

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 22 August 2022 in relation to the entering into of the Assignment and the Sale and Leaseback Arrangements with the Transferor and the Lessees. The Assignment Arrangement was duly completed on the Transfer Date.

Given that the Lessees are proposing organisational restructuring and change in funding requirement, after arm's length negotiations between Chengtong Financial Leasing and the Lessees, all parties agreed to early terminate the Sale and Leaseback Arrangements.

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 Arrangements exceeds 5% but is less than 25%, the termination of the Sale and Leaseback Arrangements 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 22 August 2022 (“**Announcement**”) in relation to the entering into of the Assignment and Sale and Leaseback Arrangements. 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 Assignment and Sale and Leaseback Arrangements on 22 August 2022 with the Transferor and the Lessees for four (4) sale and leaseback arrangements with lease terms expiring on 29 December 2024 and 24 February 2025 respectively. The Assignment Arrangement was duly completed on the Transfer Date. The original estimated amount of total lease payment of the Sale and Leaseback Arrangements was approximately RMB192.61 million (equivalent to approximately HK\$209.94 million) and was payable quarterly during the remaining lease term of each sale and leaseback arrangement.

TERMINATION OF THE SALE AND LEASEBACK ARRANGEMENTS

Given that the Lessees are proposing organisational restructuring and change in funding arrangement, after arm’s length negotiations between Chengtong Financial Leasing and the Lessees, all parties agreed to early terminate the Sale and Leaseback Arrangements.

As at 4 January 2024, the outstanding lease payment under the Sale and Leaseback Arrangements amounted to approximately RMB82.54 million (equivalent to approximately HK\$89.97 million), comprising outstanding lease principal of approximately RMB79.19 million (equivalent to approximately HK\$86.32 million), lease interest receivable of approximately RMB91,621 (equivalent to approximately HK\$99,867) and unearned lease interest of approximately RMB3.26 million (equivalent to approximately HK\$3.55 million).

On 4 January 2024, the Lessees paid Chengtong Financial Leasing an amount of approximately RMB79.28 million (equivalent to approximately HK\$86.42 million) (“**Final Payment**”), which represented the sum of the then outstanding lease principal, lease interest receivable and the nominal consideration of RMB400.00 payable by the Lessees for the repurchase of the Assigned Properties.

On 1 February 2024, Chengtong Financial Leasing and the Lessees 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 Lessees under the Sale and Leaseback Arrangements; (ii) the Three-party Agreement signed between Chengtong Financial Leasing and the Transferor and the Lessees; and the Sale and Leaseback Agreements signed between the Transferor and the Lessees in respect of the Sale and Leaseback Arrangement shall terminate on 1 February 2024; and (iii) no parties shall have any claim under the Sale and Leaseback Arrangements.

The Group has recognised an income in the amount of approximately RMB11.10 million (equivalent to approximately HK\$12.10 million) under the Sale and Leaseback Arrangements.

In view of the uncertainties brought by the Lessees' restructuring and change in funding 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 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.

INFORMATION OF THE PARTIES

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 information of the Lessees is as follows:

1. Lessee A

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) Lessee A is directly owned as to approximately 98.58% by Metallurgical Corporation of China Ltd. ("**Metallurgical Corporation**"), whose shares are listed on the Main Board of the Stock Exchange (stock code: 1618). The holding company of Metallurgical Corporation is China Metallurgical Group Corporation, which is in turn wholly-owned by China Minmetals Corporation; and (b) Lessee A is a large-scale enterprise group integrating engineering contracting, steel engineering and installation, real estate development and project investment.

2. Lessee B

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) Lessee B is directly owned as to (i) 80% by Sichuan Chuan Tou Aviation Communication Equity Interest Investment Fund Management Company Limited, whose ultimate beneficial owner controlling more than one-third of its equity interest is the State-owned Assets Supervision and Administration Commission of the Government of Sichuan Province; and (ii) 10% by Lessee A; (b) despite the fact that Lessee A only owns 10% of the equity interest of Lessee B, the day-to-day operation and financing decision of Lessee B is made by Lessee A and therefore Lessee A is regarded as the actual controller of Lessee B; and (c) Lessee B is principally engaged in the business of big data processing, provision of technological services and development of IT projects.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Lessee A, Lessee B and their respective ultimate beneficial owners are Independent Third Parties.

IMPLICATION 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 Arrangements exceeds 5% but is less than 25%, the termination of the Sale and Leaseback Arrangements 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\$1.09. 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, 1 February 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.