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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 TRANSACTION – TERMINATION OF THE SALE AND LEASEBACK ARRANGEMENT

TERMINATION OF THE SALE AND LEASEBACK ARRANGEMENT

Reference is made to the announcement of the Company dated 12 August 2022 and the circular of the Company dated 23 September 2022 in relation to the entering into of the Haifa Baocheng Master Agreement with Haifa Baocheng, amongst others, pursuant to which Chengtong Financial Leasing agreed to provide sale and leaseback services to Haifa Baocheng subject to the maximum financing amount of RMB500 million and other terms set therein.

On 26 June 2023, Chengtong Financial Leasing entered into Sale and Leaseback Agreements with Haifa Baocheng pursuant to the Haifa Baocheng Master Agreement. Chengtong Financial Leasing and Haifa Baocheng have agreed to early terminate the Sale and Leaseback Agreements on 20 August 2024.

IMPLICATIONS UNDER THE LISTING RULES

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

INTRODUCTION

References are made to the announcement of the Company dated 12 August 2022 (the “**Announcement**”) and the circular of the Company dated 23 September 2022 in relation to, among others, the Haifa Baocheng Master Agreement with Haifa Baocheng, pursuant to which Chengtong Financial Leasing agreed to provide sale and leaseback services to Haifa Baocheng subject to the maximum financing amount of RMB500 million and other terms set out therein. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

On 26 June 2023, Chengtong Financial Leasing entered into Sale and Leaseback Agreements for a term of two (2) years with Haifa Baocheng pursuant to the Haifa Baocheng Master Agreement, in which Chengtong Financial Leasing purchased the relevant Leased Assets from Haifa Baocheng at a Purchase Price of RMB100 million (equivalent to HK\$109 million) and leased the relevant Leased Assets back to Haifa Baocheng for a total lease payment of approximately RMB105.42 million (equivalent to approximately HK\$114.91 million).

The lease payments of the Sale and Leaseback Arrangement were determined with reference to the Purchase Price and a floating interest rate to be determined at a fixed premium over the one (1)-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China from time to time.

TERMINATION OF THE SALE AND LEASEBACK ARRANGEMENT

Chengtong Financial Leasing and Haifa Baocheng agreed to early terminate the Sale and Leaseback Arrangement on 20 August 2024.

On 15 August 2024, the outstanding lease payment under the Sale and Leaseback Arrangement amounted to approximately RMB51.67 million (equivalent to approximately HK\$56.32 million), comprising outstanding lease principal of RMB50 million (equivalent to HK\$54.50 million), lease interest receivable of approximately RMB0.35 million (equivalent to approximately HK\$0.38 million) and unearned lease interest of approximately RMB1.32 million (equivalent to approximately HK\$1.44 million) for the period from 15 August 2024 up to the end of the Lease Term.

On 15 August 2024, Haifa Baocheng paid Chengtong Financial Leasing an amount of approximately RMB50.35 million (equivalent to approximately HK\$54.88 million) (“**Final Payment**”), which represented the sum of the then outstanding lease principal, lease interest receivable and the nominal consideration of RMB1.00 payable by the Lessee for the repurchase of the Leased Assets.

On 20 August 2024, Chengtong Financial Leasing and Haifa Baocheng signed a confirmation, pursuant to which the parties acknowledged and confirmed that (i) the Final Payment was received by Chengtong Financial Leasing in full and final settlement of all the payment obligations of the Lessee under the Sale and Leaseback Arrangement; (ii) the Sale and Leaseback Agreements signed between Chengtong Financial Leasing and Haifa Baocheng in respect of the Sale and Leaseback Arrangement shall be terminated on 20 August 2024; and (iii) no parties shall have any claim under the Sale and Leaseback Arrangement.

The Group has recognised an income in the amount of approximately RMB4.75 million (equivalent to approximately HK\$5.18 million) under the Sale and Leaseback Arrangement.

REASONS FOR AND BENEFITS OF THE TERMINATION OF THE 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 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 HAIFA BAOCHENG

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (i) Haifa Baocheng is directly owned as to approximately 40.81% by COSCO SHIPPING, approximately 36.99% by China Insurance Investment and approximately 22.20% by State-owned Enterprise Reform Fund; (ii) Haifa Baocheng and its ultimate beneficial owners (save for CCHG) are Independent Third Parties; and (iii) Haifa Baocheng is principally engaged in the business of provision of finance lease services.

IMPLICATIONS UNDER THE LISTING RULES

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

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Leased Assets”	means certain water treatment equipment and ventilation duct equipment
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchases of the Leased Assets from Haifa Baocheng under the Sale and Leaseback Arrangement
“Sale and Leaseback Agreements”	means the following agreements in respect of the Leased Assets and signed between Chengtong Financial Leasing and Haifa Baocheng on 26 June 2023: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
“Sale and Leaseback Arrangement”	means the purchase of the Leased Assets by Chengtong Financial Leasing from Haifa Baocheng and the leaseback of the Leased Assets to Haifa Baocheng pursuant to the terms of the Sale and Leaseback Agreements

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, 20 August 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.