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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 – ACQUISITIONS OF THE FACILITIES AND THE OPERATING LEASE ARRANGEMENTS**

#### **ACQUISITIONS OF THE FACILITIES**

On 23 December 2022, the Group entered into the following Purchase Contracts:

- (i) Chenghang Hangzhou, an indirect wholly-owned subsidiary of the Company, entered into the Purchase Contract I with Honghua Petroleum, pursuant to which Chenghang Hangzhou has agreed to purchase the Top Drive Machine from Honghua Petroleum at the Purchase Price of RMB40 million (equivalent to HK\$44.40 million); and
- (ii) Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Purchase Contracts II with Honghua Financial, pursuant to which Chengtong Financial Leasing has agreed to purchase the Automated Fracturing Systems from Honghua Financial at an aggregate Purchase Price of RMB249.36 million (equivalent to approximately HK\$276.79 million).

#### **THE OPERATING LEASE ARRANGEMENTS**

On 23 December 2022, the Group also entered into the following Operating Lease Agreements:

- (i) Chenghang Hangzhou (as lessor) entered into the Operating Lease Agreement I with Honghua Financial (as lessee), pursuant to which Honghua Financial has agreed to lease the Top Drive Machine from Chenghang Hangzhou for a term of 360 days commencing from the date on which Chenghang Hangzhou has paid the relevant Purchase Price in respect of the Top Drive Machine at a total lease payment of RMB9.24 million (equivalent to approximately HK\$10.26 million); and

- (ii) Chengtong Financial Leasing (as lessor) entered into the Operating Lease Agreements II with Honghua Electric (as lessee), pursuant to which Honghua Electric has agreed to lease the Automated Fracturing Systems from Chengtong Financial Leasing for a term of 360 days commencing from the date on which Chengtong Financial Leasing has paid the relevant Purchase Price in respect of the Automated Fracturing Systems at a total lease payment of approximately RMB58.33 million (equivalent to approximately HK\$64.75 million).

## **IMPLICATIONS UNDER THE LISTING RULES**

### **The Purchase Contracts**

On 16 December 2022, Chengtong Financial Leasing as purchaser entered into the Previous Purchase Contract with Honghua Petroleum as vendor. Since the Purchase Contracts are entered into within 12 months from the date of the Previous Purchase Contract and each of the vendors under the Previous Purchase Contract and the Purchase Contracts is connected to or otherwise associated with Honghua Group, the Purchase Contracts are aggregated with the Previous Purchase Contract 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 Purchase Contracts, when aggregated with each other and the Previous Purchase Contract, exceeds 25% but is less than 100%, the entering into of the Purchase Contracts constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **The Operating Lease Arrangements**

In respect of the Operating Lease Arrangements, as the Company considers that by virtue of their size, nature or number, they have a significant impact on the operations of the Group as their total monetary values represent a 200% or more increase in the scale of the Group's existing operations conducted through lease arrangements of such kind. Therefore, the Operating Lease Arrangements fall within the definition of "transaction" of the Company under Rule 14.04(1)(d) of the Listing Rules.

On 11 December 2022, Chengtong Financial Leasing as lessor entered into the Previous Operating Lease Arrangement I with Honghua Petroleum as lessee. On 16 December 2022, Chengtong Financial Leasing as lessor entered into the Previous Operating Lease Arrangement II with Honghua Financial as lessee. Each of the Previous Operating Lease Arrangements did not fall within the definition of "transaction" of the Company under Rule 14.04(1)(d) of the Listing Rules. Since the Operating Lease Arrangements are entered into within 12 months from the date of each of the Previous Operating Lease Arrangements and each of the lessees under the Previous Operating Lease Arrangements and the Operating Lease Arrangements is connected to or otherwise associated with Honghua Group, the Operating Lease Arrangements are aggregated with the Previous Operating Lease Arrangements 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 Operating Lease Arrangements, when aggregated with each other and the Previous Operating Lease Arrangements, exceeds 25% but is less than 100%, the entering into of the Operating Lease Arrangements constitute 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.

### **Shareholders' approval**

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 any material interest in the Purchase Contracts or the Operating Lease Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Purchase Contracts and the Operating Lease Arrangements. 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 each of the Purchase Contracts and each of the Operating Lease Arrangements from China Chengtong Hong Kong Company 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 Purchase Contracts and the Operating Lease Arrangements.

A circular containing, among other things, (i) information on the Purchase Contracts and the Operating Lease Arrangements, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 18 January 2023, which is within 15 business days after the publication of this announcement.

## **ACQUISITIONS OF THE FACILITIES**

On 23 December 2022, the Group entered into the following Purchase Contracts:

- (i) Chenghang Hangzhou, an indirect wholly-owned subsidiary of the Company, entered into the Purchase Contract I with Honghua Petroleum, pursuant to which Chenghang Hangzhou has agreed to purchase the Top Drive Machine from Honghua Petroleum at the Purchase Price of RMB40 million (equivalent to HK\$44.40 million); and
- (ii) Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Purchase Contracts II with Honghua Financial, pursuant to which Chengtong Financial Leasing has agreed to purchase the Automated Fracturing Systems from Honghua Financial at an aggregate Purchase Price of RMB249.36 million (equivalent to approximately HK\$276.79 million).

The relevant Purchase Price shall be paid in cash by Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) within five (5) days upon fulfilment of certain conditions as set out in the relevant Purchase Contract (including but not limited to the signing and the coming into effect of the relevant lease contract, and the receipt by Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) of the facilities inspection completion certificate(s) issued by the relevant lessee).

Same as for the Previous Purchase Contract, the Purchase Price was agreed between the relevant Vendor and Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) after arm's length negotiation with reference to the model, the technology level and usage applicability of the relevant Facilities, as well as the historical purchases prices of similar equipment with similar models offered by the relevant Vendor to other purchasers.

The Purchase Price will be satisfied by the general working capital of the Group.

## **THE OPERATING LEASE ARRANGEMENTS**

On 23 December 2022, the Group also entered into the following Operating Lease Agreements:

- (i) Chenghang Hangzhou (as lessor) entered into the Operating Lease Agreement I with Honghua Financial (as lessee), pursuant to which Honghua Financial has agreed to lease the Top Drive Machine from Chenghang Hangzhou for a term of 360 days commencing from the date on which Chenghang Hangzhou has paid the relevant Purchase Price in respect of the Top Drive Machine at a total lease payment of RMB9.24 million (equivalent to approximately HK\$10.26 million); and
- (ii) Chengtong Financial Leasing (as lessor) entered into the Operating Lease Agreements II with Honghua Electric (as lessee), pursuant to which Honghua Electric has agreed to lease the Automated Fracturing Systems from Chengtong Financial Leasing for a term of 360 days commencing from the date on which Chengtong Financial Leasing has paid the relevant Purchase Price in respect of the Automated Fracturing Systems at a total lease payment of approximately RMB58.33 million (equivalent to approximately HK\$64.75 million).

### **Lease payments**

The total amount of lease payments over the lease term in respect of each Operating Lease Arrangements shall be paid by the relevant Lessee to Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) in five (5) instalments with the first instalment payable on the next day after the commencement date of the lease term, and the remaining lease payments payable in four (4) equal instalments on a quarterly basis during the lease term.

Same as for the Previous Operating Lease Arrangements, the total amount of lease payments was agreed between Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) and the relevant Lessee after arm's length negotiation with reference to, including but not limited to, the prevailing terms of comparable operating lease arrangements.

### **Security money**

Honghua Financial and Honghua Electric will pay a security money in the sum of RMB1.20 million (equivalent to approximately HK\$1.33 million) and approximately RMB7.48 million (equivalent to approximately HK\$8.30 million), which represents around 13% of the respective total lease payments, to Chenghang Hangzhou and Chengtong Financial Leasing respectively as security for the performance of the obligations of Honghua Financial and Honghua Electric under the relevant Operating Lease Arrangement.

If the relevant Lessee fails to fully perform any obligation under the relevant Operating Lease Arrangement, Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) has the right to apply the relevant security money to set off against any amount owed by the relevant Lessee to it in the following order: liquidated damages, other payables including but not limited to damages (if any), outstanding and prospective lease payments. If the relevant Lessee has fully performed all its obligations under the relevant Operating Lease Arrangement, Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) shall return the security money to the relevant Lessee or apply the balance of the security money as security money for any renewed lease term.

## **INFORMATION OF THE VENDORS AND THE LESSEES**

### **Honghua Petroleum**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Honghua Petroleum is an indirect wholly-owned subsidiary of Honghua Group; and (ii) Honghua Petroleum is principally engaged in the business of manufacturing of petroleum equipment.

### **Honghua Financial**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Honghua Financial is indirectly owned as to 45% by Honghua Group, which is the sole ultimate beneficial owner owning more than one-third of the equity interest of Honghua Financial; and (ii) Honghua Financial is principally engaged in the business of leasing and the provision of advisory and guarantee services in respect of leasing transactions.

## **Honghua Electric**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Honghua Electric is owned as to approximately 83.74% by Honghua Petroleum and is therefore an indirect non-wholly owned subsidiary of Honghua Group; and (ii) Honghua Electric is principally engaged in the business of manufacturing of panel of drilling rigs.

As at the date of this announcement, the Company is holding approximately 4.74% interest in Honghua Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Honghua Petroleum, Honghua Financial and Honghua Electric and their ultimate beneficial owners are Independent Third Parties.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE PURCHASE CONTRACTS AND THE OPERATING LEASE ARRANGEMENTS**

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 Chenghang Hangzhou and Chengtong Financial Leasing as their principal business.

The entering into of the Purchase Contracts and the Operating Lease Arrangements is in the ordinary and usual course of business of Chenghang Hangzhou and Chengtong Financial Leasing and the Group can earn rental income from the Lessees in the total sum of approximately RMB67.57 million (equivalent to approximately HK\$75.00 million) during the lease term.

The Directors are of the view that the terms of the Purchase Contracts and the Operating Lease Arrangements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **The Purchase Contracts**

On 16 December 2022, Chengtong Financial Leasing as purchaser entered into the Previous Purchase Contract with Honghua Petroleum as vendor. Since the Purchase Contracts are entered into within 12 months from the date of the Previous Purchase Contract and each of the vendors under the Previous Purchase Contract and the Purchase Contracts is connected to or otherwise associated with Honghua Group, the Purchase Contracts are aggregated with the Previous Purchase Contract 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 Purchase Contracts, when aggregated with each other and the Previous Purchase Contract, exceeds 25% but is less than 100%, the entering into of the Purchase Contracts constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **The Operating Lease Arrangements**

In respect of the Operating Lease Arrangements, as the Company considers that by virtue of their size, nature or number, they have a significant impact on the operations of the Group as their total monetary values represent a 200% or more increase in the scale of the Group's existing operations conducted through lease arrangements of such kind. Therefore, the Operating Lease Arrangements fall within the definition of "transaction" of the Company under Rule 14.04(1)(d) of the Listing Rules.

On 11 December 2022, Chengtong Financial Leasing as lessor entered into the Previous Operating Lease Arrangement I with Honghua Petroleum as lessee. On 16 December 2022, Chengtong Financial Leasing as lessor entered into the Previous Operating Lease Arrangement II with Honghua Financial as lessee. Each of the Previous Operating Lease Arrangements did not fall within the definition of "transaction" of the Company under Rule 14.04(1)(d) of the Listing Rules. Since the Operating Lease Arrangements are entered into within 12 months from the date of each of the Previous Operating Lease Arrangements and each of the lessees under the Previous Operating Lease Arrangements and the Operating Lease Arrangements is connected to or otherwise associated with Honghua Group, the Operating Lease Arrangements are aggregated with the Previous Operating Lease Arrangements 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 Operating Lease Arrangements, when aggregated with each other and the Previous Operating Lease Arrangements, exceeds 25% but is less than 100%, the entering into of the Operating Lease Arrangements constitute 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.

### **Shareholders' approval**

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 any material interest in the Purchase Contracts or the Operating Lease Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Purchase Contracts and the Operating Lease Arrangements. 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 each of the Purchase Contracts and each of the Operating Lease Arrangements from China Chengtong Hong Kong Company, 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 Purchase Contracts and the Operating Lease Arrangements.

A circular containing, among other things, (i) information on the Purchase Contracts and the Operating Lease Arrangements, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 18 January 2023, 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:

“Automated Fracturing Systems”	means certain automated fracturing system(s) for shale gas extraction, including but not limited to fracturing pumps and ancillary facilities
“Board”	means the board of Directors
“Chenghang Hangzhou”	means 誠杭（杭州）租賃有限公司 (unofficial English translation being Chenghang Hangzhou Leasing Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary 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
“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, collectively, the Top Drive Machine and the Automated Fracturing Systems
“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



“Honghua Electric”	means 四川宏華電氣有限責任公司 (unofficial English translation being Sichuan Honghua Electric Co., Ltd.), a company incorporated in the PRC with limited liability
“Honghua Financial”	means 宏華融資租賃（深圳）有限公司 (unofficial English translation being Honghua Financial Leasing (Shenzhen) Co., Ltd.), a company incorporated in the PRC with limited liability
“Honghua Group”	means Honghua Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 196)
“Honghua Petroleum”	means 四川宏華石油設備有限公司 (unofficial English translation being Sichuan Honghua Petroleum Equipment Co., Ltd), a company incorporated in the PRC with limited liability
“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(s)”	means Honghua Financial and/or Honghua Electric (as the case may be)
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Operating Lease Agreement(s)”	means the Operating Lease Agreement I and/or the Operating Lease Agreements II (as the case may be)
“Operating Lease Agreement I”	means the lease contract dated 23 December 2022 and signed between Chenghang Hangzhou as lessor and Honghua Financial as lessee in respect of the Top Drive Machine
“Operating Lease Agreements II”	means two (2) sets of the lease contracts dated 23 December 2022 and signed between Chengtong Financial Leasing as lessor and Honghua Electric as lessee in respect of two (2) batches of Automated Fracturing Systems
“Operating Lease Arrangement(s)”	means the Operating Lease Arrangement I and/or the Operating Lease Arrangement II (as the case may be)
“Operating Lease Arrangement I”	means the operating lease arrangement contemplated under the Operating Lease Agreement I

“Operating Lease Arrangement II”	means the operating lease arrangement contemplated under the Operating Lease Agreements II
“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 Operating Lease Arrangement I”	means the operating lease arrangement entered into between Chengtong Financial Leasing as lessor and Honghua Petroleum as lessee on 11 December 2022 in respect of five (5) sets of top drive machine equipment for drilling operations for a term of 360 days from 15 December 2022 at a total lease payment of approximately RMB9.21 million (equivalent to approximately HK\$10.22 million)
“Previous Operating Lease Arrangement II”	means the operating lease arrangement entered into between Chengtong Financial Leasing as lessor and Honghua Financial as lessee on 16 December 2022 in respect of one (1) set of drilling machine and eleven (11) sets of top drive machine for shale gas extraction for a term of 360 days from 16 December 2022 at a total lease payment of approximately RMB35.53 million (equivalent to approximately HK\$39.44 million) as disclosed in the announcement of the Company dated 16 December 2022
“Previous Operating Lease Arrangements”	means, collectively, the Previous Operating Lease Arrangement I and the Previous Operating Lease Arrangement II
“Previous Purchase Contract”	means the sale and purchase contract dated 16 December 2022 and signed between Honghua Petroleum as vendor and Chengtong Financial Leasing as purchaser in respect of one (1) set of drilling machine and eleven (11) sets of top drive machine for shale gas extraction at a consideration of RMB153.50 million (equivalent to approximately HK\$170.39 million), the details of which are set out in the announcement of the Company dated 16 December 2022
“Purchase Contract(s)”	means the Purchase Contract I and/or the Purchase Contracts II (as the case may be)
“Purchase Contract I”	means the sale and purchase contract dated 23 December 2022 and entered into between Honghua Petroleum as vendor and Chenghang Hangzhou as purchaser in respect of the Top Drive Machine

“Purchase Contracts II”	means two (2) sets of sale and purchase contracts dated 23 December 2022 and entered into between Honghua Financial as vendor and Chengtong Financial Leasing as purchaser in respect of two (2) batches of Automated Fracturing Systems
“Purchase Price”	means the consideration payable by Chenghang Hangzhou and/or Chengtong Financial Leasing (as the case may be) for the purchase of the Facilities from the relevant Vendor
“RMB”	means Renminbi, the lawful currency of the PRC
“Shareholder(s)”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Top Drive Machine”	means five (5) sets of top drive machine for shale gas extraction
“Vendor(s)”	means Honghua Petroleum and/or Honghua Financial (as the case may be)
“%”	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\$1.11. 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 December 2022

*As at the date of this announcement, the executive Directors are Mr. Zhang Bin, Mr. Yang Tianzhou and Mr. Gu Honglin; 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.*