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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 29 September 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the Lessees, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the Lessees and will lease the Leased Assets back to the Lessees for a 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

On 23 September 2022, Chengtong Financial Leasing entered into the Previous Transaction with the Lessees. Since the Sale and Leaseback Agreements are entered into within 12 months from the date of the Previous Transaction, the Sale and Leaseback Arrangement is aggregated with the Previous 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 Sale and Leaseback Arrangement, both when calculated individually and when aggregated with the Previous Transaction, 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 knowledge, information and belief of the Directors, 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 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 World Gain Holdings 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 21 October 2022, which is within 15 business days after the publication of this announcement.

On 29 September 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the Lessees 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

29 September 2022

Parties

Lessor: Chengtong Financial Leasing

Co-lessees: Lessee A and Lessee B

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) Lessee A is directly owned as to approximately 76.46% by the State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government and Lessee A indirectly owns 100% of the entire equity interest of Lessee B; (b) each of Lessee A and Lessee B and their ultimate beneficial owners are Independent Third Parties; (c) Lessee A is principally engaged in the business of asset management and custody, iron and steel smelting and processing; and (d) Lessee B is principally engaged in the business of iron ore mining, iron powder processing, mineral products development and marketing.

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 Lessees evidencing their ownerships in the Leased Assets, and the obtaining of all necessary approvals by the Lessees in relation to the Sale and Leaseback Arrangement), Chengtong Financial Leasing will purchase the Leased Assets from the Lessees at an aggregate Purchase Price of RMB260 million (equivalent to HK\$286 million), and the Leased Assets will be leased back to the Lessees for a period of five (5) years (“**Leased Term**”) from the respective date on which the relevant Purchase Price is paid by Chengtong Financial Leasing in respect of the Leased Assets I and the Leased Assets II, 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 29 October 2022, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant Sale and Leaseback Agreements.

Purchase Price

The Purchase Price of the Leased Assets was agreed between Chengtong Financial Leasing and the Lessees with reference to the appraised value of the Leased Assets as at 5 August 2022 which amounted to approximately RMB345.15 million (equivalent to approximately HK\$379.67 million) in aggregate.

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 RMB293.04 million (equivalent to approximately HK\$322.34 million) which shall be paid by the Lessees to Chengtong Financial Leasing in twenty (20) quarterly instalments during the respective Lease Term of the Leased Assets I and the Leased Assets II.

The total amount of lease payment represents the sum of the lease principal amount (being the amount of the Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest which is calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over the five (5)-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China ("LPR") from time to time. The lease interest rate will be subject to review on 1 January every year. In the event that the five (5)-year LPR changes, the lease interest rate will be adjusted to a rate at the aforesaid fixed premium over the new five (5)-year LPR, except in the case where the Lessees have overdue lease payment and have not paid all overdue payments and liquidated damages, the interest rate to be applied will not be adjusted when the five (5)-year LPR is reduced.

The premium over the five (5)-year LPR has been agreed after arm's length negotiations between the parties with reference to the Purchase Price and the credit risks associated with the Sale and Leaseback Arrangement.

Service Fee

Upon commencement of the respective Lease Term of the Leased Assets I and the Leased Assets II, the Lessees shall pay a service fee of RMB0.8 million (equivalent to HK\$0.88 million) and RMB1.28 million (equivalent to approximately HK\$1.41 million) respectively (collectively, the "Service Fee") to Chengtong Financial Leasing for the preliminary services provided by it in respect of the Sale and Leaseback Arrangement for each of the Leased Assets I and the Leased Assets II respectively. The Service Fee is non-refundable.

Lessees' right to repurchase the Leased Assets

Upon the Lessees 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 Lessees shall have the right to repurchase the Leased Assets I and the Leased Assets II at a nominal consideration of RMB1.00 respectively.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT

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 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 RMB35.12 million (equivalent to approximately HK\$38.63 million), being the total of the Service Fee and the difference between the estimated amount of total lease payment under the Sale and Leaseback Arrangement and the Purchase Price of the Leased Assets.

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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As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Sale and Leaseback Arrangement, both when calculated individually and when aggregated with the Previous Transaction, 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 knowledge, information and belief of the Directors, 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 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 World Gain Holdings 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 21 October 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:

“Board”	means the board of Directors
“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
“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)
“Leased Assets”	means, collectively, the Leased Assets I and the Leased Assets II
“Leased Assets I”	means certain mining production equipment, including but not limited to deep-hole rock drilling carriages, vertical milling machines, and ancillary facilities and equipment
“Leased Assets II”	means certain mining production equipment, including but not limited to wheel tractor-scrapers, ancillary facilities of the dam, excavators, and vertical milling machines

“Lessee A”	means 昆明鋼鐵控股有限公司 (unofficial English translation being Kunming Iron & Steel Holdings Co., Ltd.), a state-owned enterprise established in the PRC with limited liability
“Lessee B”	means 玉溪大紅山礦業有限公司 (unofficial English translation being Yuxi Dahongshan Mining Co., Ltd.), a state-owned enterprise established in the PRC with limited liability
“Lessees”	means, collectively, Lessee A and Lessee B
“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 Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Lessees on 23 September 2022 in respect of certain mining production equipment and facilities including milling equipment and crushers etc. for a term of five (5) years, the details of which are set out in the announcement of the Company dated 23 September 2022
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Leased Assets from the Lessees
“RMB”	means Renminbi, the lawful currency of the PRC

“Sale and Leaseback Agreements”	means, collectively, two (2) sets of the following agreements, each in respect of the Leased Assets I and the Leased Assets II respectively, and a supplemental agreement, all dated 29 September 2022 and signed between Chengtong Financial Leasing and the Lessees:
	(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 Lessees and the leaseback of the Leased Assets to the Lessees pursuant to the terms of the Sale and Leaseback Agreements
“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\$1.10. 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, 29 September 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.