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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 FINANCE LEASE ARRANGEMENT**

#### **TERMINATION OF THE FINANCE LEASE ARRANGEMENT**

Reference is made to the announcement of the Company dated 6 May 2021 in relation to the entering into of the Finance Lease Arrangement.

Given that the Lessee has undergone corporate reorganisation which has led to changes in the management and strategic planning of the Lessee, after arm's length negotiations between Chengtong Financial Leasing and the Lessee, both parties agreed to early terminate the Finance Lease Arrangement.

#### **IMPLICATION UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the termination of the Finance Lease Arrangement exceeds 5% but is less than 25%, the termination of the Finance Lease 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**

Reference is made to the announcement of the Company dated 6 May 2021 (“**Announcement**”) in relation to the entering into of the Finance Lease Arrangement. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Arrangement with the Lessee for a term of five (5) years (“**Lease Term**”). The original estimated amount of total lease payment is approximately RMB226 million (equivalent to approximately HK\$264 million) and is payable in twenty (20) quarterly instalments during the Lease Term.

## **TERMINATION OF THE FINANCE LEASE ARRANGEMENT**

Given that the Lessee has undergone corporate reorganisation which has led to changes in the management and strategic planning of the Lessee, after arm’s length negotiations between Chengtong Financial Leasing and the Lessee, both parties agreed to early terminate the Finance Lease Arrangement.

Prior to 27 May 2022, lease payment of an aggregate amount of approximately RMB33.86 million (equivalent to approximately HK\$39.62 million) had been paid by the Lessee, among which approximately RMB27.21 million (equivalent to approximately HK\$31.84 million) represented the lease principal and approximately RMB6.65 million (equivalent to approximately HK\$7.78 million) represented the lease interest.

As at 27 May 2022, the outstanding lease payment under the Finance Lease Arrangement amounted to approximately RMB191.84 million (equivalent to approximately HK\$224.45 million), comprising outstanding lease principal of approximately RMB172.79 million (equivalent to approximately HK\$202.16 million), lease interest receivable of approximately RMB2.28 million (equivalent to approximately HK\$2.67 million) and unearned lease interest of approximately RMB16.77 million (equivalent to approximately HK\$19.62 million) for the period from 27 May 2022 up to the end of the Lease Term.

On 27 May 2022, the Lessee paid to Chengtong Financial Leasing an amount of approximately RMB162.79 million (equivalent to approximately HK\$190.46 million) (“**Final Payment**”), which represented the sum of the then outstanding lease principal and the nominal consideration of RMB1.00 payable by the Lessee for the repurchase of the Facilities after deducting the security money of RMB10 million (equivalent to HK\$11.70 million) previously paid by the Lessee.

On 10 June 2022, Chengtong Financial Leasing and the Lessee 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 Finance Lease Arrangement; (ii) the finance lease agreement signed between Chengtong Financial Leasing and the Lessee and the guarantee contract signed by the Guarantor in respect of the Finance Lease Arrangement shall terminate on 10 June 2022; and (iii) no parties shall have any claim under the Finance Lease Arrangement.

The Group has recognised an income in the amount of approximately RMB6.65 million (equivalent to approximately HK\$7.78 million) under the Finance Lease Arrangement.

In view of the uncertainties brought by the change in the management and strategic planning of the Lessee following its corporate restructuring, the Directors consider that it is in the interests of the Company and its shareholders as a whole to terminate the Finance Lease

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.

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 is ultimately owned as to 48.20% by 中國中化控股有限責任公司 (unofficial English translation being Sinochem Holdings Company Limited) ("**Sinochem Holdings**"), as to 29.60% by China Chengtong Holdings Group Limited ("**CCHG**"), which is the Company's ultimate holding company, and as to 22.20% by 中國國新控股有限責任公司 (unofficial English translation being China Reform Holdings Corporation Ltd.), all of which are State-owned enterprises wholly-owned by the State Council of the PRC; (ii) the Lessee is principally engaged in the business of investment and management of projects related to the production of unsaturated resin and the sale of chemical raw materials; (iii) the Guarantor is wholly-owned by Sinochem Holdings and is principally engaged in the production and sale of new chemical materials and specialty chemicals, agrochemicals, oil processing and refined products, tire and rubber products, and chemical equipment; and (iv) each of the Lessee, the Guarantor and their respective ultimate beneficial owners (save for CCHG) is an Independent Third Party.

## **IMPLICATION UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the termination of the Finance Lease Arrangement exceeds 5% but is less than 25%, the termination of the Finance Lease Arrangement constitutes a 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\$1.17. 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.*

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

Hong Kong, 10 June 2022

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