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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)

DISCLOSEABLE TRANSACTIONS — TERMINATION OF THE FINANCE LEASE ARRANGEMENTS AND SALE AND LEASEBACK ARRANGEMENT

TERMINATION OF THE FINANCE LEASE ARRANGEMENTS AND SALE AND LEASEBACK ARRANGEMENT

References are made to the announcements of the Company dated 19 December 2019, 3 February 2020 and 26 August 2021 in relation to the entering into of the Finance Lease Arrangements and Sale and Leaseback Arrangement.

The Board wishes to announce that, after arm's length negotiations between Chengtong Financial Leasing and the respective lessees, each party agreed to early terminate the Finance Lease Arrangements and Sale and Leaseback Arrangement on 25 July 2023.

IMPLICATIONS UNDER THE LISTING RULES

As the respective highest applicable percentage ratio (as defined under the Listing Rules) in respect of the termination of the Finance Lease Arrangements and Sale and Leaseback Arrangement exceeds 5% but is less than 25%, the termination of Finance Lease Arrangements and Sale and Leaseback Arrangement each constitutes discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

I. HONGHUA FINANCE LEASE ARRANGEMENTS

INTRODUCTION

References are made to the announcements of the Company dated 19 December 2019 and 3 February 2020 in relation to the entering into of the Finance Lease Arrangements (collectively "**HH Announcements**"). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in HH Announcements.

As disclosed in the HH Announcements, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into two Finance Lease Arrangements with Honghua Shenzhen (as lessee), each for a term of five (5) years (collectively “**HH Lease Terms**”) respectively. The original estimated amount of total lease payment under the two Finance Lease Arrangements is approximately RMB141.30 million (equivalent to approximately HK\$154.02 million) and is each payable by Honghua Shenzhen to Chengtong Financial Leasing in ten (10) equal semi-annual instalments during the HH Lease Terms (“**Honghua Finance Lease Arrangements**”).

TERMINATION OF THE HONGHUA FINANCE LEASE ARRANGEMENTS

The Board wishes to announce that, after arm’s length negotiations between Chengtong Financial Leasing and Honghua Shenzhen, both parties agreed to early terminate the Honghua Finance Lease Arrangements on 25 July 2023 (“**Termination Date**”).

As at the Termination Date, the total outstanding lease payment from Honghua Shenzhen under the Honghua Finance Lease Arrangements amounted to approximately RMB44.75 million (equivalent to approximately HK\$48.78 million), comprising outstanding lease principal of approximately RMB41.99 million (equivalent to approximately HK\$45.77 million), lease interest receivable of approximately RMB0.40 million (equivalent to approximately HK\$0.44 million) and unearned interest of approximately RMB2.36 million (equivalent to approximately HK\$2.57 million) for the period from the Termination Date up to the end of the HH Lease Terms.

On Termination Date, Honghua Shenzhen paid to Chengtong Financial Leasing an amount of approximately RMB36.39 million (equivalent to approximately HK\$39.67 million) (“**HH Final Payment**”), which represented the sum of the then outstanding lease principal, lease interest receivable and the nominal consideration of RMB200.00 payable by Honghua Shenzhen for the repurchase of the leased assets after deducting a total of security money of RMB6 million (equivalent to HK\$6.54 million) previously paid by Honghua Shenzhen. Accordingly, both parties acknowledged and confirmed that (i) the HH Final Payment was received by Chengtong Financial Leasing in full and final settlement of all the payment obligations of Honghua Shenzhen under the Honghua Finance Lease Arrangements; (ii) the Honghua Finance Lease Arrangements shall terminate on 25 July 2023; and (iii) no party shall have any claim under the Honghua Finance Lease Arrangements.

The Group has recognised an income in the amount of approximately RMB18.95 million (equivalent to approximately HK\$20.66 million) under the Honghua Finance Lease Arrangements.

The Directors consider that it is in the interests of the Company and its shareholders as a whole to terminate the Honghua Finance Lease Arrangements and recover the outstanding lease principal as soon as possible so that the fund can be utilised by the Group in other potential projects. In light of the above, the Directors are of the view that the terms of the termination are fair and reasonable.

II. TONGMEI SALE AND LEASEBACK ARRANGEMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 26 August 2021 in relation to the entering into of the Sale and Leaseback Arrangement (“**TM Announcement**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in TM Announcement.

As disclosed in the TM Announcement, Chengtong Financial Leasing entered into the Sale and Leaseback Arrangement with the Lessee for a term of three (3) years (“**TM Lease Term**”). The original estimated amount of total lease payment is approximately RMB205.45 million (equivalent to approximately HK\$223.94 million) and is payable by the Lessee to Chengtong Financial Leasing in twelve (12) quarterly instalments during the TM Lease Term (“**Tongmei Sale and Leaseback Arrangement**”).

TERMINATION OF THE TONGMEI SALE AND LEASEBACK ARRANGEMENT

The Board wishes to announce that, after arm’s length negotiations between Chengtong Financial Leasing and the Lessee, both parties agreed to early terminate Tongmei Sale and Leaseback Arrangement on the Termination Date.

As at the Termination Date, the total outstanding lease payment from the Lessee under the Tongmei Sale and Leaseback Arrangement amounted to approximately RMB36.82 million (equivalent to approximately HK\$40.13 million), comprising outstanding lease principal of approximately RMB35.00 million (equivalent to approximately HK\$38.15 million), lease interest receivable of approximately 0.26 million (equivalent to approximately HK\$0.28 million) and unearned interest of approximately RMB1.56 million (equivalent to approximately HK\$1.70 million) for the period from the Termination Date up to the end of the TM Lease Term.

On Termination Date, the Lessee paid to Chengtong Financial Leasing an amount of approximately RMB35.26 million (equivalent to approximately HK\$38.43 million) (“**TM Final Payment**”), which represented the sum of the then outstanding lease principal, lease interest receivable and the nominal consideration of RMB100.00 payable by the Lessee for the repurchase of the leased assets. Accordingly, both parties acknowledged and confirmed that (i) the TM Final Payment was received by Chengtong Financial Leasing in full and final settlement of all the payment obligations of the Lessee under the Tongmei Sale and Leaseback Arrangement; (ii) the respective Sale and Leaseback Agreements signed between Chengtong Financial Leasing and Lessee and the guarantee agreement signed with the Guarantor in respect of the Tongmei Sale and Leaseback Arrangement shall terminate on 25 July, 2023; and (iii) no party shall have any claim under the Tongmei Sale and Leaseback Arrangement.

The Group has recognised an income in the amount of approximately RMB15.08 million (equivalent to approximately HK\$16.44 million) under the Tongmei Sale and Leaseback Arrangement.

The Directors consider that it is in the interests of the Company and its shareholders as a whole to terminate the Tongmei Sale and Leaseback Arrangement and recover the outstanding lease principal as soon as possible so that the fund can be utilised by the Group in other potential projects. In light of the above, the Directors are of the view that the terms of the termination are fair and reasonable.

INFORMATION OF THE PARTIES

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.

- (i) To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, (i) Honghua Shenzhen is (a) directly owned as to approximately 55% by Chengdu Ronghe Investment and Development Co., Ltd. which is ultimately controlled by Chengdu Qingbaijiang District State-owned Assets Supervision and Administration and Financial Affairs Bureau; and (b) directly owned as to approximately 45% by Honghua Group; and (ii) Honghua Shenzhen is principally engaged in the financial leasing, leasing, purchase of leased equipment and the maintenance and repair of leased equipment; and (iii) Honghua Shenzhen and its ultimate beneficial owners (excluding Honghua Group) are Independent Third Parties.

Honghua Group, together with its subsidiaries, is principally engaged in the business of developing, manufacturing and selling drilling rigs, rig parts and components and providing after-sales services and is listed on the Stock Exchange (stock code: 196). As at the date of this announcement, the Group holds approximately 2.81% of the total issued share capital of Honghua Group.

- (ii) To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, (i) the Lessee (a) is directly owned as to approximately 48% by Datong Coal Mine Group (Hong Kong) Financial Leasing Co., Ltd., as to approximately 32% by Jinneng Holding Shanxi Electric Power Co., Ltd., and as to approximately 20% by Jinneng Holding Shanxi Coal Industry Co., Ltd.; and (b) is ultimately controlled by Shanxi SASAC; and (ii) the Lessee is principally engaged in the business of leasing, factoring and provision of entrusted loans; (iii) the Guarantor is directly owned as to approximately 65.17% by Jinneng Holding Group Co., Ltd. which is ultimately controlled by Shanxi SASAC; and (iv) the Lessee, the Guarantor and their ultimate beneficial owners are Independent Third Parties.

IMPLICATIONS UNDER THE LISTING RULES

As the respective highest applicable percentage ratio (as defined under the Listing Rules) in respect of the termination of the Finance Lease Arrangements and Sale and Leaseback Arrangement exceeds 5% but is less than 25%, the termination of Finance Lease Arrangements and Sale and Leaseback Arrangement each constitutes discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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\$1.09. 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, 25 July 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.