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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 TRANSACTIONS –
SALE AND LEASEBACK ARRANGEMENTS**

A letter from the Board is set out from pages 7 to 18 of this circular.

13 May 2025

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	means the board of Directors
“CCHG”	means China Chengtong Holdings Group Limited, a state-owned enterprise established in the PRC with limited liability and the ultimate holding company of the Company
“CCHK”	means China Chengtong Hong Kong Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company as at the Latest Practicable Date
“Chengtong Financial Leasing”	means Chengtong Financial Leasing Company Limited, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“China Baowu”	means China Baowu Steel Group Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	means China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Dahongshan Leased Assets”	means certain mining production equipment and facilities, including field selecting machine, vertical mill, waste rock blasting machine, etc.
“Dahongshan Leased Assets Valuation Report”	means the valuation report issued by the Valuer in respect of the value of the Dahongshan Leased Assets as at 5 February 2025, which will expire on 4 February 2026
“Dahongshan Lessee”	means Yuxi Dahongshan Mining Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Dahongshan Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Dahongshan Leased Assets from the Dahongshan Lessee

DEFINITIONS

“Dahongshan Sale and Leaseback Agreements”	<p>means, collectively, three (3) sets of the following agreements in respect of the Dahongshan Leased Assets dated 24 March 2025 and signed between Chengtong Financial Leasing and the Dahongshan Lessee:</p> <p>(1) leaseback assets transfer agreement; and</p> <p>(2) finance lease agreement (sale and leaseback)</p>
“Dahongshan Sale and Leaseback Arrangement”	<p>means the sale and leaseback arrangement under the Dahongshan Sale and Leaseback Agreements</p>
“Director(s)”	<p>means the director(s) of the Company</p>
“Ganlong Leased Assets”	<p>means certain power equipment such as electric switch machine, switch gap alarm subsidiary unit, power transformer and other equipment</p>
“Ganlong Lessee”	<p>means Ganlong Double Track Railway (Fujian) Co., Ltd., a state-owned enterprise established in the PRC with limited liability</p>
“Ganlong Purchase Price”	<p>means the consideration payable by Chengtong Financial Leasing for the purchase of the Ganlong Leased Assets from the Ganlong Lessee</p>
“Ganlong Sale and Leaseback Agreements”	<p>means, collectively, the following agreements in respect of the Ganlong Leased Assets dated 9 April 2025 and signed between Chengtong Financial Leasing and the Ganlong Lessee:</p> <p>(1) leaseback assets transfer agreement; and</p> <p>(2) finance lease agreement (sale and leaseback)</p>
“Ganlong Sale and Leaseback Arrangement”	<p>means the sale and leaseback arrangement under the Ganlong Sale and Leaseback Agreements</p>
“Group”	<p>means the Company and its subsidiaries as at the date of this circular</p>
“Guarantor”	<p>means Yunnan Tianlang Energy Saving and Environmental Protection Group Co., Ltd., a state-owned enterprise established in the PRC with limited liability</p>

DEFINITIONS

“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Part(ies)”	means third party(ies) independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Latest Practicable Date”	means 8 May 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lease Term”	means the respective lease term under the Dahongshan Sale and Leaseback Agreements, the lease term under the Ganlong Sale and Leaseback Agreements and/or the lease term under the Sinosteel Sale and Leaseback Agreements (as the case may be)
“Leased Assets”	means the Dahongshan Leased Assets, the Ganlong Leased Assets and/or the Sinosteel Leased Assets (as the case may be)
“Lessee(s)”	means, the Dahongshan Lessee, the Ganlong Lessee and/or the Sinosteel Lessee (as the case may be)
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	means the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Baosteel Lessee”	means Baosteel Desheng Stainless Steel Co., Ltd., a state-owned enterprise established in the PRC with limited liability

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“Previous Baosteel Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Baosteel Lessee on 16 December 2024 in respect of the welding machine, annealing furnace and other related equipment, etc. in two production lines, the details of which are set out in the announcement of the Company dated 16 December 2024 and the circular of the Company dated 24 January 2025
“Previous Chongqing Lessee”	means Chongqing Yufei Infrastructure Construction Co., Ltd., a company established in the PRC with limited liability
“Previous Chongqing Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Chongqing Lessee and Previous Wuhan Lessee on 2 June 2023 in respect of certain steel sheet piles, vibratory hammers, diesel engines, etc., the details of which are set out in the announcement of the Company dated 2 June 2023 and the circular of the Company dated 19 June 2023
“Previous Ganlong Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Ganlong Lessee on 25 September 2024 in respect of certain power equipment such as transformers, switch cabinets and monitoring and control panels etc., the details of which are set out in the announcement of the Company dated 25 September 2024 and the circular of the Company dated 22 October 2024
“Previous Jitong Lessee”	means Inner Mongolia Jitong Railway (Group) Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Previous Jitong Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Jitong Lessee on 17 December 2024 in respect of certain internal combustion locomotives, the details of which are set out in the announcement of the Company dated 17 December 2024 and the circular of the Company dated 24 January 2025

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“Previous Wuhan Lessee”	means Wuhan Iron and Steel Green City Technology Development Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Previous Xiduo Lessee”	means Inner Mongolia Xiduo Railway Joint-stock Co., Ltd., a company established in the PRC with limited liability
“Previous Xiduo Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Xiduo Lessee on 14 March 2023 in respect of certain railway facilities and equipment, including but not limited to (i) metallic protective fences and outdoor heating networks; and (ii) railroad switches and station mainlines, and ancillary facilities and equipment, the details of which are set out in the announcement of the Company dated 14 March 2023 and the circular of the Company dated 19 April 2023
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the relevant Leased Assets from the relevant Lessee(s)
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the Dahongshan Sale and Leaseback Agreements, the Ganlong Sale and Leaseback Agreements and/or the Sinosteel Sale and Leaseback Agreements (as the case may be)
“Sale and Leaseback Arrangements”	means, collectively, the Dahongshan Sale and Leaseback Arrangement, the Ganlong Sale and Leaseback Arrangement and/or the Sinosteel Sale and Leaseback Arrangement (as the case may be)
“SASAC”	means The State-owned Assets Supervision and Administration Commission
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	means the shareholder(s) of the Company

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“Sinosteel Leased Assets”	means certain core ring molds, cold processing equipment, connection boxes, end cover connection boxes and ingot mold equipment, etc.
“Sinosteel Lessee”	means Sinosteel Xingtai Machinery & Mill Roll Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Sinosteel Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Sinosteel Leased Assets from the Sinosteel Lessee
“Sinosteel Sale and Leaseback Agreements”	<p>means, collectively, the following agreements in respect of the Sinosteel Leased Assets dated 23 April 2025 and signed between Chengtong Financial Leasing and the Sinosteel Lessee:</p> <p>(1) leaseback assets transfer agreement; and</p> <p>(2) finance lease agreement (sale and leaseback)</p>
“Sinosteel Sale and Leaseback Arrangement”	means the sale and leaseback arrangement under the Sinosteel Sale and Leaseback Agreements
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Valuer”	means Beijing Zhonghuantai Asset Appraisal Co., Ltd., a qualified independent valuer in the PRC
“%”	means per cent.

In this circular, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.06. 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 circular are for identification purpose only.

LETTER FROM THE BOARD



CHINA CHENG TONG 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)

Executive Directors:

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Chang Qing

Lee Man Chun, Tony

He Jia

18 Harbour Road

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13 May 2025

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTIONS – SALE AND LEASEBACK ARRANGEMENTS

1. INTRODUCTION

Reference is made to the announcements of the Company dated 24 March 2025, 9 April 2025 and 23 April 2025 in respect of the Sale and Leaseback Arrangements.

The purpose of this circular is to provide you with (i) information on the Sale and Leaseback Arrangements; and (ii) other information required to be disclosed under the Listing Rules.

2. MAJOR TRANSACTIONS

(A) The Sale and Leaseback Arrangements

Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into (i) the Dahongshan Sale and Leaseback Agreements with the Dahongshan Lessee on 24 March 2025; (ii) the Ganlong Sale and Leaseback Agreements with the Ganlong Lessee on 9 April 2025; and (iii) the Sinosteel Sale and Leaseback Agreements

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with the Sinosteel Lessee on 23 April 2025, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the Lessee(s) and will lease the Leased Assets back to the Lessee(s) for the respective Lease Term, subject to early termination in accordance with the terms and conditions of the relevant Sale and Leaseback Agreements. The major terms of the Sale and Leaseback Arrangements are set out below.

Subject matter

In each of the Sale and Leaseback Arrangements, subject to the fulfilment of the conditions as set out in the relevant Sale and Leaseback Agreements (including but not limited to the provision of all necessary documents or information by the relevant Lessee(s) evidencing their ownership in the relevant Leased Assets, and the obtaining of all necessary approvals by the relevant Lessee(s) in relation to the relevant Sale and Leaseback Arrangements), Chengtong Financial Leasing will purchase the relevant Leased Assets from the relevant Lessee(s) and such Leased Assets will be leased back to the relevant Lessee(s) for the Lease Term, of three (3) or five (5) years (as the case may be), commencing from the date on which the Purchase Price in respect of the relevant Leased Assets is paid by Chengtong Financial Leasing, subject to early termination in accordance with the terms and conditions of the relevant Sale and Leaseback Agreements.

All the conditions under the Sale and Leaseback Agreements have been satisfied.

Purchase Price

Dahongshan Purchase Price

The Dahongshan Purchase Price was agreed between Chengtong Financial Leasing and the Dahongshan Lessee with reference to the appraised value of the Dahongshan Leased Assets as at 5 February 2025 which amounted to approximately RMB377.53 million (equivalent to approximately HK\$400.18 million) as assessed by way of cost method by the Valuer.

According to the Dahongshan Leased Assets Valuation Report, the Valuer's scope of work is to assess the total appraised value of the Dahongshan Leased Assets, comprising a total of 29,761 of mining production equipment and facilities.

Set forth below is the valuation methodology adopted by the Valuer in assessing the value of the Dahongshan Leased Assets.

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The cost method, being adopted by the Valuer for the valuation of the Leased Assets, is a method determining the value of an appraised asset by multiplying the replacement cost of the appraised asset by its newness rate. The value of the appraised asset is first to be obtained by estimating the replacement cost of the appraised asset, followed by deducting various estimated depreciation factors that currently exist in the appraised asset. The replacement cost is determined on the basis of the current market value of the appraised asset on the appraisal date, while the newness rate is determined through an on-site inspection and calculation and analysis based on technical and economic factors.

In appraising the value of the Leased Assets, the Valuer had also considered (i) the market approach, which appraises the value of an appraised asset by direct comparison or relevant analogy analysis of the recent trading prices of the same or similar assets in the market and (ii) the income approach, which calculates the value of an appraised asset by estimating the expected future earnings of the appraised asset and converting into the present value with the appropriate discounted rate. Since (i) there is no open market for the Dahongshan Leased Assets and a lack of information about the comparable transaction of similar assets and (ii) it is hard to estimate the income of the Dahongshan Leased Assets on a standalone basis, both the market approach and the income approach were considered inappropriate methods for assessing the fair value of the Dahongshan Leased Assets. In accordance with the relevant procedures for the valuation of assets, the Valuer adopted the cost method taking into account the factors affecting the valuation of the Dahongshan Leased Assets.

Based on the valuation, the total appraised replacement cost of the Dahongshan Leased Assets is approximately RMB407.73 million (equivalent to approximately HK\$432.19 million). The aggregate replacement cost was determined by aggregating the replacement cost of each of the Dahongshan Leased Assets ranging from RMB729 (equivalent to approximately HK\$773) to approximately RMB68.67 million (equivalent to approximately HK\$72.79 million). The replacement cost of each individual Dahongshan Leased Assets, where applicable, is composed of equipment purchase fee (including original purchase price and transportation and miscellaneous expenses), installation and tuning fee, equipment foundation fee, engineering construction fee and capital costs. Original purchase prices generally refer to ex-factory prices or the prices stated in the relevant order contract.

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The equipment purchase fees of the respective Dahongshan Leased Assets account for approximately 98.38% to approximately 99.53%, with an average of approximately 98.75%, of the replacement cost of the respective Leased Assets. Among the equipment purchase fees, the original purchase prices of the Leased Assets range from approximately RMB652 (equivalent to approximately HK\$691) to approximately RMB65.66 million (equivalent to approximately HK\$69.60 million), and the aggregate original purchase prices of the Leased Assets account for approximately 96.25% of the aggregate equipment purchase fees of the Leased Assets. Other expenses such as transportation and miscellaneous expenses, installation and tuning fee, equipment foundation fee, engineering construction fee and capital costs either constitute an insignificant portion of the replacement cost or are not applicable in the calculation of such replacement cost.

The newness rate of the appraised asset is determined after taking into account the economic life of the appraised asset, the remaining service life of the appraised asset and the status of the appraised asset through an on-site inspection. The newness rates for the Dahongshan Leased Assets, evaluated by the Valuer, is approximately 92.59%.

Based on the above-mentioned, the total appraised value of the Dahongshan Leased Assets is approximately RMB377.53 million (equivalent to approximately HK\$400.18 million), which is calculated by multiplying the individual replacement cost of the Dahongshan Leased Assets by the relevant newness rate of the Dahongshan Leased Assets.

The Board has considered the valuation assumptions as set out in the Dahongshan Leased Assets Valuation Report, which include but not limited to the following:

- (i) the appraised assets are in the process of transactions and the Valuer conducts the valuation by simulating the market according to the trading conditions of the appraised assets;
- (ii) the market is competitive, open and not exclusive. All individuals or entities in the market can participate in the transactions equally and freely, and each party in the transactions has obtained the necessary market information with sufficient time and necessary expertise in assets being traded;
- (iii) there is no material change in (1) the national macroeconomic policies and the social economic environment in which the assets are located; (2) the policies, the management system and relevant regulations in respect of the industry; and (3) the tax policies, credit interest rates, etc. in respect of the business operation; and

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- (iv) the appraised entities or assets will continue to be operated and utilised as a production factor according to its current conditions or on a changed basis. The valuation emphasizes that the functions and profitability of the appraised assets under their current usage and mode of use, usage environment, scale, frequency and utilisation condition will continue normally in the foreseeable future.

The Board noted that if there is any deviation from the above assumptions, the valuation results may differ and has reviewed the Dahongshan Leased Assets Valuation Report and considered the valuation methods and assumptions adopted. The Board is of the view that the valuation method in respect of the Dahongshan Leased Assets is reasonable and the assumptions adopted are general assumptions commonly adopted in assets valuation in the PRC. Therefore, the Board considers that the appraised value of the Dahongshan Leased Assets is fair and reasonable.

The Valuer is a qualified asset valuation firm in the PRC registered with the China Appraisal Society and filed with Beijing Municipal Finance Bureau. Mr. Liu Xiongliang and Mr. Chen Wei who are employed by the Valuer were principally involved in the preparation of the Dahongshan Leased Assets Valuation Report. Mr. Liu Xiongliang and Mr. Chen Wei are both members of the China Appraisal Society. As confirmed by the Valuer, the Valuer has no present nor prospective interests in the Company, the Dahongshan Lessee and its holding companies, subsidiaries and associated companies, or the value reported in the Dahongshan Leased Assets Valuation Report.

The Dahongshan Leased Assets form part of operational assets of the Dahongshan Lessee and are not revenue generating assets with identifiable income stream.

The Dahongshan Purchase Price was satisfied by the general working capital of the Group.

Ganlong Purchase Price

The Ganlong Purchase Price was agreed between Chengtong Financial Leasing and the Ganlong Lessee with reference to the net book value of the Ganlong Leased Assets of approximately RMB112.07 million (equivalent to approximately HK\$118.79 million). The Ganlong Leased Assets are not revenue generating assets with identifiable income stream.

The Ganlong Purchase Price was satisfied by the general working capital of the Group.

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Sinosteel Purchase Price

The Sinosteel Purchase Price was agreed between Chengtong Financial Leasing and the Sinosteel Lessee with reference to the net book value of the Sinosteel Leased Assets of approximately RMB68.84 million (equivalent to approximately HK\$72.97 million). The Sinosteel Leased Assets are not revenue generating assets with identifiable income stream.

The Sinosteel Purchase Price was satisfied by the general working capital of the Group.

Legal title

Chengtong Financial Leasing owns the legal title of the relevant Leased Assets during the relevant Lease Term.

Lease payment

The total amount of lease payment over the relevant Lease Term in respect of the relevant Sale and Leaseback Arrangement shall be paid by the relevant Lessee(s) to Chengtong Financial Leasing in accordance with the payment schedule as set out in the relevant Sale and Leaseback Agreements.

The total amount of lease payment represents the sum of the relevant lease principal amount (being the amount of relevant Purchase Price to be paid by Chengtong Financial Leasing) and the relevant lease interest.

Service Fee

Under the Sinosteel Sale and Leaseback Arrangement, the Sinosteel Lessee shall pay a total one-off service fee of RMB0.3 million (equivalent to approximately HK\$0.32 million) (“**Service Fee**”) to Chengtong Financial Leasing for the preliminary services provided by Chengtong Financial Leasing under the Sinosteel Sale and Leaseback Arrangement. The details of Service Fee is shown under the “Material terms of the Sale and Leaseback Agreements” below and is non-refundable. The Service Fee was fully received by Chengtong Financial Leasing in accordance with the Sinosteel Sale and Leaseback Agreements as of the Latest Practicable Date.

The lease payment and the Service Fee (if any) applicable to the Sale and Leaseback Arrangements have been agreed between the parties after arm’s length negotiation and taking into account a number of factors, such as the amount of lease principal, the lease term, the overall return rate attained by the Group having considered the amount of lease interests and the Service Fee (if any), and the prevailing market conditions.

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Having considered the above factors in the specific circumstances of the Sale and Leaseback Arrangements, the Board considers that the lease payment, interest rate and the Service Fee as agreed in the Sale and Leaseback Agreements are fair and reasonable which are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Guarantee

The Guarantor has provided a guarantee in favour of Chengtong Financial Leasing as security for all amounts payable by the Dahongshan Lessee under the Dahongshan Sale and Leaseback Agreements including but not limited to liquidated damages, outstanding and prospective lease payments and other payables. The guarantee is irrevocable and continuing in nature.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Guarantor is a direct wholly-owned subsidiary of Kunming Iron & Steel Holdings Co., Ltd., which is directly owned as to approximately 76.46% by the SASAC of Yunnan Provincial People's Government, the ultimate beneficial owner of the Dahongshan Lessee; (ii) the Guarantor and its ultimate beneficial owner are Independent Third Parties; and (iii) the Guarantor is principally engaged in the business of environmental protection equipment manufacturing.

Lessee's right to repurchase the Leased Assets

Upon the relevant Lessee(s) having paid all the lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the relevant Sale and Leaseback Agreements, the relevant Lessee(s) shall have the right to repurchase the relevant Leased Assets under the relevant Sale and Leaseback Agreements at nominal consideration.

Credit enhancement measures

Depending on the overall risks associated with a sale and leaseback arrangement, Chengtong Financial Leasing may request appropriate credit enhancement measure(s) on a case-by-case basis. Chengtong Financial Leasing will monitor, among others, the financial conditions of the lessee(s) and the security provider(s) (if any) from time to time and may request the lessee(s) to provide security such as the payment of security money and the provision of corporate guarantee to safeguard its interests as the lessor as and when Chengtong Financial Leasing considers necessary.

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The Board considers that the existing credit enhancement measure, in addition to the security provided by the Guarantor in Dahongshan Sale and Leaseback Agreements, are sufficient to safeguard the interest of the Company and the Shareholders.

Material terms of the Sale and Leaseback Agreements

The general terms and conditions of the Sale and Leaseback Agreements are similar. The respective key terms are summarised as follows:

	Dahongshan Sale and Leaseback Agreements	Ganlong Sale and Leaseback Agreements	Sinosteel Sale and Leaseback Agreements
Date of the Sale and Leaseback Agreements	24 March 2025	9 April 2025	23 April 2025
Lessee	Dahongshan Lessee	Ganlong Lessee	Sinosteel Lessee
Leased Assets	certain mining production equipment and facilities, including field selecting machine, vertical mill, waste rock blasting machine, etc.	certain power equipment such as electric switch machine, switch gap alarm subsidiary unit, power transformer and other equipment	certain core ring molds, cold processing equipment, connection boxes, end cover connection boxes and ingot mold equipment, etc.
Purchase Price	RMB300 million (equivalent to HK\$318 million)	RMB100 million (equivalent to HK\$106 million)	RMB60 million (equivalent to HK\$63.6 million)
Basis of Purchase Price	the appraised value of the Dahongshan Leased Assets of approximately RMB377.53 million (equivalent to approximately HK\$400.18 million)	the net book value of the Ganlong Leased Assets of approximately RMB112.07 million (equivalent to approximately HK\$118.79 million)	the net book value of the Sinosteel Leased Assets of approximately RMB68.84 million (equivalent to approximately HK\$72.97 million)
Lease Term	five (5) years	three (3) years	three (3) years
Lease Payments	approximately RMB339.92 million (equivalent to approximately HK\$360.32 million), payable by the Dahongshan Lessee to Chengtong Financial Leasing in twenty (20) quarterly instalments during the Lease Term	approximately RMB106.16 million (equivalent to approximately HK\$112.53 million), payable by the Ganlong Lessee to Chengtong Financial Leasing in six (6) semi-annual instalments during the Lease Term	approximately RMB63.59 million (equivalent to approximately HK\$67.41 million), payable by the Sinosteel Lessee to Chengtong Financial Leasing in twelve (12) quarterly instalments during the Lease Term
Service Fee	Nil	Nil	RMB0.3 million (equivalent to approximately HK\$0.32 million)
Nominal consideration for repurchase of the Leased Assets	RMB3.00 (equivalent to HK\$3.18)	RMB1.00 (equivalent to HK\$1.06)	RMB0.6 (equivalent to approximately HK\$0.64)
Estimated income	approximately RMB39.92 million (equivalent to approximately HK\$42.32 million)	approximately RMB6.16 million (equivalent to approximately HK\$6.53 million)	approximately RMB3.89 million (equivalent to approximately HK\$4.12 million)

LETTER FROM THE BOARD

(B) Information of the Lessees

The Dahongshan Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and based on the information publicly available as of the Latest Practicable Date, (a) the Dahongshan Lessee is indirectly owned as to (i) approximately 78.46% by Kuming Iron & Steel Holdings Co., Ltd. and (ii) approximately 21.54% by Wugang Group Kunming Iron & Steel Co., Ltd., which is owned as to approximately 48.41% by Wugang Group Co., Ltd. (an indirect wholly-owned subsidiary of SASAC of the State Council) and 47.41% by Kuming Iron & Steel Holdings Co., Ltd.; (b) the Dahongshan Lessee and its ultimate beneficial owner are Independent Third Parties; and (c) the Dahongshan Lessee is principally engaged in the business of the iron ore mining, iron powder processing, mineral products development and marketing.

The Ganlong Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and based on the information publicly available as of the Latest Practicable Date, (i) the Ganlong Lessee is directly owned as to (a) 60% by China Railway Nanchang Bureau Group Co., Ltd., which is wholly owned by China State Railway Group Co., Ltd., which is in turn wholly owned by the State Council of the PRC; (b) approximately 25.8% by Fujian Railway Investment Co., Ltd., which is owned as to approximately 86.1% by Fujian Province Investment Development Group Co., Ltd.; and (c) approximately 14.2% by Huaneng Power International, Inc., the A shares and H shares of which are listed on the Shanghai Stock Exchange (stock code: 600011) and the Stock Exchange (stock code: 00902), respectively; (ii) each of the Ganlong Lessee and its ultimate beneficial owners is Independent Third Party; and (iii) the Ganlong Lessee is principally engaged in the operation of public railway transport, construction work and property development and management.

The Sinosteel Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and based on the information publicly available as of the Latest Practicable Date, (i) the Sinosteel Lessee is a wholly-owned subsidiary of Sinosteel Equipment Technology Co., Ltd., which is an indirect wholly owned subsidiary of Sinosteel Group Co., Ltd., which is in turn wholly owned by China Baowu. China Baowu is wholly owned by SASAC of the State Council; (ii) the Sinosteel Lessee and its ultimate beneficial owners are Independent Third Parties; and (iii) the Sinosteel Lessee is principally engaged in the business of research and development, production and services of metallurgical rolls, and equipment.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as the Previous Baosteel Transaction, the Previous Chongqing Transaction, the Previous Ganlong Transactions, the Previous Jitong Transaction and the Previous Xiduo Transaction, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Company, any connected person at the Company's level, and/or any connected person at the subsidiary level (to the extent that such subsidiary/ subsidiaries is/are involved in the transactions); and (b) the Lessee(s), its directors and legal representatives and any ultimate beneficial owner(s) of the Lessee(s) who can exert influence on the transactions.

(C) Reasons for and Benefits of the Sale and Leaseback Arrangements

The Group is principally engaged in leasing, 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.

The entering into the Sale and Leaseback Arrangements is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn an aggregate income of approximately RMB49.97 million (equivalent to approximately HK\$52.97 million), being the total of (i) the Service Fee and (ii) the lease interest under the Sale and Leaseback Arrangements.

In light of the above, the Directors are of the view that the terms of the Sale and Leaseback Arrangements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(D) Implications under the Listing Rules

Dahongshan Sale and Leaseback Arrangement

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Dahongshan Sale and Leaseback Arrangement exceeds 25% but is less than 100%, the Dahongshan Sale and Leaseback Arrangement 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.

LETTER FROM THE BOARD

Ganlong Sale and Leaseback Arrangement

Chengtong Financial Leasing entered into (i) the Previous Xiduo Transaction with the Previous Xiduo Lessee on 14 March 2023; (ii) the Previous Ganlong Transaction with the Ganlong Lessee on 25 September 2024; and (iii) the Previous Jitong Transaction with the Previous Jitong Lessee on 17 December 2024. Since (i) the Previous Ganlong Transaction, the Previous Jitong Transaction and the Previous Xiduo Transaction are still subsisting when the Ganlong Sale and Leaseback Arrangement was entered into; and (ii) the Ganlong Lessee, the Previous Jitong Lessee and the Previous Xiduo Lessee are more than 50% indirectly owned by China State Railway Group Co., Ltd., and are connected with each other, thus the Ganlong Sale and Leaseback Arrangement is aggregated with the Previous Ganlong Transaction, the Previous Jitong Transaction and the Previous Xiduo Transaction 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 Ganlong Sale and Leaseback Arrangement, when aggregated with the Previous Ganlong Transaction, the Previous Jitong Transaction and the Previous Xiduo Transaction, exceeds 25% but is less than 100%, the Ganlong Sale and Leaseback Arrangement 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.

Sinosteel Sale and Leaseback Arrangement

Chengtong Financial Leasing entered into (i) the Previous Chongqing Transaction with the Previous Chongqing Lessee and the Previous Wuhan Lessee on 2 June 2023; and (ii) the Previous Baosteel Transaction with the Previous Baosteel Lessee on 16 December 2024. Since (i) the Previous Baosteel Transaction and the Previous Chongqing Transaction are still subsisting when the Sinosteel Sale and Leaseback Arrangement was entered into, and (ii) the Sinosteel Lessee, the Previous Baosteel Lessee and the Previous Wuhan Lessee are companies directly or indirectly owned more than 50% by China Baowu, and the Previous Chongqing Lessee is owned as to 40% by a company controlled by China Baowu, thus the Sinosteel Sale and Leaseback Arrangement is aggregated with the Previous Baosteel Transaction and the Previous Chongqing Transaction for the purpose of calculating the relevant percentage ratios (as defined in the Listing Rules).

LETTER FROM THE BOARD

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Sinosteel Sale and Leaseback Arrangement, when aggregated with the Previous Baosteel Transaction and the Previous Chongqing Transaction, exceeds 25% but is less than 100%, the Sinosteel Sale and Leaseback Arrangement 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 Directors' knowledge, information and belief, 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 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 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 Sale and Leaseback Arrangements from CCHK, 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 circular. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Sale and Leaseback Arrangements.

3. RECOMMENDATION

The Directors are of the view that the terms of the Sale and Leaseback Agreements are normal commercial terms and are fair and reasonable. The Directors also consider that the entering into of the Sale and Leaseback Arrangements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were to be convened for the approval of the Sale and Leaseback Arrangements, the Board would recommend the Shareholders to vote in favour of the resolution to approve the same at such general meeting.

4. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,

On behalf of the Board

China Chengtong Development Group Limited

Li Qian

Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three financial years ended 31 December 2022, 31 December 2023 and 31 December 2024 have been set out in the following documents respectively:

- (a) the annual report of the Company for the year ended 31 December 2022 from pages 79 to 224 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400489.pdf>);
- (b) the annual report of the Company for the year ended 31 December 2023 from pages 91 to 241 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0424/2024042400654.pdf>); and
- (c) the annual report of the Company for the year ended 31 December 2024 from pages 65 to 163 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042900805.pdf>).

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 March 2025, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this circular, the Group had (i) secured and unguaranteed bank borrowings of approximately HK\$1,980.78 million which are secured by charges over loan receivables and trade receivable under operating lease business of the Group; (ii) unsecured and unguaranteed bank borrowings of HK\$144.03 million; (iii) unsecured and unguaranteed corporate bonds of HK\$536.66 million; (iv) secured and guaranteed asset-backed securities of approximately HK\$1,588.97 million which are secured by charges over loan receivables and finance lease receivables of the Group and guaranteed by the ultimate holding company; (v) unsecured and unguaranteed loans from related parties of approximately HK\$347.75 million; and (vi) lease liabilities of approximately HK\$2.65 million.

As at the close of business on 31 March 2025, the Group had contingent liabilities in relation to guarantees of approximately HK\$233.64 million given to banks in respect of mortgage loans granted to purchasers of certain property units.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing, mortgages or charges, contingent liabilities or guarantees as at 31 March 2025.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors are of the opinion that, after taking into account the effects of the Sale and Leaseback Arrangements, the internally generated funds, existing facilities available to the Group and financial resources presently available to the Group, the Group will have sufficient working capital to satisfy its requirements for at least twelve (12) months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in leasing, property development and investment, marine recreation services and hotel business as of the Latest Practicable Date.

Regarding the leasing business, firstly, the Group will maintain and stabilise Chengtong Financial Leasing's existing credit rating, so as to consolidate its credit foundation and position in the market. At the same time, we will strengthen fundraising efforts, continue to issue asset-backed securities, try to issue short-term bonds, medium-term notes, corporate bonds and other credit bonds, and continue to expand bank financing so as to promote the diversification of the financing structure. Secondly, we will continue to improve our risk management system, unwaveringly prevent and resolve business risks, and enhance asset quality and operational efficiency by fine-tuning and optimising the allocation structure of existing assets. Thirdly, we will closely focus on strategic emerging industries such as integrated circuits, biomedicine and new energy to develop in-depth specialised operations and strive to achieve strategic breakthroughs. Fourthly, we will actively promote the integration of 'Leasing + AI', strive to achieve a two-way breakthrough in corporate management enhancement and digital transformation, and comprehensively enhance the application capabilities in such important scenarios as precise business marketing, digital process control, and intelligent risk assessment, and endeavor to provide customers with more professional, efficient, and high-quality finance lease services.

In respect of the property development and investment business, the Group will closely monitor industry policies, continue to expand marketing channels, and step up sales of the Group's remaining property units of CCT-Champs-Elysees project in Zhucheng city, Shandong Province, the PRC. In respect of the marine recreation services and hotel business, the Group will further promote business diversification and continuously improve its efficiency. At the same time, the Group will actively explore the implementation of subsequent asset restructuring.

As the only overseas listed company platform of CCHG, the controlling shareholder, the Group will further tap into the resource advantages of the Group's controlling shareholder, focus the resources on expanding the principal business of leasing and give full play to the synergy advantage of "AI + finance", so as to create greater value for the Shareholders. The Board is full of confidence in the future development of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. FINANCIAL EFFECTS OF THE TRANSACTIONS

As at 31 December 2024, the consolidated total assets of the Group amounted to approximately HK\$8,377.37 million and the consolidated total liabilities of the Group amounted to approximately HK\$5,607.86 million.

The Directors consider that there is no significant immediate change to the Group's net asset value upon implementation of the Sale and Leaseback Arrangements. In respect of the implementation of the Sale and Leaseback Arrangements, the Sale and Leaseback Arrangements will be accounted for as a secured loan and recognised as loan receivables of the Group which will offset the decrease in the amount of bank balances and cash as a result of the payment of the Purchase Price by Chengtong Financial Leasing.

As regards earnings, the Group would be entitled to recognise interest income and the service fee from the Sale and Leaseback Arrangements as additional income to the Group.

Save as disclosed above, the Sale and Leaseback Arrangements are not expected to have any material impact on the assets and liabilities and the earnings of the Group. The final financial impact on the Group will be subject to the audit to be performed by the auditors of the Company.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules were as follows:

Long position

Name of Director	Interest in the Company or its associated corporation	Nature of interest	Number of shares held	Class of shares	Approximate percentage of the issued share capital as at the Latest Practicable Date
Ms. Sun Jie	The Company	Beneficial owner	570,960	Ordinary shares	0.0096%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors and chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as follows:

Long position

Name of Shareholder	Nature of interest	Number of shares held	Class of shares	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
CCHK	Beneficial owner <i>(Note)</i>	3,169,656,217	Ordinary shares	53.14%
CCHG	Interest in controlled corporation <i>(Note)</i>	3,169,656,217	Ordinary shares	53.14%

Note: The entire issued share capital of CCHK is beneficially owned by CCHG. Under the SFO, CCHG is deemed to be interested in all the shares held by CCHK.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person, other than the Directors and chief executive of the Company, who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, Mr. Li Qian, an executive Director and the Chairman of the Board, was the chairman of CCHK and Ms. Sun Jie, an executive Director, was the chief accountant of CCHK. Mr. Li and Ms. Sun were members of the executive committee of CCHK as at the Latest Practicable Date. Save as disclosed herein, no Director was a director or an employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. MATERIAL CONTRACT

Hainan Huandao Travel Investment Group Co., Ltd. (“**Huandao Travel Investment**”), an indirect wholly-owned subsidiary of the Company, entered into an entrusted loan agreement dated 11 September 2023 with Industrial Bank Co. Ltd. Dahongshan Branch, being the entrustee (the “**Entrustee**”), and China Huandao Group Limited, a wholly-owned subsidiary of CCHG, being the borrower (the “**Borrower**”), pursuant to which Huandao Travel Investment agreed to entrust the Entrustee to provide the Borrower with a loan in the principal amount of RMB25,000,000 for a term of 24 months. Further details of the entrusted loan agreement are set out in the announcement of the Company dated 11 September 2023.

Save as aforementioned, there is no other contract (not being contract entered into in the ordinary course of business) entered into by the members of the Group within two (2) years immediately preceding the Latest Practicable Date and is, or may be, material.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation other than statutory compensation.

5. LITIGATION

As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor any of their respective close associate(s) had any interests in a business, which competed or was likely to compete, directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

7. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

8. GENERAL

- (a) The registered office and the principal place of business of the Company is at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (b) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Poon Tsz Kin, who is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

9. DOCUMENTS ON DISPLAY

Copies of the Sale and Leaseback Agreements are on display and are published on the website of the Stock Exchange at <https://www.hkexnews.hk> and the website of the Company at <https://www.hk217.com> for a period of 14 days from the date of this circular.