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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)**

### **DISCLOSEABLE TRANSACTION — SALE AND LEASEBACK ARRANGEMENT**

On 16 December 2021, 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 Facilities from the Lessee and will lease the Facilities back to the Lessee for a term of 2 years.

As the highest applicable percentage ratio in respect of the Sale and Leaseback Arrangement exceeds 5% but is less than 25%, the Sale and Leaseback Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

On 16 December 2021, 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.

#### **SALE AND LEASEBACK ARRANGEMENT**

##### **Date of the Sale and Leaseback Agreements**

16 December 2021

##### **Parties**

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessee and its ultimate beneficial owners are Independent Third Parties and the Lessee is principally engaged in the business of provision of finance lease services in 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 obtaining of all necessary approvals by the Lessee in relation to the Sale and Leaseback Arrangement, the signing and the coming into effect of the relevant security agreement(s) and the completion of the requisite registration for the security (as set out below)), Chengtong Financial Leasing will purchase the Facilities from the Lessee at the Purchase Price of RMB200 million (equivalent to HK\$246 million), and the Facilities will be leased back to the Lessee for a period of 2 years (“**Lease Term**”) from the date on which the Purchase Price is paid by Chengtong Financial Leasing, 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 are not satisfied on or before 31 December 2021, Chengtong Financial Leasing shall have the right to unilaterally terminate the Sale and Leaseback Agreements.

### **Purchase Price**

The Purchase Price of RMB200 million (equivalent to HK\$246 million) was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised values of the Facilities as at 1 September 2021 which amounted to approximately RMB210.97 million (equivalent to approximately HK\$259.49 million).

The Purchase Price will be satisfied by the internal resources of the Group and/or borrowings.

### **Legal title**

Chengtong Financial Leasing owns the legal title of the Facilities during the Lease Term.

### **Lease payment**

The total amount of lease payment over the Lease Term is estimated to be approximately RMB210.98 million (equivalent to approximately HK\$259.51 million) which shall be paid by the Lessee to Chengtong Financial Leasing in eight (8) quarterly instalments during the Lease Term.

The total amount of lease payment represents the sum of the lease principal amount (being the amount of 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 fixed interest rate which has been agreed after arm's length negotiations between the parties with reference to the Purchase Price payable by Chengtong Financial Leasing for the purchase of the Facilities and the credit risks associated with the Sale and Leaseback Arrangement.

### **Service Fee**

The Lessee shall pay a service fee of RMB2 million (equivalent to HK\$2.46 million) (“**Service Fee**”) to Chengtong Financial Leasing within 30 working days after the coming into effect of the Sale and Leaseback Agreements for the preliminary services provided by Chengtong Financial Leasing in respect of the Sale and Leaseback Arrangement. The Service Fee is non-refundable.

### **Lessee's right to repurchase the Facilities**

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 Facilities at a nominal consideration of RMB1.00.

### **Security**

In order to guarantee the Lessee's performance of the Sale and Leaseback Agreements, the Lessee has agreed to pledge all its receivables from the Sub-lessee under the Original Finance Lease Agreements to Chengtong Financial Leasing as security for all amounts payable by the Lessee under the Sale and Leaseback Agreements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sub-lessee and its ultimate beneficial owners are Independent Third Parties.

### **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. 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 RMB12.98 million (equivalent to approximately HK\$15.97 million), being the aggregate of the Service Fee and the difference between the estimated total lease payment under the Sale and Leaseback Arrangement and the Purchase Price.

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 of the Company as a whole.

## IMPLICATION UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Sale and Leaseback Arrangement exceeds 5% but is less than 25%, the Sale and Leaseback Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## 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  |
| “Facilities”                        | means certain hydrogen generator and auxiliary equipment  |
| “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)   |
| “Lessee”                            | means 攀鋼集團融資租賃(成都)有限公司 (unofficial English translation being Chengdu Pangang Group Leasing Co., Ltd.), a company established in the PRC with limited liability whose is indirectly and wholly owned by 國務院國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the State Council) |
| “Listing Rules”                     | means the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Original Finance Lease Agreements” | means the finance lease agreements in respect of the Facilities entered into between the Lessee (as lessor) and the Sub-lessee (as lessee)  |

|                                  |   |
|----------------------------------|---|
| “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 Facilities from the Lessee   |
| “RMB”                            | means Renminbi, the lawful currency of the PRC  |
| “Sale and Leaseback Agreements”  | means, collectively, the following agreements, each dated 16 December 2021 and signed between Chengtong Financial Leasing and the Lessee in relation to the Sale and Leaseback Arrangement: <ul style="list-style-type: none"> <li>(1) leaseback assets transfer agreement;</li> <li>(2) finance lease agreement (sale and leaseback); and</li> <li>(3) receivables pledge agreement</li> </ul> |
| “Sale and Leaseback Arrangement” | means the purchase of the Facilities by Chengtong Financial Leasing from the Lessee and the leaseback of the Facilities to the Lessee pursuant to the terms of the Sale and Leaseback Agreements  |
| “Stock Exchange”                 | means The Stock Exchange of Hong Kong Limited   |
| “Sub-lessee”                     | means the lessee under the Original Finance Lease Agreements, being a company incorporated in the PRC with limited liability, and its ultimate beneficial owner are Independent Third Parties   |
| “%”                              | 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\$1.23. 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, 16 December 2021

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