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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

SALE AND LEASEBACK ARRANGEMENT

On 10 September 2024, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the co-Lessees, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the co-Lessees and will lease the Leased Assets back to the co-Lessees for a Lease Term of two (2) years, subject to early termination in accordance with the terms and conditions of the Sale and Leaseback Agreements.

IMPLICATIONS UNDER THE LISTING RULES

Chengtong Financial Leasing entered into (i) the Previous Baisha Transaction with the Previous Baisha Transaction co-Lessees and (ii) the Previous Fengcheng Transaction with the Previous Fengcheng Transaction co-Lessees on 19 January 2023 and 13 September 2023, respectively (collectively, the Previous Transactions). Since (i) the Previous Transactions are still subsisting when the Sale and Leaseback Arrangement was entered into; (ii) the Sale and Leaseback Arrangement is entered into within 12 months from the completion date of the Previous Fengcheng Transaction; and (iii) each of the co-Lessees, Previous Baisha Transaction co-Lessees and Previous Fengcheng Transaction co-Lessees comprises Lessee A and subsidiaries of Lessee A, the Sale and Leaseback Arrangement is aggregated with the Previous Transactions 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 Sale and Leaseback Arrangement, both when calculated on a standalone basis and when aggregated with the Previous Transactions, 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) (as defined in the Listing Rules) 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 written Shareholder's approval in respect of the Sale and Leaseback Arrangement 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 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 3 October 2024, which is within 15 business days after the publication of this announcement.

On 10 September 2024, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the co-Lessees 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

10 September 2024

Parties

Lessor: Chengtong Financial Leasing

Lessee: The co-Lessees

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and based on the information publicly available as of the date of this announcement, (i) Lessee A is a company whose shares are listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 300197), its single largest shareholder holding approximately 28.54% equity interests of Lessee A is China Energy Conservation and Environmental Protection Group Co., Ltd., a company which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council; (ii) Lessee B is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Lessee A; (iii) each of the co-Lessees and their ultimate beneficial owners is Independent Third Party(ies); (iv) Lessee A is principally engaged in the business of provision of environmental engineering services including water conservation and landscape construction, etc.; and (v) Lessee B is principally engaged in the business of comprehensive management of the water environment and the operation and maintenance of related facilities, design and construction of environmental protection projects and operation and management, etc.

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 co-Lessees evidencing its ownership in the Leased Assets, and the obtaining of all necessary approvals by the co-Lessees in relation to the Sale and Leaseback Arrangement), Chengtong Financial Leasing will purchase the Leased Assets from the co-Lessees at a total Purchase Price of RMB150 million (equivalent to HK\$163.50 million), and the Leased Assets will be leased back to the co-Lessees for a Lease Term of two (2) years from the date on which the Purchase Price is paid by Chengtong Financial Leasing in respect of the Leased Assets, 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 is not satisfied on or before 10 December 2024, Chengtong Financial Leasing shall have the right to unilaterally terminate the Sale and Leaseback Agreements.

Purchase Price

The Purchase Price of the Leased Assets was agreed between Chengtong Financial Leasing and the co-Lessees with reference to the appraised value of the Leased Assets as at 8 August 2024 which amounted to approximately RMB150.03 million (equivalent to approximately HK\$163.53 million) as assessed by way of cost method by an independent PRC valuer (the “**Valuer**”). The Leased Assets are not revenue generating assets with identifiable income stream.

The cost method, being adopted by the Valuer for the valuation of the Leased Assets, is a method determining the value of an appraised asset by multiplying the replacement cost of the appraised asset by its newness rate. The value of the appraised asset is first to be obtained by estimating the replacement cost of the appraised asset, followed by deducting various estimated depreciation factors that currently exist in the appraised asset. The replacement cost is determined on the basis of the current market value of the appraised asset on the appraisal date, while the newness rate is determined through an on-site inspection and calculation and analysis based on technical and economic factors.

Based on the valuation, the total appraised replacement cost of the Leased Assets is approximately RMB160.67 million (equivalent to approximately HK\$175.13 million). The aggregate replacement cost was determined by aggregating the replacement cost of each of the Leased Assets ranging from RMB1,700 (equivalent to HK\$1,853) to approximately RMB48.11 million (equivalent to approximately HK\$52.44 million). The replacement cost of each individual Leased Assets, where applicable, is composed of equipment purchase fee (including original purchase price and transportation and miscellaneous expenses), installation and tuning fee, equipment foundation fee, engineering construction fee and capital costs. Original purchase prices generally refer to ex-factory prices or the prices stated in the relevant order contract.

The equipment purchase fees of the respective Leased Assets account for approximately 95.46% to approximately 98.54%, with an average of approximately 98.14%, of the replacement cost of the respective Leased Assets. Among the equipment purchase fees, the original purchase prices of the Leased Assets range from approximately RMB1,651 (equivalent to approximately HK\$1,800) to approximately RMB46.28 million (equivalent to approximately HK\$50.44 million), and the aggregate original purchase prices of the Leased Assets account for approximately 98.52% of the

aggregate equipment purchase fees of the Leased Assets. Other expenses such as transportation and miscellaneous expenses, installation and tuning fee, equipment foundation fee, engineering construction fee and capital costs either constitute an insignificant portion of the replacement cost or are not applicable in the calculation of such replacement cost.

The newness rate of the appraised asset is determined after taking into account the economic life of the appraised asset, the remaining service life of the appraised asset and the status of the appraised asset through an on-site inspection. The newness rates for the Leased Assets, evaluated by the Valuer, range from 93% to 94%.

Based on the above-mentioned, the total appraised value of the Leased Assets is approximately RMB150.03 million (equivalent to approximately HK\$163.53 million), which is calculated by multiplying the individual replacement cost of the Leased Assets by the relevant newness rate of the Leased Assets.

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 payment

The total amount of lease payment is estimated to be approximately RMB156.21 million (equivalent to approximately HK\$170.27 million) which shall be payable by the co-Lessees 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 estimated to be approximately RMB6.21 million (equivalent to approximately HK\$6.77 million).

Service Fee

The co-Lessees shall pay a one-off service fee of approximately RMB3.02 million (equivalent to approximately HK\$3.29 million) ("**Service Fee**") to Chengtong Financial Leasing for the preliminary services provided by Chengtong Financial Leasing. The Service Fee is non-refundable.

The lease payment and the Service Fee applicable to the Sale and Leaseback Arrangement have been agreed between the parties after arm's length negotiation taking into account 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, the Service Fee and the prevailing market conditions.

Co-Lessees' right to repurchase the Leased Assets

Upon the co-Lessees 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 co-Lessees shall have the right to repurchase the Leased Assets under the Sale and Leaseback Agreements at a nominal consideration of RMB1.00 in total.

Credit enhancement measures

Depending on the overall risks associated with a sale and leaseback arrangement, Chengtong Financial Leasing may request appropriate credit enhancement measure(s) on a case-by-case basis. Chengtong Financial Leasing will monitor, among others, the financial conditions of the lessee(s) and the security provider(s) (if any) from time to time and may request the lessee(s) to provide security such as the payment of security money and the provision of corporate guarantee to safeguard its interests as the lessor as and when Chengtong Financial Leasing considers necessary.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT

The Group is principally engaged in leasing, property development and investment, marine recreation services and hotel business as of the date of this announcement. The Group's leasing business is mainly carried out through Chengtong Financial Leasing as its principal business.

The entering into 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 RMB9.23 million (equivalent to approximately HK\$10.06 million), being the total of the Service Fee and the lease interest.

In light of the above, 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

Chengtong Financial Leasing entered into (i) the Previous Baisha Transaction with the Previous Baisha Transaction co-Lessees and (ii) the Previous Fengcheng Transaction with the Previous Fengcheng Transaction co-Lessees on 19 January 2023 and 13 September 2023, respectively (collectively, the Previous Transactions). Since (i) the Previous Transactions are still subsisting when the Sale and Leaseback Arrangement was entered into; (ii) the Sale and Leaseback Arrangement is entered into within 12 months from the completion date of the Previous Fengcheng Transaction; and (iii) each of the co-Lessees, Previous Baisha Transaction co-Lessees and Previous Fengcheng Transaction co-Lessees comprises Lessee A and subsidiaries of Lessee A, the Sale and Leaseback Arrangement is aggregated with the Previous Transactions for the purpose of calculating the relevant percentage ratios (as defined in the Listing Rules).

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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 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 written Shareholder's approval in respect of the Sale and Leaseback Arrangement 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 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 3 October 2024, 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
“co-Lessees”	means, collectively, Lessee A and Lessee B
“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 (having the meaning ascribed to it under the Listing Rules)
“Lease Term”	means the lease term under the Sale and Leaseback Agreements

“Leased Assets”	means certain rainwater and sewage pollution control and engineering equipment for the water environment comprehensive management projects in respect of 11 water bodies in Haikou City, Hainan Province, PRC
“Lessee A”	means CECEP Techand Ecology & Environment Co., Ltd., a company whose shares are listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 300197)
“Lessee B”	means Haikou Hanqingshui Environmental Treatment 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 of Hong Kong Limited
“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 Baisha Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Baisha Transaction co-Lessees on 19 January 2023 in respect of certain sewage treatment equipment and pipes network in Bangxi Town, Baisha Li Autonomous County, Hainan Province, PRC and certain granulator, GNSS receiver, grinder equipment for a term of three (3) years, the details of which are set out in the announcement of the Company dated 19 January 2023
“Previous Baisha Transaction co-Lessees”	means, collectively, Lessee A and its indirect wholly-owned subsidiary, Baisha Hanxuyuan Water Environment Management Co., Ltd., acting as co-lessees of the Previous Baisha Transaction
“Previous Fengcheng Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Fengcheng Transaction co-Lessees on 13 September 2023 in respect of certain equipment assets and facilities of sewage treatment plants in Fengcheng City, Jiangxi Province, PRC, including but without limitation integrated biochemical treatment equipment, HDPE pipes and HDPE special high pressure drainage pipes, PLC systems, electrical distribution boards and lighting distribution boards, etc. for a term of three (3) years, the details of which are set out in the announcement of the Company dated 13 September 2023 and the circular of the Company dated 19 October 2023

“Previous Fengcheng Transaction co-Lessees”	means, collectively, Lessee A and Fengcheng City Han Chen Environmental Engineering Company Limited, which is indirectly held as to 80% by Lessee A, acting as co-lessees of the Previous Fengcheng Transaction
“Previous Transactions”	means, collectively, the Previous Baisha Transaction and the Previous Fengcheng Transaction
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Leased Assets from the co-Lessees
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the following agreements in respect of the Leased Assets dated 10 September 2024 and signed between Chengtong Financial Leasing and the co-Lessees: <ul style="list-style-type: none"> (1) leaseback assets transfer agreements; and (2) finance lease agreements (sale and leaseback)
“Sale and Leaseback Arrangement”	means the purchase of the Leased Assets by Chengtong Financial Leasing from the co-Lessees and the leaseback of the Leased Assets to the co-Lessees pursuant to the terms of the Sale and Leaseback Agreements
“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, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to approximately HK\$1.09. 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, 10 September 2024

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