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 accompanying with the form of proxy 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)

MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY; AND NOTICE OF EGM

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

PELICAN FINANCIAL
百利勤金融

A notice convening an extraordinary general meeting of the Company to be held at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 26 June 2020 at 10:15 a.m. (or immediately after conclusion of the annual general meeting of the Company convened to be held at 10:00 a.m. on the same day) is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same by 10:15 a.m. on Wednesday, 24 June 2020 or not later than 48 hours before the time appointed for holding any adjournment of the 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 meeting or any adjournment thereof should you so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of this circular for measures to be taken at the EGM in trying to prevent and control the spread of COVID-19, including:

- **compulsory body temperature checks and health declarations**
- **requirement of wearing surgical face masks**
- **no refreshments and no distribution of corporate gifts**

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company reminds Shareholders that physical attendance is not necessary for the purpose of exercising Shareholders' rights and encourages Shareholders to exercise their right to vote by appointing the chairman of the EGM as their proxy instead of attending the EGM in person.

10 June 2020

CONTENTS

In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection.

Voting by proxy in advance of the EGM:

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. **Physical attendance is not necessary for the purpose of exercising Shareholders' rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.**

Preventive measures at the EGM

The Company will implement the following preventive measures at the EGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

(i) compulsory body temperature checks will be conducted on every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the EGM venue;

(ii) all attendees are required to complete and submit at the entrance of the EGM venue a health declaration form confirming, among other things, their names and contact details, and that they have not at any time in the preceding 14 days travelled, and have not had close contact with any person who to their best of knowledge has recently travelled, outside Hong Kong. Any attendee who does not comply with this requirement may be denied entry into the EGM venue;

(iii) every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks;

(iv) seating at the EGM will be arranged to ensure adequate physical distancing between participants so as to reduce interaction between them; and

(v) no refreshments will be served and there will be no corporate gifts.

If any Shareholder chooses not to attend the EGM in person but has any question about the resolution(s) or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to the registered office of the Company or to the email address of the Company at public@hk217.com. If any Shareholder has any question relating to the EGM, please contact Computershare Hong Kong Investor Services Limited, the Company's share registrar and transfer office, the details of which are as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Email: hkinfo@computershare.com.hk
Tel: 2862 8555
Fax: 2865 0990

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

"Board"	means the board of Directors
"Business Day"	means a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in Hong Kong
"CCHG"	means 中國誠通控股集團有限公司 (unofficial English translation being China Chengtong Holdings Group Limited), a state-owned company incorporated in the PRC with limited liability, being the ultimate holding company of the Company and the Purchaser
"Chengtong Asia Investment"	means China Chengtong (Asia) Investment Limited (中國誠通(亞洲)投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
"Chengtong Development Trading"	means 誠通發展貿易有限公司 (unofficial English translation being Chengtong Development Trading Co., Limited), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Company"	means China Chengtong Development Group Limited (中國誠通發展集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion Date"	means the date on which all the conditions precedent as set out in the Equity Transfer Agreement are satisfied or waived (or such other date as the Purchaser and the Company may agree in writing)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	means the consideration payable by the Purchaser to the Company for the transfer of the Sale Share
"COVID-19"	means the novel coronavirus disease firstly found in 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2
"Dafeng Harbour"	means 誠通大豐海港開發有限公司 (unofficial English translation being Chengtong Dafeng Harbour Development Limited), a company incorporated in the PRC with limited liability which is owned as to approximately 66.67% by Chengtong Asia Investment and as to approximately 33.33% by the JV Partner

"Director(s)"	means the director(s) of the Company
"EGM"	means an extraordinary general meeting of the Company convened to be held at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 26 June 2020 at 10:15 a.m. (or immediately after conclusion of the annual general meeting of the Company convened to be held at 10:00 a.m. on the same day) for the purposes of, among other matters, considering and, if thought fit, approving the Equity Transfer Agreement and the Equity Transfer contemplated thereunder
"Equity Transfer"	means the transfer of the Sale Share pursuant to the Equity Transfer Agreement
"Equity Transfer Agreement"	means the equity transfer agreement dated 5 May 2020 entered into between the Company and the Purchaser in respect of the Equity Transfer
"Equity Valuation Report"	means the valuation report issued by the PRC Valuer in respect of the valuation of the entire equity interest of the Target Company as at 31 December 2019, a summary of which is set out in Appendix I to this circular
"Group"	means the Company and its subsidiaries
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	means the independent board committee of the Company comprising all independent non-executive Directors, which has been established by the Board to advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder
"Independent Financial Adviser"	means Pelican Financial Limited, a corporation licensed under the SFO to carry on Type 6 (advising on corporate finance) regulated activity, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder
"Independent Shareholder(s)"	means Shareholder(s) other than those who are required by the Listing Rules to abstain from voting on the resolution(s) approving the Equity Transfer Agreement and the Equity Transfer contemplated thereunder

"JV Partner"	means 江蘇大豐海港控股集團有限公司 (unofficial English translation being Jiangsu Dafeng Harbour Holdings Group Limited), a company incorporated in the PRC with limited liability which owns approximately 33.33% of the equity interest of Dafeng Harbour
"Latest Practicable Date"	means 5 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	means all outstanding loans and interests accrued thereon owing by Dafeng Harbour to Chengtong Development Trading immediately before completion of the Equity Transfer. For identification purpose, the outstanding loans and interests accrued thereon owed by Dafeng Harbour to Chengtong Development Trading as at 31 March 2020 amounted to approximately RMB70,251,000 (equivalent to approximately HK$77,276,000)
"Long Stop Date"	means 30 September 2020 (or such other date as the Company and the Purchaser may agree in writing)
"PRC"	means the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Valuer"	means Beijing Zhonglin Assets Appraisal Co., Ltd. (北京中林資產評估有限公司), a qualified independent valuer in the PRC
"Previous Transactions"	means (i) the formation of a joint venture in World Asia between the Group and an indirect non-wholly owned subsidiary of CCHG, the details of which are set out in the announcement of the Company dated 25 October 2019; and (ii) the Group's transfer of 41% of the equity interest in 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited) to a non-wholly owned subsidiary of CCHG, the details of which are set out in the announcement of the Company dated 12 November 2019 and the circular of the Company dated 6 December 2019

"Properties"	means (i) the unsold portion of "Chengtong International City" developed by Dafeng Harbour and various parcels of land owned by Dafeng Harbour which are located at the eastern side of Xiamengang Road, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng District, Yancheng City, Jiangsu Province, the PRC; and (ii) a parcel of land owned by Dafeng Harbour located at the southern side of Shugang Highway, Dafeng District, Yancheng City, Jiangsu Province, the PRC, both as more particularly described in the Property Valuation Report set out in Appendix II to this circular
"Property Valuation Report"	means the valuation report issued by the Property Valuer in respect of the market value of the Properties as at 30 April 2020, the full text of which is set out in Appendix II to this circular
"Property Valuer"	means Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a qualified independent valuer in Hong Kong
"Purchaser"	means China Chengtong Hong Kong Company Limited (中國誠通香港有限公司), a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of CCHG
"RMB"	means Renminbi, the lawful currency of the PRC
"Sale Share"	means one ordinary share in the issued share capital of the Target Company, representing its entire issued share capital, to be transferred by the Company to the Purchaser pursuant to the Equity Transfer Agreement
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	means the ordinary share(s) of the Company
"Shareholder(s)"	means holder(s) of the Share(s)
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Target Company"	means Chengtong Investment Group Limited (誠通投資集團有限公司), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Company as at the Latest Practicable Date
"Target Group"	means collectively, the Target Company, Chengtong Asia Investment and Dafeng Harbour, and "members of the Target Group" shall be construed accordingly

"Transition Period"	means the period commencing from 1 January 2020 up to and including the Completion Date
"Valuation"	means the market value of the entire equity interest of the Target Company as at 31 December 2019 as appraised by the PRC Valuer
"World Asia"	means World Asia Properties Limited (世亞置業有限公司) (currently known as Chengtong World Trade Limited (誠通世亞有限公司)), a company incorporated in Hong Kong with limited liability and a joint venture which is owned as to 51% by Galactic Investment Limited (銀河投資有限公司) (a wholly-owned subsidiary of the Company) and as to 49% by Chengtong International Limited (誠通國際貿易有限公司) (an indirect 70%-owned subsidiary of CCHG)
"World Gain"	means World Gain Holdings Limited, the immediate holding company of the Company, a wholly-owned subsidiary of the Purchaser and an indirect wholly-owned subsidiary of CCHG
"%"	means per cent.

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK$ at the rate of RMB1.00 to HK$1.10. 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 at all.

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)*
Yang Tianzhou *(Managing Director)*
Wang Tianlin
Li Shufang

Independent non-executive Directors:
Chang Qing
Lee Man Chun, Tony
He Jia

Registered office and principal place of business in Hong Kong:
Suite 6406, 64th Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

10 June 2020

To the Shareholders

Dear Sir or Madam

MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY; AND NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 5 May 2020 in relation to the Equity Transfer. After trading hours on 5 May 2020, the Company and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agreed to transfer and the Purchaser conditionally agreed to acquire the Sale Share, which represents the entire issued share capital of the Target Company.

The purpose of this circular is to provide you with (i) details of the Equity Transfer Agreement and the Equity Transfer; (ii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Equity

Transfer; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Equity Transfer; (iv) other information required to be disclosed under the Listing Rules; and (v) the notice of the EGM.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

5 May 2020

Parties

(i) the Company; and

(ii) the Purchaser.

Subject matter

Subject to the terms and conditions of the Equity Transfer Agreement, the Company conditionally agreed to transfer and the Purchaser conditionally agreed to acquire the Sale Share, which represents the entire issued share capital of the Target Company.

Consideration

The Consideration is RMB241,185,500 (equivalent to approximately HK$265,304,000) which shall be payable by the Purchaser to the Company in the following manner:

(1) RMB24,118,550 (equivalent to approximately HK$26,530,000) ("**First Instalment Consideration**"), representing 10% of the Consideration, shall be payable by the Purchaser within five (5) Business Days from the date of signing of the Equity Transfer Agreement; and

(2) RMB217,066,950 (equivalent to approximately HK$238,774,000), representing 90% of the Consideration, shall be payable by the Purchaser on the Completion Date.

The Consideration shall be paid by the Purchaser in cash and the First Instalment Consideration has been received by the Company on 12 May 2020. The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms with reference to the Valuation conducted by the PRC Valuer using the asset-based approach. Based on the Valuation, the appraised value of the entire equity interest of the Target Company was RMB241,185,500 (equivalent to approximately HK$265,304,000) as at 31 December 2019. For details, please refer to the summary of the Equity Valuation Report as set out in Appendix I to this circular.

As part of the Valuation conducted by the PRC Valuer, the value of the Properties as at 31 December 2019 as appraised by the PRC Valuer was approximately RMB432,255,000, which was arrived at by adopting the market approach for the unsold units, and the market comparison approach and/or the land datum value approach for the lands.

In the market approach, the market price of the unsold units was arrived at with reference to the average unit selling price (which was derived based on the historical sales situation and the recorded unit selling price and combined with market conditions), and items such as value-added tax, sales expenses, land appreciation tax, enterprise income tax and other relevant taxes were deducted from the above market price.

In the land datum value approach and the market comparison approach which were adopted for the valuation of the lands, the valuation was conducted with reference to the graded benchmark land prices determined by the PRC government and the land prices in recent comparable transactions respectively, and appropriate adjustments were made under both approaches according to various factors pertaining to the location and other characters of the subject land, including but not limited to the condition and development of the surrounding area, transportation facilities, urban planning restrictions, years of land use and level of development etc.

As the Valuation was conducted in respect of the entire equity interest of the Target Company by using an asset-based approach, liabilities of the Target Group were also taken into account in the Equity Valuation Report when arriving at the appraised value of the entire equity interest of the Target Company in the sum of RMB241,185,500.

The Directors noted that for the purpose of the annual audit of the Company, the market value of the Properties was assessed in the sum of RMB408,400,000 as at 31 December 2019 by the Property Valuer.

Given that the Properties are the principal assets of the Target Group, an independent valuation has also been conducted by the Property Valuer on the Properties. The market value of the Properties as at 30 April 2020 as appraised by the Property Valuer was RMB417,400,000.

Having compared the appraised value of the Properties as arrived at by the PRC Valuer and the Property Valuer as well as the value of the Properties assessed by the Property Valuer as at 31 December 2019, the Board is satisfied that the Consideration and its determination basis are fair and reasonable.

Conditions Precedent

The completion of the Equity Transfer Agreement shall be conditional upon the fulfilment of all of the following conditions:

(1) all necessary authorisations, consents and approvals as may be required for the Company to complete the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained (including but not limited to the Equity Transfer having been approved by the Shareholders by way of ordinary resolution(s) at the EGM in accordance with the Listing Rules) and the relevant authorisations, consents and approvals remaining in full force and effect as at the Completion Date;

(2) all necessary authorisations, consents and approvals as may be required for the Purchaser to complete the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained and the relevant authorisations, consents and approvals remaining in full force and effect as at the Completion Date;

(3) all sums payable between members of the Target Group and the Group (excluding members of the Target Group) having been fully repaid or otherwise settled (including but not limited to the Purchaser repaying the Loan in full on behalf of Dafeng Harbour to Chengtong Development Trading); and

(4) the warranties, representations and undertakings made by the Purchaser and the Company in the Equity Transfer Agreement remaining true, accurate and not misleading in all aspects.

Save for item (4) of the conditions precedent which may be waived by the Company or the Purchaser (as the case may be), none of the conditions precedent as set out above can be waived. As at the Latest Practicable Date, other than the Loan owing by Dafeng Harbour to Chengtong Development Trading which is to be repaid by the Purchaser on behalf of Dafeng Harbour, there was no other sum payable between members of the Target Group and the Group (excluding members of the Target Group) as contemplated in item (3) of the conditions precedent. None of the conditions precedent had been fulfilled or waived as at the Latest Practicable Date.

If any of the conditions precedent as set out above has not been fulfilled or (in respect of item (4) of the conditions precedent only) waived before 9:00 a.m. on the Long Stop Date, the Equity Transfer Agreement (save and except for certain clauses such as confidentiality, notices and dispute resolution) shall terminate immediately, upon which the parties shall cease to have any liability or obligation thereunder (save and except for liability arising from any antecedent breach preceding the termination of the Equity Transfer Agreement).

If the Equity Transfer Agreement is terminated by reason that the conditions precedent cannot be fulfilled or waived by the Long Stop Date, the Company shall refund the First Instalment Consideration (without interest) to the Purchaser within five (5) Business Days after the Long Stop Date.

Transition period

Given that both the Target Company and Chengtong Asia Investment mainly serve as investment holding vehicles of the Company and that their principal assets lie in the Properties held by Dafeng Harbour, the profit or loss of the Target Group is attributable principally to the profit or loss of Dafeng Harbour. Pursuant to the Equity Transfer Agreement, any profit or loss incurred by Dafeng Harbour for the Transition Period shall be borne or enjoyed by the Company in proportion to its indirect shareholding in Dafeng Harbour (i.e. approximately 66.67%). The amount of profit or loss of Dafeng Harbour for the Transition Period shall be determined based on the audited financial information of Dafeng Harbour made up for the Transition Period ("**Completion Accounts**") which shall be issued within twenty (20) Business Days from the Completion Date.

If Dafeng Harbour incurs a loss for the Transition Period ("**Transition Period Loss**"), the Company shall deposit an amount equivalent to the amount of the Transition Period Loss attributable to the Company in accordance with its previous indirect shareholding in Dafeng Harbour to the bank account of the Purchaser (or by such other payment method(s) as may be agreed between the parties) within ten (10) Business Days from the issuance date of the Completion Accounts. If Dafeng Harbour incurs a profit for the Transition Period ("**Transition Period Profit**"), the Purchaser shall deposit an amount equivalent to the amount of the Transition Period Profit attributable to the Company in accordance with its previous indirect shareholding in Dafeng Harbour to the bank account of the Company (or by such other payment method(s) as may be agreed between the parties) within ten (10) Business Days from the issuance date of the Completion Accounts.

There was no material change in the financial information of the Target Group since 31 December 2019, i.e. the date of the Valuation, up to the Latest Practicable Date.

Completion

Subject to all the conditions precedent as set out in the Equity Transfer Agreement having been satisfied or waived, completion of the Equity Transfer shall take place on the Completion Date.

If the Company fails to perform its completion obligations regarding the Equity Transfer in accordance with the Equity Transfer Agreement on the Completion Date and the Equity Transfer Agreement is terminated by reason thereof, the Company shall, within five (5) Business Days after the termination date, refund the First Instalment Consideration (without interest) to the Purchaser and compensate the Purchaser for its reasonable economic losses subject to a cap of RMB2,000,000 (equivalent to HK$2,200,000). On the other hand, if the Purchaser fails to perform its completion obligations regarding the Equity Transfer in accordance with the Equity Transfer Agreement on the Completion Date and the Equity Transfer Agreement is terminated by reason thereof, the Company shall be entitled to forfeit the First Instalment Consideration.

Immediately upon completion of the Equity Transfer, the Company will cease to have any equity interest in the Target Group. Each of the Target Company, Chengtong Asia Investment and Dafeng Harbour will then cease to be a subsidiary of the Company and the financial information of the Target Group will no longer be consolidated into the Company's consolidated financial statements.

INFORMATION OF THE TARGET GROUP

The Target Group was originally acquired by the Company from the Purchaser in 2009. As disclosed in the circular of the Company dated 29 November 2008, on 15 October 2008, the Company (as purchaser), the Purchaser (as vendor) and CCHG (as warrantor) entered into the sale and purchase agreement dated 15 October 2008 (as amended and supplemented by the supplemental agreement dated 27 October 2008 and entered into between the Company, the Purchaser and CCHG to amend the consideration adjustment mechanism) ("**2008 SPA**"), pursuant to which the Company agreed to purchase, and the Purchaser agreed to sell the Target Group at a consideration of approximately RMB201,000,000, which was subsequently adjusted to approximately RMB193,530,000 according to the consideration adjustment mechanism under the 2008 SPA as disclosed in the announcement of the Company dated 30 October 2009. The acquisition of the Target Group by the Company was completed on 6 November 2009.

The Target Company was incorporated in March 2009 and is currently wholly-owned by the Company. The Target Company has been engaged in the business of investment holding since its incorporation.

The Target Company owns the entire issued share capital of Chengtong Asia Investment, which was incorporated in April 2009. Chengtong Asia Investment has been engaged in the business of investment holding since its incorporation.

Dafeng Harbour, which was established in December 2005, is currently owned as to approximately 66.67% by Chengtong Asia Investment and as to approximately 33.33% by the JV Partner. The ultimate beneficial owner of the JV partner is 大豐區人民政府, which is a third party independent of the Purchaser. At the time the Target Group was acquired by the Company in 2009 and as at the Latest Practicable Date, the principal assets of Dafeng Harbour were the Properties. Since the completion of the Company's acquisition of the Target Group in 2009, Dafeng Habour has been focusing on property development business. Other than the Loan, the Group has not made any further capital contribution into the Target Group since its acquisition in 2009.

Dafeng Harbour owns a property development project "Chengtong International City" in the Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng District, Yancheng City, Jiangsu Province, the PRC. "Chengtong International City" is a commercial and residential complex comprising, among others, seven residential buildings and two commercial and office buildings, which were constructed in two phases and completed in 2010 and 2014 respectively. Since the completion of phase one and phase two of "Chengtong International City" and up to 31 December 2019, an aggregate of approximately 6,540 square metres of apartment/residential units were sold, generating approximately RMB19.5 million revenue for the Target Group. No office/commercial units and car parking spaces have been sold over the years. The revenue generated from the sale of the apartment/residential units was retained by the Target Group. As at 31 December 2019, the completed and unsold area of "Chengtong International City" included apartment/residential area of approximately 10,930 square metres, office/commercial spaces of approximately 9,540 square metres and car parking spaces of approximately 2,019 square metres. As at the Latest Practicable Date, no sale had been recorded for "Chengtong International City" since 31 December 2019.

Apart from the above, Dafeng Harbour also owns (i) a piece of industrial land situated at south of Shugang Highway, Dafeng District, Yancheng City, Jiangsu Province, the PRC, with a site area of approximately 549,600 square metres; and (ii) three pieces of commercial and residential lands situated at the Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng District, Yancheng City, Jiangsu Province, the PRC, which are adjacent to "Chengtong International City", with an aggregate site area of approximately 446,581 square metres. As at the Latest Practicable Date, these lands were vacant.

According to the Property Valuation Report, the market value of the Properties as at 30 April 2020 was RMB417,400,000 (equivalent to approximately HK$459,140,000), among which approximately RMB278,281,000 (equivalent to approximately HK$306,109,000) was attributable to the Company. The full text of the Property Valuation Report is set out in Appendix II to this circular.

Certain financial information of the Target Group as extracted from the audited consolidated financial statements of the Company for the two years ended 31 December 2018 and 31 December 2019 is as follows:

	For the year ended 31 December 2018 *HK$ (approximately)*	**For the year ended 31 December 2019** *HK$ (approximately)*
Turnover	384,000	—
Net loss before and after taxation	7,219,000	6,369,000

As at 31 March 2020, the unaudited consolidated total asset value and net asset value of the Target Group as extracted from the unaudited consolidated financial statements of the Company as at 31 March 2020 were approximately HK$393,730,000 and approximately HK$312,497,000 respectively, of which the net book value of the Properties was approximately HK$392,362,000, and the unaudited consolidated net asset value of the Target Group attributable to the Company was approximately HK$208,741,000.

Having considered the original acquisition cost of the Target Group by the Company, the unaudited consolidated net asset value of the Target Group attributable to the Company as at 31 March 2020, the business performance of the Target Group since the acquisition by the Company and the appraised value under the Equity Valuation Report and the Property Valuation Report, the Directors are of the view that the Consideration is fair and reasonable.

INFORMATION OF THE PARTIES

The Company is an investment holding company and the Group is principally engaged in finance leasing, bulk commodity trade, property development and property investment, and marine recreation services and hotel.

The Purchaser is the holding company of World Gain, the controlling shareholder of the Company, and a wholly-owned subsidiary of CCHG, the ultimate holding company of the Company. The Purchaser is principally engaged in the business of investment holding. CCHG together with its subsidiaries are principally engaged in the business of equity operation, provision of financial services, assets management, integrated logistics, as well as development and utilisation of forestry pulp paper.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

The Group has been operating its property development business in Dafeng District, Yancheng City, Jiangsu Province, the PRC through Dafeng Harbour. However, Yancheng City is a third-tier city in the PRC with low population inflow and the real estate market in the region has remained stagnant in recent years. The sales performance of "Chengtong International City" during the past years has not been satisfactory. Over 80% of the gross floor area of the completed units remained unsold as at the Latest Practicable Date. Since the completion of phase II of "Chengtong International City" in 2014, only one unit was sold in 2018.

The Group's overall strategy in recent years is to gradually withdraw from the property development business in Dafeng District. On 3 July 2014, the Group entered into two resumption agreements ("**Resumption Agreements**") with the Dafeng Land Reserve Center and the Management Committee of the Jiangsu Dafeng Harbour Economic Development Zone ("**Dafeng Harbour Committee**") and two compensation agreements with the Dafeng Harbour Committee and the JV Partner in relation to the arrangements in respect of the resumption by the Dafeng Land Reserve Centre of two pieces of land owned by Dafeng Harbour, namely the industrial land situated at south of Shugang Highway, Dafeng District, Yancheng City, Jiangsu Province, the PRC and the commercial and residential land situated at Lot No. 3, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng District, Yancheng City, Jiangsu Province, the PRC. Details of the relevant agreements related to the land resumption were set out in the Company's announcement dated 3 July 2014. As disclosed in the aforesaid announcement, the Resumption Agreements would only become effective when each party had signed the Resumption Agreements and obtained approval from its governing body, including but not limited to the approval from the People's Government of Dafeng. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the land resumption has not been approved by the People's Government of Dafeng since the signing of the Resumption Agreements in 2014. Therefore, the land resumption procedures have not been carried out as at the Latest Practicable Date. Given the circumstances, it is expected that the land resumption will not take place in the near future.

In view of the stagnant property market in Dafeng District and the difficulties in pushing forward the land resumption procedures or the further development of the vacant lands owned by Dafeng Harbour, the Directors consider that the Consideration is fair and reasonable, and that the Equity Transfer would provide an opportunity for the Group to exit from the property development business in Dafeng District and would enable the Group to reallocate its resources more efficiently for the enhancement of the operations and business development in its other core business segments in the long term.

The net proceeds from the Equity Transfer will be used to fund the development of the Group's other principal businesses and as general working capital. Based on the preliminary assessment, it is expected that the Group will record a gain of approximately RMB43,760,000 (equivalent to approximately HK$48,136,000) as a result of the Equity Transfer (before taking into account the Transition Period Loss of Dafeng Habour which shall be borne by the Company), being the difference between the Consideration and the unaudited consolidated net asset value of the Target Group attributable to the Company as at 31 March 2020 and after deducting the estimated amount of taxes payable by the Company in respect of the Equity Transfer, release of accumulated exchange deficit, and relevant expenses payable by the Company in respect of the Equity Transfer. For the period from 1 January 2020 to 31 March 2020, the unaudited loss after tax of Dafeng Harbour was approximately RMB1,294,000 (equivalent to approximately HK$1,423,000). It is expected that there will be no material change to the loss position of Dafeng Harbour prior to completion of the Equity Transfer. The actual gain or loss as a result of the Equity Transfer to be recorded by the Group is subject to the actual amount of Transition Period Loss of Dafeng Harbour which shall be borne by the Company and the final audit to be performed by the auditors of the Company.

As the assets of the Target Group do not represent a major proportion in the total assets of the Group, the Equity Transfer would not have substantive adverse impact on the Group.

The terms of the Equity Transfer Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Zhang Bin (an executive Director and the Chairman of the Board) is also a director of the Purchaser and each of Mr. Yang Tianzhou (an executive Director and the Managing Director of the Company), Mr. Wang Tianlin and Mr. Li Shufang (each an executive Director) is a deputy general manager of the Purchaser. For the sake of good corporate governance, all of them have abstained from voting on the Board resolutions approving the Equity Transfer Agreement and the Equity Transfer.

IMPLICATIONS UNDER THE LISTING RULES

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Equity Transfer, both when calculated individually and when aggregated with the Previous Transactions, exceeds 25% but is less than 75%, the Equity Transfer constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is a wholly-owned subsidiary of CCHG, the ultimate holding company of the Company, the Purchaser is therefore a connected person of the Company under the Listing Rules. Accordingly, the Equity Transfer also constitutes a connected transaction of the

Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be held on Friday, 26 June 2020 at 10:15 a.m. (or immediately after conclusion of the annual general meeting of the Company convened to be held at 10:00 a.m. on the same day) at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the Equity Transfer. The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

For determining the entitlement of the Shareholders to attend and vote at the EGM, Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Friday, 19 June 2020 shall be entitled to attend and vote at the EGM. In order to be entitled to attend and vote at the EGM, 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, 19 June 2020.

In accordance with the Listing Rules, the resolution will be voted on by way of poll at the EGM.

As at the Latest Practicable Date, World Gain held 3,022,154,119 Shares, representing approximately 52.03% of the issued share capital of the Company. Being a wholly-owned subsidiary of the Purchaser, World Gain is an associate of the Purchaser and is therefore regarded as having a material interest in the Equity Transfer and will abstain from voting at the EGM on the resolution approving the Equity Transfer Agreement and the Equity Transfer. Save as aforesaid, as at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, no other Shareholders had a material interest in the Equity Transfer and would be required to abstain from voting at the EGM.

Enclosed is a form of proxy for use at the EGM. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same by 10:15 a.m. on Wednesday, 24 June 2020 or not later than 48 hours before the time appointed for holding any adjournment of the EGM 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 EGM or any adjournment thereof should you so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

Please see the section headed "Precautionary Measures for the EGM" on page 1 of this circular for measures to be taken at the EGM in trying to prevent and control the spread of COVID-19. For the health and safety of the Shareholders, the Company would

like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders' rights.

RECOMMENDATION

The Independent Board Committee, having considered the terms of the Equity Transfer Agreement and the benefits for and reasons of the Equity Transfer and taken into account the advice of the Independent Financial Adviser, considers that the terms of the Equity Transfer Agreement are normal commercial terms and are fair and reasonable. The Independent Board Committee also considers that although the Equity Transfer is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote for the resolution approving the Equity Transfer Agreement and the Equity Transfer. The text of the letter from the Independent Board Committee is set out on page 18 of this circular.

Yours faithfully
On behalf 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)

10 June 2020

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

We refer to the circular of the Company dated 10 June 2020 ("**Circular**"), of which this letter forms part. Unless otherwise required, capitalised terms herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Equity Transfer Agreement and the Equity Transfer. The Independent Financial Adviser has been appointed to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving their advice, are set out on pages 19 to 38 of the Circular. Your attention is also drawn to the Letter from the Board as set out on pages 7 to 17 of the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Equity Transfer Agreement and the benefits for and reasons of the Equity Transfer and taking into account the advice of the Independent Financial Adviser set out in its letter on pages 19 to 38 of the Circular, we are of the opinion that the terms of the Equity Transfer Agreement are normal commercial terms and are fair and reasonable. We also consider that although the Equity Transfer is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote for the resolution approving the Equity Transfer Agreement and the Equity Transfer.

Yours faithfully,
Independent Board Committee

Chang Qing	**Lee Man Chun, Tony**	**He Jia**

Independent non-executive Directors

The following is the full text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder, which was prepared for the purpose of inclusion in this circular.

PELICAN FINANCIAL
百 利 勤 金 融

PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38-40 Leighton Road, Causeway Bay, Hong Kong

10 June 2020

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company dated 10 June 2020 (the "**Circular**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the announcement of the Company dated 5 May 2020 in relation to the Equity Transfer, on 5 May 2020 (after trading hours), the Company and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agreed to transfer and the Purchaser conditionally agreed to acquire the Sale Share, which represents the entire issued share capital of the Target Company, at a Consideration of RMB241,185,500 (equivalent to approximately HK$265,304,000). Immediately upon completion of the Equity Transfer, the Company will cease to have any equity interest in the Target Group and the financial information of the Target Group will no longer be consolidated into the Company's consolidated financial statements.

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Equity Transfer, when calculated individually and when aggregated with the Previous Transactions, exceeds 25% but is less than 75%, the Equity Transfer constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is a wholly-owned subsidiary of CCHG, the ultimate holding company of the Company, the Purchaser is a connected person of the Company under the Listing Rules. Accordingly, the Equity Transfer also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board currently comprises four executive Directors and three independent non-executive Directors. Accordingly, the Independent Board Committee, comprising Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer. We have been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

We are not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and we are not aware of any relationships or interests between us and the Group, the Purchaser, the Target Group or any of their respective substantial shareholders, directors or chief executives, or of their respective associates that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Equity Transfer Agreement and the Equity Transfer.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Equity Transfer Agreement and the Equity Transfer are entered into in the ordinary and usual course of business and on normal commercial terms; (ii) whether the terms of the Equity Transfer Agreement and the Equity Transfer are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) on the Equity Transfer Agreement and the Equity Transfer at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Equity Transfer Agreement, the announcement of the Company dated 5 May 2020 in relation to the Equity Transfer, the annual report of the Company for the financial year ended 31 December 2019 (the "**2019 Annual Report**"), the Equity Valuation Report issued by the PRC Valuer in respect of the market value of the entire equity interest of the Target Company as at 31 December 2019, the Property Valuation Report issued by the Property Valuer in respect of the market value of the Properties as at 30 April 2020 and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the 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 therein or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of an in-depth investigation into the business and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Equity Transfer Agreement and the Equity Transfer, we have considered the following principal factors and reasons.

1. Information of the Company

The Company is an investment holding company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. According to the 2019 Annual Report, the Group is principally engaged in (i) finance leasing, which involves providing finance leasing services including arranging sale and leaseback transactions; (ii) bulk commodity trade, which involves the trading of coal, steel and nonferrous metal; (iii) property development, which involves holding land for property development projects; (iv) property investment, which involves providing rental services and holding investment properties for appreciation; and (v) marine recreation services and hotel, which involves providing marine recreation and hotel services.

Set out below is a summary of the financial information of the Group for the two financial years ended 31 December 2019 as extracted from the 2019 Annual Report.

Table 1: Summarised financial results of the Group

	For the financial year ended 31 December	
	2019	**2018**
	HK$'000	*HK$'000*
	(audited)	(audited)
Revenue by segments		
— Finance leasing	74,465	53,264
— Bulk commodity trade	870,153	865,237
— Property development	131,928	60,993
— Property investment	1,974	2,638
— Marine recreation services and hotel	32,078	38,760
Total revenue	**1,110,598**	**1,020,892**
Gross profit	**154,656**	**108,900**
Profit for the year	**44,100**	**111,415**

According to the 2019 Annual Report, the Group recorded a revenue of approximately HK$1,110.6 million for the year ended 31 December 2019 as compared to approximately HK$1,020.9 million for the year ended 31 December 2018, representing an increase of approximately 8.8%. Such growth in revenue was mainly attributable to the increase in revenue from the Group's finance leasing and property development businesses by approximately 39.8% and 116.3% respectively as compared to their segment revenue in the previous year. The finance leasing business achieved significant growth in terms of both scale and profitability because of the Group's acquisition of new projects and the completion of a number of finance consultancy projects during the year. Meanwhile, in 2019, the Group had two property development projects, namely, the "CCT-Champs-Elysees" and "Chengtong International City" located in the PRC. According to the 2019 Annual Report, the Group strengthened the development and marketing of the "CCT-Champs-Elysees" project during the year ended 31 December 2019, resulting in a substantial increase in the sales volume and hence sales revenue of the project by approximately 118% compared to the year ended 31 December 2018.

For the year ended 31 December 2019, the Group's gross profit increased from approximately HK$108.9 million to approximately HK$154.7 million, representing an increase of approximately 42.0%, mainly due to the year-on-year increase in revenue from the finance leasing and property development businesses as mentioned above. However, for the year ended 31 December 2019, the Group's profit for the year decreased from approximately HK$111.4 million to approximately HK$44.1 million, representing a decrease of approximately 60.4%, mainly as a result of (i) the increase in the selling expenses of the Group by approximately 46.0% to approximately HK$20.52 million in 2019; and (ii) the change from a gain of approximately HK$3.54 million as at 31 December 2018 to a loss of approximately HK$5.05 million as at 31 December 2019 in the fair value of investment properties of the Group, despite the aforementioned increase in the gross profit of the Group of approximately HK$45.8 million.

Meanwhile, the audited consolidated assets and liabilities of the Group as at 31 December 2019 as extracted from the 2019 Annual Report, are summarised as follows:

Table 2: Summarised financial position of the Group

	As at 31 December	
	2019	**2018**
	HK$'000	*HK$'000*
	(audited)	(audited)
Total assets	**3,600,661**	**3,590,303**
Non-current assets	1,024,729	578,607
Current assets	2,575,932	3,011,696
Total liabilities	**686,445**	**693,159**
Non-current liabilities	50,406	51,794
Current liabilities	636,039	641,365
Net current assets	**1,939,893**	**2,370,331**
Net assets	**2,914,216**	**2,897,144**
Equity attributable to owners of the Company	**2,780,839**	**2,761,705**

As at 31 December 2019, the Group's total assets amounted to approximately HK$3,600.7 million, which mainly included (i) bank balances and cash of approximately HK$732.4 million; (ii) loans receivable due after more than one year of approximately HK$684.7 million; (iii) loans receivable due within one year of approximately HK$442.1 million; (iv) properties held for sale and development, or under development of approximately HK$595.0 million; and (v) other financial assets, which included both equity and unlisted investments, of approximately HK$544.8 million. The Group had total liabilities of approximately HK$686.4 million as at 31 December 2019, which were mainly current liabilities consisted of (i) bank borrowings of approximately HK$277.7 million; (ii) trade and other payables of approximately HK$173.6 million; and (iii) contract liabilities of approximately HK$134.6 million.

The debt to equity ratio (calculated by dividing total interest-bearing borrowings by total equity) as at 31 December 2019 was approximately 10%, representing an increase of approximately 1 percentage point as compared to that as at 31 December 2018, indicating a stable financial position and a low gearing level of the Group.

The consolidated equity attributable to owners of the Company amounted to approximately HK$2,780.8 million as at 31 December 2019, with consolidated equity attributable to the owners of the Company per Share of approximately HK$0.48 (calculated based on the number of Shares as at the date of the Equity Transfer Agreement).

2. Information of the Purchaser

The Purchaser is the holding company of World Gain, the controlling shareholder of the Company, and a wholly-owned subsidiary of CCHG, the ultimate holding company of the Company. The Purchaser is principally engaged in the business of investment holding. CCHG together with its subsidiaries are principally engaged in the business of equity operation, provision of financial services, assets management, integrated logistics, as well as development and utilisation of forestry pulp paper.

3. Information of the Target Group

The Target Group was originally acquired by the Company from the Purchaser in 2009. As disclosed in the circular of the Company dated 29 November 2008, on 15 October 2008, the Company (as purchaser), the Purchaser (as vendor) and CCHG (as warrantor) entered into the sale and purchase agreement dated 15 October 2008 (as amended and supplemented by the supplemental agreement dated 27 October 2008 entered into between the Company, the Purchaser and CCHG to amend the consideration adjustment mechanism) (the "**2008 SPA**"), pursuant to which the Company agreed to purchase, and the Purchaser agreed to sell the Target Group at a consideration of approximately RMB201,000,000, which was subsequently adjusted to approximately RMB193,530,000 according to the consideration adjustment mechanism under the 2008 SPA as disclosed in the announcement of the Company dated 30 October 2009. The acquisition of the Target Group by the Company was completed on 6 November 2009.

The Target Company was incorporated in March 2009 and is currently wholly-owned by the Company. The Target Company has been engaged in the business of investment holding since its incorporation.

The Target Company owns the entire issued share capital of Chengtong Asia Investment, which was incorporated in April 2009. Chengtong Asia Investment has been engaged in the business of investment holding since its incorporation.

Dafeng Harbour, which was established in 2005, is currently owned as to approximately 66.67% by Chengtong Asia Investment and as to approximately 33.33% by the JV Partner. The ultimate beneficial owner of the JV partner is 大豐區人民政府, which is a third party independent of the Purchaser. At the time the Target Group was acquired by the Company in 2009 and as at the Latest Practicable Date, the principal assets of Dafeng Harbour were the Properties. Since the completion of the Company's acquisition of the Target Group in 2009, Dafeng Habour has been focusing on property development business. Other than the Loan, the Group has not made any further capital contribution into the Target Group since its acquisition in 2009.

Dafeng Harbour owns a property development project "Chengtong International City" in Dafeng District, Yancheng City, Jiangsu Province, the PRC. "Chengtong International City" is a commercial and residential complex comprising, among others, seven residential buildings and two commercial and office buildings, which were constructed in two phases and completed in 2010 and 2014 respectively. Since the completion of phase one and phase two of "Chengtong International City" and up to 31 December 2019, an aggregate of approximately 6,540 square metres of apartment/residential units were sold, generating approximately RMB19.5 million revenue for the Target Group. No office/commercial units and car parking spaces have been sold over the years. The revenue generated from the aforementioned sale of the apartment/residential units was retained by the Target Group. As at 31 December 2019, the completed and unsold area of "Chengtong International City" included apartment/residential area of approximately 10,930 square metres office/commercial spaces of approximately 9,540 square metres and car parking spaces of approximately 2,019 square metres. Since 31 December 2019 up to and including the Latest Practicable Date, no sale had been recorded for "Chengtong International City" since 31 December 2019.

Apart from the above, Dafeng Harbour also owns a piece of industrial land with a site area of approximately 549,600 square metres, and three pieces of commercial and residential lands with an aggregate site area of approximately 446,581 square metres, all of which are located in Dafeng District, Yancheng City, Jiangsu Province, the PRC and as at the Latest Practicable Date, these lands remained vacant.

Set out below are the summarised financial information of the Target Group for the two years ended 31 December 2019 as extracted from the audited consolidated financial statements of the Company.

Table 3: Summarised financial information of the Target Group

	For the year ended 31 December	
	2019	**2018**
	HK$'000	*HK$'000*
Turnover	—	384
Net loss before and after taxation	6,369	7,219

As at 31 March 2020, the unaudited consolidated total asset value and net asset value of the Target Group as extracted from the unaudited consolidated financial statements of the Company as at 31 March 2020 were approximately HK$393,730,000 and approximately HK$312,497,000 respectively, of which the net book value of the Properties was approximately HK$392,362,000. Meanwhile, the unaudited consolidated net asset value of the Target Group attributable to the Company was approximately HK$208,741,000 as at 31 March 2020 after deducting non-controlling interests. The Consideration of RMB241,185,500 (equivalent to approximately HK$265,304,000) therefore represents a premium of approximately 27.1% over the unaudited consolidated net asset value of the Target Group attributable to the Company as at 31 March 2020.

4. Reasons for and benefits of the Equity Transfer

According to the Board Letter, the Group has been operating its property development business in Dafeng District, Yancheng City, Jiangsu Province, the PRC through Dafeng Harbour, which is currently indirectly owned as to approximately 66.67% by the Target Company. However, Yancheng City, which administrates Dafeng District, is a third-tier city in the PRC with low population inflow and the real estate market in the region has remained stagnant in recent years. The sales performance of ''Chengtong International City'' during the past years has not been satisfactory. Over 80% of the gross floor area of the completed units remained unsold as at the Latest Practicable Date. Since the completion of phase II of ''Chengtong International City'' in 2014, only one unit was sold in 2018.

On 3 July 2014, the Group entered into two resumption agreements (''**Resumption Agreements**'') with the Dafeng Land Reserve Center and the Management Committee of the Jiangsu Dafeng Harbour Economic Development Zone (''**Dafeng Harbour Committee**'') and two compensation agreements with the Dafeng Harbour Committee and the JV Partner in relation to the arrangements in respect of the resumption by the Dafeng Land Reserve Centre of two pieces of land owned by Dafeng Harbour. Details of the relevant agreements related to the land resumption were set out in the Company's announcement dated 3 July 2014. As disclosed in the aforesaid announcement, the Resumption Agreements would only become effective when each party had signed the Resumption Agreements and obtained approval from its governing body, including but not limited to the approval from the People's Government of Dafeng. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the land resumption has not been approved by the People's Government of Dafeng since the signing of the Resumption Agreements in 2014. Therefore, the land resumption procedures have not been carried out as at the Latest Practicable Date. Given the circumstances, it is expected that the land resumption will not take place in the near future and hence compensation is not expected to be received by Dafeng Harbour under the Resumption Agreements and the compensation agreements in the near future.

Given that the Group's overall strategy in recent years is to gradually withdraw from the property development business in Dafeng District and the difficulties in pushing forward the land resumption procedures or the further development of the vacant lands owned by Dafeng Harbour, the Equity Transfer would provide an opportunity for the Group to exit from the property development business in Dafeng District and would enable the Group to reallocate its resources more efficiently for the enhancement of the operations and business development in its other core business segments in the long term.

In this regard, we noticed that the Target Group had been loss-making for the two years ended 31 December 2019 and recognised no turnover for the year ended 31 December 2019. As such, we understand that the Board is resolved to proceed with the Equity Transfer with a view to improving the Group's financial position and reducing the risk of sharing further losses derived from the Target Group.

We have conducted independent research on the real estate market in Yancheng City and other third-tier cities in the PRC in understanding Dafeng Harbour's industry performance. According to the data released by the Yancheng Bureau of Statistics in February 2020, in 2019, investments in real estate development in Yancheng City amounted to approximately RMB42.6 billion, representing a decrease of approximately 6.3% as compared to the previous year; meanwhile, residential investments in Yancheng City amounted to approximately RMB34.5 billion in 2019, representing a year-on-year decrease of approximately 4.5%.[1] According to the same source, between 2018 and 2019, the sales area of commercial housing in Yancheng City decreased by approximately 7.1%, while the sales area of residential houses decreased by approximately 9.0%.

The real estate market in Yancheng City and other third-tier cities in the PRC continued to stagnate after 2019. Same as the global economy, the real estate industry in the PRC has been adversely affected by the outbreak of COVID-19. According to the monthly statistical report released by the Yancheng Bureau of Statistics in April 2020, as at the end of February 2020, investments in real estate development in Yancheng City decreased by approximately 28.3%, while the sales amount of commercial housing in Yancheng City decreased by approximately 21.9% compared to those in the same period in 2019.[2] By the same token, according to the data released by the National Bureau of Statistics of China in April 2020, in March 2020, despite that the sales prices of newly built residential houses and second-hand residential houses in 35 third-tier cities in the PRC showed year-on-year increases of approximately 5.3% and 2.8% respectively, such growth rates have fallen by 0.6 and 0.5 percentage points respectively compared to those recorded in the previous month, while such growth rates have been stagnant or declining for 12 consecutive months prior to March 2020.[3] From our research, we note that the real estate industry in third-tier cities was more affected by the COVID-19 spread and its market confidence was weak, leading to a slower market recovery compared to that in first-tier and second-tier cities.

Given the current situation and the Group's overall strategy, the Directors are of the view that the Consideration is fair and reasonable, and that the Equity Transfer will allow the Group to optimise and adjust its asset structure and to increase the liquidity of its assets, as well as allow the Group to improve the efficiency of the use of its assets and gain certain benefits therefrom, especially given that the Equity Transfer would not have a substantial adverse impact on the Group as the assets of the Target Group do not represent a major proportion in its total asset. In addition, since the Directors currently intend to apply the net proceeds from the Equity Transfer (after deducting relevant costs and expenses), which will be settled in cash in two separate payments and no later than the Completion Date as illustrated in the below section headed ''The Equity Transfer Agreement'' of this letter, to fund the development of the Group's other principal businesses and as general working capital, we are of the view that the Equity Transfer will improve the Group's financial position and provide flexibility for its operations and potential business expansions.

Having considered that (i) the Equity Transfer would provide an opportunity for the Group to exit from the property development business in Dafeng District and would enable the Group to reallocate its resources more efficiently for the enhancement of the operations and business development in its other core business segments in the long term; (ii) the Target

[1] Please refer to http://tjj.yancheng.gov.cn/art/2020/2/27/art_1773_3330571.html

[2] The data is from http://tjj.yancheng.gov.cn/module/download/downfile.jsp?classid=0&filename=a46bc29b1ec14fcb8c405a626c1caf46.pdf

[3] The data is from http://www.stats.gov.cn/tjsj/sjjd/202004/t20200416_1739069.html

Group has been loss-making in the last two years; (iii) the business prospect of the Target Group may not be optimistic as the real estate market in third-tier cities in the PRC has remained stagnant in recent years, especially aggravated by the material adverse impact caused by the COVID-19 pandemic; and (iv) the Equity Transfer would not have a substantial adverse impact on the Group's portfolio of assets given the small contribution to such by the Target Group, we concur with the Directors that the Equity Transfer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. The Equity Transfer Agreement

On 5 May 2020 (after trading hours), the Company and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agreed to transfer and the Purchaser conditionally agreed to acquire the Sale Share, which represents the entire issued share capital of the Target Company, at the Consideration of RMB241,185,500 (equivalent to approximately HK$265,304,000), which shall be payable in cash by the Purchaser to the Company in the following manner:

(1) RMB24,118,550 (equivalent to approximately HK$26,530,000) ("**First Instalment Consideration**"), representing 10% of the Consideration, shall be payable by the Purchaser within five (5) Business Days from the date of signing of the Equity Transfer Agreement; and

(2) RMB217,066,950 (equivalent to approximately HK$238,774,000), representing 90% of the Consideration, shall be payable by the Purchaser on the Completion Date.

The First Instalment Consideration was received by the Company on 12 May 2020. The principal terms of the Equity Transfer Agreement are set out in the Board Letter. We have reviewed the Equity Transfer Agreement and assessed the following principal terms of the Equity Transfer Agreement.

(i) Transition Period

Given that both the Target Company and Chengtong Asia Investment mainly serve as investment holding vehicles of the Company and that their principal assets lie in the Properties held by Dafeng Harbour, the profit or loss of the Target Group is attributable principally to the profit or loss of Dafeng Harbour. Pursuant to the Equity Transfer Agreement, any profit or loss incurred by Dafeng Harbour for the Transition Period, being the period commencing from 1 January 2020 up to and including the Completion Date, shall be borne or enjoyed by the Company in proportion to its indirect shareholding in Dafeng Harbour (i.e. approximately 66.67%). The amount of profit or loss of Dafeng Harbour for the Transition Period shall be determined based on the audited financial information of Dafeng Harbour made up for the Transition Period ("**Completion Accounts**") which shall be issued within twenty (20) Business Days from the Completion Date.

As stated in the Board Letter, if Dafeng Harbour incurs a loss for the Transition Period ("**Transition Period Loss**"), the Company shall deposit an amount equivalent to the amount of the Transition Period Loss attributable to the Company in accordance with its previous indirect shareholding in Dafeng Harbour to the bank account of the Purchaser (or by such other payment method(s) as may be agreed between the parties) within ten (10) Business Days from the issuance date of the Completion Accounts. If Dafeng Harbour incurs a profit for the Transition Period ("**Transition Period Profit**"), the Purchaser shall deposit an amount equivalent to the amount of the Transition Period Profit attributable to the Company in accordance with its previous indirect shareholding in Dafeng Harbour to the bank account of the Company (or by such other payment method(s) as may be agreed between the parties) within ten (10) Business Days from the issuance date of the Completion Accounts.

For the period from 1 January 2020 to 31 March 2020, the unaudited loss after tax of Dafeng Harbour was approximately RMB1,294,000 (equivalent to approximately HK$1,423,000), and it is expected that there will be no material change to the loss position of Dafeng Harbour prior to completion of the Equity Transfer. The actual amount of Transition Period Loss of Dafeng Harbour which shall be borne by the Company is subject to the Completion Accounts. On the other hand, there is no material change in the financial information of the Target Group since 31 December 2019, being the date of the valuation of the entire equity interest of the Target Company, up to the Latest Practicable Date.

Given that during the Transition Period, the Target Company remains to be wholly-owned by the Company, we consider the above arrangement for the Transition Period as fair and reasonable, as it protects the interests of both the Purchaser and the Company before the completion of the Equity Transfer.

(ii) Consideration

Pursuant to the Equity Transfer Agreement, the Consideration for the Equity Transfer amounted to RMB241,185,500 (equivalent to approximately HK$265,304,000), representing a premium of approximately 24.6% over the Company's original acquisition cost of the Target Group of approximately RMB193,530,000 in 2009, considering that the Group has not made any further capital contribution into the Target Group other than the Loan since its acquisition. According to the Board Letter, the Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms with reference to the Equity Valuation Report issued by the PRC Valuer using the asset-based approach. According to the Equity Valuation Report, the appraised value of the entire equity interest of the Target Company was RMB241,185,500 (equivalent to approximately HK$265,304,000) as at 31 December 2019, which is the same as the Consideration. According to the Equity Valuation Report, the value of the Properties as at 31 December 2019 as appraised by the PRC Valuer was approximately RMB432,255,000 (equivalent to approximately HK$475,481,000), which was arrived at by adopting the market approach for the unsold units, and the market comparison approach and/or the land datum value approach for the lands.

Under the market approach, the market price of the unsold units was arrived at with reference to the average unit selling price (which was derived based on the historical sales situation and the recorded unit selling price and combined with market conditions), and items such as value-added tax, sales expenses, land appreciation tax, enterprise income tax and other relevant taxes were deducted from the above market price.

Meanwhile, under the market comparison approach and the land datum value approach which were adopted for the valuation of the lands, the valuation was conducted with reference to the graded benchmark land prices determined by the PRC government and the land prices in recent comparable transactions respectively, and appropriate adjustments were made under both approaches according to various factors pertaining to the location and other characters of the subject land, including but not limited to the condition and development of the surrounding area, transportation facilities, urban planning restrictions, years of land use and level of development etc.

On the other hand, as stated in the Board Letter, the Directors noted that for the purpose of the annual audit of the Company, the market value of the Properties was assessed in the sum of RMB408,400,000 (equivalent to approximately HK$449,240,000) as at 31 December 2019 by the Property Valuer.

As stated in the Board Letter, the Company engaged the Property Valuer to conduct a valuation on the market value of the Properties as at 30 April 2020. Based on the Property Valuation Report, the appraised value of the Properties of the Target Company was RMB417,400,000 (equivalent to approximately HK$459,140,000) as at 30 April 2020. Accordingly, the appraised value of the Properties as at 31 December 2019 in the Equity Valuation Report represents (i) a premium of approximately 5.8% over the market value of the Properties as at 31 December 2019 as assessed by the Property Valuer for the purpose of the annual audit of the Company; and (ii) a premium of approximately 3.6% over the appraised market value of the Properties as at 30 April 2020 in the Property Valuation Report, a result which we attribute to the different valuation approaches adopted by the PRC Valuer and the Property Valuer when valuing the Properties as at 31 December 2019, as well as the different valuation periods and valuation approaches in the Equity Valuation Report and the Property Valuation Report.

Given that as at the Latest Practicable Date, both the Target Company and Chengtong Asia Investment mainly serve as investment holding vehicles of the Company and that their principal assets lie in the Properties held by Dafeng Harbour, in assessing the fairness and reasonableness of the Consideration, we have focused on analysing the Property Valuation Report and reconciling the appraised value therein of RMB417,400,000 (equivalent to approximately HK$459,140,000) as at 30 April 2020 with that of RMB241,185,500 (equivalent to approximately HK$265,304,000) as at 31 December 2019 in the Equity Valuation Report.

The Property Valuation Report

We have performed the works as required under Note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Property Valuation Report, which included (i) assessment of the

Property Valuer's experiences in valuing properties in the PRC similar to the Properties; (ii) obtaining information on the Property Valuer's track records on other property valuations; (iii) inquiry on the Property Valuer's current and prior relationship with the Group and other parties to the Equity Transfer Agreement; (iv) review of the terms of the Property Valuer's engagement, in particular its scope of work, for the assessment of the Property Valuation Report; and (v) discussion with the Property Valuer regarding the bases, methodology and assumptions adopted in the Property Valuation Report.

(a) Valuer

We understand that Mr. Gilbert Chan ("**Mr. Chan**"), the senior director of the Property Valuer and the signor of the Property Valuation Report, among others, is a Chartered Surveyor with 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. We have also obtained information on the Property Valuer's track records on other property valuations and noted that the Property Valuer had been the valuer for a wide range of companies listed on the Stock Exchange. As such, we are of the view that the Property Valuer and Mr. Chan are qualified, experienced and competent in performing property valuations and providing a reliable opinion in respect of the valuation of the Properties.

We have also enquired with the Property Valuer as to its independence from the Group and the parties to the Equity Transfer Agreement and were given to understand that the Property Valuer is an independent third party of the Group and its connected persons. The Property Valuer also confirmed to us that it was not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. The Property Valuer confirmed to us that apart from normal professional fees payable to it in connection with their engagement for the valuation, they had no other engagement with the Company.

Furthermore, we note from the engagement letter entered into between the Company and the Property Valuer that, the scope of work was appropriate for the Property Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Property Valuer in the Property Valuation Report.

(b) Valuation basis

We have reviewed the Property Valuation Report and understand that it was prepared in accordance with all requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules, the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

According to the International Valuation Standards, market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*". Since no unusual matters had come to our attention that led us to believe that the Property Valuation Report was not prepared on a reasonable basis, we believe that the valuation fairly represents the market value of the Properties and forms a fair and reasonable basis for our further assessment on the Consideration.

(c) Valuation methodology

As disclosed in the Property Valuation Report, in valuing the Properties, the Property Valuer adopted the comparison/market approach assuming the property interests are sold in their existing state with the benefit of immediate vacant possession, and made reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance that market transactions are the best indicator and presupposes that evidence of relevant transactions in the market can be extrapolated to similar properties, subject to allowances for variable factors.

Based on our interview with the Property Valuer, we understand that the Property Valuer had also considered the other two generally accepted valuation approaches, namely the cost approach and the income approach. Nonetheless, given the publicly available data on comparable sales transactions used under this approach, the Property Valuer considered the adoption of the market approach as more appropriate than the cost approach and income approach as it would provide a more objective result.

Given that the real estate market is a traditional industry, there already exists sufficient samples of comparable sales transactions available for analysis. As such, we are of the view that these comparable sales transactions would provide good benchmarks on the valuation of the Properties. Accordingly, we agree with the Property Valuer that the market approach was appropriate for the valuation of the Properties.

As stated in the Property Valuation Report, the Property Valuer classified the Properties into two groups according to the purpose for which they are held. The first group refers to the property interests held for sale by the Group in the PRC ("**Group I**") and the second group refers to the property interests held for future development by the Group in the PRC ("**Group II**").

When valuing the properties in Group I, the Property Valuer had identified and analysed various relevant sales evidences in the locality which had similar characteristics as the properties. The selected comparable properties were residential units, office units, commercial units and car parking spaces within the same development/building of the subject properties and other developments located in the area close to the subject properties with similar building conditions and facilities as the subject properties, which were transacted between 2019 and 2020. The unit price of these comparable properties ranged from RMB2,500 to RMB3,400 per square metre for residential units and apartment units, RMB3,500 to RMB4,600 per square metre for commercial units and office units and RMB45,000 to RMB50,000 per space for car parking spaces. After appropriate adjustments and analysis were considered to the differences in location, size and other characters between the comparable properties and the subject properties, we understand that the Property Valuer had multiplied the respective assumed unit rate for different types of properties in Group I with their respective size of area, and reached the aggregate appraised value of the properties in Group I of RMB70,900,000 as at 30 April 2020.

Similarly, when valuing the properties in Group II, the Property Valuer had identified and analysed various relevant sales evidences of land in the locality which had similar characteristics as the subject properties such as nature, use, site area, layout and accessibility of the properties. The selected comparable properties were residential/commercial lands and industrial lands located in the area close to the subject properties, which were transacted between 2017 and 2019. The accommodation value of the comparable residential/commercial land sites ranged from RMB500 to RMB1,300 per square metre, while the unit rate of the comparable industrial land sites ranged from RMB190 to RMB200 per square metre on site area basis. After appropriate adjustments and analysis were considered to the differences in location, size and other characters between the comparable properties and the subject properties, the appraised values for the residential/commercial lands and industrial lands in Group II were arrived at RMB256,900,000 and RMB89,600,000 respectively, calculated based on their respective assumed unit rate and respective size of area. Accordingly, the aggregate appraised values of properties in Group II amounted to RMB346,500,000 as at 30 April 2020.

Through our discussion with the Property Valuer, we also understand that the comparable sales transactions were mostly obtained from online public data, which included land sale records collected by the PRC government and sale records of residential and commercial units and car parks collected by local property agencies. As confirmed by the Property Valuer, these comparable sales transactions represent an exhaustive list to the best of their knowledge. Accordingly, we considered that the selection of the comparable sales transactions used in the valuation is fair and reasonable.

(d) Valuation assumptions

As stated in the Property Valuation Report, the valuation of the Properties was made on the assumption that the seller sold the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests. In addition, the Property Valuer assumed that the ground conditions and services for any development of the Properties were satisfactory when preparing their valuation. In this regard, we understand that the Property Valuer had inspected the exterior and where possible, the interior of the Properties, and that during their inspection, no serious defect was noted.

We have discussed with the Property Valuer and reviewed the legal opinion regarding the Properties issued by the Company's PRC legal adviser, which confirmed that Dafeng Harbour had the ownership rights and relevant land use rights of the Properties and had the rights to legally occupy, use, transfer, lease, mortgage and dispose of the land use rights of the Properties if such portions of the Properties were unsold, and nothing has come to our attention which would lead us to doubt the fairness and reasonableness of the assumptions adopted in the Property Valuation Report.

On the other hand, as stated in the Property Valuation Report, since at the time of compiling the Property Valuation Report, the COVID-19 pandemic was causing uncertainties in both local and global markets, the Property Valuer reported the valuation on the basis of ''material valuation uncertainty'' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. . As advised by the Property Valuer, the basis of "material valuation uncertainty" does not suggest the valuation is not reliable or cannot be relied upon, rather it serves as a reminder to the report readers that the valuation had been prepared under extraordinary circumstances and hence it should be kept under frequent review with a high degree of caution. From our discussion with the Property Valuer, we understand while the Property Valuer does not intend to provide an opinion of the market value of the Properties as of any date after 30 April 2020, they consider that the Property Valuation Report remains an appropriate reference to the market value of the Properties as at 30 April 2020. We also understand from the Property Valuer that, valuation adjustments have been adopted when valuing the Properties to reflect the impact of the COVID-19 pandemic, and hence we are of the view that the Property Valuation Report provides a fair and reasonable representation of the market value of the Properties as at 30 April 2020, and serve as an appropriate cross-reference to the Equity Valuation Report, which was conducted before the COVID-19 pandemic. In addition, since nothing material has come to our attention that the underlying assumptions and factors have changed as at the Latest Practicable Date, we maintain our opinion that the Property Valuation Report, as well as the underlying bases, methodology and assumptions are appropriate and that the Property Valuation Report is an appropriate reference for determining the valuation of the Properties.

Fair and reasonableness of the Equity Valuation Report and the Consideration

In determining the fair value of the entire equity interest of Dafeng Harbour, we have used the appraised value of the Properties of RMB417,400,000 (equivalent to approximately HK$459,140,000) in the Property Valuation Report and adjusted such value by deducting the amount of other liabilities, which at the minimum included the Loan of approximately RMB70,251,000 (equivalent to approximately HK$77,276,000) as at 31 March 2020, and obtained the fair value of the entire equity interest of Dafeng Harbour of approximately RMB347,149,000 (equivalent to approximately HK$381,864,000).

Since Dafeng Harbour is currently indirectly owned as to approximately 66.67% by the Target Company, in determining the fair value of the entire equity interest of the Target Company, we have multiplied the fair value of the entire equity interest of Dafeng Harbour of approximately RMB347,149,000 (equivalent to approximately HK$381,864,000) by 66.67% in order to obtain the fair value of the equity interest of Dafeng Habour attributable to the Target Company, which we noted was approximately RMB231,444,000 (equivalent to approximately HK$254,588,000) (the "**Adjusted Transaction Value**"). Given that as at the Latest Practicable Date, both the Target Company and Chengtong Asia Investment mainly serve as investment holding vehicles of the Company and that their principal assets lie in the Properties held by Dafeng Harbour, the Adjusted Transaction Value should approximate the fair value of the entire equity interest of Target Company. Accordingly, the appraised value in the Equity Valuation Report and the Consideration of approximately RMB241,185,500 (equivalent to approximately HK$265,304,000) represent a premium of approximately 4.2% over the Adjusted Transaction Value (or our adjusted fair value of the entire equity interest of Target Company). In the event that the market value of the Properties further decreases due to the impact of the COVID-19 pandemic or subsequent economic factors, the current Consideration, which is already at a premium to the Adjusted Transaction Value, would become more favourable to the Company and the Shareholders as a whole as it would allow the Company to dispose the Properties at a price higher than their market value.

Given (i) that the Consideration represents (a) a premium of approximately 27.1% over the unaudited consolidated net asset value of the Target Group attributable to the Company as at 31 March 2020, and (b) a premium of approximately 24.6% over the Company's original acquisition cost of the Target Group in 2009; (ii) the current situation of land resumption procedure in respect of two pieces of land owned by Dafeng Harbour; (iii) that the Consideration was determined after arm's length negotiations between the Company and the Purchaser on normal commercial terms with reference to the appraised value in the Equity Valuation Report, which is the same as the Consideration; and (iv) that the Consideration is at a premium over the Adjusted Transaction Value, we consider that the Consideration is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

(iii) Other principal terms of the Equity Transfer Agreement

We have also reviewed other principal terms (i.e. payment terms, conditions precedent, completion, etc.) of the Equity Transfer Agreement and compared them to those in other transactions similar to the Equity Transfer, particularly property disposal transactions, conducted by other companies listed on the Stock Exchange, and noted that similar principal terms were also adopted by other listed companies. Accordingly, we are of the view that other principal terms of the Equity Transfer Agreement are in line with the market practice and we consider that they are fair and reasonable so far as the independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

6. Possible financial impact of the Equity Transfer

As at the Latest Practicable Date, the Target Company is wholly-owned by the Company. Upon completion of the Equity Transfer, the Company will cease to hold any equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

The financial effects of the Equity Transfer on the Group's earnings, working capital and net asset value are set out below. However, it should be noted that the analysis below is for illustrative purposes only and does not purport to represent how the financial position of the Group would be upon completion of the Equity Transfer.

(i) Earnings

According to the 2019 Annual Report, the profit of the Group for the year ended 31 December 2019 amounted to approximately HK$44.1 million, while based on the unaudited financial information of the Target Group, it had a net loss before and after taxation of approximately HK$7.2 million for the same period. Upon completion of the Equity Transfer, the Target Company will cease to be a subsidiary of the Company and the financial information of the Target Group will no longer be consolidated into the Company's consolidated financial statements. Accordingly, the Group will no longer share the loss of the Target Company and its profit is expected to further improve.

(ii) Working capital

Since the Consideration of approximately RMB241.2 million (equivalent to approximately HK$265.3 million) will be settled in cash by the Purchaser to the Company, the Group shall have an immediate cash inflow of the same amount and hence its working capital position is expected to improve upon completion of the Equity Transfer.

(iii) Net asset value

As stated in the Board Letter, it is expected that the Group will record a gain of approximately RMB43.8 million (equivalent to approximately HK$48.1 million) as a result of the Equity Transfer (before taking into account the Transition Period Loss of Dafeng Habour which shall be borne by the Company), being the difference between the Consideration and the unaudited consolidated net asset value of the Target Group attributable to the Company as at 31 March 2020 and after deducting the estimated amount of taxes payable by the Company in respect of the Equity Transfer, release of accumulated exchange deficit, and relevant expenses payable by the Company in respect of the Equity Transfer. For the period from 1 January 2020 to 31 March 2020, the unaudited loss after tax of Dafeng Harbour was approximately RMB1.3 million (equivalent to approximately HK$1.4 million), and it is expected that there will be no material change to the loss position of Dafeng Harbour prior to completion of the Equity Transfer. The actual gain or loss as a result of the Equity Transfer to be recorded by the Group is subject to the actual amount of the Transition Period Loss of Dafeng Harbour which shall be borne by the Company and the final audit to be performed by the auditors of the Company.

Based on the above analysis, we noted that the Equity Transfer would have a positive effect on the Group's earnings, working capital position and net asset value.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, our views are summarised below:

(i) the Equity Transfer would provide an opportunity for the Group to exit from the property development business in Dafeng District and would enable the Group to reallocate its resources more efficiently for the enhancement of the operations and business development in its other core business segments in the long term;

(ii) the Group had been sharing the losses of the Target Group for the last two financial years because of the latter's loss-making position;

(iii) the business prospect of the Target Group may not be optimistic as the real estate market in third-tier cities in the PRC has remained stagnant in recent years, especially aggravated by the material adverse impact caused by the COVID-19 pandemic;

(iv) the Equity Transfer would not have a substantial adverse impact on the Group's portfolio of assets given the small contribution to such by the Target Group;

(v) the Consideration represents (a) a premium of approximately 27.1% over the unaudited consolidated net asset value of the Target Group attributable to the Company as at 31 March 2020, and (b) a premium of approximately 24.6% over the Company's original acquisition cost of the Target Group in 2019;

(vi) the terms of the Equity Transfer Agreement were determined after arm's length negotiations between the parties thereto;

(vii) we have reviewed other principal terms of the Equity Transfer Agreement including but not limited to the terms of payment, conditions precedent and completion thereto, and are not aware of any terms being unusual;

(viii) the Consideration is the same as the appraised value of the entire equity interest of the Target Company as at 31 December 2019 in the Equity Valuation Report, and is at a premium of approximately 4.2% over the Adjusted Transaction Value; and

(ix) the Equity Transfer would have a positive effect on the Group's earnings, working capital position and net asset value.

Having taken into consideration the factors and reasons as stated above, we are of the opinion that, despite the entering into of the Equity Transfer Agreement is not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement and the Equity Transfer are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Equity Transfer is in the interests of the

Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the Equity Transfer Agreement and the Equity Transfer at the EGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) relating to the Equity Transfer Agreement and the Equity Transfer at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

The following is an English translation of a summary of the Equity Valuation Report, which was prepared in Chinese only. In case of any discrepancies between the Chinese and English versions of the text, the Chinese version shall prevail.

SUMMARY OF VALUATION REPORT IN RELATION TO THE VALUE OF THE ENTIRE EQUITY INTEREST OF THE SHAREHOLDER INVOLVED IN THE PROPOSED TRANSFER OF 100% EQUITY INTEREST IN CHENGTONG INVESTMENT GROUP LIMITED BY CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

Zhong Lin Ping Zi No. 2020

Beijing Zhonglin Assets Appraisal Co., Ltd. is appointed by China Chengtong Development Group Limited to perform appropriate assets valuation procedures over the entire equity interest attributable to the shareholder of Chengtong Investment Group Limited involved in the proposed transfer of 100% equity interest in Chengtong Investment Group Limited by China Chengtong Development Group Limited in accordance with the relevant laws, regulations and equity valuation standards on an independent, objective and fair basis in order to give a fair representation of its market value as at 31 December 2019. The details of the valuation are reported as follows:

I. Purpose of valuation: China Chengtong Development Group Limited proposes to transfer 100% equity interest held by it in Chengtong Investment Group Limited to China Chengtong Hong Kong Company Limited, its controlling shareholder, by way of agreement. An appraisal is required to be conducted on the value of the entire equity interest attributable to the shareholder of Chengtong Investment Group Limited in order to provide a reference for the value of such economic act.

II. Subject of valuation: the entire equity interest attributable to the shareholder of Chengtong Investment Group Limited as at the valuation reference date.

III. Scope of valuation: the entire assets and liabilities of Chengtong Investment Group Limited.

IV. Type of value: market value.

V. Valuation reference date: 31 December 2019.

VI. Valuation methodology: asset-based approach.

VII. Assumptions of valuation:

1. Transaction assumption: under transaction assumption, it is assumed that all assets to be appraised are in the process of transactions in the market and the valuer carries out the valuation according to the transaction terms of the assets to be appraised based on a simulated market.

2. Open market assumption: the open market assumption is an assumption made on the conditions of the market where the assets are purported to enter and on the effect of such market conditions on the assets. An open market refers to a well-developed, comprehensive and competitive market with voluntary buyers and voluntary sellers in which the parties are of equal status, with sufficient time and opportunities to obtain market information, and transactions are conducted freely and rationally without compulsion or restrictions on the parties.

3. Continuous use assumption: the continuous use assumption is an assumption made on the conditions of the market where the assets are purported to enter as well as on the status of the assets in such market conditions. It is first assumed that the assets to be appraised are in use, and further assumed that such assets in use will be used continuously. Under continuous use assumption, no consideration is given to any change of use of the assets or the best utilisation of the assets and the valuation results are subject to such restrictions.

4. Going concern assumption: the going concern assumption is an assumption made for appraising the assets of an enterprise in the entirety. The enterprise as an operational entity will continue to operate in accordance with its business objectives in the existing external environment; the management of the enterprise is responsible and is capable of taking up responsibilities; and the enterprise is in legal operation and is capable of making profits to maintain operational capability.

VIII. Valuation conclusion:

The valuer conducted the valuation under an asset-based approach on the subject of valuation, and it is concluded that the value of the entire equity interest attributable to the shareholder of Chengtong Investment Group Limited as at the valuation reference date amounted to RMB241,185,500.

The valuation conclusion under the asset-based approach was arrived at without regard to the premium arising from the controlling interests, the discounts arising from the minority interests, and the impacts of equity liquidity on the equity value.

IX. Reminder:

There are certain events which may impact on the valuation conclusion and, in particular, attention should be paid to the following:

1. As at the date of this report, the valuer was not able to conduct an on-site investigation due to the pandemic impacts. In this regard, the authenticity of the assets reported, as well as the financial and operating conditions of the entity was confirmed by conducting communications and enquiries over the telephone, taking photographs or video recordings, sampling contracts and accounting certificates, etc. with the consent of the client. The valuating institution reserves the rights to conduct on-site investigation, and supplement with on-site due

diligence investigation after the end of the epidemic, and may modify or revoke the valuation report in case of any inconsistency with information previously obtained.

2. For the land use rights held by Chengtong Dafeng Harbour Development Limited which is within the scope of valuation, the land uses as shown in the certificates in respect of Lot No. 1 and 3 located in the Port Service Area of Dafeng Ocean Economic Development Area is commercial and residential, but according to the explanations provided by the entity under valuation and the land plans so provided, these two lots are reserved for residential purposes without any commercial buildings. Therefore, this valuation is based on the residential use.

The opinion of this valuation merely serves as a reference for the equity transfer between the parties, which shall not substitute the decision to be made by the parties in respect of the consideration of the equity transfer.

The report and its conclusion are reserved for the valuation purposes as specified in this report only.

In accordance with the relevant government requirements, the conclusion of this report is valid for one year from 31 December 2019 (i.e. the valuation reference date) and ending on 30 December 2020.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2020 of the property interests to be disposed of by the Group.

JLL®
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place, 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

10 June 2020

The Board of Directors
China Chengtong Development Group Limited
Suite 6406
64/F., Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests to be disposed of by China Chengtong Development Group Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the PRC, we confirm that we have carried out site inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 30 April 2020 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests by the comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and presupposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

For the purpose of our valuation, real estate developments for sale are those the Construction Work Completion and Inspection Certificate/Tables or Building Ownership Certificates/Real Estate Title Certificates thereof are issued by the relevant local authorities or are in the process of application, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed; and real estate developments for future development are those the Construction Work Commencement Permits of future development/redevelopment are not issued while the State-owned Land Use Rights Certificates have been obtained, this also includes those property interests which the State-owned Land Use Rights Grant Contract have been signed, but the State-owned Land Use Rights Certificates have not been issued.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including State Owned Land Use Rights Certificates and Real Estate Title Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Shandong Jointide (Qingdao) Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out on 18 May 2020 by Ms. Maggie Ding who has obtained the master degree with a specialization in Professional Accounting and has 3 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinion of values. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty — and a higher degree of caution — should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the properties under frequent review.

Furthermore, we are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of COVID-19 has caused much disruption to economic activities around the world. This disruption has increased the risk towards the achievability of the rental/income assumptions.

It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the report date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result it causes volatility and uncertainty that value may change significantly and unexpectedly even over short periods. The period required to negotiate a sale may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the property. Readers are reminded that we do not intend to provide an opinion of value as of any date after the valuation date in this report.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi ("**RMB**").

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert C.H. Chan
MRICS MHKIS RPS (GP)
Senior Director

Note: Gilbert C.H. Chan is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Property interests held for sale by the Group in the PRC

Group II: Property interests held for future development by the Group in the PRC

— : Not Available or Not Applicable

No.	Property	Market value in existing state as at the valuation date *RMB* **Group I:**	Market value in existing state as at the valuation date *RMB* **Group II:**	The total market value in existing state as at the valuation date *RMB*
1.	Unsold portion of Chengtong International City located at the eastern side of Xiamengang Road Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng District, Yancheng City, Jiangsu Province, the PRC	70,900,000	—	70,900,000
2.	Various parcels of land located along Xiamengang Road Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng District, Yancheng City, Jiangsu Province, the PRC	—	256,900,000	256,900,000
3.	A parcel of land located at the southern side of Shugang Highway, Dafeng District, Yancheng City, Jiangsu Province, the PRC	—	89,600,000	89,600,000
	Grand-total:	70,900,000	346,500,000	417,400,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	Unsold portion of Chengtong International City located at the eastern side of Xiamengang Road Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng District, Yancheng City, Jiangsu Province, the PRC	Chengtong International City is located at the eastern side of Xiamengang Road at its junction with Taiwushigang Road. It is well-served by public transportation. The surrounding environment comprises street front shops, schools and hotels. Chengtong International City occupies a parcel of land with a total site area of approximately 30,245 sq.m. which has been developed into a residential and commercial complex project. The project with a total gross floor area of approximately 27,881.18 sq.m. was completed in 2010 and 2014, and its unsold portion (the "unsold units") was vacant for sale as at the valuation date. As at the valuation date, the property comprised the unsold units of Chengtong International City with a total gross floor area of approximately 22,488.75 sq.m. The classification, usage and gross floor area details of the property were set out in Note 8. The land use rights of the property have been granted for a term of 70 years expiring on 11 May 2077 for residential use and 40 years expiring on 11 May 2047 for commercial use.	As at the valuation date, the property was vacant.	70,900,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 11 May 2007, the land use rights of a parcel of land (including the land use rights of the property) with a total site area of approximately 476,826 sq.m. were contracted to be granted to Chengtong Dafeng Harbour Development Limited (誠通大豐海港開發有限公司, "**Dafeng Harbour**", an indirect 66.67%-owned subsidiary of the Company) for a term of 40 years and 70 years for commercial and residential uses respectively commencing from the land delivery date. As advised by the Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a Construction Land Planning Permit — No. 0210, permission towards the planning of the aforesaid land parcel (including the property) with a total site area of approximately 476,826 sq.m. has been granted to Dafeng Harbour.

3. Pursuant to a Real Estate Title Certificate — Su (2017) Da Feng Qu Bu Dong Chan Quan Di Nos. 0000626 dated 20 January 2017, the land use rights of the property with a site area of approximately 30,245 sq.m. have been granted to Dafeng Harbour for a term of 70 years expiring on 11 May 2077 for residential use and 40 years expiring on 11 May 2047 for commercial use.

4. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Da Gang Gui (2010) No. 0210–1 and Jian Zi Di Da Gang Gui (2012) No. 205 in favour of Dafeng Harbour, the construction works of Chengtong International City (including the property) with a total gross floor area of approximately 33,630.45 sq.m. have been approved.

5. Pursuant to 2 Construction Work Commencement Permits — Nos. 3209822010031900002A and 320982020130081 in favour of Dafeng Harbour, permissions by the relevant local authority were given to commence the construction of Chengtong International City (including the property) with a total gross floor area of approximately 27,999.51 sq.m.

6. Pursuant to 3 Pre-sale Permits — Feng Shi Fang Yu Zi (2010) No. 0047, Feng Shi Fang Yu Zi (2012) No. 0016 and Feng Shi Fang Yu Zi (2013) No. 0042 in favour of Dafeng Harbour, the Group is entitled to sell Chengtong International City (including the property and representing a total gross floor area of approximately 27,018.01 sq.m.) to purchasers.

7. Pursuant to 2 Construction Work Completion and Inspection Certificates — Da Jian Bei Zheng Zi Nos. 607 and 943 in favour of Dafeng Harbour, the construction of Chengtong International City (including the property) with a total gross floor area of 27,881.18 sq.m. has been completed and passed the inspection acceptance.

8. As advised by the Group, various apartment/residential units with a total gross floor area of approximately 617.98 sq.m. of the property have been sold to various third parties. However, the registration formalities of the transfer of the building ownership and the corresponding land use rights of such portions of the property have not been completed as at the valuation date. The proceeds from the sale of such portions have been recognized as revenue of the Group. Therefore, we have attributed no commercial value to such portions and excluded such portions in our valuation.

9. According to the information provided by the Group, the details of the unsold units are set out as below:

Group	**Usage**	**Gross Floor Area** *(sq.m.)*	**Nos. of Car Parking Spaces**
Group I — held for sale	Apartment	392.58	—
	Residential	10,537.51	—
	Office	3,175.87	—
	Commercial	6,363.79	—
	Car parking spaces	2,019.00	121
		22,488.75	121

10. Our valuation has been made on the following basis and analysis:

We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The selected comparables are residential units, office units, commercial units and car parking spaces within the same development/building of the subject property and other developments located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted between 2019 and 2020. The unit price of these comparable properties ranges from RMB2,500 to RMB3,400 per sq.m. for residential units and apartment units, RMB3,500 to RMB4,600 per sq.m. for commercial units and office units and RMB45,000 to RMB50,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property;

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, inter alia, the following:

    a. Dafeng Harbour is the sole legal land use rights owner for aforementioned land, the State-owned Land Use Rights Grant Contract mentioned above is in full force and effect, all land premiums of the property have been fully paid and the land use rights are confirmed and protected by Chinese law;

    b. The Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits, Pre-sale Permits and Sale Permits obtained by Dafeng Harbour for the aforementioned land are valid and have not been revoked, revised or repealed;

    c. For the unsold units, Dafeng Harbour has the ownership rights and relevant land use rights of such portions and has the rights to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the unsold units. For the units which have been sold but the building ownership rights and the corresponding land use rights have not been transferred, Dafeng Harbour still has the ownership rights and corresponding land use rights of such portions, however, the ownership rights and corresponding land use rights of such portions could not be freely transferred, leased, mortgaged or otherwise disposed of by Dafeng Harbour unless the corresponding contracts are cancelled or getting a prior approval from the buyers; and

    d. According to a written confirmation from Dafeng Harbour, there is no forced requisition, significant litigation, major disputes or other situation that may have significant adverse effect on the property ownership.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	Yes
c.	State-owned Land Use Rights Certificate	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Yes
g.	Construction Work Completion and Inspection Certificate/Table	Yes

13. For the purpose of this report, the property is classified into "Group I — held for sale by the Group" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	Various parcels of land located along Xiamengang Road Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng District, Yancheng City, Jiangsu Province, the PRC	The property is located along Xiamengang Road at and close to its junction with Taiwushigang Road. It is well-served by public transportation. The surrounding environment comprises street front shops, schools and hotels. The property occupies 3 parcels of land with a total site area of approximately 446,581 sq.m. The construction of the property with a total plot ratio accountable gross floor area of approximately 366,781 sq.m. had not been commenced as at the valuation date. The land use rights of the property have been granted for a term of 70 years expiring on 11 May 2077 for residential use and 40 years expiring on 11 May 2047 for commercial use.	As at the valuation date, the property was vacant.	256,900,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 11 May 2007, the land use rights of a parcel of land (including the land use rights of the property) with a total site area of approximately 476,826 sq.m. were contracted to be granted to Chengtong Dafeng Harbour Development Limited (誠通大豐海港開發有限公司, "Dafeng Harbour", an indirect 66.67%-owned subsidiary of the Company) for a term of 40 years and 70 years for commercial and residential uses respectively commencing from the land delivery date. As advised by the Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a Construction Land Planning Permit — No. 0210, permission towards the planning of the aforesaid land parcel (including the property) with a total site area of approximately 476,826 sq.m. has been granted to Dafeng Harbour.

3. Pursuant to 2 State-owned Land Use Rights Certificates — Da Tu (38) Guo Yong (2007) Nos. 255 and 257 and a Real Estate Title Certificate — Su (2017) Da Feng Qu Bu Dong Chan Quan Di No. 0000846 dated 20 January 2017, the land use rights of the property with a total site area of approximately 446,581 sq.m. have been granted to Dafeng Harbour for a term of 70 years expiring on 11 May 2077 for residential use and 40 years expiring on 11 May 2047 for commercial use, details are listed as follows:

Lot No.	Land Use Rights Certificate/ Real Estate Title Certificate No.	Land Use	Site Area *(sq.m.)*
1	Da Tu (38) Guo Yong (2007) No. 255	Commercial, Residential	84,648
3	Da Tu (38) Guo Yong (2007) No. 257	Commercial, Residential	244,248
2 (Remaining portion)	Su (2017) Da Feng Qu Bu Dong Chan Quan Di No. 0000846	Commercial	117,685
			446,581

4. Our valuation has been made on the following basis and analysis:

   We have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The selected comparables are residential/commercial lands located in the area close to the subject property, which were transacted between 2017 and 2019. The accommodation value of these comparable land sites ranges from RMB500 to RMB1,300 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed accommodation value for the property.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, inter alia, the following:

   a. Dafeng Harbour is the sole legal land use rights owner for aforementioned land, the State-owned Land Use Rights Grant Contract mentioned above is in full force and effect, all land premiums of the property have been fully paid and the land use rights are confirmed and protected by Chinese law;

   b. According to a written confirmation from Dafeng Harbour, there is no forced requisition, significant litigation, major disputes or other situation that may have significant adverse effect on the property ownership.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	Yes
c.	State-owned Land Use Rights Certificate	Yes
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Pre-sale Permit	N/A
g.	Construction Work Completion and Inspection Certificate/Table	N/A

7. For the purpose of this report, the property is classified into "Group II — held for future development by the Group" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
3.	A parcel of land located at the southern side of Shugang Highway, Dafeng District, Yancheng City, Jiangsu Province, the PRC	The property is located at the southern side of Shugang Highway. It is well-served by public transportation. The surrounding environment comprises office buildings, street front shops, schools and hotels. The property occupies a parcel of land with a site area of approximately 549,600 sq.m. and the construction of the property had not been commenced as at the valuation date. The land use rights of the property have been granted for a term of 50 years expiring on 8 August 2055 for industrial use.	As at the valuation date, the property was vacant.	89,600,000

Notes:

1. Pursuant to a land use rights transfer agreement signed between Dafeng City Dafeng Harbour Development & Construction Limited (大豐市大豐港開發建設有限公司) and Chengtong Dafeng Harbour Development Limited (誠通大豐海港開發有限公司, "**Dafeng Harbour**", an indirect 66.67%-owned subsidiary of the Company) dated 23 October 2006, the land use rights of a parcel of land with a site area of approximately 549,600 sq.m. were contracted to be transferred to Dafeng Harbour for a term expiring on 8 August 2055 for industrial use. As advised by the Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a State-owned Land Use Rights Certificate — Da Tu (38) Guo Yong (2006) No. 105, the land use rights of the property with a site area of approximately 549,600 sq.m. has been granted to Dafeng Harbour for a term of 50 years expiring on 8 August 2055 for industrial use.

3. Our valuation has been made on the following basis and analysis:

   We have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The selected comparables are industrial lands located in the area close to the subject property, which were transacted in 2019. The unit rate of these comparable land sites ranges from RMB190 to RMB200 per sq.m. on site area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, inter alia, the following:

   a. Dafeng Harbour is sole legal land use rights owner for aforementioned land, the land use rights transfer agreement mentioned above is in full force and effect, all land premiums of the property have been fully paid and the land use rights are confirmed and protected by Chinese law; and

   b. According to a written confirmation from Dafeng Harbour, there is no forced requisition, significant litigation, major disputes or other situation that may have significant adverse effect on the property ownership.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	N/A
c.	State-owned Land Use Rights Certificate	Yes
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Pre-sale Permit	N/A
g.	Construction Work Completion and Inspection Certificate/Table	N/A

6. For the purpose of this report, the property is classified into "Group II — held for future development by the Group" according to the purpose for which it is held.

1. FINANCIAL INFORMATION OF THE COMPANY

Details of the financial information of the Group for the three financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 have been set out in the following documents respectively:

(a) the annual report of the Company for the year ended 31 December 2017 from pages 80 to 180 (https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0321/ltn20180321390.pdf);

(b) the annual report of the Company for the year ended 31 December 2018 from pages 90 to 224 (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0315/ltn20190315438.pdf); and

(c) the annual report of the Company for the year ended 31 December 2019 from pages 102 to 212 (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0316/2020031600964.pdf).

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 April 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had (i) short-term bank loans of HK$277,000,000, (ii) other loan of HK$600,000, (iii) loan from an intermediate holding company of approximately HK$22,540,000 and (iv) lease liabilities of approximately HK$8,582,000, all of which were unsecured and unguaranteed.

As at 30 April 2020, the Group had contingent liabilities in relation to guarantees of approximately HK$201,960,000 given to banks in respect of mortgage loans granted to purchasers of certain property units. These are corporate guarantees provided by the Group in relation to two property development projects of the Group in the PRC, namely the ''CCT-Champs-Elysees'' project in Zhucheng City, Shandong Province and the ''Chengtong International City'' project in Dafeng District, Yancheng City, Jiangsu Province. Pursuant to the terms of the guarantees, upon default in mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties.

Save as disclosed above, apart from intra-group liabilities, as at the close of business on 30 April 2020, the Group did not have any other borrowings, mortgages, charges, debentures or debt securities issued and outstanding, or authorised or otherwise created but unissued, or other indebtedness, liabilities under acceptances or acceptance credits or hire purchase commitments, contingent liabilities or guarantees.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors are of the opinion that, after taking into account the Group's internal resources and the available banking facilities, the working capital available to the Group is sufficient for the Group's requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in (i) finance leasing; (ii) bulk commodity trade; (iii) property development and property investment; and (iv) marine recreation services and hotel.

Since the outbreak of the COVID-19 at the beginning of 2020, the postponed resumption of production and related pandemic control have adversely affected the Group's business. The Group is taking proactive measures and making active responses in an effort to minimise the losses caused by the pandemic.

For finance leasing, the Group will increase the business synergy between its controlling shareholder and other central enterprises and accelerate the introduction of market-oriented professional teams. The Group will step up its efforts to expand into areas including central enterprises and overseas leasing, and expand the business scale with focus on stringent risk management to provide customers with professional comprehensive finance leasing solutions. Leveraging on its synergies with the Company's controlling shareholder, the Group strives to build its brand and industry influence.

For bulk commodity trade, under strict risk management, the Group will continue to cautiously carry out bulk commodity trading related business. As disclosed in the announcement of the Company dated 25 October 2019, the Group has formed a strategic alliance with an indirect non-wholly owned subsidiary of CCHG and formed a joint venture in World Asia, which will focus on the development of international bulk commodity trade businesses by leveraging the operational expertise and international procurement and sales network of the holding company of the counterparty.

For property development and property investment, the Group's overall strategy is to gradually withdraw from the existing property development projects. Following completion of the Equity Transfer, the Group will integrate its resources by strengthening the development and marketing of the "CCT-Champs-Elysees" project in Zhucheng City, Shandong Province, the PRC.

For hotel and marine travelling services, the Group will strengthen its marketing efforts on existing marine recreation services and hotel businesses, and make use of the strategic opportunities brought by the establishment of free trade zone (port) to set foot in Hainan, the PRC, thus further expanding new travelling resources.

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 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EFFECTS OF THE EQUITY TRANSFER ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

As at 31 March 2020, the unaudited consolidated total assets of the Group amounted to approximately HK$3,588.16 million and the unaudited consolidated total liabilities of the Group amounted to approximately HK$780.05 million.

As at 31 March 2020, the unaudited consolidated total assets and total liabilities of the Target Group as extracted from the Company's unaudited consolidated financial statements as at 31 March 2020 amounted to approximately HK$393.73 million and approximately HK$81.23 million respectively. Immediately upon completion of the Equity Transfer, the Company will cease to have any equity interest in the Target Group. Each of the Target Company, Chengtong Asia Investment and Dafeng Harbour will then cease to be a subsidiary of the Company and the financial information of the Target Group will no longer be consolidated into the Company's consolidated financial statements.

As regards earnings of the Group as a result of the Equity Transfer, based on the preliminary assessment, it is expected that the Group will record a gain of approximately RMB43.76 million (equivalent to approximately HK$48.14 million as a result of the Equity Transfer (before taking into account the Transition Period Loss of Dafeng Harbour which shall be borne by the Company)). The final financial impact on the Group as a result of the Equity Transfer will be subject to the financial position of Dafeng Harbour as at the Completion Date and the final audit to be performed by the auditors of the Company.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 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	300,000	0.0052%
Mr. Wang Tianlin	The Company	Beneficial owner	400,000	0.0069%
Mr. Li Shufang	The Company	Beneficial owner	200,000	0.0034%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position 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 10 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 or 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:

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
World Gain	Beneficial owner *(Note 1)*	3,022,154,119	52.03%
The Purchaser	Interest in controlled corporation *(Note 1)*	3,022,154,119	52.03%
CCHG	Interest in controlled corporation *(Note 1)*	3,022,154,119	52.03%

Note:

1. The entire issued share capital of World Gain is beneficially owned by the Purchaser, which is in turn wholly-owned by CCHG. Both the Purchaser and CCHG are deemed to be interested in all the Shares held by World Gain under the SFO.

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 a Director or chief executive of the Company, who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, Mr. Zhang Bin was a director of the Purchaser and World Gain and each of Mr. Yang Tianzhou, Mr. Wang Tianlin and Mr. Li Shufang was a deputy general manager of the Purchaser. Save as disclosed herein, no Director was a director or an employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and are, or may be, material:

(a) the property rights transaction contract dated 29 October 2018 entered into between 諸城鳳凰置地有限公司 (unofficial English translation being Zhucheng Phoenix Landmark Company Limited) ("**Zhucheng Phoenix**"), an indirect wholly-owned subsidiary of the Company, as transferor and 海南創佳置業有限公司 (unofficial English translation being Hainan Chuangjia Real Estate Co., Ltd.) as transferee in relation to the disposal of (i) 100% equity interest in 海口翠島溫泉度假酒店有限公司 (unofficial English translation being Haikou Cuidao Hotspring Resort Hotel Company Limited) ("**Cuidao Hotspring Hotel**") by Zhucheng Phoenix; (ii) all debts owed by Cuidao Hotspring Hotel to Zhucheng Phoenix in the sum of approximately RMB22 million; and (iii) all debts owed by Cuidao Hotspring Hotel to Chengtong Development Trading in the sum of approximately RMB8 million, at a total consideration of RMB226 million, details of which are set out in the announcement of the Company dated 29 October 2018;

(b) the trust agreement dated 4 December 2018 entered into between Chengtong Development Trading as subscriber and 陸家嘴國際信託有限公司 (Lujiazui International Trust Co., Ltd) ("**Lujiazui Trust Co.**"), a PRC trust company approved by the China Banking and Insurance Regulatory Commission of the PRC, as trustee, pursuant to which Chengtong Development Trading proposed to subscribe for 100 million non-redeemable trust units of ordinary class B-I under the trust named 陸家嘴信託 — 潤和83號集合資金信託計劃 (unofficial English translation being Lujiazui Trust — Runhe No. 83 Collective Investment Trust Scheme) set up by Lujiazui Trust Co. at a consideration of RMB100 million, details of which are set out in the announcement of the Company dated 4 December 2018;

(c) the loan agreement dated 8 August 2019 entered into between 海南寰島酒店旅遊投資有限公司 (unofficial English translation being Hainan Huandao Hotel and Travel Investment Co., Limited), a wholly-owned subsidiary of the Company, as lender and 中國寰島集團有限公司 (unofficial English translation being China Huandao Group Limited), a wholly-owned subsidiary of CCHG, as borrower in relation to the provision of a loan in the principal amount of RMB30 million to 中國寰島集團有限公司 for a term of one year at an interest rate of 9% per annum, details of which are set out in the announcement of the Company dated 8 August 2019;

(d) the finance lease assets transfer agreement dated 15 October 2019 entered into between 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited) ("**Chengtong Financial Leasing**"), an indirect wholly-owned subsidiary of the Company, as transferee and 浙江匯金融資租賃有限公司 (unofficial English translation being Zhejiang Hui Jin Financial Leasing Company Limited) ("**Zhejiang Hui Jin**") as transferor, pursuant to which Zhejiang Hui Jin transferred and assigned to Chengtong Financial Leasing (i) the ownership in relation to the facilities and equipment leased to six lessees ("**Lessees**") under eight finance lease agreements signed by Zhejiang Hui Jin with each of the Lessees ("**Finance Lease Agreements**"); (ii) all the rights and interests of Zhejiang Hui Jin as lessor against the Lessees under the respective Finance Lease Agreements; and (iii) the rights and interests in relation to the security provided in respect of the Finance Lease Agreements (collectively as "**Assigned Properties**") at an aggregate consideration of approximately RMB243 million, details of which are set out in the announcement of the Company dated 15 October 2019;

(e) the leased assets repurchase agreement dated 15 October 2019 entered into between Zhejiang Hui Jin and Chengtong Financial Leasing in respect of the repurchase of the Assigned Properties by Zhejiang Hui Jin, details of which are set out in the announcement of the Company dated 15 October 2019;

(f) the receivables pledge agreement dated 15 October 2019 entered into between Zhejiang Hui Jin and Chengtong Financial Leasing in relation to the pledge of certain receivables of Zhejiang Hui Jin in favour of Chengtong Financial Leasing, details of which are set out in the announcement of the Company dated 15 October 2019;

(g) the investment agreement dated 25 October 2019 entered into among World Asia, Chengtong International Limited (an indirect non-wholly owned subsidiary of CCHG) and Galactic Investment Limited (a wholly-owned subsidiary of the Company) in relation to (i) the transfer of 49 ordinary shares of World Asia by Galactic Investment Limited to Chengtong International Limited at a cash consideration of HK$49; (ii) the subscription of 5,099,949 new shares of World Asia by Galactic Investment Limited at an aggregate subscription price of HK$5,099,949; and (iii) the subscription of 4,899,951 new shares of World Asia by Chengtong International Limited at an aggregate subscription price of HK$4,899,951, details of which are set out in the announcement of the Company dated 25 October 2019;

(h) the equity transfer agreement dated 12 November 2019 entered into between Chengtong Development Trading as vendor and 中國誠通國際貿易有限公司 (unofficial English translation being China Chengtong International Co. Ltd.), a non-wholly owned subsidiary of CCHG, as purchaser in relation to the transfer of 41% of the equity interest of 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited) at a consideration of approximately RMB24.66 million, details of which are set out in the announcement of the Company dated 12 November 2019 and the circular of the Company dated 6 December 2019; and

(i) the Equity Transfer Agreement.

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. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have been named in this circular or have given opinion and/or advice contained in this circular:

Name	Qualifications
Beijing Zhonglin Assets Appraisal Co., Ltd.	qualified independent valuer in the PRC
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	qualified independent valuer in Hong Kong
Pelican Financial Limited	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the PRC Valuer, the Property Valuer and the Independent Financial Advisor is a third party independent of the Company and its connected persons.

Each of the PRC Valuer, the Property Valuer and the Independent Financial Advisor has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of the PRC Valuer, the Property Valuer and the Independent Financial Advisor did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the PRC Valuer, the Property Valuer and the Independent Financial Advisor did not have any interest, direct or indirect, in any assets which have been, since 31 December 2019, 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.

6. LITIGATION

So far as was known to the Directors, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor any of their respective close associates 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 2019, 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 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, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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 AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m., Monday to Friday (except public holidays) at the principal place of business of the Company from the date of this circular up to the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 December 2017, 31 December 2018 and 31 December 2019;

(c) the "Letter from the Board", the text of which is set out on pages 7 to 17 of this circular;

(d) the "Letter from the Independent Board Committee", the text of which is set out on page 18 of this circular;

(e) the "Letter from the Independent Financial Adviser", the text of which is set out on pages 19 to 38 of this circular;

(f) the Equity Valuation Report, a summary of which is set out in Appendix I to this circular;

(g) the Property Valuation Report, the text of which is set out in Appendix II to this circular;

(h) the written consents referred to in the section headed "Qualifications and consents of experts" in this appendix; and

(i) the material contracts referred to in the section headed "Material contracts" in this appendix; and

(j) this circular.

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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**Meeting**") of China Chengtong Development Group Limited ("**Company**") will be held at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 26 June 2020 at 10:15 a.m. (or immediately after conclusion of the annual general meeting of the Company convened to be held at 10:00 a.m. on the same day) to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the equity transfer agreement dated 5 May 2020 ("**Equity Transfer Agreement**") entered into between the Company as vendor and China Chengtong Hong Kong Company Limited (中國誠通香港有限公司), a wholly-owned subsidiary of 中國誠通控股集團有限公司 (unofficial English translation being China Chengtong Holdings Group Limited), the ultimate holding company of the Company, as purchaser in respect of the transfer of the entire equity interest of Chengtong Investment Group Limited (誠通投資集團有限公司), the details of which are set out in the circular of the Company dated 10 June 2020 ("**Circular**") (a copy of which is marked "A" and signed by the chairman of the Meeting for identification purpose and has been tabled at the Meeting), be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved;

(b) any one of the directors of the Company ("**Directors**") be and is hereby authorised 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 Equity Transfer 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 Equity Transfer 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, 10 June 2020

Registered office and principal place of business of the Company:
Suite 6406, 64th Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Notes:

(1) In view of the ongoing novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement certain preventive measures at the Meeting, the details of which are set out in the section headed "Precautionary Measures for the EGM" on page 1 of the Circular, to safeguard the health and safety of the attending shareholders of the Company, staff and other stakeholders.

(2) 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 stead. If more than one proxy is so appointed, the form of proxy shall specify the number and class of shares in respect of which each such proxy is appointed. 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.

(3) The Company does not in any way wish to diminish the opportunity available to the shareholders of the Company to exercise their rights and to vote, but is conscious of the pressing need to protect the shareholders from possible exposure to the COVID-19 pandemic. **For the health and safety of the shareholders, the Company would like to encourage shareholders to exercise their right to vote at the Meeting by appointing the chairman of the Meeting as their proxy instead of attending the Meeting in person. Physical attendance is not necessary for the purpose of exercising shareholders' rights.**

(4) 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 10:15 a.m. on Wednesday, 24 June 2020 or not later than 48 hours before the time appointed for holding any adjournment 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 thereof should they so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

(5) For determining the entitlement of the shareholders of the Company to attend and vote at the Meeting, shareholders of the Company whose names appear on the register of members of the Company at 4:30 p.m. on Friday, 19 June 2020 shall be entitled to attend and vote at the Meeting. 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, 19 June 2020.

(6) The above resolution 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.

As at the date of this notice, the executive directors of the Company are Mr. Zhang Bin, Mr. Yang Tianzhou, Mr. Wang Tianlin and Mr. Li Shufang; and the independent non-executive directors of the Company are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.