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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 5 December 2022, 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 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

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Sale and Leaseback Arrangement 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 28 December 2022, which is within 15 business days after the publication of this announcement.

On 5 December 2022, 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.

THE SALE AND LEASEBACK ARRANGEMENT

Date of the Sale and Leaseback Agreements

5 December 2022

Parties

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Lessee is directly owned as to (a) 50% by a wholly-owned subsidiary of the Guarantor which is in turn wholly-owned by the SASAC of the People's Government of the Shaanxi Province and (b) 50% by 大唐河南發電有限公司 (unofficial English translation being Datang Henan Electricity Generation Co., Ltd.) which controls the day-to-day operation and management of the Lessee and is ultimately wholly-owned by the SASAC of the State Council of the PRC; (ii) the Lessee and its ultimate beneficial owners are Independent Third Parties; and (iii) the Lessee is principally engaged in the business of heat and electricity supply in Luoyang City, Henan Province, 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 Lessee evidencing its ownership in the Leased Assets, the obtaining of all necessary approvals by the Lessee in relation to the Sale and Leaseback Arrangement and the signing and the coming into effect of the relevant security agreements), Chengtong Financial Leasing will purchase the Leased Assets from the Lessee at an aggregate Purchase Price of RMB300 million (equivalent to HK\$330 million), and the Leased Assets will be leased back to the Lessee for a period of three (3) years (“**Lease Term**”) from the date on which the relevant Purchase Price is paid by Chengtong Financial Leasing in respect of the relevant Leased Assets, subject to early termination in accordance with the terms and conditions of the relevant Sale and Leaseback Agreements.

If any of the conditions under the Sale and Leaseback Agreements is not satisfied on or before 5 January 2023, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant Sale and Leaseback Agreements.

Purchase Price

The aggregate Purchase Price of the Leased Assets was agreed between Chengtong Financial Leasing and the Lessee with reference to the aggregate appraised value of the Leased Assets as at 8 November 2022 which amounted to approximately RMB310.62 million (equivalent to approximately HK\$341.68 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 payments

The total amount of lease payments over the Lease Term is estimated to be approximately RMB323.47 million (equivalent to approximately HK\$355.82 million) which shall be paid by the Lessee 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 aggregate 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 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 accordingly, except in the case where the Lessee has overdue lease payment and has not paid all overdue payments and liquidated damages, the interest rate to be applied will not be lowered when the five (5)-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 amount of lease interests and other receivables (if any), the prevailing market conditions and the movement of the LPR.

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 relevant Leased Assets under the relevant Sale and Leaseback Agreements at a nominal consideration of RMB1.00.

Guarantee

The Guarantor has provided a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under the Sale and Leaseback Agreements, including outstanding and prospective lease payments, repurchase price, any service fee, liquidated damages, litigation fee, legal fee and other relevant expenses relating to enforcement and all other payables under the Sale and Leaseback Agreements. The guarantee is irrevocable and continuing in nature.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Guarantor is wholly-owned by the SASAC of the People's Government of the Shaanxi Province; (ii) the Guarantor and its ultimate beneficial owner are Independent Third Parties; and (iii) the Guarantor is principally engaged in the business of production and sales of coal, coal chemicals, iron and steel, as well as construction, manufacturing of machinery and provision of electricity.

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 RMB23.47 million (equivalent to approximately HK\$25.82 million), being the difference between the estimated amount of total lease payments under the Sale and Leaseback Arrangement and the aggregate Purchase Price of the Leased Assets.

Having considered the background, financial condition, business prospects and income flow of the Lessee, 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

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Sale and Leaseback Arrangement 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 28 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 incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“close associate(s)”	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
“Guarantor”	means 陝西煤業化工集團有限責任公司 (Shaanxi Coal and Chemical Industry Group Co., Ltd.), a state-owned enterprise established in the PRC with limited liability
“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 equipment for combined heat and power generation, including (i) low-pressure heaters, suction ventilators, air blowers, outdoor ash and slag removal systems (slag conveyors), feed water pump electric machine; and (ii) pneumatic dust removal systems, retrofit systems for dust removal, enclosed busbars and fire extinguishing systems for gas etc.
“Lessee”	means 大唐洛陽熱電有限責任公司 (unofficial English translation being Datang Luoyang Heat and Power Co., Ltd.), a company established in the PRC with limited liability
“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

“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, two (2) sets of the following agreements in respect of two (2) batches of leased assets, and a supplemental agreement, all dated 5 December 2022 and signed between Chengtong Financial Leasing and the Lessee: (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
“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\$1.10. 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, 5 December 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.