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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

THE SALE AND LEASEBACK ARRANGEMENT

On 23 November 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 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

On 21 September 2022, Chengtong Financial Leasing entered into the Previous Transaction with the Previous PowerChina Co-Lessees. Since the Sale and Leaseback Arrangement is 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, 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) 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 the written Shareholder's approval in respect of the Sale and Leaseback Arrangement 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 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 14 December 2022, which is within 15 business days after the publication of this announcement.

On 23 November 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.

THE SALE AND LEASEBACK ARRANGEMENT

Date of the Sale and Leaseback Agreements

23 November 2022

Parties

Lessor: Chengtong Financial Leasing

Co-lessees: PowerChina Real Estate and Nanjing Jinling

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Nanjing Jinling is wholly-owned by PowerChina Real Estate which is ultimately wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC; (ii) the Lessees and their ultimate beneficial owner are Independent Third Parties; (iii) PowerChina Real Estate is principally engaged in the business of real estate development in the PRC; and (iv) Nanjing Jinling is principally engaged in the business of real estate development in Nanjing city, the PRC.

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 a Purchase Price of RMB140 million (equivalent to HK\$154 million), and the Leased Assets will be leased back to the Lessees for a term of three (3) years from the date on which the Purchase Price is paid by Chengtong Financial Leasing (“**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 31 December 2022, 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 Lessees with reference to the appraised value of the Leased Assets as at 14 November 2022 which amounted to RMB140.30 million (equivalent to HK\$154.33 million).

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 payments over the Lease Term is estimated to be approximately RMB153.34 million (equivalent to approximately HK\$168.67 million) which shall be paid by the Lessees to Chengtong Financial Leasing in twelve (12) quarterly instalments during the Lease Term.

The total amount of lease payments 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 one (1)-year LPR from time to time. The lease interest rate will be subject to review on 1 January every year. In the event that the one (1)-year LPR changes, the lease interest rate will be adjusted accordingly, 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 lowered when the one (1)-year LPR is reduced.

The interest rate applicable to the Sale and Leaseback Arrangement is one of the major commercial terms negotiated between the parties on an arm's length basis and the setting of the interest rate depends on a number of factors, such as the amount of lease principal, the lease term, the overall return rate attained by the Group taking into account the aggregate amount of lease interests and other receivables including but not limited to the Service Fee (as defined below), the prevailing market conditions and the movement of the interest rate.

Service Fee

The Lessees shall pay a service fee ("**Service Fee**") of RMB1.2 million (equivalent to HK\$1.32 million) for the corporate finance advisory services provided by Chengtong Financial Leasing to the Lessees and the preliminary work for the setting up of the Sale and Leaseback Arrangement. The amount of the Service Fee was determined according to the extent of services required by the Lessees and the financing amount involved. 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 under the Sale and Leaseback Agreements at a nominal consideration of RMB1.00.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT

The Group is principally engaged in leasing, bulk commodity trade, 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 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 RMB14.54 million (equivalent to approximately HK\$15.99 million), which represents the total of the Service Fee and the difference between the estimated amount of total lease payments under the Sale and Leaseback Arrangement and the Purchase Price.

Having considered the respective background, financial condition, business prospects and income flow of the Lessees, the nature, condition and marketability of the Leased Assets as well as the prevailing market conditions, 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

On 21 September 2022, Chengtong Financial Leasing entered into the Previous Transaction with the Previous PowerChina Co-Lessees. Since the Sale and Leaseback Arrangement is 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, 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) 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 the written Shareholder's approval in respect of the Sale and Leaseback Arrangement 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 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 14 December 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 established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“close associate”	has the meaning ascribed to it under the Listing Rules
“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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“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 certain underground parking spaces

“Lessees”	means, collectively, PowerChina Real Estate and Nanjing Jinling acting as co-lessees of the Sale and Leaseback Arrangement
“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
“Nanjing Jinling”	means 南京金羚房地產開發有限公司 (unofficial English translation being Nanjing Jinling Real Estate Development Co., Ltd.), a company established in the PRC with limited liability
“PowerChina Real Estate”	means 中國電建地產集團有限公司 (PowerChina Real Estate Group Ltd.), a company established in the PRC with limited liability
“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 PowerChina Co-Lessees”	means, collectively, PowerChina Real Estate and 中國電建地產長沙有限公司 (unofficial English translation being PowerChina Real Estate Changsha Co., Ltd.) acting as co-lessees of the Previous Transaction
“Previous Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous PowerChina Co-Lessees on 21 September 2022 in respect of certain underground parking spaces of a residential project in Changsha city, the PRC for a term of three (3) years, the details of which are set out in the announcement of the Company dated 21 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, the following agreements all dated 23 November 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 sale and leaseback arrangement contemplated under 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, 23 November 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.