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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 – THE SALE AND LEASEBACK ARRANGEMENTS

THE SALE AND LEASEBACK ARRANGEMENTS

On 24 February 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, as lessor entered into (i) the Ruihe Agreements with Guangdong Ruihe as lessee; and (ii) the Yuntai Agreements with Nanfang Yuntai as lessee, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the relevant Lessee and such Leased Assets will be leased back to the relevant Lessee for a term of five (5) years, subject to early termination in accordance with the terms and conditions of the relevant Sale and Leaseback Agreements.

IMPLICATIONS UNDER THE LISTING RULES

Since the Lessees are both subsidiaries of Sino-Ocean Group, the Sale and Leaseback Arrangements are aggregated with each other 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 Ruihe Arrangement and the Yuntai Arrangement, both on standalone and aggregated basis, exceeds 25% but is less than 100%, the entering into of each of the Ruihe Arrangement and the Yuntai 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 any material interest in the Sale and Leaseback Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Sale and Leaseback 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 Sale and Leaseback 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 Sale and Leaseback Arrangements.

A circular containing, among other things, (i) information on the Sale and Leaseback Arrangements, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 17 March 2023, which is within 15 business days after the publication of this announcement.

On 24 February 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, as lessor entered into (i) the Ruihe Agreements with Guangdong Ruihe as lessee; and (ii) the Yuntai Agreements with Nanfang Yuntai as lessee. The major terms of the Sale and Leaseback Arrangements are set out below.

THE SALE AND LEASEBACK ARRANGEMENTS

Subject matter

In each of the Sale and Leaseback Arrangements, subject to the fulfilment of the conditions as set out in the relevant 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, the obtaining of all necessary approvals by the Lessees in relation to the Sale and Leaseback Arrangements, the payment of the security money by the Lessees, and the signing and the coming into effect of the security agreements), Chengtong Financial Leasing will purchase the Leased Assets from the relevant Lessee and such Leased Assets will be leased back to the relevant Lessee for a term of five (5) years commencing from the date on which the Purchase Price in respect of the relevant Leased Assets is paid by Chengtong Financial Leasing ("**Lease Term**"), 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 relevant Sale and Leaseback Agreements is not satisfied on or before 24 April 2023, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant Sale and Leaseback Agreements.

Purchase Price

The Purchase Price was agreed between Chengtong Financial Leasing and the relevant Lessee with reference to the appraised value of the relevant Leased Assets as assessed by way of cost method by a professional PRC valuer which is an Independent Third Party. The Leased Assets form part of the facilities or equipment used in internet data centres and are not revenue generating assets with identifiable income stream.

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 in respect of each Sale and Leaseback Arrangement shall be paid by the relevant Lessee to Chengtong Financial Leasing in accordance with the payment schedule as set out in the relevant Sale and Leaseback Agreements.

The total amount of lease payments in respect of each Sale and Leaseback Arrangement represents the sum of the relevant lease principal amount (being the amount of the relevant Purchase Price to be paid by Chengtong Financial Leasing) and the lease interests which will be calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over the relevant LPR from time to time.

The lease interest rate will be subject to review on 1 January every year. In the event that the relevant LPR changes, the lease interest rate will be adjusted to a rate at the aforesaid fixed premium over the new LPR, except in the case where the relevant Lessee has 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 relevant LPR is reduced.

The interest rate applicable to each of the Sale and Leaseback Arrangements (including the applicable LPR and the premium) is one of the major commercial terms negotiated between the parties on an arm's length basis and may vary on a case-by-case basis depending on a number of factors, such as the relevant 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 (if any), the prevailing market conditions and the movement of the LPR.

Lessee's right to repurchase the Leased Assets

Upon the Lessee(s) having paid all the lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the relevant Sale and Leaseback Agreements, the Lessee(s) shall have the right to repurchase the relevant Leased Assets under the relevant Sale and Leaseback Agreements at a nominal consideration of RMB1.00.

Credit enhancement measures

Depending on the overall risks associated with a sale and leaseback arrangement, Chengtong Financial Leasing will request for appropriate credit enhancement measure(s) on a case-by-case basis, such as the payment of security money, the provision of corporate guarantee, receivables pledge and/or share pledge etc. to safeguard its interests as the lessor.

Chengtong Financial Leasing will monitor, among others, the financial conditions of the lessee(s) and the security provider(s) from time to time and may request the lessee(s) to provide further security as and when Chengtong Financial Leasing considers necessary.

Each of Guangdong Ruihe and Nanfang Yuntai will pay a security money to Chengtong Financial Leasing for the performance of its obligations under the Ruihe Arrangement and the Yuntai Arrangement respectively. The amount of the security money was determined on a case-by-case basis after evaluating the background and creditability etc. of the relevant Lessee.

If the relevant Lessee fails to fully perform any obligation under the relevant Sale and Leaseback Arrangement, Chengtong Financial Leasing has the right to apply the security money to set off against any amount owed to it in the following order: liquidated damages, other payables including but not limited to damages (if any), outstanding and prospective lease payments and repurchase price. If the Lessee has fully performed all its obligations under the relevant Sale and Leaseback Arrangement, Chengtong Financial Leasing shall return the security money to it upon its presentation of the receipt(s) of the security money.

For further details of other credit enhancement measures available for each of the Sale and Leaseback Arrangements, please refer to the table below.

Material terms of each of the Sale and Leaseback Arrangements

The general terms and conditions of each of the Sale and Leaseback Arrangements are substantially the same. Their respective key terms are summarised as follows:

	Ruihe Arrangement	Yuntai Arrangement
Date of the relevant Sale and Leaseback Agreements	24 February 2023	24 February 2023
Lessee	Guangdong Ruihe	Nanfang Yuntai
Leased Assets	(i) Certain diesel generator sets for data centre, switch control cabinets, containers and ancillary equipment and facilities	(i) Certain diesel generator sets for data centre, combined system cabinets, drain pumps and ancillary equipment and facilities

	Ruihe Arrangement	Yuntai Arrangement
	(ii) Certain system equipment for data centre, external power equipment and ancillary equipment and facilities	(ii) Certain system equipment for data centre, external power engineering and ancillary equipment and facilities
Purchase Price	RMB225 million (equivalent to HK\$256.50 million)	RMB250 million (equivalent to HK\$285 million)
Appraised value of the Leased Assets	Approximately RMB232.86 million (equivalent to approximately HK\$265.46 million) as at 31 October 2022	Approximately RMB265.47 million (equivalent to approximately HK\$302.64 million) as at 31 October 2022
Lease Term	Five (5) years	Five (5) years
Interest rate	Floating interest rate, which is determined at a fixed premium over the five (5)-year LPR from time to time	Floating interest rate, which is determined at a fixed premium over the five (5)-year LPR from time to time
Lease payments	Approximately RMB253.46 million (equivalent to approximately HK\$288.94 million), payable in twenty (20) quarterly instalments during the Lease Term	Approximately RMB281.62 million (equivalent to approximately HK\$321.05 million), payable in twenty (20) quarterly instalments during the Lease Term
Credit enhancement measures	<p>(1) Security money of RMB4.14 million (equivalent to approximately HK\$4.72 million) to be paid by Guangdong Ruihe;</p> <p>(2) Irrevocable guarantee from Beijing Yuntai and Sino-Ocean Holding;</p>	<p>(1) Security money of RMB4.60 million (equivalent to approximately HK\$5.24 million) to be paid by Nanfang Yuntai;</p> <p>(2) Irrevocable guarantee from Beijing Yuntai and Sino-Ocean Holding; and</p>

Ruihe Arrangement**Yuntai Arrangement**

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|---|---|
| (3) Receivables pledge created by Guangdong Ruihe and Beijing Yuntai; and | (3) Receivables pledge created by Nanfang Yuntai and Beijing Yuntai |
| (4) Share pledge created by Beijing UNIQLoud over the entire equity interest in Guangdong Ruihe | |

Estimated income	Approximately RMB28.46 million (equivalent to approximately HK\$32.44 million)	Approximately RMB31.62 million (equivalent to approximately HK\$36.05 million)
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INFORMATION OF THE PARTIES**The Lessees**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) each of Guangdong Ruihe and Nanfang Yuntai is wholly-owned by Beijing UNIQLoud, which is an indirect non-wholly owned subsidiary of Sino-Ocean Group; and (ii) both Guangdong Ruihe and Nanfang Yuntai are principally engaged in the business of operation of internet data centre(s).

Beijing Yuntai

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Beijing Yuntai is ultimately held as to approximately 33.34% by Mr. Zhou Yue, approximately 33.33% by Mr. Yan Shiping and approximately 33.33% by Mr. Wang Jian, and is controlled by Beijing UNIQLoud through contractual arrangement; and (ii) Beijing Yuntai is a licenced company set up by Beijing UNIQLoud for operation of internet data centre(s).

Sino-Ocean Holding

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Sino-Ocean Holding is an indirect wholly-owned subsidiary of Sino-Ocean Group; and (ii) Sino-Ocean Holding is an investment holding company.

Beijing UNIQLoud

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Beijing UNIQLoud is an indirect non-wholly owned subsidiary of Sino-Ocean Group; and (ii) Beijing UNIQLoud is principally engaged in the business of operation of internet data centre(s).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Lessees, Beijing Yuntai, Sino-Ocean Holding, Beijing UNIQloud and their respective ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENTS

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 Arrangements is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn reasonable income from each of the Sale and Leaseback Arrangements, which represents the difference between the estimated amount of total lease payments under the relevant Sale and Leaseback Arrangement and the relevant Purchase Price.

The Directors are of the view that the terms of each of the Sale and Leaseback Arrangements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Since the Lessees are both subsidiaries of Sino-Ocean Group, the Sale and Leaseback Arrangements are aggregated with each other 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 Ruihe Arrangement and the Yuntai Arrangement, both on standalone and aggregated basis, exceeds 25% but is less than 100%, the entering into of each of the Ruihe Arrangement and the Yuntai 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 any material interest in the Sale and Leaseback Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Sale and Leaseback 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 Sale and Leaseback 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 Sale and Leaseback Arrangements.

A circular containing, among other things, (i) information on the Sale and Leaseback Arrangements, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 17 March 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:

“Beijing UNIQloud”	means 北京雲泰數通互聯網科技有限公司 (Beijing UNIQloud Technology Co., Ltd.), a company incorporated in the PRC with limited liability
“Beijing Yuntai”	means 北京雲泰數通互聯科技有限公司 (unofficial English translation being Beijing Yuntai Datacom Internet Technology Co., Ltd.), a company incorporated in the PRC with limited liability
“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
“Guangdong Ruihe”	means 廣東瑞和雲科技有限公司 (unofficial English translation being Guangdong Ruihe Cloud Technology Co., Ltd.), a company incorporated 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 the leased assets under the Ruihe Arrangement and/or the Yuntai Arrangement (as the case may be)
“Lessees”	means, collectively, Guangdong Ruihe and Nanfang Yuntai
“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
“Nanfang Yuntai”	means 南方雲泰互聯網科技有限公司 (unofficial English translation being Nanfang Yuntai Internet Technology Co., 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
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Leased Assets from the relevant Lessee
“RMB”	means Renminbi, the lawful currency of the PRC
“Ruihe Agreements”	means, collectively, two (2) sets of the following agreements in respect of two (2) batches of leased assets, all dated 24 February 2023 and signed between Chengtong Financial Leasing and Guangdong Ruihe: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
“Ruihe Arrangement”	means the sale and leaseback arrangement under the Ruihe Agreements
“Sale and Leaseback Agreements”	means, collectively, the Ruihe Agreements and the Yuntai Agreements
“Sale and Leaseback Arrangements”	means, collectively, the Ruihe Arrangement and the Yuntai Arrangement
“Shareholder(s)”	means the shareholder(s) of the Company

“Sino-Ocean Group”	means Sino-Ocean Group Holding Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3377)
“Sino-Ocean Holding”	means 遠洋控股集團(中國)有限公司 (Sino-Ocean Holding Group (China) Limited), a company incorporated in the PRC with limited liability
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Yuntai Agreements”	means, collectively, two (2) sets of the following agreements in respect of two (2) batches of leased assets, all dated 24 February 2023 and signed between Chengtong Financial Leasing and Nanfang Yuntai: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
“Yuntai Arrangement”	means the sale and leaseback arrangement under the Yuntai Agreements
“%”	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\$1.14. 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, 24 February 2023

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