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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 16 December 2024, 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 Leased Assets from the Lessee and will lease the Leased Assets back to the Lessee for a Lease Term of five (5) 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 the Previous Transaction with the Previous Lessees on 2 June 2023. Since (i) the Previous Transaction is still subsisting when the Sale and Leaseback Arrangement was entered into, and (ii) the Lessee and the Previous Lessee II are both being companies directly or indirectly owned more than 50% by China Baowu, and Previous Lessee I is 40% indirectly controlled by China Baowu, the Sale and Leaseback Arrangement is aggregated with the Previous Transaction 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 Transaction, 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 9 January 2025, which is within 15 business days after the publication of this announcement.

On 16 December 2024, 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 2024

### **Parties**

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

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) the Lessee is owned as to 70% by China Baowu, which is in turn owned as to 90% by the State-owned Assets and Supervision and Administration Commission of the State Council of the PRC; (ii) the Lessee and its ultimate beneficial owner are Independent Third Parties; and (iii) the Lessee is principally engaged in the business of smelting, processing, and sales of metal nickel and other alloys.

## **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 Lessee evidencing its ownership in the Leased Assets, and the obtaining of all necessary approvals by the Lessee in relation to the Sale and Leaseback Arrangement), Chengtong Financial Leasing will purchase the Leased Assets from the Lessee at Purchase Price of RMB350 million (equivalent to HK\$374.5 million), and the Leased Assets will be leased back to the Lessee for a Lease Term of five (5) years from the date on which the Purchase Price is paid by Chengtong Financial Leasing in respect of the Leased Assets (“**Lease Term**”), 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 16 March 2025, 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 Lessee with reference to the net book value of the Leased Assets of approximately RMB376.66 million (equivalent to approximately HK\$403.03 million). The Leased Assets 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 payment**

The total amount of lease payment is estimated to be approximately RMB382.47 million (equivalent to approximately HK\$409.24 million) which shall be payable by the Lessee to Chengtong Financial Leasing in ten (10) semi-annual 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 RMB32.47 million (equivalent to approximately HK\$34.74 million).

## **Service Fee**

The Lessee shall pay a service fee of RMB1.75 million (equivalent to approximately HK\$1.87 million) (“**Service Fee**”) to Chengtong Financial Leasing for the preliminary services provided by Chengtong Financial Leasing. The first service fee of RMB0.35 million (equivalent to approximately HK\$0.37 million) will be paid on the date of payment of the Purchase Price, and RMB0.35 million (equivalent to approximately HK\$0.37 million) in each of the following four years. The Service Fee is non-refundable.

The lease payment and the Service Fee of 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 having considered the amount of lease interests, the amount of the Service Fee and the prevailing market conditions.

### **Lessee' right to repurchase the Leased Assets**

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 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 RMB34.22 million (equivalent to approximately HK\$36.62 million), being the total of the Service Fee and the difference between the estimated amount of lease payment under the Sale and Leaseback Arrangement and the Purchase Price.

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 the Previous Transaction with the Previous Lessees on 2 June 2023. Since (i) the Previous Transaction is still subsisting when the Sale and Leaseback Arrangement was entered into, and (ii) the Lessee and the Previous Lessee II are both being companies directly or indirectly owned more than 50% by China Baowu, and Previous Lessee I is 40% indirectly controlled by China Baowu, the Sale and Leaseback Arrangement is aggregated with the Previous Transaction 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 Transaction, 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 9 January 2025, 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
“China Baowu”	means China Baowu Steel Group Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“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 the welding machine, annealing furnace and other related equipment, etc. in two production lines
“Lessee”	means Baosteel Desheng Stainless Steel Co., Ltd., a state-owned enterprise 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 Lessee I”	means Chongqing Yufei Infrastructure Construction Co., Ltd., a company established in the PRC with limited liability
“Previous Lessee II”	means Wuhan Iron and Steel Green City Technology Development Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Previous Lessees”	means, collectively, Previous Lessee I and Previous Lessee II
“Previous Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Lessees on 2 June 2023 in respect of certain steel sheet piles, vibratory hammers, diesel engines, etc. for a term of three (3) years, the details of which are set out in the announcement of the Company dated 2 June 2023 and the circular of the Company dated 19 June 2023
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Leased Assets from the Lessee

“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, three sets of the following agreements in respect of the Leased Assets dated 16 December 2024 and signed between Chengtong Financial Leasing and the Lessee:  (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 Lessee and the leaseback of the Leased Assets to the Lessee 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\$1.07. 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, 16 December 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.*