13.20 of the Listing Rules where the circumstances giving rise to the disclosure under Rule 13.13 of the Listing Rules continue to exist at the Company's interim period end or annual financial year end.

THE GENERAL MEETING

The GM will be convened and held by the Company for the purpose of considering and, if thought fit, approving the Yili Arrangement.

A circular containing, among other things, (i) information on the Yili Arrangement; (ii) other information required under the Listing Rules; and (iii) the notice of the GM will be despatched to the Shareholders on or before 13 November 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:

“associate”	has the meaning ascribed to it under the Listing Rules
“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
“GM”	means the general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Yili Arrangement
“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)
“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
“Previous Baosteel Transactions”	means, collectively, the following sale and leaseback arrangements previously entered into between Chengtong Financial Leasing and Baosteel Desheng Stainless Steel Co., Ltd.:
	(1) the sale and leaseback arrangement entered into on 16 December 2024, the details of which are set out in the announcement of the Company dated 16 December 2024 and the corresponding circular dated 24 January 2025; (2) the sale and leaseback arrangement entered into on 8 July 2025, the details of which are set out in the announcement of the Company dated 8 July 2025 and the corresponding circular dated 15 August 2025; (3) the sale and leaseback arrangement entered into on 16 July 2025, the details of which are set out in the announcement of the Company dated 16 July 2025 and the corresponding circular dated 15 August 2025
“Previous Chongqing Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and Chongqing Yufei Infrastructure Construction Co., Ltd. and Wuhan Iron and Steel Green City Technology Development Co. Ltd., as co-lessees on 2 June 2023, the details of which are set out in the announcement of the Company dated 2 June 2023 and the corresponding circular dated 19 June 2023
“Previous Sinosteel Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and Sinosteel Xingtai Machinery & Mill Roll Co., Ltd., on 23 April 2025, the details of which are set out in the announcement of the Company dated 23 April 2025 and the corresponding circular dated 13 May 2025
“RMB”	means Renminbi, the lawful currency of the PRC

“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
“Yili”	means Xinjiang Yili Iron and Steel Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Yili Agreements”	means, collectively, two (2) sets of the following agreements in respect of the Yili Leased Assets dated 3 November 2025 and signed between Chengtong Financial Leasing and Yili: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
“Yili Arrangement”	means the sale and leaseback arrangement under the Yili Agreements
“Yili Leased Assets”	means equipment such as cranes, screw air compressor units, ring combustors and electrolysis equipment, etc.
“%”	means per cent.

In this announcement, 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.

On behalf of the Board
China Chengtong Development Group Limited
Li Qian
Chairman

Hong Kong, 3 November 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 Mr. Lee Man Chun, Tony, Professor He Jia and Mr. Liu Lei.