THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Chengtong Development Group Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

(1) VERY SUBSTANTIAL ACQUISITION;
(2) CONTINUING CONNECTED TRANSACTION: FINANCE LEASE AND OPERATING LEASE SERVICES FRAMEWORK AGREEMENT;
AND
(3) NOTICE OF GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

INCU Corporate Finance Limited

A notice convening the General Meeting to be held at Conference Room of Suite 6406, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 15 January 2025 at 9:30 a.m. is set out on pages GM-1 to GM-3 of this circular.

Whether or not you are able to attend the General Meeting in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same by 9:30 a.m. on Monday, 13 January 2025 or not later than 48 hours before the time appointed for holding any adjournment or postponement of the General Meeting to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the General Meeting or any adjournment or postponement thereof should you so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

24 December 2024

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

"30%-controlled companies"	has the meaning ascribed to it under the Listing Rules
"Annual Caps"	means, for the purpose of Chapter 14A of the Listing Rules, the proposed annual caps for (i) the Finance Lease Services and (ii) the Operating Lease Service of New Framework Agreement for each of the three financial years ending 31 December 2025, 2026 and 2027, respectively, as set out in this circular
"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
"CCHG Group"	means CCHG, its subsidiaries and 30%-controlled companies excluding the Group
"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
"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
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Directors"	means the directors of the Company
"Existing Framework Agreement"	means the finance lease services framework agreement dated 20 July 2022 entered into between the Company and CCHG
"Finance Lease Payment(s)"	means the lease payment(s) or any other receivables to be received by the Group under the Individual Agreements in relation to Finance Lease Services (excluding Purchase Price, nominal consideration for repurchase of the Leased Asset(s), any refundable deposits, or other refundable sums) and any additional interest incurred due to a delay by CCHG Group in remitting the amounts payable to the Group (if applicable)

"GM" or "General Meeting"	means the general meeting of the Company to be held on Wednesday, 15 January 2025 at 9:30 a.m. at Conference Room of Suite 6406, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to consider and approve the Annual Caps and the acquisitions of Leased Assets and transactions contemplated under the New Framework Agreement
"Group"	means the Company and its subsidiaries
"HK$" or "HKD"	means Hong Kong dollar, the lawful currency of Hong Kong
"HKFRS"	means Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	means the independent committee of the Board, comprising all three independent non-executive Directors, established to advise the Independent Shareholders in respect of the continuing connected transactions under the New Framework Agreement
"Independent Financial Adviser"	means INCU Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions under the New Framework Agreement
"Independent Shareholders"	means Shareholders who do not have a material interest in the Existing Framework Agreement and the New Framework Agreement
"Independent Third Party(ies)"	means third party(ies) independent of the Company and its connected persons
"Individual Agreement(s)"	means the individual agreement(s) to be entered into between the member(s) of the Group and member(s) of CCHG Group pursuant to the New Framework Agreement
"Latest Practicable Date"	means 19 December 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

"Lease Payment(s)"	means the Finance Lease Payments and/or the Operating Lease Payments (as the case may be)
"Leased Assets"	means the assets to be leased by the Group pursuant to Individual Agreements, which is expected to include but not limited to vessels, turbine power units, containers, papermaking facilities, UPS facilities, medium and low voltage cabinets, air-conditioning facilities, cabinet equipment, servers, vehicles, battery units, equipment for battery cell production, construction equipment, drainage and sewage treatment facilities, thermal incinerators, electricity generators, power stations, energy storage power stations, power swap stations, transformers, inverters, power management systems and related equipment, or any other logistics, storage, transportation or production related equipment and facilities
"Listing Rules"	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LPRs"	means the relevant loan prime rates as promulgated by the National Interbank Funding Center under the People's Bank of China
"New Framework Agreement"	means the finance lease and operating lease services framework agreement dated 13 December 2024 entered into between the Company and CCHG
"Operating Lease Payment(s)"	means the lease payment(s) or any other receivables to be received by the Group under the Individual Agreements in relation to Operating Lease Service (excluding any refundable deposits or other refundable sums) and any additional interest incurred due to a delay by CCHG Group in remitting the amounts payable to the Group (if applicable)
"PRC"	means the People's Republic of China and, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Purchase Price"	means the consideration payable by the Group for purchasing, or obtaining the legal ownership of, the Leased Assets
"RMB"	means Renminbi, the lawful currency of the PRC
"Shareholder(s)"	means the shareholder(s) of the Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited

"USD"	means United States dollar, the lawful currency of the United States of America
"%"	means per cent.

In this circular, amounts quoted in RMB have been converted into HK$ at the rate of RMB1.00 to HK$1.07. 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.

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)

Executive Directors:
Zhang Bin (*Chairman*)
Gu Honglin (*Managing Director*)

Independent Non-Executive Directors:
Chang Qing
Lee Man Chun, Tony
He Jia

Registered address and principal place of business in Hong Kong:
Suite 6406, 64/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

24 December 2024

To the Shareholders

Dear Sir/Madam,

(1) VERY SUBSTANTIAL ACQUISITION; (2) CONTINUING CONNECTED TRANSACTION: FINANCE LEASE AND OPERATING LEASE SERVICES FRAMEWORK AGREEMENT; AND (3) NOTICE OF GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 13 December 2024 in respect of, among others, the New Framework Agreement (the "**Announcement**").

The purposes of this circular are:

(i) to provide the Shareholders with further details of the New Framework Agreement;

(ii) to set out the opinion of the Independent Financial Adviser on the terms of the New Framework Agreement;

(iii) to set out the recommendations of the Independent Board Committee in respect of the New Framework Agreement; and

(iv) to give the Shareholders the notice of the GM to consider and, if thought fit, to approve the New Framework Agreement.

RENEWAL OF THE EXISTING FRAMEWORK AGREEMENT

References are made to announcement of the Company dated 20 July 2022 and the circular of the Company dated 22 August 2022, both in relation to, among other things, the Existing Framework Agreement.

As the Existing Framework Agreement and its annual caps will expire on 31 December 2024 and the Group intends to continue to carry on the transactions under the Existing Framework Agreement and to further extend the scope of transactions to operating lease service going forward, on 13 December 2024, the Company entered into the New Framework Agreement with CCHG, pursuant to which the Group agreed to provide Finance Lease Services and Operating Lease Service to CCHG for three (3) years commencing from 1 January 2025 subject to the approval of Independent Shareholders.

NEW FRAMEWORK AGREEMENT

The principal terms of the New Framework Agreement are set out as follows:

Date

13 December 2024

Parties

(i) the Company; and

(ii) CCHG

Term

From 1 January 2025 to 31 December 2027 (both dates inclusive)

Subject of the Transaction

The relevant member of the Group will provide the following services in relation to the Leased Assets by way of, including but not limited to, sale and leaseback service, direct finance lease service and operating lease service:

(i) Finance Lease Services

(a) under sale and leaseback service (the "**Sale and Leaseback Service**"), the relevant member of CCHG Group (as lessee) sells the Leased Assets to the relevant member of the Group (as lessor) at the amount the relevant member of the Group granted to and to be utilized by the relevant member of CCHG Group pursuant to Individual Agreements, and the relevant member of the Group then leases the Leased Assets back to the relevant member of CCHG Group for its use in return for the lease payments (comprising primarily the Purchase Price and the Finance Lease Payments);

(b) under the direct finance leasing service (the "**Direct Finance Leasing Service**", together with the Sale and Leaseback Service, the "**Finance Lease Services**"), the relevant member of the Group (as lessor) purchases or obtains the ownership of the Leased Assets pursuant to the instructions given by the relevant member of CCHG Group, and the relevant member of the Group then leases the Leased Assets to the relevant member of CCHG Group (as lessee) for its use in return for the lease payments (comprising primarily the Purchase Price and the Finance Lease Payments).

(ii) Operating Lease Service

(a) under the operating lease service (the "**Operating Lease Service**"), the relevant member of the Group (as lessor) leases the Leased Assets to the relevant member of CCHG Group (as lessee) for its use in return for Operating Lease Payments.

As one of the major business segments of the Group, the Group provides Sale and Leaseback Service, Direct Finance Leasing Service and Operating Lease Service to its customers. The Group has included Direct Finance Leasing Service and Operating Lease Service in the New Framework Agreement with a view to actively expanding and diversifying the Group's leasing services to prepare for industry transformation and future business development after taking into account the following:

(i) the National Financial Regulatory Administration of the PRC encourages financial leasing company to optimize the leasing business structure by issuing the "Notice of the State Administration of Financial Supervision and Administration on Promoting Standardized Operation and Compliance Management of Financial Leasing Companies" (《國家金融監督管理總局關於促進金融租賃公司規範經營和合規管理的通知》) (the "**Notice**") on 27 October 2023, whereby leasing companies are expected to enhance their direct leasing capabilities progressively. As of the Latest Practicable Date, the Sale and Leaseback Service accounts for almost 100% of the Finance Lease Services of the Group in terms of the number of transactions. To align with the Notice which encouraged leasing companies to diversify their leasing activities, the Group expects to extend its services to Direct Finance Lease Service and Operating Lease Service with CCHG Group under the New Framework Agreement; and

(ii) the Group plans to benefit from the successful implementation of the operating lease project it entered into with members of CCHG Group in 2024 as disclosed in the announcement of the Company dated 10 January 2024, and enter into further operating lease arrangements with members of CCHG Group in the future.

Contract Period

Subject to the type of Leased Assets involved, the contract periods of the Individual Agreements are expected to range from:

(i) 1 year to 8 years for the Sale and Leaseback Service;

(ii) 1 year to 10 years for the Direct Finance Leasing Service; and

(iii) 6 months to 16 years for the Operating Lease Service.

The Board considered that: (i) the Leased Assets involved in the Finance Lease Services and Operating Lease Service, such as power stations, energy storage power stations, power swap stations and power management systems, etc., are generally anticipated to have a longer lifespan, the leased terms of which normally align with the expected payback period of the specific Leased Asset; and (ii) it is in line with current industry practice for the Group to enter into the Individual Agreements for the aforementioned contract periods as finance and operating leasing agreements involving leased assets which are of similar types and nature with the Leased Assets are generally entered into for similar contract periods.

Considering the above, the Board is of the view that it is in normal business practice, fair and reasonable, on the normal commercial terms to enter into Individual Agreements with longer terms ranging from 6 months to 16 years.

The Individual Agreements may have contract periods ending on a date after 31 December 2027. Subject to compliance with the applicable requirements under the Listing Rules, the Individual Agreements duly executed shall remain to have full force and effect for their respective contract periods even if the New Framework Agreement is expired or terminated and is not renewed. In this regard, under the Individual Agreements, the Group shall have the right to terminate or cancel any Individual Agreement if the Group can no longer perform or shall delay the performance of the obligations under the Individual Agreements contemplated under the New Framework Agreement due to requirements of the Stock Exchange, or any applicable laws and regulations (including but not limited to the Listing Rules). Upon termination or cancellation of the Individual Agreement, (i) the Finance Lease Payments and Operating Lease Payments (as the case may be) receivable by the Group will accrue up to the date of termination or cancellation; (ii) in relation to the Finance Lease Services only, the Leased Asset will be (a) assigned to the relevant lessee subject to repayment of all outstanding principal and settlement of all outstanding Finance Lease Payments and the nominal consideration for repurchase of the Leased Asset or (b) disposed by the Group as it considers appropriate in the event that the outstanding principal, outstanding Finance Lease Payment and the nominal consideration for repurchase of the Leased Asset were not repaid or settled in full in accordance with the terms of the Individual Agreement; and (iii) the relevant lessee will have no claim against the Group for such termination or cancellation. The Company will closely monitor the effectiveness and validity of the New Framework Agreement and the Individual Agreements, and shall comply with the relevant requirements in accordance with the Listing Rules as and when appropriate.

Purchase Price and Lease Payment

The transactions contemplated under the New Framework Agreement shall be conducted on normal commercial terms through arm’s length negotiations and shall not be less favourable than those offered to or provided by the Independent Third Parties for transactions of the same type.

For the transactions contemplated under the Finance Lease Services,

(i) the Purchase Price under the Sale and Leaseback Service, representing the principal amount, shall be determined with reference to the net book value of Leased Assets and shall not be higher than such net book value. For the avoidance of doubt, the net book value of Leased Assets is the net book value of such Leased Assets as shown in the latest management accounts of the legal owner of the Leased Assets prior to the Group's acquisition of the Leased Assets.

    In the event that the net book value of Leased Assets cannot be ascertained, the Purchase Price under the Sale and Leaseback Service, representing the principal amount, shall then be determined with reference to the appraised value of the Leased Assets provided by independent valuers and shall not be higher than such appraised value. For instance, where the lessee is a Public-Private Partnership (PPP) company, according to the PRC accounting standards, the leased asset might be classified as intangible assets or other assets in the financial statements and not accountable for any depreciation charges, the book value of the leased assets recorded in the financial statements does not reflect the actual usage condition and thus the fair value. In such case, the purchase price shall be determined based on their appraised value. Cost method (the "**Cost Method**") shall generally be adopted because the information regarding the replacement cost of the Leased Assets is usually readily available or can be acquired by on-site inspections. The Cost Method 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 on-site inspection and calculation and analysis based on technical and economic factors.

(ii) the Purchase Price under the Direct Finance Leasing Service, representing the principal amount, shall be calculated with reference to the actual purchase price of the relevant Leased Assets, and shall not be less than the actual purchase price paid by the relevant member of the Group for the acquisition of the Leased Assets.

(iii) the Finance Lease Payments to be received by the Group will comprise of periodic payments by the lessee to the Group and other receivables to be received by the Group such as one-off service fees. The periodic payments by the lessee are calculated based on (a) a fixed interest rate throughout the lease term or (b) a variable interest rate that will be adjusted yearly as the LPR changes. For the avoidance of doubt, the Finance Lease Payments under variable interest rate method will take LPR as reference but will not be calculated exclusively based on LPR. LPR is not used as the basis for pricing, but provides a mechanism for the relevant member of the Group to adjust the Finance Lease Payments should the interest rates in the PRC fluctuate in the future. LPR is only stipulated as the pricing standard in the standard contracts of the relevant member of the Group to facilitate easy understanding. If, under the Individual Agreement, the amount of Leased Payment to be received by the Group shall be adjusted as LPRs change, adjustments will be made to such lease interest rate on an annual basis on 1

January every year except in the case where the lessee has overdue lease payment and has not paid all overdue payments and liquidated damages, the interest rate applied will not be adjusted when LPR is reduced. The amount of Finance Lease Payments shall be fair and reasonable, determined after arm's length negotiation between the relevant member of the Group and CCHG Group taking into account the prevailing market price of the Leased Assets and the prevailing market conditions when the Individual Agreement is entered into. The Group, after taking into account the current market quotations on finance leasing activities, will also ensure that the lease interest rate strikes a balance between its own financing costs for acquiring the Leased Assets and the financing costs acceptable to its customer, namely the CCHG Group. The return rate, which is calculated with reference to of the total Finance Lease Payments to be received by the Group as a whole (taking into account the aggregate amounts of lease income and other receivables (including service fees, if any)), shall be at a rate not less favourable than that offered to Independent Third Parties for comparable leasing arrangements when the relevant Individual Agreement is entered into. In this regards, the Company has established internal guidelines for the types of projects to be developed and the minimum rates of return. These guidelines impose respective pricing standards across specific industries, regardless of whether the transactions are connected, imposing the same pricing strategy and standard within a certain industry, thereby ensuring fairness and impartiality in transactions entered into with Independent Third Parties. The sum of total Finance Lease Payments and other receivables to be received by the Group under the Individual Agreements shall also not be less than the cost of financing incurred by the Group for the respective Individual Agreements. The expected profit margin from the transactions contemplated under the Individual Agreements will be comparable to those from finance lease transactions between the Group and Independent Third Parties.

For the transactions contemplated under the Operating Lease Service,

(i) the amount of Operating Lease Payments to be received by the Group shall be fair and reasonable, and shall be calculated based on the cost of constructing or purchasing the Leased Assets (the "**Acquisition Cost**"), the estimated cost of maintaining or operating the Leased Assets and the insurance premium payable in respect of the Leased Assets during the relevant lease term, the estimated income that the Leased Assets can bring to CCHG Group during the relevant lease term, and the lease income and other receivables (including service fees, if any) charged for the leasing of comparable leased assets. The periodic lease income is calculated to obtain an average annual yield ranging from 4% to 8% of the Acquisition Cost. The return rate shall be at a rate not less favourable than that offered to Independent Third Parties for comparable leasing arrangements when the relevant Individual Agreement is entered into.

The Lease Payments shall be paid by the lessee during the relevant lease term by installments, which may be quarterly, semi-annually or otherwise, in the manner to be specified in the Individual Agreements.

Legal Title and Control over Leased Assets

The Group shall own the legal title of the Leased Assets during the respective lease terms of the Individual Agreements.

The transactions contemplated under the Finance Lease Services, comprising both the acquisition of Leased Assets and the provision of finance lease services, will be accounted for as a secured loan and recognized in accordance with HKFRS 9 Financial Instruments for accounting purposes. The Finance Lease Payments, in essence, represent the interest receivable by the Group and will be determined based on, among others, the pre-agreed fixed rates or the yearly-adjustable rate based on then-prevailing LPR, and the Leased Assets are, in substance, the security for the loan and are not revenue-generating assets with identifiable income stream. Moreover, as the Leased Assets are equipment or facilities used by the lessees in their ordinary course of production, the lessees would not separately account for the profits before tax and after tax of the Leased Assets.

The transactions contemplated under the Operating Lease Service, comprising the leasing of Leased Assets, will be accounted for as rental income on a straight-line basis over the term of the lease and recognized in accordance HKFRS 16 Leases for accounting purposes. The direct costs incurred in negotiating and arranging operating leases should be recognized in the income statement of the same period, or amortized over the lease term on the straight-line basis according to the depreciation policy.

CCHG Group's Right to Repurchase the Leased Assets under the Finance Lease Services

Subject to the repayment of the Purchase Price, the settlement of all the Finance Lease Payments and any other payables (if any) by the relevant member of CCHG Group to the Group in accordance with the terms of Individual Agreements, the relevant member of CCHG Group shall have the right to repurchase the Leased Assets at a nominal consideration ranging from RMB1.00 to RMB100.00 at the end of the relevant lease term to be specified in the relevant Individual Agreement, or in case of early termination, on a date to be agreed by the relevant member of the Group and CCHG Group.

For the avoidance of doubt, CCHG Group shall have no right to repurchase the Leased Assets under the Operating Lease Service during the respective lease terms in any circumstance.

Others

The New Framework Agreement is conditional upon the approval by the Independent Shareholders of the New Framework Agreement.

The relevant member(s) of the CCHG Group and the relevant member(s) of the Group may from time to time enter into Individual Agreements in relation to the subject matters contemplated under the New Framework Agreement upon and subject to the terms and conditions in compliance with those of the New Framework Agreement.

Annual Caps and Basis of Determination

Finance Lease Services

Historical annual caps under the Existing Framework Agreement

The annual caps on the principal and the lease payments (taking into account the aggregate outstanding amounts of interests and other payables (including handling fees)) to be received by the Group for the transactions contemplated under the Existing Framework Agreement for the years ended 31 December 2022, 2023 and 2024 are set out as follows:

	For the years ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Total principal and the lease payment (taking into account the aggregate outstanding amounts of interests and other payables (including handling fees)) to be received by the Group	500,000 (equivalent to approximately HK$535,000)	1,021,000 (equivalent to approximately HK$1,092,470)	1,677,000 (equivalent to approximately HK$1,794,390)

Proposed annual caps under the New Framework Agreement

The proposed annual caps for the transactions contemplated under the Finance Lease Services (comprised of (a) the total amount of (i) Purchase Price (representing the total principal amount under the Finance Lease Services) which is calculated on a cumulative basis with RMB600 million, RMB300 million and RMB200 million for the years ending 31 December 2025, 2026 and 2027, respectively; and (ii) expected Finance Lease Payments during the relevant year (collectively, the "**New Transaction Amount**"); and (b) the outstanding balances of all existing finance leases under the Existing Framework

Agreement (for the avoidance of doubt, excluding the New Transaction Amount) (the "**Outstanding Balances**")) for the years ending 31 December 2025, 2026 and 2027 are set out as follows:

	For the years ending 31 December		
	2025	**2026**	**2027**
	RMB'000	*RMB'000*	*RMB'000*
Total amount of Purchase Price	600,000	900,000	1,100,000
Total amount of the expected Finance Lease Payments (which will take into account the aggregate amounts of lease income and other receivables (including service fees, if applicable)) to be received by the Group	35,053	74,963	107,732
Outstanding Balances	13,043	13,110	13,110
Total amount (New Transaction Amount and Outstanding Balances)	648,096	988,073	1,220,842

The annual caps for the transactions contemplated under the Finance Lease Services are determined after taking into account the following:

(i) the historical transaction amounts under the Existing Framework Agreement, in which the highest total outstanding principal and interest receivable amount on a cumulative basis under the Existing Framework Agreement were approximately RMB480.31 million, RMB508.27 million and RMB509.76 million up to the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, respectively;

(ii) the provision of a certain buffer to cater for the potential increase in the demand for the Leased Assets of the Group by CCCH Group and any potential fluctuation in the market prices of the relevant Leased Assets, taking into account the Group's business plan and strategy to develop its energy storage projects;

(iii) the estimated amounts to be utilized by the CCHG Group pursuant to the Individual Agreements to be entered into, together with lease income and other receivables including service fees, if applicable, from prospective finance lease services projects between the Group and CCHG Group. Based on the current estimations of the future market environment and the financing needs of CCHG Group, the Company is currently in discussions with CCHG Group regarding three prospective transactions for 2025 and one prospective transaction each for 2026 and 2027. The estimated amounts are RMB600 million, RMB300 million and RMB200 million for the years ending 31 December 2025, 2026 and 2027, respectively. Among the aforesaid prospective transactions in discussion, the Leased Assets will span across the facilities and equipment of various industries with a focus on energy generation, transportation, and manufacturing. These include without limitation the facilities and equipment related to photovoltaic power generation, wind power generation, railway construction, logistics vehicles, and paper, pulp, and cellulose production;

(iv) the outstanding principal amount and lease payments expected to be received by the Group from the CCHG Group under the existing finance leases under the Existing Framework Agreement;

(v) the Group's potential risk exposure should the members of the CCHG Group were unable to make timely repayments;

(vi) the current financing market conditions, including the interest rates and fees arrangement and level of similar services provided by Independent Third Parties, and the potential adjustments to be made by the People's Bank of China to the LPR(s) in the future. In the case of any adjustment to the LPR(s) made by the People's Bank of China in the future, the Finance Lease Payments to be specified in the Individual Agreements will be determined with reference to the adjusted LPR(s); and

(vii) the nature, estimated value and expected lifespan of the Leased Asset.

Operating Lease Service

The proposed annual caps for the transactions contemplated under the Operating Lease Service for the years ending 31 December 2025, 2026 and 2027 are set out as follows:

	For the years ending 31 December		
	2025	**2026**	**2027**
	RMB'000	*RMB'000*	*RMB'000*
Total Operating Lease Payments (taking into account the aggregate outstanding amounts of lease income and other payables (including service fees, if applicable)) to be received by the Group	20,326	38,766	48,209

The annual caps for the transactions contemplated under the Operating Lease Service are determined after taking into account the following:

(i) the outstanding lease payments expected to be received by the Group from the CCHG Group under the Group's existing operating lease arrangement with CCHG Group (the "**Existing Operating Lease Arrangement**"), details of which was disclosed in the announcement of the Company dated 10 January 2024. Pursuant to the Existing Operating Lease Arrangement, the amount of the then adjusted lease payment receivable under the Existing Operating Lease Arrangement expected to be received by the Group on an annual basis will not exceed RMB5.07 million (equivalent to approximately HK$5.42 million) in each of the financial years during its lease term;

(ii) the Group's overall business plan for Operating Lease Service with the CCHG Group including to enter into new operating leases with CCHG Group on arrangements similar to the Existing Operating Lease Arrangement, taking into account the Group's service capacity, the estimated demand for Operating Lease Service by CCHG Group and the prospective operating lease services projects in the aggregate estimated lease income of RMB108 million (equivalent to approximately HK$115.56 million) over the three years ending 31 December 2025, 2026 and 2027. In particular, the Group has been in discussion with members of CCHG Group to explore and discuss potential operating lease projects with a view to have a better understanding of their expected demand of the Operating Lease Service and the potential projects scale and thereby deduce the estimated amount receivable by the Group in the next three years ending 31 December 2025, 2026 and 2027 based on comparable return rate; and

(iii) the Group's potential risk exposure should the members of the CCHG Group were unable to make timely repayments or terminate the Individual Agreements prematurely after the Group obtains ownership of the Leased Assets, thereby potentially preventing the Group from achieving the estimated returns.

Historical Transaction Amounts

Finance Lease Services

The historical transaction amounts of the finance lease services and the utilisation rates of historical annual caps under the Existing Framework Agreement are set out below:

	For the years ended 31 December		For the 9 months ended 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
The highest total outstanding principal amount and interest receivable amount on a cumulative basis	Approximately 480,310	Approximately 508,270	Approximately 509,760
Historical utilisation rates *(%)*	96.1	49.8	40.5 *(note)*

Note: Calculated based on the historical transaction amount being annualised.

Operating Lease Service

The aggregate Operating Lease Payments received by the Group from CCHG Group were nil, nil and approximately RMB1.10 million for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, respectively.

The historical transaction amounts of the operating lease service provided by the Group to CCHG are set out below:

	For the years ending 31 December 2022	2023	For the 9 months ended 30 September 2024
	RMB'000	*RMB'000*	*RMB'000*
Aggregate operating lease payments received by the Group from CCHG Group	nil	nil	Approximately 1,100

FINANCIAL EFFECTS OF THE TRANSACTIONS CONTEMPLATED UNDER THE NEW FRAMEWORK AGREEMENT

Earnings

From the date on which the Individual Agreements become effective, the Group would be entitled to recognize interest and rental income out of Lease Payments from the relevant lessee(s), which would provide additional income contribution to the Group.

Assets and Liabilities

Upon implementation of transactions contemplated under the Individual Agreements, the Directors consider that there will be no significant immediate change to the Group's net asset value given the Group's assets will increase pursuant to the value of additional loans receivable under each finance lease and the acquisition cost of operating leased assets, while such increase will be offset by the payment of proceeds to the relevant lessee(s) and/or suppliers of the operating leased assets.

On the other hand, since the transactions contemplated under the New Framework Agreement will be funded, in part or in whole, by borrowings, upon implementation of transactions contemplated under the Individual Agreements, the Group's liabilities may increase but will be offset by the increase in cash and bank balances.

REASONS FOR AND BENEFITS OF THE NEW FRAMEWORK AGREEMENT

The Group is principally engaged in leasing, property development and investment, marine recreation services and hotel business. The Group intends to strategically develop and accelerate the scale of its leasing business, including Finance Lease Services and Operating Lease Service. By entering into the New Framework Agreement, it enables the Group to extend its leasing business cooperation with CCHG Group which has reliable repayment capability.

CCHG is a state-owned company established in the PRC on 22 January 1998 with paid-in capital of RMB20.6 billion. CCHG is one of the two national capital operation group companies directly under the State-owned Assets Supervision and Administration Commission (the "**SASAC**"), a conglomerate principally engaged in fund investment, equity management, asset management, financial services and nurturing of strategic emerging industries.

As of 31 December 2023, the total assets of CCHG Group amounted to approximately RMB578.5 billion, representing a year-on-year increase of 5.6%. Moreover, in 2023, the revenue and net profit of CCHG Group amounted to approximately RMB53.1 billion and RMB4.6 billion, respectively. In view of the financial position and performance of CCHG Group, the Company considers that CCHG Group has a substantial asset base and liquidity to satisfy the liability as they fall due and is therefore one of our core target customers for our financial leasing business.

Moreover, the Company has established entrusted business relationship with CCHG Group on financial leasing contemplated under the Existing Framework Agreement with CCHG Group. In view of the cooperation history between CCHG Group and the Group, the Group is expected to benefit from CCHG Group's better understanding of the operations of the Group which would allow more expedient and efficient cooperation. In addition, it also allows the Group to secure stable and long-term revenue income from the provision of Finance Lease Services and Operating Lease Service to CCHG Group, a customer of the Group with sound financial position, substantial business and positive reputation in the PRC.

The provision of Finance Lease Services and Operating Lease Service by the Group to CCHG Group under the New Framework Agreement is in the ordinary and usual course of business of the Group while the Group will in return receive a stable revenue and cashflow stream during the term of the New Framework Agreement. Furthermore, by entering into the New Framework Agreement with CCHG, the Group may leverage the positive brand image and market position of CCHG, which would allow the Group to target a broader spectrum of premium finance lease customers and accelerate client growth, and in turn, foster the growth and smooth development and operations of the Group.

The transactions contemplated under the New Framework Agreement will be satisfied by the general working capital of the Group.

The Directors (excluding the members of the Independent Board Committee whose view is set out in the letter from the Independent Board Committee after reviewing and considering advice from the Independent Financial Adviser) are of the view that the terms under the New Framework Agreement are on normal commercial terms in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES

The Company is a limited company incorporated in Hong Kong on 11 August 1972. 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.

CCHG is a state-owned enterprise established in the PRC with limited liability and the ultimate holding company of the Company. The major businesses of CCHG and its subsidiaries include fund investment, equity management, asset management, financial services and nurturing of strategic emerging industries.

INTERNAL CONTROL MEASURES AND RISK MANAGEMENT

To safeguard the interest of the Shareholders, the Group has adopted, among others, the following internal control and risk management procedures to ensure that continuing connected transactions will be conducted within the New Framework Agreement:

Review and Approval before Entering into the Individual Agreements

(i) The business department of Chengtong Financial Leasing ("**Business Department**") will carry out due diligence on the potential lessee including its background, business profile, industry ranking, financial position, credit rating, compliance records and loan repayment records, and identify the intended use of the principal amount with the potential lessee.

(ii) The legal department of Chengtong Financial Leasing ("**Legal Department**") will carry out due diligence on the titles of the Leased Assets. To be considered as acceptable Leased Assets, such assets must be legally tradable and the lessee must possess clear and good titles.

(iii) The review and appraisal department of Chengtong Financial Leasing ("**Review Department**") will then further assess and scrutinize each transaction, carry out risk assessments. In assessing the risk profile of the lessee, the following factors will be considered: (i) source of funds available for repayment, including the profitability, equity position and cash flow condition of the lessee; (ii) the valuations of the Leased Asset when they are being sold in secondary markets to discharge the debt of the lessee; (iii) the risk and return analysis of other financing projects between the Group and other Independent Third Party lessees with similar background; and (iv) the market conditions and outlook of lessee's business.

(iv) The Review Department will also record and calculate, among others, the amount of Purchase Price and expected Lease Payment payable or receivable by the Group. When 80% of the relevant annual cap is reached, the Review Department will notify the Business Department, the finance department of Chengtong Financial Leasing ("**Finance Department**") and the company secretary of the Company to carry out necessary and appropriate actions to ensure the Annual Caps will not be exceeded.

(v) A committee (the "**Committee**") will be formed to consider and approve the business proposal taking into account the due diligence reports prepared by the Business Department and the record and calculation of the principal amount and expected Lease Payments payable or receivable by the Group prepared by the Review Department. Business proposals shall only be approved by the committee if the Annual Caps will not be exceeded upon entering into the transaction(s) contemplated under such business proposal. Subject to the approval of the committee, each of the Individual Agreements shall be further submitted to the Chengtong Financial Leasing's board of directors, the Company's executive committee, and the Board, as the case may be, for final approval.

Pricing Terms

(i) The Business Department will be responsible for obtaining at least two relevant LPRs promulgated by the National Interbank Funding Center in principal to negotiations for the proposed terms and conditions of the relevant Individual Agreements. However, in cases where the Leased Assets pertain to certain specialized strategic emerging industries, such as the energy storage industry, the business model might be unique and market limitations may restrict the availability of comparable samples. Consequently, the Business Department may face challenges in securing at least two relevant LPRs, as is typically required. The Review Department and the Finance Department will then verify the LPR(s) quoted by the Business Department through independent searches on external databases to ensure its accuracy and compare the relevant LPR(s) with the terms of the Individual Agreement, where appropriate, compare the pricing terms of such Individual Agreement to those of similar transactions with Independent Third Parties and conduct analysis of pricing terms under each Individual Agreement to ensure that the terms under the Individual Agreement available to the Group are no less favourable than those offered by the Group to other Independent Third Parties. They shall evaluate the transaction terms under each Individual Agreement, in particular, the fairness and reasonableness of the pricing terms thereunder.

(ii) The Company has internal guidelines for the types of projects to be developed and their minimum rates of return. The Review Department will be responsible for maintaining the effectiveness of and compliance with the internal guidelines concerning minimum rates of return. The Review Department will review the internal guidelines twice a year to consider if adjustment to the minimum return rate is necessary and to ensure they align with industry practices and market standards with the prerequisite that the sum of total Finance Lease Payments and other receivables to be received by the Group under the Individual Agreements shall also not be less than the cost of financing incurred by the Group for the respective Individual Agreements. Additionally, the Finance Department will further cross-check the aforesaid reviews conducted by the Review Department annually to ensure the internal guidelines have been complied with for the transactions contemplated under the New Framework Agreement.

Monitoring and Risk Management

(i) The Company's risk management department ("**Risk Management Department**") will oversee and guide the implementation of the continuing connected transactions contemplated under the New Framework Agreement and control the risk thereof and to formulate solutions in resolving any risk which may arise in connection therewith. In particular, the Committee will conduct ongoing review of the actual amount utilized in respect of the Annual Caps. Where the Committee anticipates that the aggregate transaction amounts of the Individual Agreements, including the annual caps in relation to the Operating Lease Service, will exceed the Annual Cap upon review, it will notify the management of the Company immediately and the Company shall take necessary measures to ensure full compliance with the applicable requirements under the Listing Rules.

(ii) The Risk Management Department will conduct the sampling inspection at least twice per annum for not less than 50% of the transactions contemplated under the Individual Agreements to inspect the comprehensiveness and effectiveness of the Group's internal control measures continuing connected transactions, and periodically review and examine the progress of the continuing connected transactions.

(iii) In respect of the credit risk assessment in relation to the provision of Finance Lease Services and Operating Lease Service by the Group to CCHG Group, the Review Department will conduct ongoing review of the economic feasibility and effectiveness of the credit risk control measures of and evaluate the credit risks associated with the relevant transaction contemplated under the relevant Individual Agreement based on the due diligence materials provided by the Business Department and combined with supplementary on-site investigation from time to time. Furthermore, the Review Department will enhance its scrutiny of the financial conditions of the members of CCHG Group as lessees, ensuring comprehensive oversight that spans several critical areas. This scrutiny will include without limitation an assessment of asset structure and quality, focusing on the quality of accounts receivable, asset impairment provisions, and inventory composition and quality. Additionally, the structure of liabilities and debt repayment capabilities will be examined, particularly the composition of loans from major financial institutions, the pressures of imminent repayments, and the management of accounts payable. Lastly, a thorough analysis of both short-term and long-term debt repayment capabilities will be conducted, reviewing key financial ratios such as the debt-to-asset ratio, current ratio, and other relevant cash flow indicators in conjunction with the cash flow statements.

(iv) The Company will engage external auditors to review the data of the continuing connected transactions twice a year in compliance with the annual reporting and review requirements under the Listing Rules and provide confirmation in the Company's annual report on whether such transactions are entered into in the ordinary course of business on normal commercial terms or better and are carried out pursuant to the terms thereof, and whether the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(v) The audit committee of the Company will review the implementation of the continuing connected transactions twice a year.

LISTING RULES IMPLICATIONS

Acquisitions of the Leased Assets by the Group form part and parcel of the transactions contemplated under the Finance Lease Services of the New Framework Agreement. Each acquisition of Leased Assets by the Group will constitute a transaction under Chapter 14 of the Listing Rules. As the respective highest applicable percentage ratio (as defined under the Listing Rules) calculated with reference to the expected annual Purchase Price payable by the Group to CCHG Group for acquisition of Leased Assets in connection with the transactions contemplated under the Finance Lease Services of the New Framework Agreement may (on individual or aggregate basis) exceeds 100%, the transactions contemplated thereunder will constitute a very substantial acquisition for the Company, subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, CCHG is interested in 53.14% of the total issued share capital of the Company and is the ultimate holding company of the Company. Thus, CCHG is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the New Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of each of the Annual Caps for the Financial Lease Services and the Operating Lease Service exceed 5%, the Financial Lease Services and Operating Lease Services contemplated under the New Framework Agreement are subject to announcement, reporting, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, pursuant to Rule 14A.52 of the Listing Rules, as the term of the Individual Agreement(s) to be entered into pursuant to the New Framework Agreement may exceed three (3) years, the Company has appointed INCU Corporate Finance Limited as the Independent Financial Adviser to provide an independent opinion, which will be set out in the circular to be made available to the Shareholders, to explain why the Individual Agreement(s) require a longer period and to confirm that it is a normal business practice for agreements of this type to be of such duration.

CONFIRMATION OF THE BOARD

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Zhang Bin, an executive Director and chairman of the Board, is also the chairman of China Health and Elderly Care Group Co., Ltd., a wholly-owned subsidiary of CCHG and a member of CCHG Group. Mr. Zhang Bin has therefore abstained from voting on the Board resolution in relation to the New Framework Agreement. Save as Mr. Zhang Bin, none of the Directors has any material interest in the New Framework Agreement or is required to abstain from voting on the Board resolution in relation to the New Framework Agreement.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the transactions contemplated under the New Framework Agreement, and its advice and recommendation will be set out in the circular to be made available to the Shareholders. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

GM

At the GM, resolution will be proposed by the Company to seek the Independent Shareholders' approval on the New Framework Agreement, the transactions contemplated thereunder and the Annual Caps. CCHG and its associates, which in aggregate, held 3,169,656,217 Shares, representing approximately 53.14% of the total issued share capital of the Company as at the Latest Practicable Date, will abstain from voting for the resolution regarding the New Framework Agreement. The proposed resolution will be passed by way of an ordinary resolution and voted on by way of poll in accordance with the requirements of the Listing Rules.

RECOMMENDATION

The Board believes that the terms of the New Framework Agreement are fair and reasonable, and the transactions contemplated thereunder and the Annual Caps are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution in relation to the New Framework Agreement, the transactions contemplated thereunder and the Annual Caps at the GM.

Your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser which set out their recommendations in respect of the New Framework Agreement, the transactions contemplated thereunder and the Annual Caps and the principal factors considered by them in arriving at their recommendations.

ADDITIONAL INFORMATION

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

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

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)

24 December 2024

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION; (2) CONTINUING CONNECTED TRANSACTION: FINANCE LEASE AND OPERATING LEASE SERVICES FRAMEWORK AGREEMENT; AND (3) NOTICE OF GENERAL MEETING

We refer to the circular of the Company to the Shareholders dated 24 December 2024 (the "**Circular**") of which this letter forms part. Terms used herein shall have the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the New Framework Agreement, the transactions contemplated thereunder and the Annual Caps and to advise you as to whether, in our opinion, the terms of the New Framework Agreement, the transactions contemplated thereunder and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in respect of the terms of the New Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the additional information set out in the appendices to the Circular. Having considered the terms of the New Framework Agreement, the transactions contemplated thereunder and the Annual Caps, and having taken into account the opinion of the Independent Financial Adviser and, in particular, the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser on pages 25 to 50 of the Circular, we consider that the terms of the New Framework Agreement, the transactions contemplated thereunder and the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the New Framework Agreement, the transactions contemplated thereunder and the Annual Caps are on normal commercial terms or better, in the Company's ordinary and usual course of business and in the interests of the Company and the

Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution which will be proposed at the GM to approve the New Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
For and on behalf of
the Independent Board Committee

CHANG Qing	**LEE Man Chun, Tony**	**HE Jia**

Independent Non-executive Directors

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the New Framework Agreement and transaction contemplated thereunder and the Annual Caps.

INCU Corporate Finance Limited
Unit 1402, 14/F, Winsome House
73 Wyndham Street, Central
Hong Kong

24 December 2024

To the Independent Board Committee
and the Independent Shareholders of
China Chengtong Development Group Limited

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION; AND (2) CONTINUING CONNECTED TRANSACTION: FINANCE LEASE AND OPERATING LEASE SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreement and the transactions contemplated thereunder (the "**Proposed Continuing Connected Transactions**") and the Annual Caps. Details of the which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of the Company dated 24 December 2024 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 13 December 2024 (the "**Announcement**") whereby the Board announced that as the Existing Framework Agreement and its annual caps will expire on 31 December 2024 and the Group intends to continue to carry on the transactions under the Existing Framework Agreement and to further extend the scope of transactions to operating lease service, on 13 December 2024, the Company entered into the New Framework Agreement with CCHG, pursuant to which the Group agreed to provide Finance Lease Services and Operating Lease Service to CCHG for three (3) years commencing from 1 January 2025 subject to the approval of Independent Shareholders.

Acquisitions of the Leased Assets by the Group form part and parcel of the transactions contemplated under the Finance Lease Services of the New Framework Agreement. Each acquisition of Leased Assets by the Group will constitute a transaction under Chapter 14 of the Listing Rules. As the respective highest applicable percentage ratio (as defined under the Listing Rules) calculated with reference to the expected annual Purchase Price payable by the Group to CCHG Group for acquisition of Leased Assets in connection with the transactions contemplated under the Finance Lease Services of the New Framework Agreement may (on individual or aggregate basis) exceeds 100%, the transactions contemplated thereunder will constitute a very substantial acquisition for the Company, subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, CCHG is interested in 53.14% of the total issued share capital of the Company and is the ultimate holding company of the Company. Thus, CCHG is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the New Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of each of the Annual Caps for the Finance Lease Services and the Operating Lease Service exceed 5%, the Finance Lease Services and the Operating Lease Service contemplated under the New Framework Agreement are subject to announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CCHG and its associates, which in aggregate, hold 3,169,656,217 Shares, representing approximately 53.14% of the total issued share capital of the Company as at the Latest Practicable Date, will abstain from voting for the resolution regarding the New Framework Agreement at the GM. The proposed resolution will be passed by way of an ordinary resolution and voted on by way of poll in accordance with the requirements of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia, has been established to advise the Independent Shareholders in respect of the terms of the New Framework Agreement and the transaction contemplated thereunder and the Annual Caps and as to whether the New Framework Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms and the terms of the Proposed Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, taking into account our recommendation.

We, INCU Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In addition, pursuant to Rule 14A.52 of the Listing Rules, as the term of the Individual Agreement(s) to be entered into pursuant to the New Framework Agreement may exceed three (3) years, we have been appointed as Independent Financial Adviser to explain why the Individual Agreement(s) require a longer period and to confirm that it is a normal business practice for Individual Agreement(s) of this type to be of such duration.

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Continuing Connected Transactions and the Annual Caps. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Proposed Continuing Connected Transactions and the Annual Caps, and accordingly, are eligible to give independent advice and recommendations on the terms of the New Framework Agreement and the Annual Caps. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We will notify the Shareholders of any material change of information in the circular up to the date of GM.

Our review and analyses were based upon, among others, (i) the information provided by the Group including the Circular, the New Framework Agreement and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2023 (the "**Annual Report 2023**") and the interim report for the six months ended 30 June 2024 (the "**Interim Report 2024**"); and (ii) our discussion with the Directors and the management of the Group with respect to the terms of and the reasons for entering into of the New Framework Agreement. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses or affairs and future prospects of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the terms of the Proposed Continuing Connected Transactions, together with the Annual Caps, and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background of the Group and CCHG Group

1.1. Background of the Group

The Company is a limited company incorporated in Hong Kong on 11 August 1972. 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.

1.2. Financial information of the Group

The following table sets out the financial performance of the Group for the year ended 31 December 2022 ("**FY2022**") and 31 December 2023 ("**FY2023**") respectively as extracted from the Annual Report 2023 and for the six months ended 30 June 2023 ("**HY2023**") and 30 June 2024 ("**HY2024**") respectively as extracted from Interim Report 2024:

	FY2022	**FY2023**	**HY2023**	**HY2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
Leasing	414,578	604,020	297,372	245,509
Property development and investment	87,050	86,819	42,774	59,735
Marine recreation services and hotel	14,017	35,531	19,030	18,227
Bulk commodity trade	761,745	13,641	13,641	–
Total revenue	**1,277,390**	**740,011**	**372,817**	**323,471**
Profit for the year/period	**77,288**	**68,417**	**38,905**	**26,855**
Profit for the year/period attributable to the owners of the Company	**76,066**	**68,003**	**38,741**	**26,694**

FY2022 vs FY2023

The Group's revenue for FY2023 was approximately HK$740.01 million, representing a decrease of approximately HK$537.38 million or 42.07% as compared to approximately HK$1,277.39 million for FY2022. According to the Annual Report 2023, the decrease in revenue was the combined effect of (i) the decrease in revenue of bulk commodity trade of approximately HK$748.11 million as the Group had suspended the bulk commodity trade business during FY2023 due to its inherent risk and low-margin characteristics, which will be further discussed below; and (ii) the increase in the revenue of leasing of approximately HK$189.44 million as the Group directed its attention towards the further development and expansion of its core leasing business in the PRC during FY2023, which will be further discussed below. Due to the decrease in revenue, the Group's profit for the year attributable to the owners of the Company for FY2023 was approximately HK$68.00 million, representing a decrease of approximately HK$8.07 million or 10.61% as compared to approximately HK$76.07 million for FY2022.

According to the Annual Report 2023, China experienced a steady recovery in economic growth after the COVID-19 pandemic in 2023. Chengtong Financial Leasing capitalised the increased demand for financing and investment opportunities across various industries. During FY2023, Chengtong Financial Leasing experienced a growth in its interest income from the leasing business, which was in line with the expansion of its business scale. During FY2023, the Group also diversified its leasing business into operating lease which helped spreading the risk and reliance on the finance lease market. Operating lease provides flexibility and resilience, ensuring the Group's leasing business remains responsive and competitive in a dynamic business environment. Furthermore, the Group made a strategic decision to suspend the bulk commodity trading business in early 2023 as bulk commodity trade involves significant market volatility and price risks. Prices can be influenced by global economic conditions, supply and demand dynamics and natural disasters. This unpredictability and variability can lead to potential risks and uncertainties, making the management of such business challenging. Therefore, having conducted a comprehensive evaluation and risk-reward analysis of the bulk commodity trading business, the Group decided to suspend the bulk commodity trading business and to reallocate its resources and efforts to the leasing business.

HY2023 vs HY2024

The Group's revenue for HY2024 was approximately HK$323.47 million, representing a decrease of approximately HK$49.35 million or 13.24% as compared to approximately HK$372.82 million for HY2023. According to the Interim Report 2024, the decrease in revenue was mainly due to the decrease in revenue of leasing of approximately HK$51.86 million as a result of the completion of certain finance lease projects and operating lease projects during HY2024. Due to the decrease in revenue, the Group's profit for the year attributable to the owners of the Company for HY2024 was approximately HK$26.69 million, representing a decrease of approximately HK$12.05 million or 31.10% as compared to approximately HK$38.74 million for HY2023. As discussed with the management of the Company, the Group will maintain its strategic focus on and will achieve sustainable business development for the leasing business.

Based on the above information, we consider that the Proposed Continuing Connected Transactions are in line with the Group's overall business strategy and provide an opportunity to the Group to expand its leasing business.

1.3. Background of CCHG

CCHG is a state-owned enterprise established in the PRC on 22 January 1998 with limited liability, paid-in capital of RMB20.6 billion and the ultimate holding company of the Company. CCHG is one of two national capital operation group companies directly under the SASAC, a conglomerate principally engaged in fund investment, equity management, asset management, financial services and nurturing of strategic emerging industries.

2. Reasons for and benefits of entering into the New Framework Agreement

According to the Letter from the Board, as of 31 December 2023, the total assets of CCHG Group amounted to approximately RMB578.5 billion, representing a year-on-year increase of 5.6%. Moreover, in 2023, the revenue and net profit of CCHG Group amounted to approximately RMB53.1 billion and RMB4.6 billion, respectively. In view of the financial position and performance of CCHG Group, the Company considers that CCHG Group has a substantial asset base and liquidity to satisfy the liability as they fall due and is therefore one of the core target customers for the Company's financial leasing business. The Company has established entrusted business relationship with CCHG Group on financial leasing contemplated under the Existing Framework Agreement. In view of the cooperation history between CCHG Group and the Group, the Group is expected to benefit from CCHG Group's better understanding of the operations of the Group which would allow more expedient and efficient cooperation. In addition, it also allows the Group to secure stable and long-term revenue income from the provision of Finance Lease Services and Operating Lease Service to CCHG Group, a customer of the Group with sound financial position, substantial business and positive reputation in the PRC. The provision of Finance Lease Services and Operating Lease Service by the Group to CCHG Group under the New Framework Agreement is in the ordinary and usual course of business of the Group while the Group will in return receive a stable revenue and cashflow stream during the term of the New Framework Agreement. Furthermore, by entering into the New Framework Agreement with CCHG, the Group may leverage the positive brand image and market position of CCHG, which would allow the Group to target a broader spectrum of premium finance lease customers and accelerate client growth, and in turn, foster the growth and smooth development and operations of the Group. The transactions contemplated under the New Framework Agreement will be satisfied by the general working capital of the Group.

From our review of the financial performance of the Group as discussed in the section headed "1.2 Financial information of the Group" above in this letter, as the Group has directed its attention towards the development and expansion of its leasing business in the PRC, including its extension to the operating lease business, leasing business was a major source of revenue of the Group that accounted for over 75% of the revenue of the Group for FY2023 and HY2024. We have enquired with the management of the Company and were confirmed that the members of the CCHG Group had no record of late or default in repayment to the Group in history. According to the credit rating report by China Lianhe Credit Rating Co., Ltd., being one of the professional credit rating agencies accepted by the People's Bank of China, China Securities Regulatory Commission, National Development and Reform Commission and China Banking and Insurance Regulatory Commission, as released on the website of the Shanghai Stock Exchange on 6 June 2024 (https://www.sse.com.cn/disclosure/bond/announcement/company/c/new/2024-06-06/163679_20240606_J3QD.pdf), CCHG's credit rating is "AAA", which is the highest credit rating. After considering that (i) the leasing business is one of the ordinary and usual course of business of the Group; (ii) CCHG Group has a sounded credit record; and (iii) the provision of Finance Lease Services and Operating Lease Service by the Group to CCHG Group under the New Framework Agreement could provide sustainable income to the Group, we are of the view that the Proposed Continuing Connected Transactions are in the ordinary and usual course of business of the Group and entering into the New Framework Agreement is in the interests of the Company and the Shareholders as a whole.

3. New Framework Agreement

3.1. Principal terms of the New Framework Agreement

The principal terms of the New Framework Agreement are set out as follows:

Date	:	13 December 2024
Parties	:	(1) the Company; and
		(2) CCHG.

Term	:	From 1 January 2025 to 31 December 2027 (both dates inclusive)
Subject of the transaction	:	The relevant member of the Group will provide the following services in relation to the Leased Assets by way of, including but not limited to, sale and leaseback service, direct finance lease service and operating lease service:

(i) Finance Lease Services

(a) under sale and leaseback service (the "**Sale and Leaseback Service**"), the relevant member of CCHG Group (as lessee) sells the Leased Assets to the relevant member of the Group (as lessor) at the amount the relevant member of the Group granted to and to be utilized by the relevant member of CCHG Group pursuant to Individual Agreements, and the relevant member of the Group then leases the Leased Assets back to the relevant member of CCHG Group for its use in return for the lease payments (comprising primarily the Purchase Price and the Finance Lease Payments);

(b) under the direct finance leasing service (the "**Direct Finance Leasing Service**", together with the Sale and Leaseback Service, the "**Finance Lease Services**"), the relevant member of the Group (as lessor) purchases or obtains the ownership of the Leased Assets pursuant to the instructions given by the relevant member of CCHG Group, and the relevant member of the Group then leases the Leased Assets to the relevant member of CCHG Group (as lessee) for its use in return for the lease payments (comprising primarily the Purchase Price and the Finance Lease Payments).

(ii) Operating Lease Service

(a) under the operating lease service (the "**Operating Lease Service**"), the relevant member of the Group (as lessor) leases the Leased Assets to the relevant member of CCHG Group (as lessee) for its use in return for Operating Lease Payments.

As one of the major business segments of the Group, the Group provides Sale and Leaseback Service, Direct Finance Leasing Service and Operating Lease Service to its customers. The Group has included Direct Finance Leasing Service and Operating Lease Service in the New Framework Agreement with a view to actively expanding and diversifying the Group's leasing services to prepare for industry transformation and future business development after taking into account the following:

(i) the National Financial Regulatory Administration of the PRC encourages financial leasing company to optimize the leasing business structure by issuing the "Notice of the State Administration of Financial Supervision and Administration on Promoting Standardized Operation and Compliance Management of Financial Leasing Companies" (《國家金融監督管理總局關於促進金融租賃公司規範經營和合規管理的通知》) (the "**Notice**") on 27 October 2023, whereby leasing companies are expected to enhance their direct leasing capabilities progressively. As at the Latest Practicable Date, the Sale and Leaseback Service accounts for almost 100% of the Finance Lease Services of the Group in terms of the number of transactions. To align with the Notice which encouraged leasing companies to diversify their leasing activities, the Group expects to extend its services to Direct Finance Lease Service and Operating Lease Service with CCHG Group under the New Framework Agreement; and

(ii) the Group plans to benefit from the successful implementation of the operating lease project it entered into with members of CCHG Group in 2024 as disclosed in the announcement of the Company dated 10 January 2024, and enter into further operating lease arrangements with members of CCHG Group in the future.

Contract period : Subject to the type of Leased Assets involved, the contract periods of the Individual Agreements are expected to range from:

(i) 1 year to 8 years for the Sale and Leaseback Service;

(ii) 1 year to 10 years for the Direct Finance Leasing Service; and

(iii) 6 months to 16 years for the Operating Lease Service.

The Individual Agreements may have contract periods ending on a date after 31 December 2027. Subject to compliance with the applicable requirements under the Listing Rules, the Individual Agreements duly executed shall remain to have full force and effect for their respective contract periods even if the New Framework Agreement is expired or terminated and is not renewed. In this regard, under the Individual Agreements, the Group shall have the right to terminate or cancel any Individual Agreement if the Group can no longer perform or shall delay the performance of the obligations under the Individual Agreements contemplated under the New Framework Agreement due to requirements of the Stock Exchange, or any applicable laws and regulations (including but not limited to the Listing Rules). Upon termination or cancellation of the Individual Agreement, (i) the Finance Lease Payments and Operating Lease Payments (as the case may be) receivable by the Group will accrue up to the date of termination or cancellation; (ii) in relation to the Finance Lease Services only, the Leased Asset will be (a) assigned to the relevant lessee subject to repayment of all outstanding principal and settlement of all outstanding Finance Lease Payments and the nominal consideration for repurchase of the Leased Asset or (b) disposed by the Group as it considers appropriate in the event that the outstanding principal, outstanding Finance Lease Payment and the nominal consideration for repurchase of the Leased Asset were not repaid or settled in full in accordance with the terms of the Individual Agreement; and (iii) the relevant lessee will have no claim against the Group for such termination or cancellation. The Company will closely monitor the effectiveness and validity of the New Framework Agreement and the Individual Agreements, and shall comply with the relevant requirements in accordance with the Listing Rules as and when appropriate.

Purchase Price and Lease Payment	:	The transactions contemplated under the New Framework Agreement shall be conducted on normal commercial terms through arm's length negotiations and shall not be less favourable than those offered to or provided by the Independent Third Parties for transactions of the same type. For the transactions contemplated under the Finance Lease Services,

(i) the Purchase Price under the Sale and Leaseback Service, representing the principal amount, shall be determined with reference to the net book value of Leased Assets and shall not be higher than such net book value. For the avoidance of doubt, the net book value of Leased Assets is the net book value of such Leased Assets as shown in the latest management accounts of the legal owner of the Leased Assets prior to the Group's acquisition of the Leased Assets.

In the event that the net book value of Leased Assets cannot be ascertained, the Purchase Price under the Sale and Leaseback Service, representing the principal amount, shall then be determined with reference to the appraised value of the Leased Assets provided by independent valuers and shall not be higher than such appraised value. For instance, where the lessee is a Public-Private Partnership (PPP) company, according to the PRC accounting standards, the leased asset might be classified as intangible assets or other assets in the financial statements and not accountable for any depreciation charges, the book value of the leased assets recorded in the financial statements does not reflect the actual usage condition and thus the fair value. In such case, the purchase price shall be determined based on their appraised value. Cost Method shall generally be adopted because the information regarding the replacement cost of the Leased Assets is usually readily available or can be acquired by on-site inspections. The Cost Method 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 on-site inspection and calculation and analysis based on technical and economic factors.

(ii) the Purchase Price under the Direct Finance Leasing Service, representing the principal amount, shall be calculated with reference to the actual purchase price of the relevant Leased Assets, and shall not be less than the actual purchase price paid by the relevant member of the Group for the acquisition of the Leased Assets.

(iii) the Finance Lease Payments to be received by the Group will comprise of periodic payments by the lessee to the Group and other receivables to be received by the Group such as one-off service fees. The periodic payments by the lessee are calculated based on (a) a fixed interest rate throughout the lease term; or (b) a variable interest rate that will be adjusted yearly as the LPR changes. For the avoidance of doubt, the Finance Lease Payments under variable interest rate method will take LPR as reference but will not be calculated exclusively based on LPR. LPR is not used as the basis for pricing, but provides a mechanism for the relevant member of the Group to adjust the Finance Lease Payments should the interest rates in the PRC fluctuate in the future. LPR is only stipulated as the pricing standard in the standard contracts of the relevant member of the Group to facilitate easy understanding. If, under the Individual Agreement, the amount of Leased Payment to be received by the Group shall be adjusted as LPRs change, adjustments will be made to such lease interest rate on an annual basis on 1 January every year except in the case where the lessee has overdue lease payment and has not paid all overdue payments and liquidated damages, the interest rate applied will not be adjusted when LPR is reduced. The amount of Finance Lease Payments shall be fair and reasonable, determined after arm’s length negotiation between the relevant member of the Group and CCHG Group taking into account the prevailing market price of the Leased Assets and the prevailing market conditions when the Individual Agreement is entered into. The Group, after taking into account the current market quotations on finance leasing activities, will also ensure that the lease interest rate strikes a balance between its own financing costs for acquiring the Leased Assets and the financing costs acceptable to its customer, namely the CCHG Group. The return rate, which is calculated with reference to of the total Finance Lease Payments to be received by the Group as a whole (taking into account the aggregate amounts of lease income and other receivables (including service fees, if any)), shall be at a rate not less favourable than that offered to Independent Third Parties for comparable leasing arrangements when the relevant Individual Agreement is entered into. In this regards, the Company has established internal guidelines for the types of projects to be developed and the minimum rates of return. These guidelines impose respective pricing standards across specific industries, regardless of whether the transactions are connected, imposing the same pricing strategy and standard within a certain industry, thereby ensuring fairness and impartiality in transactions entered into with Independent Third Parties. The sum of total Finance Lease Payments and other receivables to be received by the Group under the Individual Agreements shall also not be less than the cost of financing incurred by the Group for the respective Individual Agreements. The expected profit margin from the transactions contemplated under the Individual Agreements will be comparable to those from finance lease transactions between the Group and Independent Third Parties.

For the transactions contemplated under the Operating Lease Service, the amount of Operating Lease Payments to be received by the Group shall be fair and reasonable, and shall be calculated based on the cost of constructing or purchasing the Leased Assets (the "**Acquisition Cost**"), the estimated cost of maintaining or operating the Leased Assets and the insurance premium payable in respect of the Leased Assets during the relevant lease term, the estimated income that the Leased Assets can bring to CCHG Group during the relevant lease term, and the lease income and other receivables (including service fees, if any) charged for the leasing of comparable leased assets. The periodic lease income is calculated to obtain an average annual yield ranging from 4% to 8% of the Acquisition Cost. The return rate shall be at a rate not less favourable than that offered to Independent Third Parties for comparable leasing arrangements when the relevant Individual Agreement is entered into.

The Lease Payments shall be paid by the lessee during the relevant lease term by installments, which may be quarterly, semi-annually or otherwise, in the manner to be specified in the Individual Agreements.

Legal Title and Control over Leased Assets	:	The Group shall own the legal title of the Leased Assets during the respective lease terms of the Individual Agreements. The transactions contemplated under the Finance Lease Services, comprising both the acquisition of Leased Assets and the provision of finance lease services, will be accounted for as a secured loan and recognized in accordance with HKFRS 9 Financial Instruments for accounting purposes. The Finance Lease Payments, in essence, represent the interest receivable by the Group and will be determined based on, among others, the pre-agreed fixed rates or the yearly-adjustable rate based on then-prevailing LPR, and the Leased Assets are, in substance, the security for the loan and are not revenue-generating assets with identifiable income stream. Moreover, as the Leased Assets are equipment or facilities used by the lessees in their ordinary course of production, the lessees would not separately account for the profits before tax and after tax of the Leased Assets. The transactions contemplated under the Operating Lease Service, comprising the leasing of Leased Assets, will be accounted for as rental income on a straight-line basis over the term of the lease and recognized in accordance HKFRS 16 Leases for accounting purposes. The direct costs incurred in negotiating and arranging operating leases should be recognized in the income statement of the same period, or amortized over the lease term on the straight-line basis according to the depreciation policy.
CCHG Group's Right to Repurchase the Leased Assets under the Finance Lease Services	:	Subject to the repayment of the Purchase Price, the settlement of all the Finance Lease Payments and any other payables (if any) by the relevant member of CCHG Group to the Group in accordance with the terms of Individual Agreements, the relevant member of CCHG Group shall have the right to repurchase the Leased Assets at a nominal consideration ranging from RMB1.00 to RMB100.00 at the end of the relevant lease term to be specified in the relevant Individual Agreement, or in case of early termination, on a date to be agreed by the relevant member of the Group and CCHG Group. For the avoidance of doubt, CCHG Group shall have no right to repurchase the Leased Assets under the Operating Lease Service during the respective lease terms in any circumstance.

Others	:	The New Framework Agreement is conditional upon the approval by the Independent Shareholders of the New Framework Agreement. The relevant member(s) of the CCHG Group and the relevant member(s) of the Group may from time to time enter into Individual Agreements in relation to the subject matters contemplated under the New Framework Agreement upon and subject to the terms and conditions in compliance with those of the New Framework Agreement.

3.2. Historical Transaction Amount of Finance Lease Services

The following table shows the highest total outstanding principal amount and interest receivable amount up to FY2022, FY2023 and the nine months ended 30 September 2024 and the annual caps under the Existing Framework Agreement:

	The highest total outstanding principal amount and interest receivable amount on a cumulative basis under the Existing Framework Agreement *RMB million approximately*	**Annual caps under the Existing Framework Agreement** *RMB million*
FY2022	480.31	500.00
FY2023	508.27	1,021.00
Nine months ended 30 September 2024	509.76	N/A
Year ending 31 December 2024 (“**FY2024**”)	N/A	1,677.00

Based on the above information, we have calculated the utilisation rate, which was approximately 96.1%, 49.8% and 40.5% (after the historical transaction amount being annualized) for FY2022, FY2023 and FY2024 respectively. As we note that the utilisation rate is below 50% for FY2023 and FY2024, we have reviewed the list of finance lease projects under the Existing Framework Agreement and note that the Group did not reach the agreements for the two sizeable finance lease projects, which were intended to be entered into with CCHG Group in 2023 and 2024 with the principal amounts of approximately RMB500 million and RMB600 million respectively. As discussed with the management of the Company, the financing needs for the renewable energy equipment of the two potential lessees were reduced mainly due to (i) the improvement of the liquidity of the potential lessees resulted from the then improved operation; (ii) the change in business strategy and resource re-allocation of the potential lessee, which leads to the reduction of investment in renewable energy equipment; and (iii) the availability of other financing options for lower finance cost to the potential lessees. Therefore, after assessing the terms of such finance lease projects, the management of the Company considered that it was not in the interests of the Company to enter into those finance lease agreements.

3.3. Historical Transaction Amount of Operating Lease Service

With reference to the announcement of the Company dated 10 January 2024 in respect of the Existing Operating Lease Arrangement, on 10 January 2024, Chengtong Financial Leasing as lessor entered into the lease agreement with the Zhuhai Hongta Renheng Packaging Co., Ltd. ("**Zhuhai Hongta**") as lessee, pursuant to which Zhuhai Hongta will lease the energy storage power station to be constructed in Qianshan Industrial Zone, Zhuhai City, Guangdong Province of the PRC for a lease term of 16 years. The annual caps under the Existing Operating Lease Arrangement are RMB6.79 million for each of the financial years during the lease term. According to the Letter from the Board, the aggregate Operating Lease Payments received by the Group from CCHG Group under the Existing Operating Lease Arrangement was approximately RMB1.10 million for the nine months ended 30 September 2024. The utilisation rate of the Existing Operating Lease Arrangement for FY2024 (after the historical transaction amount being annualized) is approximately 21.6%. As discussed with the management of the Company, the reason of the low utilisation rate is that the instalment of the energy storage power station, being the leased assets under the Existing Operating Lease Arrangement, was completed in June 2024 and therefore the energy storage power station has been operating for approximately four months only up to 30 September 2024.

3.4. Annual Caps

(a) Annual Caps of Finance Lease Services

The proposed annual caps for the transactions contemplated under the Finance Lease Services (comprised (a) the total amount of (i) Purchase Price (representing the total principal amount under the Finance Lease Services) which is calculated on a cumulative basis with RMB600 million, RMB300 million and RMB200 million for the years ending 31 December 2025, 2026 and 2027, respectively; and (ii) expected Finance Lease Payments during the relevant year (collectively, the "**New Transaction Amount**"); and (b) the outstanding balances of all existing finance leases under the Existing Framework Agreement (for the avoidance of doubt, excluding the New Transaction Amount) (the "**Outstanding Balances**")) for the years ending 31 December 2025, 2026 and 2027 are set out as follows:

	For the years ending 31 December		
	2025	**2026**	**2027**
	RMB'000	*RMB'000*	*RMB'000*
Total amount of Purchase Price	600,000	900,000	1,100,000
Total amount of the expected Finance Lease Payments (which will take into account the aggregate amounts of lease income and other receivables (including service fees, if applicable)) to be received by the Group	35,053	74,963	107,732
Outstanding Balances	13,043	13,110	13,110
Total amount (New Transaction Amount and Outstanding Balances)	**648,096**	**988,073**	**1,220,842**

With reference to the Letter from the Board, the annual caps for the transactions contemplated under the Finance Lease Services are determined after taking into account the following:

(i) the historical transaction amounts under the Existing Framework Agreement, in which the highest total outstanding principal and interest receivable amount on a cumulative basis under the Existing Framework Agreement were approximately RMB480.31 million, RMB508.27 million and RMB509.76 million up to FY2022, FY2023 and the nine months ended 30 September 2024 respectively;

(ii) the provision of a certain buffer to cater for the potential increase in the demand for the Leased Assets of the Group by CCCH Group and any potential fluctuation in the market prices of the relevant Leased Assets, taking into account the Group's business plan and strategy to develop its energy storage projects;

(iii) the estimated amounts to be utilized by the CCHG Group pursuant to the Individual Agreements to be entered into, together with lease income and other receivables including service fees, if applicable, from prospective finance lease services projects between the Group and CCHG Group. Based on the current estimations of the future market environment and the financing needs of CCHG Group, the Company is currently in discussions with CCHG Group regarding three prospective transactions for 2025 and one prospective transaction each for 2026 and 2027. The estimated amounts are RMB600 million, RMB300 million and RMB200 million for the years ending 31 December 2025, 2026 and 2027, respectively. Among the aforesaid prospective transactions in discussion, the Leased Assets will span across the facilities and equipment of various industries with a focus on energy generation, transportation, and manufacturing. These include without limitation the facilities and equipment related to photovoltaic power generation, wind power generation, railway construction, logistics vehicles, and paper, pulp, and cellulose production;

(iv) the outstanding principal amount and lease payments expected to be received by the Group from the CCHG Group under the existing finance leases under the Existing Framework Agreement;

(v) the Group's potential risk exposure should the members of the CCHG Group were unable to make timely repayments;

(vi) the current financing market conditions, including the interest rates and fees arrangement and level of similar services provided by Independent Third Parties, and the potential adjustments to be made by the People's Bank of China to the LPR(s) in the future. In the case of any adjustment to the LPR(s) made by the People's Bank of China in the future, the Finance Lease Payments to be specified in the Individual Agreements will be determined with reference to the adjusted LPR(s); and

(vii) the nature, estimated value and expected lifespan of the Leased Asset.

(b) Annual Caps of Operating Lease Service

The proposed annual caps for the transactions contemplated under the Operating Lease Service for the years ending 31 December 2025, 2026 and 2027 are set out as follows:

	For the years ending 31 December		
	2025	**2026**	**2027**
	RMB'000	*RMB'000*	*RMB'000*
Total Operating Lease Payments (taking into account the aggregate outstanding amounts of lease income and other payables (including service fees, if applicable)) to be received by the Group	20,326	38,766	48,209

With reference to the Letter from the Board, the annual caps for the transactions contemplated under the Operating Lease Service are determined after taking into account the following:

(i) the outstanding lease payments expected to be received by the Group from the CCHG Group under the Existing Operating Lease Arrangement, details of which was disclosed in the announcement of the Company dated 10 January 2024. Pursuant to the Existing Operating Lease Arrangement, the amount of the then adjusted lease payment receivable under the Existing Operating Lease Arrangement expected to be received by the Group on an annual basis will not exceed RMB5.07 million (equivalent to approximately HK$5.42 million) in each of the financial years during its lease term;

(ii) the Group's overall business plan for Operating Lease Service with the CCHG Group including to enter into new operating leases with CCHG Group on arrangements similar to the Existing Operating Lease Arrangement, taking into account the Group's service capacity, the estimated demand for Operating Lease Service by CCHG Group and the prospective operating lease services projects in the aggregate estimated lease income of not less than RMB108 million (equivalent to approximately HK$115.56 million) over the three years ending 31 December 2025, 2026 and 2027. In particular, the Group has been in discussion with members of CCHG Group to explore and discuss potential operating lease projects with a view to have a better understanding of their expected demand of the Operating Lease Service and the potential projects scale and thereby deduce the estimated amount receivable by the Group in the next three years ending 31 December 2025, 2026 and 2027 based on comparable return rate; and

(iii) the Group's potential risk exposure should the members of the CCHG Group were unable to make timely repayments or terminate the Individual Agreements prematurely after the Group obtains ownership of the Leased Assets, thereby potentially preventing the Group from achieving the estimated returns.

3.5. Our assessment on the terms of New Framework Agreement and the Annual Caps

(a) Terms of New Framework Agreement (including the contract period of Individual Agreements)

Pursuant to the New Framework Agreement, the transactions contemplated under the New Framework Agreement shall be conducted on normal commercial terms through arm's length negotiations and shall not be less favourable than those offered by the Group to the Independent Third Parties for transactions of the same type.

As Chengtong Financial Leasing has been providing finance lease and operating lease services to Independent Third Parties, the finance lease and operating lease agreements entered into between Chengtong Financial Leasing and Independent Third Parties are considered adequately reflects the market practice. In this regard, we have selected samples in terms of the leasing amount and reviewed top 10 from the list of 81 finance lease agreements entered with Independent Third Parties and top 5 from the list of 15 operating lease agreements entered with Independent Third Parties, which were entered into and the lease period commenced during the period from 1 January 2022 to the date of New Framework Agreement and the leased assets of such lease agreements are included in the category of the Leased Assets. We are of the view that the sample size is fair and reasonable, and the selection basis is fair and representative in view of materiality and transaction nature. After comparing the terms of such lease agreements with the terms of the historical lease agreements entered with CCHG Group and the New Framework Agreement and reviewing the internal control documents as stated in the section headed "4. Internal Control Measures and Risk Management" below in this letter, we consider that the terms of the New Framework Agreement are fair and reasonable and not less favourable than those offered to the Independent Third Parties. We also consider that it is fair and reasonable for the Finance Lease Payments to use the LPRs as reference for the pricing, which is also included in the finance lease agreements entered into between Chengtong Financial Leasing and Independent Third Parties.

As discussed with the management of the Company, the Board considered that (i) the Leased Assets involved in the Finance Lease Services and Operating Lease Service, such as power stations, energy storage power stations, power swap stations and power management systems, etc., are generally anticipated to have a longer lifespan, the leased terms of which normally align with the expected payback period of the specific Leased Asset that may range up to 16 years in the industry; (ii) it is in line with current industry practice for the Group to enter into the Individual Agreements for the aforementioned contract periods as finance lease and operating lease agreements involving leased assets which are of similar types and nature with the Leased Assets are generally entered into for similar contract periods.

From our review of the selected samples of the finance lease and operating lease agreements entered into between Chengtong Financial Leasing and Independent Third Parties as mentioned above, we note that 6 out of 15 samples have the contract period of more than three (3) years and the contract periods varies in accordance to the type of the assets to be leased as mentioned in the Letter from the Board. Therefore, we consider the contract period of the Individual Agreements that may exceed three (3) years for the Leased Assets is justifiable and it is a normal business practice of the Group.

(b) Annual Caps of Finance Lease Services

In order to access the fairness of the Annual Caps of Finance Lease Services, we have also discussed with the management of the Company in respect of the basis of determining the Annual Caps of Finance Lease Services. As discussed with the management of the Company, the Annual Caps of Finance Lease Services are determined based on the sum of (i) the Outstanding Balances of the existing finance lease transactions with CCHG Group under the Existing Framework Agreement; (ii) the estimated total principal amount of the potential finance lease transactions expected to be entered with CCHG Group over the three years ending 31 December 2025, 2026 and 2027; and (iii) the accumulated Finance Lease Payments under the existing and potential finance lease transactions to be received by the Group and the credit risk exposure of such finance lease transactions.

For our due diligence purpose, we have obtained from the management of the Company and reviewed (i) the finance lease agreements in relation to the existing finance lease transactions with CCHG Group under the Existing Framework Agreement; (ii) the Group's business plan of the finance lease transactions under the New Framework Agreement; and (iii) the supporting documents in relation to the potential finance lease transactions over the three years ending 31 December 2025, 2026 and 2027. Details of our findings are as follows:

(i) Based on our review of the finance lease agreements of the existing finance lease transactions with CCHG Group under the Existing Framework Agreement, as at the Latest Practicable Date, there are two existing finance lease transactions with CCHG Group. According to the repayment schedule of such existing finance lease transactions, the outstanding principal amount and lease payments expected to be received by the Group from the CCHG Group will reach approximately RMB13.04 million and RMB13.11 million for the year ending 31 December 2025 and 31 December 2026 respectively; and

(ii) according to the business plan of the finance lease transactions of the Group, the Group intends to enter into potential finance lease transactions with the aggregate Purchase Price of approximately RMB600 million, RMB900 million and RMB1,100 million for the years ending 31 December 2025, 2026 and 2027 respectively. Together with the credit risk exposure of the finance lease transactions, the total amount of the expected Finance Lease Payments to be received by the Group would be approximately RMB35.05 million, RMB74.96 million and RMB107.73 million for the year ending 31 December 2025, 2026 and 2027 respectively. In this regard, we have reviewed (i) the calculation of the credit risk exposure of the finance lease transactions; (ii) the estimation of the Finance Lease Payments, including the lease period and the interest charged in the repayment schedule of each potential finance lease transactions; and (iii) the supporting documents of the potential finance lease transactions to be entered during the years ending 31 December 2025, 2026 and 2027, including the due diligence reports on the potential lessees and the abovementioned repayment schedule.

After considering the basis of the Annual Caps of Finance Lease Services, including Outstanding Balances, the Purchase Price and the Finance Lease Payments for the years ending 31 December 2025, 2026 and 2027, and reviewing the finance lease agreements of the existing finance lease transactions with CCHG Group, the calculation of the Finance Lease Payments in the business plan of the finance lease transactions of the Group and the supporting documents of the potential finance lease transactions, we consider that the Annual Caps of Finance Lease Services are fair and reasonable.

(c) Annual Caps of Operating Lease Service

In order to access the fairness of the Annual Caps of Operating Lease Service, we have also discussed with the management of the Company in respect of the basis of determining the Annual Caps of Operating Lease Service. As discussed with the management of the Company, the Annual Caps of Operating Lease Service are determined by the lease payments expected to be received by the Group from the CCHG Group under the Existing Operating Lease Arrangement and the potential operating leases transactions to be entered with CCHG Group and the Group's potential risk exposure for such operating leases (if any).

For our due diligence purpose, we have obtained from the management of the Company and reviewed (i) the operating lease agreement under the Existing Operating Lease Arrangement; (ii) the Group's business plan of the operating lease transactions under the New Framework Agreement; and (iii) the supporting documents in relation to the potential operating lease transactions over the three years ending 31 December 2025, 2026 and 2027. According to the business plan of the operating lease transactions of the Group, the Group intends to enter into seven potential operating lease transactions with CCHG Group during the three years ending 31 December 2025, 2026 and 2027. Together with the lease payments under the Existing Operating Lease Arrangement, the estimated Operating Lease Payments of all operating lease transactions (including the Existing Operating Lease Arrangement) will be approximately RMB20.33 million, RMB38.77 million and RMB48.21 million to the Group for the years ending 31 December 2025, 2026 and 2027 respectively. The Operating Lease Payments of the potential operating lease transactions are estimated based on (i) the lease payment schedule of the operating lease transactions; and (ii) the investment cost of the Leased Assets by the Group. In this regard, we have reviewed the calculation of the Operating Lease Payments in the business plan of the operating lease transactions of the Group, including the lease payment from the potential operating lease transactions and the adjusted lease payment receivable under the Existing Operating Lease Arrangement. We have also reviewed the supporting documents of the potential operating lease transactions to be entered during the years ending 31 December 2025, 2026 and 2027, including the due diligence reports on the potential lessees, the project proposals with the information of the Leased Assets and the abovementioned lease payment schedule.

After considering the Operating Lease Payments in the business plan of the operating lease transactions of the Group and reviewing the operating lease agreements under the Existing Operating Lease Arrangement, the calculation of the Operating Lease Payments and the supporting documents of the potential operating lease transactions, we consider that the Annual Caps of Operating Lease Service are fair and reasonable.

4. Internal Control Measures and Risk Management

To safeguard the interest of the Shareholders, the Group has adopted, among others, the following internal control and risk management procedures to ensure that continuing connected transactions will be conducted within the New Framework Agreement:

Review and Approval before entering into the Individual Agreements

(i) The business department of Chengtong Financial Leasing ("**Business Department**") will carry out due diligence on the potential lessee including its background, business profile, industry ranking, financial position, credit rating, compliance records and loan repayment records, and identify the intended use of the principal amount with the potential lessee.

(ii) The legal department of Chengtong Financial Leasing ("**Legal Department**") will carry out due diligence on the titles of the Leased Assets. To be considered as acceptable Leased Assets, such assets must be legally tradable and the lessee must possess clear and good titles.

(iii) The review and appraisal department of Chengtong Financial Leasing ("**Review Department**") will then further assess and scrutinize each transaction, carry out risk assessment. In assessing the risk profile of the lessee, the following factors will be considered: (i) source of funds available for repayment, including the profitability, equity position and the cash flow condition of the lessee; (ii) the valuations of the Leased Assets when they are being sold in secondary markets to discharge the debt of the lessee; (iii) the risk and return analysis of other financing projects between the Group and other Independent Third Party lessees with similar background; and (iv) the market conditions and outlook of lessee's business.

(iv) The Review Department will also record and calculate, among others, the amount of Purchase Price and expected Lease Payment payable or receivable by the Group. When 80% of the relevant annual cap is reached, the Review Department will notify the Business Department, the finance department of Chengtong Financial Leasing ("**Finance Department**") and the company secretary of the Company to carry out necessary and appropriate actions to ensure the Annual Caps will not be exceeded.

(v) A committee (the "**Committee**") will be formed to consider and approve the business proposal taking into account the due diligence reports prepared by the Business Department and the record and calculation of the principal amount and expected Lease Payments payable or receivable by the Group prepared by the Review Department. Business proposals shall only be approved by the Committee if the Annual Caps will not be exceeded upon entering into the transaction(s) contemplated under such business proposal. Subject to the approval of the Committee, each of the Individual Agreements shall be further submitted to the Chengtong Financial Leasing's board of directors, the Company's executive committee, the Board, as the case maybe, for final approval.

Pricing Terms

(i) The Business Department will be responsible for obtaining at least two relevant LPRs promulgated by the National Interbank Funding Center in principal to negotiations for the proposed terms and conditions of the relevant Individual Agreements. However, in cases where the Leased Assets pertain to certain specialized strategic emerging industries, such as the energy storage industry, the business model might be unique and market limitations may restrict the availability of comparable samples. Consequently, the Business Department may face challenges in securing at least two relevant LPRs, as is typically required. The Review Department and the Finance Department will then verify the LPR(s) quoted by the Business Department through independent searches on external databases to ensure its accuracy and compare the relevant LPR(s) with the terms of the Individual Agreement, where appropriate, compare the pricing terms of the proposed finance lease services such Individual Agreement to those of the similar transactions with Independent Third Parties and conduct analysis of pricing terms under each Individual Agreement to ensure that the terms under the Individual Agreement available to the Group are no less favourable than those offered by the Group to other Independent Third Parties. They shall evaluate the transaction terms under each Individual Agreement, in particular, the fairness and reasonableness of the pricing terms thereunder.

(ii) The Company has internal guidelines for the types of projects to be developed and their minimum rates of return. The Review Department will be responsible for maintaining the effectiveness of and compliance with the internal guidelines concerning minimum rates of return. The Review Department will review the internal guidelines twice a year to consider if adjustment to the minimum return rate is necessary and to ensure they align with industry practices and market standards with the prerequisite that the sum of total Finance Lease Payments and other receivables to be received by the Group under the Individual Agreements shall also not be less than the cost of financing incurred by the Group for the respective Individual Agreements. Additionally, the Finance Department will further cross-check the aforesaid reviews conducted by the Review Department annually to ensure the internal guidelines have been complied with for the transactions contemplated under the New Framework Agreement.

Monitoring and Risk Management

(i) The Company's risk management department ("**Risk Management Department**") will oversee and guide the implementation of the continuing connected transactions contemplated under the New Framework Agreement and control the risk thereof and to formulate solutions in resolving any risk which may arise in connection therewith. In particular, the Committee will conduct ongoing review of the actual amount utilized in respect of the Annual Caps. Where the Committee anticipates that the aggregate transaction amounts of the Individual Agreements, including the annual caps in relation to the Operating Lease Service, will exceed the Annual Caps upon review, it will notify the management of the Company immediately and the Company shall take necessary measures to ensure full compliance with the applicable requirements under the Listing Rules.

(ii) The Risk Management Department will conduct the sampling inspection at least twice per annum for not less than 50% of the transactions contemplated under the Individual Agreements to inspect the comprehensiveness and effectiveness of the Group's internal control measures on continuing connected transactions, and periodically review and examine the progress of the continuing connected transactions.

(iii) In respect of the credit risk assessment in relation to the provision of Finance Lease Services and Operating Lease Service by the Group to CCHG Group, the Review Department will conduct ongoing review of the economic feasibility and effectiveness of the credit risk control measures of and evaluate the credit risks associated with the relevant transaction contemplated under the relevant Individual Agreement based on the due diligence materials provided by the Business Department and combined with supplementary on-site investigation from time to time. Furthermore, the Review Department will enhance its scrutiny of the financial conditions of the members of CCHG Group as lessees, ensuring comprehensive oversight that spans several critical areas. This scrutiny will include without limitation an assessment of asset structure and quality, focusing on the quality of accounts receivable, asset impairment provisions, and inventory composition and quality. Additionally, the structure of liabilities and debt repayment capabilities will be examined, particularly the composition of loans from major financial institutions, the pressures of imminent repayments, and the management of accounts payable. Lastly, a thorough analysis of both short-term and long-term debt repayment capabilities will be conducted, reviewing key financial ratios such as the debt-to-asset ratio, current ratio, and other relevant cash flow indicators in conjunction with the cash flow statements.

(iv) The Company will engage external auditors to review the data of the continuing connected transactions twice a year in compliance with the annual reporting and review requirements under the Listing Rules and provide confirmation in the Company's annual report on whether such transactions are entered into in the ordinary course of business on normal commercial terms or better and are carried out pursuant to the terms thereof, and whether the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(v) The audit committee of the Company will review the implementation of the continuing connected transactions twice a year.

We have obtained and reviewed the full set of internal control and risk management procedures and the templates of the forms and documents attached to the procedures. We have also reviewed the internal control documents of the historical operating lease and finance lease transactions entered into between Chengtong Financial Leasing and CCHG Group from 1 January 2022 to the Latest Practicable Date under the Existing Framework Agreement, including the approval forms and due diligence reports, and checked with the above internal control and risk management procedures. Based on our review of the internal control documents of the historical lease transactions, we consider that the internal control and risk management procedures have detective control and clear segregation of duties of execution, checking and authorising the Proposed Continuing Connected Transactions by designating different personnel or teams for the assessment, review and approval of the Proposed Continuing Connected Transactions and ongoing monitoring of the Proposed Continuing Connected Transactions, such that the internal control and risk management procedures can ensure that the Proposed Continuing Connected Transactions shall be conducted on normal commercial terms, the credit risk shall be monitored and the Annual Caps will not be exceeded.

5. Financial effect of the transactions contemplated under the New Framework Agreement

According to the Letter from the Board, from the date on which the Individual Agreements become effective, the Group would be entitled to recognize interest and rental income out of Lease Payments from the relevant lessee(s), which would provide additional income contribution to the Group.

Upon implementation of transactions contemplated under the Individual Agreements, the Directors consider that there will be no significant immediate change to the Group's net asset value given the Group's assets will increase pursuant to the value of additional loans receivable under each finance lease and the acquisition cost of operating leased assets, while such increase will be offset by the payment of proceeds to the relevant lessee(s) and/or suppliers of the operating leased assets.

On the other hand, since the transactions contemplated under the New Framework Agreement will be funded, in part or in whole, by borrowings, upon implementation of transactions contemplated under the Individual Agreements, the Group's liabilities may increase but will be offset by the increase in cash and bank balances.

RECOMMENDATION

Taking into account the above principal factors and reasons, in particular, (i) leasing business is one of the ordinary business of the Group; (ii) credibility of CCHG Group; (iii) the terms of New Framework Agreement are no less favourable to the lease agreements offered to the Independent Third Parties; and (iv) internal control and risk management procedures, we consider that the terms of the New Framework Agreement, including the Annual Caps and the transactions contemplated thereunder, are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and it is a normal business practice for the duration of Individual Agreements to be more than three (3) years.

Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the ordinary resolution to approve the New Framework Agreement and the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited

Gina Leung	**Psyche So**
Managing Director	*Associate Director*

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

Ms. Psyche So is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over eight years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three financial years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024 have been set out in the following documents respectively:

(a) the annual report of the Company for the year ended 31 December 2021 from pages 70 to 188 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0323/2022032300436.pdf);

(b) 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);

(c) 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

(d) the interim report of the Company for the six months ended 30 June 2024 from pages 6 to 45 (https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0913/2024091300503.pdf).

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 October 2024, 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$2,576.57 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$315.68 million; (iii) secured and guaranteed asset-backed securities of approximately HK$1,247.80 million which are secured by charges over loan receivables and finance lease receivables of the Group and guaranteed by the ultimate holding company; (iv) unsecured and unguaranteed loan from a related party of approximately HK$23.31 million; and (v) lease liabilities of approximately HK$5.41 million.

As at the close of business on 31 October 2024, the Group had contingent liabilities in relation to guarantees of approximately HK$252.40 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 authorized 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 October 2024.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors are of the opinion that, after taking into account the effects of the New Framework Agreement, 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.

In respect of the leasing business, in the face of the complicated domestic and international economic situation, the Group proactively responded to the various severe challenges, anchored in its goals, overcame the difficulties, optimized its asset structure and layout, and maintained a steady business development. On the basis of strictly adhering to the bottom line of risk and strengthening compliance operations, the Group will seize the historical opportunity to develop new quality productive forces, actively deploy strategies in emerging industries, focus on enhancing the effectiveness of serving the real economy, persist in making progress amidst stability, and strive to achieve stable operation in the diversified and dynamic market environment.

In respect of property development and investment, the Group increased the marketing efforts in the six-month period ended 30 June 2024 ("**1H2024**") and achieved the set target for the CCT-Champs-Elysees project under the severe market environment. In the next step, the Group will speed up the sales of its property stock, and utilize the recovered funds for the principal business of leasing.

In respect of the marine recreation services and hotel business, the Group's operating efficiency in 1H2024 was steady and improving. In the next step, the Group will adhere to market orientation, deepen the integration of culture and tourism, and endeavor to explore new customers. At the same time, the Group will actively explore and promote subsequent asset restructuring.

The Group is the only overseas listed company platform under CCHG, its ultimate controlling shareholder, and Chengtong Financial Leasing is the only financial leasing company under the Group. The Group and Chengtong Financial Leasing will further leverage on the resource advantages of the ultimate controlling shareholder, focus the resources on expanding the principal business of leasing and give full play to the synergy advantage of "industry + finance", so as to create greater value for the Shareholders. The Group will proactively seize development opportunities, being persistent in seeking progress while maintaining stable growth and strengthening stability through progress, constantly optimize its asset structure, and implement various production and operation initiatives in a solid manner, with a view to promoting the Company's high-quality development in all aspects. 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 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 December 2021, 2022 and 2023 and for the six months ended 30 June 2024.

For the year ended 31 December 2021

For the year ended 31 December 2021, the Group realized turnover of approximately HK$1,172.68 million, representing an increase of approximately 26% as compared to that for the year ended 31 December 2020. The Group continued to expand its leasing business in 2021 and clocked up the leasing revenue to approximately 27% of the total turnover.

Notwithstanding the persisting impact of the ongoing COVID-19 pandemic on international shipping and transportation, bulk commodity trade business remained stable. The revenue from bulk commodity trade increased by approximately 11% and contributed to approximately 64% of the total turnover. Revenue from other business segments accounted for approximately 9% of the total turnover.

For the year ended 31 December 2021, the COVID-19 pandemic had a relatively small impact on the Group's asset quality and capital liquidity and the Group maintained a sound financial position. As at 31 December 2021, the equity attributable to owners of the Company amounted to approximately HK$3,134.60 million and represented an increase of approximately 5% from approximately HK$2,979.64 million recorded as at 31 December 2020.

The total equity of the Group as at 31 December 2021 was approximately HK$3,141.70 million. As at 31 December 2021, the total assets of the Group amounted to approximately HK$8,167.81 million, of which about 47% were current portion, representing an upsurge of approximately 109% as compared to the total assets of approximately HK$3,906.75 million as at 31 December 2020. This was largely because of the growth in leasing receivables recorded under current and non-current assets from the expansion of the scale of the Group's leasing business. At the same time, the total liabilities of the Group increased to approximately HK$5,026.10 million as at 31 December 2021 from approximately HK$921.48 million as at 31 December 2020 as the Group obtained more external financing in 2021, including issuance of asset-backed securities ("**ABS**") on the Shanghai Stock Exchange and increasing bank borrowings in the PRC, so as to support the growth of the leasing business. The current and non-current portions of total liabilities were approximately 64% and 36% respectively. The current ratio (calculated as total current assets divided by total current liabilities) as at 31 December 2021 was approximately 1.17 times, showing that the liquidity of the Group remained at a healthy level.

As at 31 December 2021, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK$1,384.67 million, which consisted of primarily the unutilised balance from the proceeds of the ABS and were denominated in RMB. Other cash and deposits were denominated in HKD and USD. The cash and deposits accounted for approximately 17% and 44% of the total assets and the net assets respectively, and represented an increase of approximately 60% as compared to approximately HK$865.17 million as at 31 December 2020.

As at 31 December 2021, the bank borrowings of the Group amounted to approximately HK$1,441.78 million, represented a rise of more than 4 times from the year ended 31 December 2020. The Group increased both the short-term and medium-term bank borrowings in the PRC in order to finance the development of leasing business. As at 31 December 2021, about HK$981.46 million or 68% of the Group's total bank borrowings were denominated in RMB with repayment due dates ranging from 2022 to 2026. The remaining balance of approximately HK$460.32 million of bank loans were denominated in HKD with the maturity dates falling due in March and June 2022. The effective annual interest rates of the bank borrowings ranged from approximately 1.99% to approximately 4.90%.

As the Group focused on developing and expanding the leasing business, the leverage of the Group increased significantly during the year ended 31 December 2021. The debt to equity ratio (calculated as dividing total interest-bearing loans by total equity) and debt to asset ratio (calculated as dividing total interest-bearing loans by total assets) were approximately 1.41 times and 0.54 times respectively as at 31 December 2021.

For the year ended 31 December 2022

For the year ended 31 December 2022, the Group recorded a consolidated revenue of approximately HK$1,277.39 million, representing an increase of approximately 9% as compared to that for the year ended 31 December 2021. As the Group's key business segment, the scale of the leasing business was further expanded and forged ahead in the year ended 31 December 2022, resulted in a boost of the leasing revenue and accounted for approximately 32% of the total revenue and approximately 32% increase from the year ended 31 December 2021. The revenue from bulk commodity trade dropped in the first half of the year ended 31 December 2022 but recovered in the second half due to the global recovery of the international trade activities. The annual revenue from bulk commodity trade increased by approximately 1% from the year ended 31 December 2021 and attributed to approximately 60% of the total revenue. The other business segments accounted for approximately 8% of the total revenue. During the year ended 31 December 2022, the property market in the PRC was weak and the marine recreation services and hotel business performance was still stagnant by virtue of the impacts on tourism resulting from various COVID-19 preventive measures and travel restrictions in the PRC.

As at 31 December 2022, the Group maintained a stable and sound financial position, the equity attributable to owners of the Company amounted to approximately HK$2,926.93 million and represented a decrease of approximately 7% from approximately HK$3,134.60 million recorded as at 31 December 2021 which was mainly due to the depreciation of RMB during the year ended 31 December 2022.

The total equity of the Group as at 31 December 2022 was approximately HK$2,935.25 million. As at 31 December 2022, the total assets of the Group amounted to approximately HK$10.01 billion, of which about 42% were current assets, representing a rise of approximately 23% as compared to the total assets of approximately HK$8.17 billion as at 31 December 2021. Leasing receivables were the largest component of the assets, being roughly 82% of the total assets. The reason was largely due to the continuing growth in finance lease receivables and loans receivable recorded under current and non-current assets resulted from the swift expansion of the Group's leasing business scale. On the flip side, the Group increased its total liabilities to approximately HK$7,074.49 million as at 31 December 2022 from approximately HK$5,026.10 million as at 31 December 2021. The Group obtained external financing by the issuance of ABS and bank borrowings in the PRC to fund the growth of the leasing business. The current and non-current portions of total liabilities were approximately 58% (re-presented) and 42% (re-presented) respectively. The current ratio as at 31 December 2022 was approximately 1.21 time (re-presented) and was steady.

As at 31 December 2022, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK$534.56 million, which were primarily denominated in RMB. Other cash and deposits were denominated in HKD and USD. The cash and deposits accounted for approximately 5% of the total assets.

As at 31 December 2022, the bank borrowings of the Group amounted to approximately HK$3,167.01 million, represented a rise of approximately 120% from the year ended 31 December 2021. The Group has increased both short-term and medium-term bank borrowings in the PRC to finance the development of its growing leasing business. As at 31 December 2022, about HK$2,661.76 million or 84% of the Group's total bank borrowings were denominated in RMB with repayment due dates ranging from 2023 to 2026. The remaining balance of approximately HK$505.25 million of the bank borrowings were denominated in HKD and USD. The HKD bank loan matured in June 2023 and USD trade finance loan has matured in February 2023. The effective annual interest rates of the bank borrowings ranged from approximately 2.15% to approximately 6.77%.

As the Group focused on developing and expanding the leasing business, the leverage of the Group increased significantly during the year ended 31 December 2022. The debt to equity ratio and debt to asset ratio were approximately 2.12 times and 0.62 time respectively as at 31 December 2022.

For the year ended 31 December 2023

For the year ended 31 December 2023, the Group recorded a consolidated revenue of approximately HK$740.01 million, representing a decrease of 42% as compared to that for the year ended 31 December 2022. In the year ended 31 December 2023, the Group continued its impressive expansion in the leasing business and had led to a remarkable increase in the segment revenue from both finance lease and operating lease, which represented an overall increase of 46% as compared to the previous year. The total leasing revenue for the year ended 31 December 2023 accounted for 82% of the Group's total revenue. As a result of the Group's further shifting of its business focus to leasing, the contribution of the total revenue from other business segments to the total revenue dropped to 18%. During the year ended 31 December 2023, the revenue from bulk commodity trade dropped significantly; the property market in the PRC remained sluggish but the segment's revenue was relatively stable as compared to that of the year ended 31 December 2022; the marine recreation services and hotel business demonstrated improved performance and a recovery from the impacts of the COVID-19 pandemic.

As at 31 December 2023, the Group's financial position remained stable and robust. The equity attributable to owners of the Company stood at approximately HK$2,855.04 million and represented a decrease of 2% from approximately HK$2,926.93 million recorded as at 31 December 2022. The decline was primarily caused by the depreciation of RMB during the year ended 31 December 2023.

The total equity of the Group as at 31 December 2023 was approximately HK$2,860.10 million. As at 31 December 2023, the Group's total assets moderately increased to approximately HK$10.57 billion, representing a rise of 6% as compared to the total assets of approximately HK$10.01 billion as at 31 December 2022. Current assets constituted 47% of the total assets, with leasing receivables being the largest component of the assets, accounted for 84% of the total assets. The Group increased its total liabilities to approximately HK$7,710.09 million or by 9% as at 31 December 2023 from approximately HK$7,074.49 million as at 31 December 2022. The Group obtained further external financing such as issuance of ABS and bank borrowings in the PRC to support the growth of the leasing business. The current and non-current portions of the total liabilities were 53% and 47% respectively. The current ratio as at 31 December 2023 was 1.21 times, indicating the Group had sufficient liquidity and a favorable solvency position.

As at 31 December 2023, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK$710.55 million, which were primarily denominated in RMB. Other cash and deposits were denominated in HKD and USD. The cash and deposits accounted for 7% of the total assets.

As at 31 December 2023, the bank borrowings of the Group amounted to approximately HK$3,747.90 million, represented a rise of 18% from that of the year ended 31 December 2022. During the year ended 31 December 2023, the Group has maintained a rather steady profile in respect of the bank borrowings in the PRC to finance the development of leasing business. As at 31 December 2023, about HK$3,247.90 million or 87% of the Group's total bank borrowings were denominated in RMB with repayment due dates ranging from 2024 to 2027. The remaining balance of HK$500 million was a bank loan denominated in HKD. The HKD bank loan is maturing in June 2024. The effective annual interest rates of the bank borrowings in 2023 ranged from 2.70% to 6.75%.

As the Group further developed and expanded the leasing business, the Group's financial structure was slightly changed and resulted in an increase in leverage in 2023. The debt to equity ratio and debt to asset ratio were 2.42 times and 0.66 times respectively as at 31 December 2023.

For the six months ended 30 June 2024

During 1H2024, the consolidated revenue was approximately HK$323.47 million, which represented a decrease of 13% as compared to that of the six-month period ended 30 June 2023 ("**1H2023**"). The consolidated gross profit and net interest income and the profit attributable to the shareholders for 1H2024 showed a decrease of 14% and 31% respectively from 1H2023.

The Group's revenue from its leasing business during 1H2024 recorded a moderate decrease. The segment revenue for 1H2024 was approximately HK$245.51 million and represented a decrease of 17% from 1H2023. The consolidated gross profit and net interest income during the six months ended 30 June 2024 was about HK$118.95 million which represented 14% decrease from HK$138.11 million in the corresponding period of last year. The overall gross profit margin of 1H2024 was leveled at 37% and approximately the same as that of 1H2023. The Group will continue to adhere to the national "dual carbon" policy by giving full play to the service function of "facilitating industry development with finance".

During 1H2024, the Group's revenue from property development solely stemmed from its wholly owned CCT-Champs-Elysees project situated in Zhucheng City of Shandong Province of the PRC. The sales surged by 41% in 1H2024 and was chiefly driven by the additional marketing effort to promote the sales of the project. As at 30 June 2024, the completed and unsold area of the project included residential space of approximately 42,775 square metres and commercial space of approximately 926 square metres. The Group will strive to complete the sales of the project in the following years as soon as possible.

The Group operated its marine recreation services and hotel business in Hainan Province, the PRC. The sales revenue from marine recreation services accounted for over 80% of the segment revenue. The overall segment revenue and results in 1H2024 decreased by 4% and 11% respectively from 1H2023. The Group will adhere to market orientation, deepen the integration of culture and tourism, and endeavor to explore new customers.

The Group's other income and gains mainly comprised interest income of approximately HK$10.64 million from deposits and other financial assets as well as from loans to a related party during 1H2024. The total other income and gains recorded in 1H2024 was approximately HK$11.02 million, and represented a rise of 9% from 1H2023.

As the Group adjusted its expansion pace during the six months ended 30 June 2024, both the assets and liabilities saw reduction in scale. As at 30 June 2024, the Group remained to have a solid financial position in terms of its asset quality and capital liquidity. The equity attributable to owners of the Company amounted to approximately HK$2,772.65 million, representing a decrease of 3% from approximately HK$2,855.04 million as at 31 December 2023, which was chiefly due to the depreciation of RMB against HKD during 1H2024.

As at 30 June 2024, the total assets of the Group stood at approximately HK$8,853.25 million, with 52% representing current portion. The figure decreased by approximately HK$1,716.95 million or 16% compared to that of 31 December 2023. Finance lease receivables and loan receivables remained as the largest component, constituting 79% of the total assets. Concurrently, the Group's total liabilities decreased by approximately HK$1,634.72 million from that of 31 December 2023 to approximately HK$6,075.38 million as at 30 June 2024, which lowered the Group's gearing level. The current and non-current portions of total liabilities were 56% and 44% respectively as at 30 June 2024.

The current ratio as at 30 June 2024 was approximately 1.35 times. The Group's leasing business has a strong customer base with low default risk and stable cash flow which enables the Group to meet its short-term payment obligations. Furthermore, the Group had ample of standby credit facilities of more than HK$11 billion in place as at 30 June 2024 and will enable the Group to steadily grow its businesses while preserving its liquidity.

As at 30 June 2024, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK$946.74 million, which were primarily denominated in RMB with a minority portion denominated in HKD and the USD. The cash and deposits accounted for 21% and 11% of the current assets and total assets respectively.

As at 30 June 2024, the Group's total borrowings mainly comprised bank borrowings and ABS. The Group has reduced both short-term and medium-term bank borrowings for its leasing business in the PRC. As at 30 June 2024, the bank borrowings of the Group fell to approximately HK$3,233.23 million, represented a drop of 14%. All bank borrowings were denominated in RMB with effective annual interest rates ranging from 2.50% to 4.60% and repayment due dates ranging from 2024 to 2027.

During 1H2024, the repayments under the ABS schemes were on schedule. The outstanding balance of the priority class of ABS amounted to approximately HK$1,810.59 million as at 30 June 2024, compared to HK$3,006.22 million as at 31 December 2023. All ABS were denominated in RMB. As at 30 June 2024, the priority class ABS had coupon rates ranging from 2.99% to 4.30% per annum and the expected maturity dates range from October 2024 to September 2027.

As the Group reduced bank borrowings to finance its leasing business, the total debts decreased during 1H2024, which brought down the debt to equity ratio and debt to asset ratio accordingly. During 1H2024, the interest coverage ratio (calculated as dividing consolidated profit before tax and finance costs (EBIT) by finance costs) was 4 times which indicated that the Group had a comfortable buffer to meet its interest payment obligation securely.

Funding and Treasury Policies

The business activities and operation of the Group were mainly carried out in mainland China and Hong Kong, with transactions denominated in RMB, HKD and the USD, which exposed the Group to foreign currency risks. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group had bank borrowings denominated in RMB, HKD and/or USD with a total of approximately HK$1,441.78 million, HK$3,167.01 million, HK$3,747.90 million and HK$3,233.23 million, respectively, which were based on fixed and floating interest rates, thereby exposing the Group to interest rate risks. The Group would, where appropriate, use interest rate and foreign currency swaps and forward foreign exchange contracts for risk management and hedging purposes with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It was the Group's policy not to enter into derivative financing transactions for speculative purposes. It was also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure, including hedge funds or similar instruments. The Group would also continue to closely monitor the risks arising from interest rate changes and apply appropriate hedging strategies to mitigate the interest rate risks caused by the debt instruments which are based on floating interest rates.

Foreign Exchange Risk

During the years ended 31 December 2021, 2022 and 2023 and 1H2024, the Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Any fluctuation in the exchange rate of HKD against RMB may have an impact on the Group's results. As at 31 December 2021, 2022 and 2023 and the 1H2024, the net assets of the Group's business in the PRC were approximately RMB2,740.75 million, RMB2,845.17 million, RMB2,888.69 million and RMB2,918.48 million, respectively. According to the Hong Kong Accounting Standards, such amount of net assets denominated in RMB would be converted into HKD at the exchange rate applicable as at the end of the respective reporting periods. The Group's foreign exchange reserve increased approximately by HK$63.17 million for the year ended 31 December 2021, while decreased respectively by approximately HK$240 million, HK$81.81 million and HK$80.96 million for the years ended 31 December 2022 and 2023 and 1H2024, respectively. During the years ended 31 December 2021, 2022 and 2023 and 1H2024, the Group did not have any hedging measures against foreign exchange risks. However, the Group would continue to closely monitor the possible risks arising from currency fluctuations.

Pledge of Assets

For the year ended 31 December 2021

As at 31 December 2021, the Group had pledged bank deposits amounted to approximately HK$4.41 million, representing a decrease of approximately 21% from approximately HK$5.56 million as at 31 December 2020. The pledged bank deposits mainly included approximately HK$4.28 million of security money for banking facilities granted to mortgagors of the CCT-Champs-Elysees project.

As at 31 December 2021, the leasing receivables of the Group with an aggregate carrying value of approximately HK$3,907.63 million and trade receivables under operating lease business with carrying amount of approximately HK$2.15 million were charged as security for the Group's ABS and bank borrowings with carrying amounts of approximately HK$2,932.61 million and HK$981.46 million respectively.

For the year ended 31 December 2022

As at 31 December 2022, the Group's pledged bank deposits amounted to approximately HK$61.71 million, representing a substantial increase compared to approximately HK$4.41 million pledged as at 31 December 2021. The pledged bank deposits mainly included approximately HK$57.63 million pledged as security for certain bills payables for leasing business, and approximately HK$3.97 million pledged as security for banking facilities granted to mortgagors of the CCT-Champs-Elysees project.

As at 31 December 2022, the leasing receivables of the Group with an aggregate carrying value of approximately HK$4,846.25 million were charged as security for the Group's ABS and bank borrowings with carrying amounts of approximately HK$2,702.27 million and HK$2,661.76 million respectively.

For the year ended 31 December 2023

As at 31 December 2023, the Group's pledged bank deposits amounted to approximately HK$11.97 million, representing a decrease of 81% from the balance of approximately HK$61.71 million as at 31 December 2022. The pledged bank deposits mainly included approximately HK$9.31 million pledged as security for certain bills payables for leasing business, and approximately HK$2.56 million pledged as security for banking facilities granted to mortgagors of the CCT-Champs-Elysees project.

As at 31 December 2023, the leasing receivables of the Group with an aggregate carrying value of approximately HK$6,776.88 million were charged as security for the Group's ABS and bank borrowings with carrying amounts of approximately HK$3,006.22 million and HK$2,915.40 million respectively.

For the six months ended 30 June 2024

As at 30 June 2024, the Group's pledged bank deposits amounted to approximately HK$2.66 million. Most of the said pledged bank deposits represented the security for banking facilities granted to mortgagors of the CCT-Champs-Elysees project. The Bank deposits of HK$9.31 million pledged as security for certain bills payables for leasing business as at 31 December 2023 were settled during 1H2024.

As at 30 June 2024, finance lease receivables, loan receivables and trade receivables of the Group with an aggregate carrying value of approximately HK$5,440.81 million and approximately HK$3.45 million respectively were charged as security for the Group's ABS and bank borrowings with carrying amounts of approximately HK$1,810.59 million and approximately HK$2,923.35 million, respectively.

Contingent Liabilities and Capital Commitments

Contingent Liabilities

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group's capital commitments consisted of purchase of property, plant and equipment, which will be funded by its internal resources.

As at 31 December 2021, the Group had contingent liabilities in relation to guarantees of approximately HK$224,455,000 given to banks in respect of mortgage loans granted to purchasers of certain property units. As at 31 December 2022 and 2023, the Group had contingent liabilities in relation to guarantees of approximately HK$245,852,000 and HK$233,118,000, respectively, given to banks in respect of mortgage loans granted to purchasers of certain property units of CCT-Champs-Elysees project. As at 30 June 2024, the Group was exposed to contingent liabilities in relation to guarantees of HK$223,916,000 given to banks in respect of mortgage loans granted to purchasers of certain property units of the Group's CCT-Champs-Elysees project.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group was not involved in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the directors of the Company to be pending or threatened against the Group.

Capital commitments

	At 30 June 2024	**2023**	**2022**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for:				
Purchase of property, plant and equipment	137	140	244	526

Operating lease arrangement – where the Group as a lessor

The Group has contracted with tenants for the following future minimum lease receivables:

	At 30 June 2024	**2023**	**2022**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	268	1,452	2,752	2,829
Later than one year and not later than two years	268	275	1,231	2,461
Later than two years and not later than three years	–	–	282	1,329
Later than three years and not later than four years	–	–	–	305
	536	1,727	4,265	6,924

For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, leases were negotiated for terms ranging from three (3) to ten (10) years.

Significant Investments

The Group had no significant investment exceeding 5% of the total asset value of the Group as at 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024.

Material Acquisitions, Disposals and Future Plans for Material Investments or Capital Assets

For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, the Group did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures, and did not have any future plans for other material investments or capital assets.

Human Resources and Emolument Policy

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group employed a total of 278, 269, 253 and 245 full-time and part-time employees, respectively. Employee's remunerations are determined in accordance with their experiences, competence, qualifications, nature of duties, and current market trend. Apart from basic salary, discretionary bonus and other incentives may be offered to employees of the Group to reward their performance and contributions. The emoluments of the Directors were determined having regard to the Company's corporate goals, the roles and duties of the Directors in the Group as well as in the group members of the Company's ultimate holding company.

The Company had a share option scheme ("**Share Option Scheme**") under which the Company might grant options to the directors and eligible employees of the Group to subscribe for shares of the Company. The Company also had a share award scheme ("**Share Award Scheme**"), under which shares of the Company could be awarded, with the approval of the Board, to selected employees and directors of the Group to recognize their contribution and to give them incentives thereto in order to retain them for the continual operation, as well as to attract suitable personnel for the growth and further development of the Group. The Share Option Scheme and Share Award Scheme expired on 26 June 2023 and 30 June 2022, respectively.

For the years ended 31 December 2021, 2022 and 2023 and 1H2024, the Group provided or subsidized various training programmes and courses to its employees according to business needs, to ensure that its employees are kept abreast of the updates in the relevant laws, regulations and guidelines, such as the Listing Rules, accounting standards, risk management knowledge, labour regulations and employees' code of conduct.

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	Interests in the Company or its associated corporation	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital as at the Latest Practicable Date
Mr. Zhang Bin	The Company	Beneficial owner	314,642	0.01%

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 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 were as follows:

Long position

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
CCHK	Beneficial owner *(Note)*	3,169,656,217	53.14%
CCHG	Interest in controlled corporation *(Note)*	3,169,656,217	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, 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.

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. Haikou 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. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	**Qualification**
INCU Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the date of this circular, the above-mentioned expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above-mentioned expert did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2023, being the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, 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.

7. 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.

8. 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 2023, 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.

9. 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.

10. DOCUMENTS ON DISPLAY

Copies of the following documents 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:

(a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 23 to 24 of this circular;

(b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 50 of this circular;

(c) the written consent referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix; and

(d) the New Framework Agreement.

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)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the general meeting ("**Meeting**") of China Chengtong Development Group Limited ("**Company**", together with its subsidiaries, the "**Group**") will be held at Conference Room of Suite 6406, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 15 January 2025 at 9:30 a.m. for the following purposes:

ORDINARY RESOLUTION

To consider and, if thought fit, pass, with or without modifications, the following resolution as ordinary resolutions:

"**THAT**

(a) the finance lease and operating lease services framework agreement (the "**New Framework Agreement**") entered into between the Company and China Chengtong Holdings Group Limited ("**CCHG**") dated 13 December 2024, copy of which is tabled at the Meeting and marked "A" and initialled by the chairman of the Meeting for identification purpose, the finance lease services to be offered by the Group and acquisitions of leased assets by the Group and its subsidiaries in connection therewith at the annual purchase price not exceeding the total amount of purchase price annual caps of the finance lease services under the New Framework Agreement, i.e. RMB600 million, RMB900 million and RMB1,100 million for the three years ending 31 December 2025, 2026 and 2027, respectively, the operating lease service to be offered by the Group and the transactions contemplated thereunder, be and are hereby approved;

(b) the annual caps for (1) the total amount of the lease payments (which will take into account the aggregate amounts of interests and other payables (including service fees)) to be received by the Group for the transactions contemplated under the finance lease services of the New Framework Agreement i.e., approximately RMB35.05 million, RMB74.96 million and RMB107.73 million for the years ending 31 December 2025, 2026 and 2027, respectively; and (2) the outstanding balances of all existing finance leases under the existing framework agreement entered into between the Company and CCHG dated 20 July 2022, i.e., approximately RMB13.04 million, RMB13.11 million and RMB13.11 million for the years ending 31 December 2025, 2026 and 2027, respectively, as set out in the circular of the Company dated 24 December 2024 be and are hereby approved;

(c) the annual caps for the total outstanding balance of the lease payments (which will take into account the aggregate amounts of interests and other payables (including service fees)) to be received by the Group for the transactions contemplated under the operating lease service of the New Framework Agreement, i.e., approximately RMB20.33 million, RMB38.77 million and RMB48.21 million for the years ending 31 December 2025, 2026 and 2027, respectively, as set out in the circular of the Company dated 24 December 2024 be and are hereby approved; and

(d) any one of the directors of the Company ("**Director(s)**") be and is hereby authorized to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the New Framework Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the New Framework Agreement) as are, in the opinion of such Director, in the interest of the Company and its shareholders as a whole."

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

Hong Kong, 24 December 2024

Registered address in Hong Kong:
Suite 6406, 64th Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Notes:

(1) A shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his/her/its stead. A proxy need not be a shareholder of the Company. In case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder are present at the Meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

(2) To be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 9:30 a.m. on Monday, 13 January 2025 or not later than 48 hours before the time appointed for holding any adjournment or postponement of the Meeting. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the Meeting or any adjournment or postponement thereof should they so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

(3) The record date for determining the entitlement of the shareholders of the Company to attend and vote at the Meeting will be Wednesday, 15 January 2025 and the register of members of the Company will be closed from Monday, 13 January 2025 to Wednesday, 15 January 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the Meeting, all completed share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 10 January 2025.

(4) The above resolutions will be voted by way of poll as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(5) If a tropical cyclone warning signal no. 8 or above is hoisted, or a black rainstorm warning signal or "extreme conditions" announced by the Hong Kong Government is/are in force in Hong Kong at or at any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (www.hk217.com) to notify the shareholders of the Company of the date, time and place of the rescheduled meeting. The Meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders of the Company should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.

As at the date of this circular, 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.