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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 – THE SALE AND LEASEBACK MASTER AGREEMENT**

### **THE SALE AND LEASEBACK MASTER AGREEMENT**

On 21 March 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Master Agreement with the Lessee.

Pursuant to the Sale and Leaseback Master Agreement, Chengtong Financial Leasing has agreed to provide sale and leaseback services to the Lessee, subject to the obtaining of the necessary Shareholders' approval in accordance with the Listing Rules and the maximum financing amount and other terms set out in the Sale and Leaseback Master Agreement.

### **IMPLICATIONS UNDER THE LISTING RULES**

On 16 December 2021, Chengtong Financial Leasing entered into the Previous Arrangement with the Lessee. Since the Previous Arrangement is still subsisting when the Sale and Leaseback Master Agreement is entered into, the Sale and Leaseback Master Agreement is aggregated with the Previous Arrangement 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 Sale and Leaseback Master Agreement, both when calculated individually and when aggregated with the Previous Arrangement, exceeds 25% but is less than 100%, the entering into of the Sale and Leaseback Master Agreement 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 Master Agreement. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Sale and Leaseback Master Agreement. 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 Master Agreement from China Chengtong Hong Kong Company Limited, a company incorporated in Hong Kong and 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 Master Agreement.

A circular containing, among other things, (i) information on the Sale and Leaseback Master Agreement, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 14 April 2023, which is within 15 business days after the publication of this announcement.

On 21 March 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Master Agreement with the Lessee, the major terms of which are set out below.

## **THE SALE AND LEASEBACK MASTER AGREEMENT**

### **Date of the Sale and Leaseback Master Agreement**

21 March 2023

### **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 an indirect wholly-owned subsidiary of Ansteel Group Corporation Limited, which is a state-owned enterprise under the control of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC; (ii) the Lessee and its ultimate beneficial owners (save for China Chengtong Holdings Group Limited, the ultimate holding company of the Company, which has an indirect interest in the Lessee through its equity interest in approximately 18% of Ansteel Group Corporation Limited) are Independent Third Parties; and (iii) the Lessee is principally engaged in the business of provision of finance lease services in the PRC.

### **Sale and leaseback services**

Pursuant to the Sale and Leaseback Master Agreement, Chengtong Financial Leasing has agreed to provide sale and leaseback services to the Lessee, subject to the obtaining of the necessary Shareholders' approval in accordance with the Listing Rules and the maximum financing amount (as detailed below) and other terms set out in the Sale and Leaseback Master Agreement.

The Lessee may make application(s) to Chengtong Financial Leasing from 21 March 2023 to 20 March 2025 (both days inclusive) for the provision of sale and leaseback services by Chengtong Financial Leasing in respect of the Leased Assets. Chengtong Financial Leasing and the Lessee will negotiate on the specific terms and conditions of the Individual Sale and Leaseback Arrangement (including but not limited to the leased assets, the individual financing amount, the lease period, the amount of lease payments and the payment schedule) within the ambit of the Sale and Leaseback Master Agreement and will enter into Individual Sale and Leaseback Agreement accordingly.

### **Financing amount/lease principal**

The maximum financing amount under the Sale and Leaseback Master Agreement is RMB400 million (equivalent to HK\$456 million) which is determined according to the expected funding needs of the Lessee. Chengtong Financial Leasing shall have the discretion to decide whether to provide the sale and leaseback services or to unilaterally terminate, cancel or reduce the maximum financing amount, while such discretion has no effect on the enforcement of the signed Individual Sale and Leaseback Agreement(s).

It is expected that each individual financing amount under the Individual Sale and Leaseback Agreements will be funded by the general working capital of the Group.

## **Lease method**

Under each Individual Sale and Leaseback Arrangement, Chengtong Financial Leasing will purchase the Leased Assets from the Lessee at the Purchase Price mutually agreed in the Individual Sale and Leaseback Agreement, and the Leased Assets will be leased back to the Lessee for a maximum lease period of three (3) years in return for such amount of lease payments as mutually agreed in the Individual Sale and Leaseback Agreement. The Lessee has the right to apply for early repayment with prior notice of one and a half months, and upon agreement by Chengtong Financial Leasing, the Lessee shall pay all outstanding lease payments which have become due, prospective lease principal and repurchase price on the date of early repayment and the relevant Individual Sale and Leaseback Agreement shall then be early terminated.

The ownership of the Leased Assets shall vest in Chengtong Financial Leasing during the lease period of the Individual Sale and Leaseback Arrangement.

## **Purchase Price**

The Purchase Price of the Leased Assets under each Individual Sale and Leaseback Arrangement will be determined with reference to the appraised net value of the relevant Leased Assets and the Purchase Price shall not be higher than such appraised net value.

The total Purchase Price under all Individual Sale and Leaseback Arrangements shall not exceed the maximum financing amount of RMB400 million (equivalent to HK\$456 million).

## **Lease payments**

The lease payments under each Individual Sale and Leaseback Arrangement represents the sum of the lease principal amount (being the amount of the Purchase Price under the Individual Sale and Leaseback Arrangement) 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 one-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 to a rate at the aforesaid fixed premium over the new LPR, 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 adjusted when the one (1)-year LPR is reduced.

The interest rate (including the applicable LPR and the premium) was negotiated between the parties on an arm's length basis after taking into account a number of factors, such as the maximum financing amount, the maximum lease period, the prevailing market conditions and the movement of the LPR.

Based on the maximum financing amount and the current interest rate, the maximum total amount of lease payments under the Sale and Leaseback Master Agreement is approximately RMB429.38 million (equivalent to approximately HK\$489.49 million).

The lease payments under each Individual Sale and Leaseback Arrangement are expected to be paid on a quarterly basis.

### **Service Fee**

Chengtong Financial Leasing may charge a service fee for each Individual Sale and Leaseback Arrangement which will be calculated as a certain percentage to the relevant individual financing amount. The total service fee receivable by Chengtong Financial Leasing from the Lessee under all Individual Sale and Leaseback Arrangements is subject to a maximum total amount of RMB4 million (equivalent to HK\$4.56 million) which represents 1% of the maximum financing amount under the Sale and Leaseback Master Agreement.

### **Repurchase price**

Upon expiry of the lease period under each Individual Sale and Leaseback Arrangement and subject to the full settlement of the lease payments and all other payables under the relevant Individual Sale and Leaseback Agreement, the Lessee shall purchase the Leased Assets from Chengtong Financial Leasing at a nominal repurchase price. The total nominal repurchase price receivable by Chengtong Financial Leasing from the Lessee under all Individual Sale and Leaseback Arrangements is subject to a maximum total amount of RMB100 (equivalent to HK\$114).

### **Credit enhancement measure**

In order to guarantee the performance of the Individual Sale and Leaseback Agreements by the Lessee, the Lessee has agreed to pledge its receivables from the relevant Underlying Arrangement to Chengtong Financial Leasing as security for all amounts payable under the corresponding Individual Sale and Leaseback Agreement.

Chengtong Financial Leasing will monitor, among others, the value of the collateral and the financial conditions of the Lessee from time to time and may request the Lessee to provide further security as and when Chengtong Financial Leasing considers necessary.

## **REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK MASTER AGREEMENT**

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 Chengtong Financial Leasing as its principal business.

The entering into of the Sale and Leaseback Master Agreement is in the ordinary and usual course of business of Chengtong Financial Leasing and will enable the Group to earn additional lease interest income.

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

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A circular containing, among other things, (i) information on the Sale and Leaseback Master Agreement, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 14 April 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:

“Board”	means the board of Directors
“Chengtong Financial Leasing”	means Chengtong Financial Leasing Company Limited, a company established 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
“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 (as defined in the Listing Rules)
“Individual Sale and Leaseback Agreement(s)”	means the individual transaction agreement(s) to be entered into between Chengtong Financial Leasing and the Lessee pursuant to the Sale and Leaseback Master Agreement, which is expected to comprise, among others, a leaseback assets transfer agreement and a finance lease agreement (sale and leaseback)

“Individual Sale and Leaseback Arrangement”	means the individual sale and leaseback arrangement between Chengtong Financial Leasing and the Lessee constituted under the terms and conditions of the relevant Individual Sale and Leaseback Agreement
“Leased Assets”	means the assets to be selected from the pool of leased assets in the Underlying Arrangements and mutually agreed between Chengtong Financial Leasing and the Lessee which shall form the assets to be purchased by Chengtong Financial Leasing from the Lessee and to be leased back to the Lessee under the Individual Sale and Leaseback Arrangement, and such assets include equipment and facilities related to iron and steel, coal and chemicals, charging piles, energy storage equipment, water supply equipment, and other equipment and facilities including but not limited to continuous casting machine, H-shaped steel production equipment, converter equipment, dust removal equipment, hydraulic equipment, programmable logic controller (PLC) system, special mine equipment, vanadium electrolyte, and power station equipment, etc.
“Lessee”	means Chengdu Pangang Group Leasing 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



“Previous Arrangement”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Lessee in respect of certain hydrogen generator and auxiliary equipment for a term of two (2) years, the details of which are set out in the announcement of the Company dated 16 December 2021
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Leased Assets from the Lessee under the Individual Sale and Leaseback Arrangement
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Master Agreement”	means the sale and leaseback master agreement dated 21 March 2023 and entered into between Chengtong Financial Leasing and the Lessee
“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Underlying Arrangement(s)”	means the sale and leaseback arrangement(s) currently subsisting between the Lessee (as lessor) and its lessees
“%”	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.*

*The English names of all PRC entities in this announcement are for identification purpose only.*

By Order of the Board  
**China Chengtong Development Group Limited**  
**Zhang Bin**  
*Chairman*

Hong Kong, 21 March 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.*