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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 TRANSACTIONS – SALE AND LEASEBACK MASTER AGREEMENTS

SALE AND LEASEBACK MASTER AGREEMENTS

On 12 August 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Haifa Baocheng Master Agreement and the China Kangfu Master Agreement with Haifa Baocheng and China Kangfu respectively.

Pursuant to the Sale and Leaseback Master Agreements, Chengtong Financial Leasing has agreed to provide sale and leaseback services to Haifa Baocheng and China Kangfu, 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 their respective Sale and Leaseback Master Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Haifa Baocheng Master Agreement exceeds 25% but is less than 100%, the entering into of the Haifa Baocheng 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.

On 13 April 2021, Chengtong Financial Leasing entered into the China Kangfu Previous Arrangement with China Kangfu. Since the China Kangfu Previous Arrangement is still subsisting when the China Kangfu Master Agreement is entered into, the China Kangfu Master Agreement is aggregated with the China Kangfu Previous Arrangement for the purpose of calculating the relevant percentage ratios (as defined in the Listing Rules).

As the highest applicable percentage ratio in respect of the China Kangfu Master Agreement, both when calculated individually and when aggregated with the China Kangfu Previous Arrangement, exceeds 25% but is less than 100%, the entering into of the China Kangfu 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 knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of his/her/its close associate(s) (having the meaning ascribed to it under the Listing Rules) has a material interest in any of the Sale and Leaseback Master Agreements and the transactions contemplated thereunder. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Sale and Leaseback Master Agreements. 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 each of the Sale and Leaseback Master Agreements and the transactions contemplated thereunder from World Gain Holdings Limited, which is a controlling shareholder 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 each of the Sale and Leaseback Master Agreements and the transactions contemplated thereunder.

A circular containing, among other things, (i) information on each of the Sale and Leaseback Master Agreements, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 2 September 2022, which is within 15 business days after the publication of this announcement.

SALE AND LEASEBACK MASTER AGREEMENTS

On 12 August 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Haifa Baocheng Master Agreement and the China Kangfu Master Agreement with Haifa Baocheng and China Kangfu respectively.

Sale and leaseback services

Pursuant to the Sale and Leaseback Master Agreements, Chengtong Financial Leasing has agreed to provide sale and leaseback services to Haifa Baocheng and China Kangfu, 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 their respective Sale and Leaseback Master Agreement.

Each of the Lessees may make application(s) to Chengtong Financial Leasing within the specified period (“**Availability Period**”) in the relevant Sale and Leaseback Master Agreement for the provision of sale and leaseback services by Chengtong Financial Leasing in respect of the Leased Assets. Chengtong Financial Leasing and the relevant Lessee will negotiate on the specific terms and conditions of the Individual Sale and Leaseback Arrangement (including but not limited to the Leased Assets, the individual financing amount, the lease period, the amount of lease payment and the payment schedule) within the ambit of the relevant Sale and Leaseback Master Agreement and will enter into Individual Sale and Leaseback Agreement(s) accordingly.

Financing amount/lease principal

The maximum financing amount under each of the Sale and Leaseback Master Agreements is determined according to the expected funding needs of the relevant Lessee. Chengtong Financial Leasing shall have the discretion to decide whether to provide the sale and leaseback services or to unilaterally terminate, cancel or reduce the maximum financing amount.

It is expected that the financing amount under each of the Sale and Leaseback Master Agreements will be funded by the internal resources of the Group and/or general bank borrowings.

Lease method

Under each Individual Sale and Leaseback Arrangement, Chengtong Financial Leasing will purchase the relevant Leased Assets from the relevant Lessee at the Purchase Price mutually agreed in the Individual Sale and Leaseback Agreement, and the relevant Leased Assets will be leased back to the relevant Lessee for such lease period and in return for such amount of lease payment as mutually agreed in the Individual Sale and Leaseback Agreement. The ownership of the relevant Leased Assets shall vest in Chengtong Financial Leasing during the lease period of the relevant Individual Sale and Leaseback Arrangement.

Purchase Price

The Purchase Price of the relevant Leased Assets under each Individual Sale and Leaseback Arrangement will be determined with reference to the appraised net value and/or the costs stated in the original purchase invoices of the relevant Leased Assets. The total Purchase Price under all Individual Sale and Leaseback Arrangements with Haifa Baocheng and China Kangfu (as the case may be) shall not exceed the maximum financing amount stated in their respective Sale and Leaseback Master Agreement.

Lease payment

The lease payment under each Individual Sale and Leaseback Arrangement represents the sum of the lease principal amount (being the amount of the Purchase Price under the relevant Individual Sale and Leaseback Arrangement) and the lease interest which is calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a premium over the one-year loan prime rate (“LPR”) as promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China from time to time. In the event that the LPR changes during the lease period of the relevant Individual Sale and Leaseback Arrangement, adjustments will be made to such lease interest rate on an annual basis on 1 January every year except in the case where the relevant Lessee has overdue lease payment and has not paid all overdue payments and liquidated damages, the interest rate to be applied to future lease payments will not be adjusted when the LPR is reduced.

The basis of the interest rates specified in the Sale and Leaseback Master Agreements has been agreed after arm’s length negotiations between the parties with reference to the maximum financing amount and the credit risks associated with the relevant sale and leaseback arrangements.

The payment schedule of the lease payment under each Individual Sale and Leaseback Arrangement will also be determined under the relevant Individual Sale and Leaseback Agreement but is expected to be paid either on a monthly or quarterly basis.

Nominal price

Upon expiry of the lease period under each Individual Sale and Leaseback Arrangement and subject to the full settlement of the relevant lease payment and all other payables under the relevant Individual Sale and Leaseback Agreement, the relevant Lessee shall purchase the relevant Leased Assets from Chengtong Financial Leasing at a nominal price. The aggregate nominal price receivable by Chengtong Financial Leasing from the relevant Lessee is subject to the maximum amount of nominal price as stipulated under the relevant Sale and Leaseback Master Agreement.

Service fee

Chengtong Financial Leasing may charge service fee for each Individual Sale and Leaseback Arrangement which will be calculated as a certain percentage to the relevant financing amount. The aggregate service fee receivable by Chengtong Financial Leasing from the relevant Lessee is subject to the maximum amount of service fee as stipulated under the relevant Sale and Leaseback Master Agreement.

Security

In order to guarantee the performance of the Individual Sale and Leaseback Agreements by the Lessees, each of the Lessees has agreed to pledge certain of its receivables to Chengtong Financial Leasing as security for all amounts payable under the Individual Sale and Leaseback Agreements.

Material terms of each of the Sale and Leaseback Master Agreements

The general terms and conditions of each of the Sale and Leaseback Master Agreements are substantially the same. The respective key terms are summarised as follows:

	Haifa Baocheng Master Agreement	China Kangfu Master Agreement
Maximum financing amount	RMB500 million (equivalent to HK\$585 million) (<i>note</i>)	RMB300 million (equivalent to HK\$351 million)
Leased Assets	Production machinery and equipment, electrical equipment and facilities, water treatment equipment, communication equipment, media system equipment, ventilation duct equipment, transportation equipment, vehicles, tourism facilities and equipment, electromechanical heating and ventilation equipment, charging piles and ancillary equipment, etc., and such other machinery and equipment as agreed from time to time	Power equipment and facilities, energy storage equipment and facilities, power grid equipment and facilities, heating equipment and facilities, vehicles, transportation equipment, charging piles and ancillary equipment, etc., and such other machinery and equipment as agreed from time to time
Availability Period	From 12 August 2022 to 11 August 2024 (both days inclusive)	From 12 August 2022 to 11 August 2024 (both days inclusive)

	Haifa Baocheng Master Agreement	China Kangfu Master Agreement
Maximum lease period of the Individual Sale and Leaseback Arrangement	Two (2) years	Two (2) years
Interest rate	Floating rate. The current interest rate is 4.50% per annum which is determined at a premium over the current 1-year LPR	Floating rate. The current interest rate is 4.14% per annum which is determined at a premium over the current 1-year LPR
Maximum total amount of nominal price	RMB100 (equivalent to HK\$117)	RMB100 (equivalent to HK\$117)
Maximum total amount of service fee	RMB5 million (equivalent to HK\$5.85 million)	RMB3 million (equivalent to HK\$3.51 million)

Note: As disclosed in the announcement of the Company dated 28 June 2022, Chengtong Financial Leasing entered into the Haifa Baocheng Previous Arrangement with Haifa Baocheng (formerly known as COSCO Shipping Leasing Co., Ltd.), pursuant to which Chengtong Financial Leasing purchased certain assets from Haifa Baocheng at a purchase price of RMB160 million (equivalent to HK\$187.20 million) and leaseback the same to Haifa Baocheng for a term of two (2) years. Chengtong Financial Leasing and Haifa Baocheng acknowledged and confirmed in the Haifa Baocheng Master Agreement that the financing amount under the Haifa Baocheng Previous Arrangement (being RMB160 million) shall count towards the maximum financing amount under the Haifa Baocheng Master Agreement. As such, the maximum financing amount available for use under the Haifa Baocheng Master Agreement is RMB340 million (equivalent to HK\$397.80 million) as at the date of the Haifa Baocheng Master Agreement.

With reference to the maximum financing amount and the current interest rate (being 4.50% per annum in respect of the Haifa Baocheng Master Agreement and 4.14% per annum in respect of the China Kangfu Master Agreement), the maximum total amount of lease payment under the Haifa Baocheng Master Agreement and the China Kangfu Master Agreement is approximately RMB528.58 million (equivalent to approximately HK\$618.44 million) and approximately RMB315.78 million (equivalent to approximately HK\$369.46 million) respectively.

INFORMATION OF THE PARTIES

Haifa Baocheng

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Haifa Baocheng 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 中國遠洋海運集團有限公司 (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 33.95% 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) Haifa Baocheng and its ultimate beneficial owners (save for CCHG) are Independent Third Parties; and (ii) Haifa Baocheng is principally engaged in the business of provision of finance lease services.

China Kangfu

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) China Kangfu is a company whose shares are quoted on the National Equities Exchanges and Quotations in the PRC (stock code: 833499) and its largest shareholder holding approximately 20.05% of its equity interest is 電投融和新能源發展有限公司 (unofficial English translation being Diantou Ronghe New Energy Development Co., Ltd.) (formerly known as 國核資本控股有限公司 (unofficial English translation being Guohe Assets Holding Co., Ltd.)), a State-owned enterprise established in the PRC with limited liability whose ultimate beneficial owner holding approximately 64.46% of its equity interest is the State-owned Assets Supervision and Administration Commission of the State Council; (ii) China Kangfu is principally engaged in the business of provision of finance lease services; and (iii) China Kangfu and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK MASTER AGREEMENTS

The Group is principally engaged in leasing, bulk commodity trade, property development and investment, and 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 Sale and Leaseback Master Agreements is in the ordinary and usual course of business of Chengtong Financial Leasing and will enable the Group to earn additional lease interest income.

The Directors are of the view that the terms of the Sale and Leaseback Master Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Haifa Baocheng Master Agreement exceeds 25% but is less than 100%, the entering into of the Haifa Baocheng 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.

On 13 April 2021, Chengtong Financial Leasing entered into the China Kangfu Previous Arrangement with China Kangfu. Since the China Kangfu Previous Arrangement is still subsisting when China Kangfu Master Agreement is entered into, the China Kangfu Master Agreement is aggregated with the China Kangfu Previous Arrangement for the purpose of calculating the relevant percentage ratios (as defined in the Listing Rules).

As the highest applicable percentage ratio in respect of the China Kangfu Master Agreement, both when calculated individually and when aggregated with the China Kangfu Previous Arrangement, exceeds 25% but is less than 100%, the entering into of the China Kangfu 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 knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of his/her/its close associate(s) (having the meaning ascribed to it under the Listing Rules) has a material interest in any of the Sale and Leaseback Master Agreements and the transactions contemplated thereunder. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Sale and Leaseback Master Agreements. 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 each of the Sale and Leaseback Master Agreements and the transactions contemplated thereunder from World Gain Holdings Limited, which is a controlling shareholder 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 each of the Sale and Leaseback Master Agreements and the transactions contemplated thereunder.

A circular containing, among other things, (i) information on each of the Sale and Leaseback Master Agreements, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 2 September 2022, 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
“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 誠通融資租賃有限公司 (unofficial English translation being 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 中保投資有限責任公司 (unofficial English translation being China Insurance Investment Co., Ltd.), a company established in the PRC with limited liability
“China Kangfu”	means 中國康富國際租賃股份有限公司 (unofficial English translation being China Kangfu International Leasing Co., Ltd.), a joint stock limited company established in the PRC
“China Kangfu 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 China Kangfu
“China Kangfu Previous Arrangement”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and China Kangfu in respect of certain power generation equipment and supporting facilities in photovoltaic power station, new energy storage equipment and supporting facilities for a term of two (2) years, the details of which are set out in the announcement of the Company dated 13 April 2021
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“COSCO SHIPPING”	means 中遠海運發展股份有限公司 (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”	means 海發寶誠融資租賃有限公司 (unofficial English translation being Haifa Baocheng Financial Leasing Co., Ltd.) (formerly known as 中遠海運租賃有限公司 (COSCO Shipping Leasing Co., Ltd.)), a company established in the PRC with limited liability
“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 Haifa Baocheng
“Haifa Baocheng Previous Arrangement”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and Haifa Baocheng (formerly known as COSCO Shipping Leasing Co., Ltd.) in respect of certain electricity supply equipment, fire prevention equipment and facilities, and engineering machinery facilities for a term of two (2) years, the details of which are set out in the announcement of the Company dated 28 June 2022
“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
“Individual Sale and Leaseback Agreement(s)”	means the individual transaction agreement(s) to be entered into between Chengtong Financial Leasing and Haifa Baocheng or China Kangfu (as the case may be) made pursuant to the relevant Sale and Leaseback Master Agreement, which is/are expected to comprise a leaseback asset transfer agreement, a finance lease agreement (sale and leaseback) and a receivables pledge agreement
“Individual Sale and Leaseback Arrangement”	means the individual sale and leaseback arrangement between Chengtong Financial Leasing and Haifa Baocheng or China Kangfu (as the case may be) constituted under the terms and conditions of the relevant Individual Sale and Leaseback Agreement

“Leased Assets”	means such assets to be selected and mutually agreed between Chengtong Financial Leasing and Haifa Baocheng or China Kangfu (as the case may be) which shall form the underlying assets to be purchased by Chengtong Financial Leasing from Haifa Baocheng or China Kangfu (as the case may be) and leased back to Haifa Baocheng or China Kangfu (as the case may be) under the Individual Sale and Leaseback Arrangement
“Lessees”	means, collectively, Haifa Baocheng and China Kangfu and “Lessee” shall mean either of them
“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
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the relevant Leased Assets from Haifa Baocheng or China Kangfu (as the case may be) under an Individual Sale and Leaseback Arrangement
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Master Agreements”	means, collectively, the Haifa Baocheng Master Agreement and the China Kangfu Master Agreement and “Sale and Leaseback Master Agreement” shall mean either of them
“Shareholder(s)”	means the shareholder(s) of the Company
“State-owned Enterprise Reform Fund”	means 中國國有企業混合所有制改革基金有限公司 (unofficial English translation being 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

“%” 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\$1.17. 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.

By Order of the Board
China Chengtong Development Group Limited
Zhang Bin
Chairman

Hong Kong, 12 August 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Bin and Mr. Yang Tianzhou; the non-executive Director is Mr. Wang Daxiong; and the independent non-executive Directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.