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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 – TERMINATION OF THE SALE AND LEASEBACK ARRANGEMENTS**

#### **TERMINATION OF THE SALE AND LEASEBACK ARRANGEMENTS**

References are made to the announcement of the Company dated 12 August 2022 and the circular of the Company dated 23 September 2022 in relation to, among others, the China Kangfu Master Agreement with China Kangfu, pursuant to which Chengtong Financial Leasing agreed to provide sale and leaseback services to China Kangfu subject to the maximum financing amount of RMB300 million and other terms set out therein.

On 30 September 2022 and 3 February 2023, Chengtong Financial Leasing entered into a total of three sets of sale and leaseback agreements (that is, collectively the Sale and Leaseback Agreements) with China Kangfu pursuant to the China Kangfu Master Agreement. Chengtong Financial Leasing and China Kangfu have agreed to early terminate the Sale and Leaseback Agreements with effect from 23 April 2024.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Since the Sale and Leaseback Agreements were entered into between the same parties and are terminated by the same parties on the same day, being 23 April 2024, the termination of the Sale and Leaseback Arrangements are aggregated 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 termination of the Sale and Leaseback Arrangements exceeds 25% but less than 100% on an aggregated basis, the termination of the Sale and Leaseback Arrangements 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 termination of the Sale and Leaseback Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the termination of the Sale and Leaseback Arrangements. 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 termination of the Sale and Leaseback Arrangements 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 termination of the Sale and Leaseback Arrangements.

A circular containing, among other things, (i) information on the termination of the Sale and Leaseback Arrangements, and (ii) other information required under the Listing Rules will be made available to the Shareholders on or before 16 May 2024, which is within 15 business days after the publication of this announcement.

## 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 China Kangfu Master Agreement with China Kangfu, pursuant to which Chengtong Financial Leasing agreed to provide sale and leaseback services to China Kangfu subject to the maximum financing amount of RMB300 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 30 September 2022 and 3 February 2023, Chengtong Financial Leasing entered into a total of three sets of sale and leaseback agreements (that is, collectively the Sale and Leaseback Agreements) each for a term of two (2) years with China Kangfu pursuant to the China Kangfu Master Agreement. Details of which are set out below:

- (i) pursuant to the first set of Sale and Leaseback Agreements dated 30 September 2022, Chengtong Financial Leasing purchased the relevant Leased Assets from China Kangfu at a Purchase Price of RMB150 million (equivalent to HK\$162 million) and leased the relevant Leased Assets back to China Kangfu for a total lease payment of approximately RMB157.77 million (equivalent to approximately HK\$170.39 million);
- (ii) pursuant to the second set of Sale and Leaseback Agreements dated 3 February 2023, Chengtong Financial Leasing purchased the relevant Leased Assets from China Kangfu at a Purchase Price of RMB32 million (equivalent to HK\$34.56 million) and leased the relevant Leased Assets back to China Kangfu for a total lease payment of approximately RMB33.64 million (equivalent to approximately HK\$36.33 million); and

- (iii) pursuant to the third set of Sale and Leaseback Agreements dated 3 February 2023, Chengtong Financial Leasing purchased the relevant Leased Assets from China Kangfu at a Purchase Price of RMB76 million (equivalent to approximately HK\$82.08 million) and leased the relevant Leased Assets back to China Kangfu for a total lease payment of approximately RMB79.87 million (equivalent to approximately HK\$86.26 million).

The lease payments of the Sale and Leaseback Arrangements 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 ARRANGEMENTS**

Chengtong Financial Leasing and China Kangfu have agreed to early terminate the Sale and Leaseback Agreements with effect from 23 April 2024.

As at 15 April 2024, the sum of the outstanding lease payments from China Kangfu under the Sale and Leaseback Arrangements amounted to approximately RMB132.14 million (equivalent to approximately HK\$142.71 million), comprising the total outstanding lease principal (being the sum of the relevant Purchase Price) of RMB129 million (equivalent to HK\$139.32 million), lease interest receivable of approximately RMB1.10 million (equivalent to approximately HK\$1.19 million) and unearned interest of approximately RMB2.04 million (equivalent to approximately HK\$2.20 million).

On 15 April 2024, China Kangfu had paid Chengtong Financial Leasing an amount of approximately RMB130.10 million (equivalent to approximately HK\$140.51 million) (the “**Final Payment**”), which represented the sum of the then outstanding lease principal and the lease interest receivables and the nominal consideration of RMB3.00 payable by China Kangfu for the repurchase of all Leased Assets.

On 23 April 2024, Chengtong Financial Leasing and China Kangfu 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 China Kangfu under the Sale and Leaseback Arrangements; (ii) the Sale and Leaseback Agreements shall terminate with effect from 23 April 2024; and (iii) no party shall have any claim under the Sale and Leaseback Arrangements.

The Group has recognised an income in the amount of approximately RMB13.07 million (equivalent to approximately HK\$14.12 million) under the Sale and Leaseback Arrangements.

## **REASONS FOR AND BENEFITS OF THE TERMINATION OF THE SALE AND LEASEBACK ARRANGEMENTS**

In view of the early termination of the three individual underlying projects of China Kangfu (derived from the Sale and Leaseback Arrangements) and subsequent change in funding arrangements of China Kangfu, the Directors consider that it is in the interests of the Company and its shareholders as a whole to 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 CHINA KANGFU**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as of the date of this announcement, (i) China Kangfu is a company whose shares are quoted on the National Equities Exchanges and Quotations in the PRC (stock code: 833499) and its largest shareholder holding approximately 20.05% of its equity interest is Diantou Ronghe New Energy Development Co., Ltd., a company established in the PRC with limited liability whose single largest shareholder holding approximately 35.64% of its equity interest is ultimately owned by the State-owned Assets Supervision and Administration Commission of the State Council; (ii) China Kangfu is principally engaged in the business of provision of finance lease services; and (iii) China Kangfu and its ultimate beneficial owners are Independent Third Parties.

## **IMPLICATIONS UNDER THE LISTING RULES**

Since the Sale and Leaseback Agreements were entered into between the same parties and are terminated by the same parties on the same day, being 23 April 2024, the termination of the Sale and Leaseback Arrangements are aggregated 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 termination of the Sale and Leaseback Arrangements exceeds 25% but less than 100% on an aggregated basis, the termination of the Sale and Leaseback Arrangements 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 termination of the Sale and Leaseback Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the termination of the Sale and Leaseback Arrangements. 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 termination of the Sale and Leaseback Arrangements 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 termination of the Sale and Leaseback Arrangements.

A circular containing, among other things, (i) information on the termination of the Sale and Leaseback Arrangements, and (ii) other information required under the Listing Rules will be made available to the Shareholders on or before 16 May 2024, 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:

- “Leased Assets” means certain power generation equipment and facilities for wind power plant
- “Purchase Price” means the consideration payable by Chengtong Financial Leasing for the purchases of the Leased Assets from China Kangfu under the Sale and Leaseback Arrangements
- “Sale and Leaseback Agreements” means, collectively, three (3) sets of the following agreements in respect of the Leased Assets and signed between Chengtong Financial Leasing and China Kangfu on 30 September 2022 and 3 February 2023:
- (1) leaseback assets transfer agreements; and
  - (2) finance lease agreements (sale and leaseback)
- “Sale and Leaseback Arrangements” means the purchase of the Leased Assets by Chengtong Financial Leasing from China Kangfu and the leaseback of the Leased Assets to China Kangfu 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 HK\$1.08. 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, 23 April 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.*