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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

MAJOR TRANSACTIONS –

- (1) SALE AND LEASEBACK MASTER AGREEMENTS; AND**
(2) THE ASSIGNMENT AND THE SALE AND LEASEBACK ARRANGEMENTS

A letter from the Board is set out from pages 8 to 21 of this circular.

23 September 2022

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DEFINITIONS

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

“Assigned Properties”	means all the rights and obligations of the Transferor as a lessor against the Group B Lessees under the Sale and Leaseback Agreements, including but not limited to the ownership of the Group B Leased Assets, the right to receive rent, default interest, liquidated damages, repurchase price or any other payments or expenses under the Sale and Leaseback Agreements
“Assignment”	means the assignment of the Assigned Properties by the Transferor to Chengtong Financial Leasing pursuant to the terms of the Leased Assets Transfer Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	means the board of Directors
“CCHG”	means China Chengtong Holdings Group Limited, a state-owned enterprise established in the PRC with limited liability and the ultimate holding company of the Company
“CCHK”	means China Chengtong Hong Kong Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CCHG
“Chengtong Financial Leasing”	means 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“China Insurance Investment”	means 中保投資有限責任公司 (unofficial English translation being China Insurance Investment Co., Ltd.), a company established in the PRC with limited liability
“China Kangfu”	means 中國康富國際租賃股份有限公司 (unofficial English translation being China Kangfu International Leasing Co., Ltd.), a joint stock limited company established in the PRC
“China Kangfu Master Agreement”	means, collectively, the sale and leaseback master agreement and the supplemental agreement both dated 12 August 2022 and entered into between Chengtong Financial Leasing and China Kangfu

DEFINITIONS

“China Kangfu Previous Arrangement”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and China Kangfu on 13 April 2021 in respect of certain power generation equipment and supporting facilities in photovoltaic power station, new energy storage equipment and supporting facilities for a term of two (2) years, the details of which are set out in the announcement of the Company dated 13 April 2021
“China MCC5”	means 中國五冶集團有限公司 (China MCC5 Group Corp. Ltd.), a state-owned enterprise established in the PRC with limited liability
“China Minmetals”	means 中國五礦集團有限公司 (China Minmetals Corporation), a state-owned enterprise established in the PRC with limited liability which is wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council
“Chongqing Taoye”	means 重慶桃冶雲溪大數據管理有限公司 (unofficial English translation being Chongqing Taoye Yunxi Big Data Management Co., Ltd.), a company incorporated in the PRC with limited liability
“close associate”	has the meaning ascribed to it under the Listing Rules
“Company”	means China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	means the aggregate consideration payable by Chengtong Financial Leasing to the Transferor for the Assignment
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“COSCO SHIPPING”	means 中遠海運發展股份有限公司 (COSCO SHIPPING Development Co., Ltd.), a joint stock limited company established in the PRC
“COVID-19”	means novel coronavirus disease 2019
“Director(s)”	means the director(s) of the Company

DEFINITIONS

“Group”	means the Company and its subsidiaries as at the Latest Practicable Date
“Group A Leased Assets”	means such assets to be selected and mutually agreed between Chengtong Financial Leasing and Haifa Baocheng or China Kangfu (as the case may be) which shall form the underlying assets to be purchased by Chengtong Financial Leasing from Haifa Baocheng or China Kangfu (as the case may be) and leased back to Haifa Baocheng or China Kangfu (as the case may be) under the Individual Sale and Leaseback Arrangement
“Group A Lessees”	means, collectively, Haifa Baocheng and China Kangfu and “Group A Lessee” shall mean either of them
“Group B Leased Assets”	means the facilities and equipment leased to the Group B Lessees under the Sale and Leaseback Agreements, the particulars of which are set out in Table 1 on page 18 of this circular
“Group B Lessees”	means collectively, China MCC5 and Chongqing Taoye
“Haifa Baocheng”	means 海發寶誠融資租賃有限公司 (unofficial English translation being Haifa Baocheng Financial Leasing Co., Ltd.) (formerly known as 中遠海運租賃有限公司 (COSCO Shipping Leasing Co., Ltd.)), a company established in the PRC with limited liability
“Haifa Baocheng Master Agreement”	means, collectively, the sale and leaseback master agreement and the supplemental agreement both dated 12 August 2022 and entered into between Chengtong Financial Leasing and Haifa Baocheng
“Haifa Baocheng Previous Arrangement”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and Haifa Baocheng on 28 June 2022 in respect of certain electricity supply equipment, fire prevention equipment and facilities, and engineering machinery facilities for a term of two (2) years, the details of which are set out in the announcement of the Company dated 28 June 2022
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	means third party(ies) independent of the Company and its connected persons

DEFINITIONS

“Individual Sale and Leaseback Agreement(s)”	means the individual transaction agreement(s) to be entered into between Chengtong Financial Leasing and Haifa Baocheng or China Kangfu (as the case may be) made pursuant to the relevant Sale and Leaseback Master Agreement, which is/are expected to comprise a leaseback asset transfer agreement, a finance lease agreement (sale and leaseback) and a receivables pledge agreement
“Individual Sale and Leaseback Arrangement”	means the individual sale and leaseback arrangement between Chengtong Financial Leasing and Haifa Baocheng or China Kangfu (as the case may be) constituted under the terms and conditions of the relevant Individual Sale and Leaseback Agreement
“Last Payment Date”	the last rental payment date immediately before the Transfer Date on which the Group B Lessees made rental payment to the Transferor under the Sale and Leaseback Arrangements
“Latest Practicable Date”	means 20 September 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Leased Assets Transfer Agreement”	means the leased assets transfer agreement dated 22 August 2022 entered into between the Transferor and Chengtong Financial Leasing, pursuant to which the Transferor conditionally agreed to assign the Assigned Properties to Chengtong Financial Leasing
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“LPR”	means the loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China
“PRC”	means the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Lessees”	means 中國一冶集團有限公司 (China First Metallurgical Group Co., Ltd.) and 濮陽國冶城發建設有限公司 (unofficial English translation being Puyang Guoye Urban Development and Construction Co., Ltd.), which are subsidiaries of China Minmetals

DEFINITIONS

“Previous Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Lessees on 30 May 2022 in respect of certain crawler cranes, filter pumps, hydraulic crawler cranes, air circulating exchangers and hydraulic press machines for a term of three (3) years, the details of which are set out in the announcement of the Company dated 30 May 2022
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the relevant Group A Leased Assets from Haifa Baocheng or China Kangfu (as the case may be) under an Individual Sale and Leaseback Arrangement
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the four (4) sale and leaseback agreements signed between the Transferor as lessor and the Group B Lessees as co-lessees on 29 November 2021, the particulars of which are set out in Table 1 on page 18 of this circular, and each a “Sale and Leaseback Agreement”
“Sale and Leaseback Arrangements”	means the sale and leaseback arrangements contemplated under the Sale and Leaseback Agreements
“Sale and Leaseback Master Agreements”	means, collectively, the Haifa Baocheng Master Agreement and the China Kangfu Master Agreement and “Sale and Leaseback Master Agreement” shall mean either of them
“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 the shareholder(s) of the Company
“State-owned Enterprise Reform Fund”	means 中國國有企業混合所有制改革基金有限公司 (unofficial English translation being China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd.), a company established in the PRC with limited liability
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Three-party Agreement”	means the three-party agreement dated 22 August 2022 entered into among the Transferor, the Group B Lessees and Chengtong Financial Leasing in relation to the Assignment
“Transfer Date”	means 30 August 2022

DEFINITIONS

“Transferor”	means 橫琴華通金融租賃有限公司 (unofficial English translation being Hengqin Huatong Financial Leasing Co., Ltd.), a company incorporated in the PRC with limited liability
“World Gain”	means World Gain Holdings Limited, the controlling shareholder of the Company
“%”	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\$1.17. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

LETTER FROM THE BOARD



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*)

Non-executive Director:

Wang Daxiong

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

23 September 2022

To the Shareholders

Dear Sir or Madam

MAJOR TRANSACTIONS –

(1) SALE AND LEASEBACK MASTER AGREEMENTS; AND (2) THE ASSIGNMENT AND THE SALE AND LEASEBACK ARRANGEMENTS

INTRODUCTION

Reference is made to the announcement of the Company dated 12 August 2022. On 12 August 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Haifa Baocheng Master Agreement and the China Kangfu Master Agreement with Haifa Baocheng and China Kangfu respectively. Pursuant to the Sale and Leaseback Master Agreements, Chengtong Financial Leasing has agreed to provide sale and leaseback services to Haifa Baocheng and China Kangfu, subject to the obtaining of the necessary Shareholders' approval in accordance with the Listing Rules and the maximum financing amount and other terms set out in their respective Sale and Leaseback Master Agreement.

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company dated 22 August 2022. On 22 August 2022, Chengtong Financial Leasing entered into the Leased Assets Transfer Agreement with the Transferor, pursuant to which the Transferor has conditionally agreed to transfer and assign the Assigned Properties to Chengtong Financial Leasing. On 22 August 2022, the Transferor, the Group B Lessees and Chengtong Financial Leasing also entered into the Three-party Agreement in respect of the Assignment.

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

(1) SALE AND LEASEBACK MASTER AGREEMENTS

On 12 August 2022, Chengtong Financial Leasing entered into the Haifa Baocheng Master Agreement and the China Kangfu Master Agreement with Haifa Baocheng and China Kangfu respectively.

Sale and leaseback services

Pursuant to the Sale and Leaseback Master Agreements, Chengtong Financial Leasing has agreed to provide sale and leaseback services to Haifa Baocheng and China Kangfu, subject to the obtaining of the necessary Shareholders' approval in accordance with the Listing Rules and the maximum financing amount and other terms set out in their respective Sale and Leaseback Master Agreement.

Each of the Group A Lessees may make application(s) to Chengtong Financial Leasing within the specified period ("**Availability Period**") in the relevant Sale and Leaseback Master Agreement for the provision of sale and leaseback services by Chengtong Financial Leasing in respect of the Group A Leased Assets. Chengtong Financial Leasing and the relevant Group A Lessee will negotiate on the specific terms and conditions of the Individual Sale and Leaseback Arrangement (including but not limited to the leased assets, the individual financing amount, the lease period, the amount of lease payment and the payment schedule) within the ambit of the relevant Sale and Leaseback Master Agreement and will enter into Individual Sale and Leaseback Agreement(s) accordingly.

Financing amount/lease principal

The maximum financing amount under each of the Sale and Leaseback Master Agreements is determined according to the expected funding needs of the relevant Group A Lessee. Chengtong Financial Leasing shall have the discretion to decide whether to provide the sale and leaseback services or to unilaterally terminate, cancel or reduce the maximum financing amount.

LETTER FROM THE BOARD

It is expected that each individual financing amount under the Individual Sale and Leaseback Agreements will be funded by the general working capital of the Group. The Group obtains borrowings to finance its day-to-day operations from time to time through working capital credit facilities granted by banks. Subject to the cash position of the Group at the time when the Individual Sale and Leaseback Agreement is entered into and the size of the relevant individual financing amount, the Group may utilise the credit facilities to fund the financing amount. The Board considers that the above funding arrangement can offer flexibility to the Group and is fair and reasonable.

Lease method

Under each Individual Sale and Leaseback Arrangement, Chengtong Financial Leasing will purchase the relevant Group A Leased Assets from the relevant Group A Lessee at the Purchase Price mutually agreed in the Individual Sale and Leaseback Agreement, and the relevant Group A Leased Assets will be leased back to the relevant Group A Lessee for such lease period and in return for such amount of lease payment as mutually agreed in the Individual Sale and Leaseback Agreement. The ownership of the relevant Group A Leased Assets shall vest in Chengtong Financial Leasing during the lease period of the relevant Individual Sale and Leaseback Arrangement.

Purchase Price

The Purchase Price of the relevant Group A Leased Assets under each Individual Sale and Leaseback Arrangement will be determined with reference to the appraised net value and/or the costs stated in the original purchase invoices of the relevant Group A Leased Assets. Depending on the nature of the relevant Group A Leased Assets, the relevant original purchase invoices may or may not be available. Where such original purchase invoices are available, the Purchase Price will be determined with reference to the costs stated therein and other factors, including but not limited to the conditions of the relevant Group A Leased Assets and the value of the relevant Group A Leased Assets in a secondary market. In the event which the original purchase invoices are unavailable or the value of the relevant Group A Leased Assets in a secondary market is not readily obtainable, the Purchase Price will then be determined with reference to the appraised net value of the relevant Group A Leased Assets. The Board is of the view that such basis of determination of the Purchase Price is fair and reasonable.

The total Purchase Price under all Individual Sale and Leaseback Arrangements with Haifa Baocheng or China Kangfu shall not exceed the maximum financing amount stated in the relevant Sale and Leaseback Master Agreement.

LETTER FROM THE BOARD

Lease payment

The lease payment under each Individual Sale and Leaseback Arrangement represents the sum of the lease principal amount (being the amount of the Purchase Price under the relevant Individual Sale and Leaseback Arrangement) and the lease interest which is calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a premium over the one-year LPR from time to time. In the event that the LPR changes during the lease period of the relevant Individual Sale and Leaseback Arrangement, adjustments will be made to the lease interest rate on 1 January every year except in the case where the relevant Group A Lessee has overdue lease payment and has not paid all overdue payments and liquidated damages, the interest rate to be applied will not be adjusted when the LPR is reduced.

The premium over the one-year LPR has been agreed after arm's length negotiations between the parties with reference to the maximum financing amount and the credit risks associated with the relevant sale and leaseback arrangements. The Board considers the aforesaid basis of determination of the premium is fair and reasonable.

The payment schedule of the lease payment under each Individual Sale and Leaseback Arrangement will also be determined under the relevant Individual Sale and Leaseback Agreement but is expected to be paid either on a monthly or quarterly basis.

Nominal price

Upon expiry of the lease period under each Individual Sale and Leaseback Arrangement and subject to the full settlement of the relevant lease payment and all other payables under the relevant Individual Sale and Leaseback Agreement, the relevant Group A Lessee shall purchase the relevant Group A Leased Assets from Chengtong Financial Leasing at a nominal price. The aggregate nominal price receivable by Chengtong Financial Leasing from the relevant Group A Lessee is subject to the maximum total amount of nominal price as stipulated under the relevant Sale and Leaseback Master Agreement. The Board considers the maximum total amount of nominal price is a normal commercial term and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Service fee

Chengtong Financial Leasing may charge service fee for each Individual Sale and Leaseback Arrangement which will be calculated as a certain percentage to the relevant individual financing amount. The aggregate service fee receivable by Chengtong Financial Leasing from the relevant Group A Lessee is subject to the maximum total amount of service fee as stipulated under the relevant Sale and Leaseback Master Agreement, which represents 1% of the maximum financing amount under the relevant Sale and Leaseback Master Agreement. By virtue of the above, the Board considers the maximum total amount of service fee is a normal commercial term and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Security

In order to guarantee the performance of the Individual Sale and Leaseback Agreements by the relevant Group A Lessee, each of the Group A Lessees has agreed to pledge certain of its receivables to Chengtong Financial Leasing as security for all amounts payable under the relevant Individual Sale and Leaseback Agreements.

LETTER FROM THE BOARD

Material terms of each of the Sale and Leaseback Master Agreements

The general terms and conditions of each of the Sale and Leaseback Master Agreements are substantially the same. The respective key terms are summarised as follows:

	Haifa Baocheng Master Agreement	China Kangfu Master Agreement
Maximum financing amount	RMB500 million (equivalent to HK\$585 million) (<i>Note</i>)	RMB300 million (equivalent to HK\$351 million)
Group A Leased Assets	Production machinery and equipment, electrical equipment and facilities, water treatment equipment, communication equipment, media system equipment, ventilation duct equipment, transportation equipment, vehicles, tourism facilities and equipment, electromechanical heating and ventilation equipment, charging piles and ancillary equipment, etc., and such other machinery and equipment as agreed from time to time	Power equipment and facilities, energy storage equipment and facilities, power grid equipment and facilities, heating equipment and facilities, vehicles, transportation equipment, charging piles and ancillary equipment, etc., and such other machinery and equipment as agreed from time to time
Availability Period	From 12 August 2022 to 11 August 2024 (both days inclusive)	From 12 August 2022 to 11 August 2024 (both days inclusive)
Maximum lease period of the Individual Sale and Leaseback Arrangement	Two (2) years	Two (2) years
Interest rate	Floating rate. The current interest rate is 4.50% per annum which is determined at a premium over the current 1-year LPR	Floating rate. The current interest rate is 4.14% per annum which is determined at a premium over the current 1-year LPR

LETTER FROM THE BOARD

	Haifa Baocheng Master Agreement		China Kangfu Master Agreement
Maximum total amount of nominal price	RMB100 (equivalent to HK\$117)	to	RMB100 (equivalent to HK\$117)
Maximum total amount of service fee	RMB5 million (equivalent to HK\$5.85 million)	to	RMB3 million (equivalent to HK\$3.51 million)

Note: As disclosed in the announcement of the Company dated 28 June 2022, Chengtong Financial Leasing entered into the Haifa Baocheng Previous Arrangement, pursuant to which Chengtong Financial Leasing purchased certain assets from Haifa Baocheng at a purchase price of RMB160 million (equivalent to HK\$187.20 million) and lease back the same to Haifa Baocheng for a term of two (2) years. Chengtong Financial Leasing and Haifa Baocheng acknowledged and confirmed in the Haifa Baocheng Master Agreement that the financing amount under the Haifa Baocheng Previous Arrangement (being RMB160 million) shall count towards the maximum financing amount under the Haifa Baocheng Master Agreement. As such, the maximum financing amount available for use under the Haifa Baocheng Master Agreement is RMB340 million (equivalent to HK\$397.80 million) as at the date of the Haifa Baocheng Master Agreement.

With reference to the maximum financing amount and the current interest rate (being 4.50% per annum in respect of the Haifa Baocheng Master Agreement and 4.14% per annum in respect of the China Kangfu Master Agreement), the maximum total amount of lease payment under the Haifa Baocheng Master Agreement and the China Kangfu Master Agreement is approximately RMB528.58 million (equivalent to approximately HK\$618.44 million) and approximately RMB315.78 million (equivalent to approximately HK\$369.46 million) respectively.

INFORMATION OF THE PARTIES

Haifa Baocheng

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Haifa Baocheng is directly owned as to approximately 40.81% by COSCO SHIPPING, approximately 36.99% by China Insurance Investment and approximately 22.20% by State-owned Enterprise Reform Fund.

COSCO SHIPPING is a joint stock limited company incorporated in the PRC, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2866) and Shanghai Stock Exchange (stock code: 601866). The ultimate holding company of COSCO SHIPPING is 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited), which is in turn wholly-owned by the State Council of the PRC.

China Insurance Investment was approved to be established by the State Council of the PRC as the general partner of the China Insurance Investment Fund and is owned by a total of 46 shareholders, which comprise 27 insurance companies, 15 insurance asset management companies and 4 social enterprises.

LETTER FROM THE BOARD

State-owned Enterprise Reform Fund is a state-owned fund, the establishment of which was approved by the State Council of the PRC, with CCHG as its principal founder owning approximately 33.95% of its equity interest. As State-owned Enterprise Reform Fund only owns approximately 22.20% of Haifa Baocheng, Haifa Baocheng is not an associate of CCHG and therefore not a connected person of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Haifa Baocheng and its ultimate beneficial owners (save for CCHG) are Independent Third Parties; and (ii) Haifa Baocheng is principally engaged in the business of provision of finance lease services.

China Kangfu

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) China Kangfu is a company whose shares are quoted on the National Equities Exchanges and Quotations in the PRC (stock code: 833499) and its largest shareholder holding approximately 20.05% of its equity interest is 電投融和新能源發展有限公司 (unofficial English translation being Diantou Ronghe New Energy Development Co., Ltd.) (formerly known as 國核資本控股有限公司 (unofficial English translation being Guohe Assets Holding Co., Ltd.)), a state-owned enterprise established in the PRC with limited liability whose ultimate beneficial owner holding approximately 64.46% of its equity interest is the State-owned Assets Supervision and Administration Commission of the State Council; (ii) China Kangfu is principally engaged in the business of provision of finance lease services; and (iii) China Kangfu and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK MASTER AGREEMENTS

The Group is principally engaged in leasing, bulk commodity trade, property development and investment, and marine recreation services and hotel business. The Group's leasing business is mainly carried out through Chengtong Financial Leasing as its principal business.

The entering into of the Sale and Leaseback Master Agreements is in the ordinary and usual course of business of Chengtong Financial Leasing and will enable the Group to earn additional lease interest income.

The Directors are of the view that the terms of the Sale and Leaseback Master Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Haifa Baocheng Master Agreement exceeds 25% but is less than 100%, the entering into of the Haifa Baocheng Master Agreement constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

On 13 April 2021, Chengtong Financial Leasing entered into the China Kangfu Previous Arrangement with China Kangfu. Since the China Kangfu Previous Arrangement was still subsisting when China Kangfu Master Agreement was entered into, the China Kangfu Master Agreement is aggregated with the China Kangfu Previous Arrangement for the purpose of calculating the relevant percentage ratios.

As the highest applicable percentage ratio in respect of the China Kangfu Master Agreement, both when calculated individually and when aggregated with the China Kangfu Previous Arrangement, exceeds 25% but is less than 100%, the entering into of the China Kangfu Master Agreement constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of his/her/its close associate(s) has any material interest in any of the Sale and Leaseback Master Agreements and the transactions contemplated thereunder. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Sale and Leaseback Master Agreements. In light of the foregoing, written Shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Company has obtained written Shareholder's approval in respect of each of the Sale and Leaseback Master Agreements and the transactions contemplated thereunder from World Gain, which is the controlling shareholder of the Company holding 3,169,656,217 issued Shares, representing approximately 53.14% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, no general meeting of the Company will be convened for the purpose of approving each of the Sale and Leaseback Master Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

(2) THE ASSIGNMENT AND THE SALE AND LEASEBACK ARRANGEMENTS

The Assignment

(a) The Leased Assets Transfer Agreement

On 22 August 2022, Chengtong Financial Leasing entered into the Leased Assets Transfer Agreement with the Transferor.

The major terms of the Leased Assets Transfer Agreement are set out below:

- Date** : 22 August 2022
- Parties** : (i) The Transferor; and
(ii) Chengtong Financial Leasing

Subject matter

Pursuant to the Leased Assets Transfer Agreement, the Transferor has conditionally agreed to transfer and assign the Assigned Properties to Chengtong Financial Leasing on 28 September 2022 (or such other date as may be agreed between the Transferor and Chengtong Financial Leasing). The Assignment actually took place on 30 August 2022 as subsequently agreed between the Transferor and Chengtong Financial Leasing. With effect from the Transfer Date, Chengtong Financial Leasing acquired the right to receive directly from the Group B Lessees all the lease payments and other sums outstanding and payable by them under the Sale and Leaseback Agreements.

Consideration

Chengtong Financial Leasing has paid the Consideration to the Transferor in one lump sum on the Transfer Date upon the fulfilment of all the conditions precedent as set out in the Leased Assets Transfer Agreement, which include but are not limited to the following:

- (i) the signing and the coming into effect of the Leased Assets Transfer Agreement and all appendices thereto;
- (ii) the receipt of all relevant documentary proofs by Chengtong Financial Leasing showing the Transferor's valid and legal ownership over the Group B Leased Assets and its creditor's rights and security rights in respect of the Sale and Leaseback Arrangements; and

LETTER FROM THE BOARD

- (iii) the cancellation by the Transferor of the finance lease registration in respect of the Group B Leased Assets in the relevant registration system of the PRC and the completion of the finance lease registration in respect thereof in the name of Chengtong Financial Leasing.

The actual Consideration paid by Chengtong Financial Leasing was RMB170.03 million (equivalent to approximately HK\$198.94 million), which was calculated as a sum of the aggregate outstanding amount of lease principal under the Sale and Leaseback Arrangements as at the Transfer Date (being approximately RMB169.08 million (equivalent to approximately HK\$197.82 million)) and the aggregate amount of lease interest accrued and payable to the Transferor for the period from the Last Payment Date to the date immediately preceding the Transfer Date (being approximately RMB0.95 million (equivalent to approximately HK\$1.11 million)).

The Consideration was satisfied from the general working capital of the Group.

(b) The Three-party Agreement

On 22 August 2022, the Transferor, the Group B Lessees and Chengtong Financial Leasing entered into the Three-party Agreement in respect of the Assignment.

Pursuant to the Three-party Agreement, the Group B Lessees acknowledged the Leased Assets Transfer Agreement signed between the Transferor and Chengtong Financial Leasing and confirmed that the Transferor shall cease to have any rights and obligations as the lessor under the Sale and Leaseback Agreements after the Transfer Date. The Group B Lessees also acknowledged and confirmed that Chengtong Financial Leasing would be the new lessor under the Sale and Leaseback Agreements after the Transfer Date and the legal relationship between Chengtong Financial Leasing and the Group B Lessees would continue to be implemented in accordance with the Sale and Leaseback Agreements.

It is further agreed that commencing from the Transfer Date, the Group B Lessees shall make lease payments and any other payables to the designated bank account of Chengtong Financial Leasing according to the terms of the Three-party Agreement and the new lease payment schedule to be issued by Chengtong Financial Leasing to the Group B Lessees.

LETTER FROM THE BOARD

The Sale and Leaseback Arrangements

Details of the Sale and Leaseback Arrangements as at the Transfer Date are set out below:

Table 1

	Lessees	Leased assets	Expiry date of the lease term	Outstanding amount of lease principal (approximately)
1.	Group B Lessees	Certain electricity supply equipment, escalator equipment, lighting equipment, communication equipment and steel structure ceiling	29 December 2024	RMB42.27 million (equivalent to HK\$49.46 million)
2.	Group B Lessees	Certain steel structure ceiling	29 December 2024	RMB42.27 million (equivalent to HK\$49.46 million)
3.	Group B Lessees	Certain steel structure ceiling	24 February 2025	RMB42.27 million (equivalent to HK\$49.46 million)
4.	Group B Lessees	Certain steel structure ceiling	24 February 2025	RMB42.27 million (equivalent to HK\$49.46 million)
Total				RMB169.08 million (equivalent to HK\$197.82 million) <i>(Note)</i>

Note: The figures above may not add up to the total due to rounding.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the original book value of the Group B Leased Assets amounts to an aggregate of approximately RMB206.23 million (equivalent to approximately HK\$241.29 million).

The total amount of lease payment receivable from the Group B Lessees for the remaining lease term is approximately RMB183.44 million (equivalent to approximately HK\$214.62 million), which represents the sum of the outstanding lease principal amount as at the Transfer Date and the lease interest to be accrued thereon which will be calculated at a fixed interest rate of 5.95% per annum which was determined at a premium over the then prevailing five-year LPR at the time when the Sale and Leaseback Agreements were entered into.

LETTER FROM THE BOARD

The lease payment under each of the Sale and Leaseback Arrangements is payable by the Group B Lessees on a quarterly basis.

Upon expiry of the lease term of the respective Sale and Leaseback Arrangement, subject to the Group B Lessees having paid all the lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the relevant Sale and Leaseback Agreement, the Group B Lessees shall have the right to repurchase the relevant Group B Leased Assets at a nominal price at RMB100. The Directors are of the view that such nominal price is a normal commercial term and is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Furthermore, pursuant to the Sale and Leaseback Agreements, provided that there is no breach of the terms of the relevant Sale and Leaseback Agreement by the Group B Lessees, the Group B Lessees may pay all outstanding lease payments (including those due and to be due), default interest, repurchase price and other payments to Chengtong Financial Leasing in accordance with the terms of the relevant Sale and Leaseback Agreement in one lump sum with prior written notice of not less than thirty (30) working days to repurchase the Group B Leased Assets under the relevant Sale and Leaseback Agreement.

INFORMATION OF THE PARTIES

The Transferor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) the Transferor is directly owned as to (i) 35% by 珠海華發投資控股集團有限公司 (unofficial English translation being Zhuhai Huafa Investment Holdings Group Co., Ltd.), whose ultimate beneficial owner controlling more than 90% of its equity interest is the State-owned Assets Supervision and Administration Commission of the Zhuhai People's Government; (ii) 35% by 亨通集團有限公司 (unofficial English translation being Hengtong Group Co., Ltd.), whose ultimate beneficial owner holding approximately 90% of its equity interest is Mr. Cui Gen Liang (崔根良先生), a PRC individual; and (iii) the rest of its equity interest by other shareholders; and (b) the Transferor is principally engaged in the business of finance leasing.

China MCC5

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) China MCC5 is directly owned as to approximately 98.58% by 中國冶金科工股份有限公司 (Metallurgical Corporation of China Ltd.) ("**Metallurgical Corporation**"), whose shares are listed on the Main Board of the Stock Exchange (stock code: 1618). The holding company of Metallurgical Corporation is 中國冶金科工集團有限公司 (China Metallurgical Group Corporation), which is in turn wholly-owned by China Minmetals; and (b) China MCC5 is a large-scale enterprise group integrating engineering contracting, steel engineering and installation, real estate development and project investment.

LETTER FROM THE BOARD

Chongqing Taoye

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) Chongqing Taoye is directly owned as to (i) 80% by 四川省川投航信股權投資基金管理有限公司 (unofficial English translation being Sichuan Chuan Tou Aviation Communication Equity Interest Investment Fund Management Company Limited), whose ultimate beneficial owner controlling more than one-third of its equity interest is the State-owned Assets Supervision and Administration Commission of the Government of Sichuan Province; and (ii) 10% by China MCC5; (b) despite the fact that China MCC5 only owns 10% of the equity interest of Chongqing Taoye, the day-to-day operation and financing decision of Chongqing Taoye is made by China MCC5 and therefore China MCC5 is regarded as the actual controller of Chongqing Taoye; and (c) Chongqing Taoye is principally engaged in the business of big data processing, provision of technological services and development of IT projects.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Transferor, China MCC5, Chongqing Taoye and their respective ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ASSIGNMENT AND THE SALE AND LEASEBACK ARRANGEMENTS

The Assignment enables the Group to acquire four (4) high-quality finance leases which will be carried out in the ordinary and usual course of business of Chengtong Financial Leasing. The Group has conducted due diligence on the financial position of the Group B Lessees prior to agreeing to the Assignment and entering into the Leased Assets Transfer Agreement. The Directors consider that the credit risk of the Group B Lessees is low after evaluating their financial and liquidity position, in particular having regard to the credit rating of China MCC5 which was rated at "AAA" in June 2021 by a credit rating company in the PRC. After due consideration of the background, the credibility and the liquidity position of the Group B Lessees, the reasonable rate of return under the Sale and Leaseback Arrangements, the Directors consider that the overall level of risks associated with the Assignment and the Sale and Leaseback Arrangements is acceptable.

Based on the foregoing, the Directors are therefore of the view that the terms of each of the Leased Assets Transfer Agreement, the Three-party Agreement and the Sale and Leaseback Agreements are fair and reasonable and that the Assignment and the Sale and Leaseback Arrangements are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Assignment exceeds 5% but is less than 25%, the Assignment standalone constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

On 30 May 2022, Chengtong Financial Leasing entered into the Previous Transaction with the Previous Lessees, which are the subsidiaries of China Minmetals and therefore associates of China MCC5. Therefore, the Assignment and the Sale and Leaseback Arrangements are aggregated with the Previous Transaction for the purpose of calculating the relevant percentage ratios.

As the highest applicable percentage ratio in respect of the Assignment and the Sale and Leaseback Arrangements, when aggregated with the Previous Transaction, exceeds 25% but is less than 100%, the Assignment and the Sale and Leaseback Arrangements constitute major transactions of the Company and are subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of his/her/its close associate(s) has any material interest in the Assignment or the Sale and Leaseback Arrangements. Thus, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for approving the Assignment and the Sale and Leaseback Arrangements. In light of the foregoing, written Shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Company has obtained written Shareholder's approval in respect of the Assignment and the Sale and Leaseback Arrangements from World Gain, which is a controlling shareholder of the Company holding 3,169,656,217 issued Shares, representing approximately 53.14% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Assignment and the Sale and Leaseback Arrangements.

RECOMMENDATION

The Directors, having considered the terms of, the reasons for and benefits of the Sale and Leaseback Master Agreements, the Assignment and the Sale and Leaseback Arrangements, are of the view that the terms of the foregoing are normal commercial terms and are fair and reasonable. The Directors also consider that the entering into of each of the Sale and Leaseback Master Agreements, the Assignment and the Sale and Leaseback Arrangements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Accordingly, if a general meeting were to be convened for the approval of each of the Sale and Leaseback Master Agreements, the Assignment and the Sale and Leaseback Arrangements, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the same at such general meeting.

ADDITIONAL INFORMATION

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

Yours faithfully
On behalf of the Board
China Chengtong Development Group Limited
Zhang Bin
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three financial years ended 31 December 2019, 31 December 2020 and 31 December 2021, and the six months ended 30 June 2022 have been set out in the following documents respectively:

- (a) 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>);
- (b) the annual report of the Company for the year ended 31 December 2020 from pages 72 to 180 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0318/2021031800684.pdf>);
- (c) the annual report of the Company for the year ended 31 December 2021 from pages 70 to 188 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0323/2022032300436.pdf>); and
- (d) the interim report of the Company for the six months ended 30 June 2022 from pages 6 to 50 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0916/2022091600652.pdf>).

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 July 2022, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this circular, the Group had (i) secured and/or guaranteed bank borrowings of approximately HK\$1,454.43 million which are secured by charges over bills receivable, loans receivable and finance lease receivables of the Group and/or guaranteed by the Company and/or a related party of the Company; (ii) unsecured and unguaranteed bank borrowings of approximately HK\$500.00 million; (iii) secured and guaranteed asset-backed securities of approximately HK\$1,686.81 million; (iv) unsecured and unguaranteed loan from related parties of approximately HK\$256.99 million; (v) unsecured and unguaranteed other loan of approximately HK\$0.60 million; and (vi) unsecured and unguaranteed lease liabilities of approximately HK\$6.22 million.

As at the close of business on 31 July 2022, the Group had contingent liabilities in relation to guarantees of approximately HK\$226.81 million given to banks in respect of mortgage loans granted to purchasers of certain property units.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at the close of business on 31 July 2022.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

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

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in leasing, bulk commodity trade, property development and investment, and marine recreation services and hotel business.

Regarding the leasing business, the Group had been taking a proactive approach to meet the impacts brought by internal and external unfavourable factors, continued to pull resources together to expand its core leasing business in all aspects and maintained a steady growth. For the six months ended 30 June 2022, there were 13 new projects in the leasing business and recorded a turnover of approximately HK\$186.10 million, representing an increase of approximately 53% compared to the corresponding period of last year. The leasing business recorded profit before tax of approximately HK\$65.33 million, representing a decrease of approximately 23% compared to the corresponding period of last year. The preparation works for the issuance of a RMB5 billion shelf asset-backed securities has commenced, and the Group is actively expanding its bank credit facilities. The Group has been granted with RMB1,845 million of banking facilities during the six months ended 30 June 2022, which better assured the capital supply for business investment. For the second half of 2022, along with upholding its bottom line of risk and strengthening business compliance, Chengtong Financial Leasing will rely on the resource advantage of the controlling shareholder of the Company to deepen its business presence in market segments like energy conservation and environmental protection, transportation and logistics, internet data centre and new energy etc. with an aim to establishing its features and market influences in specialised fields. At the same time, the Group will strengthen communications and cooperation with both domestic and overseas banks and financial institutions and endeavour to complete the partial issuance of the shelf asset-backed securities within this year.

As for the bulk commodity trade business, the Group will continue to focus on advantageous commodities such as steel and chemicals and choose large customers with good reputation to develop the sales market. It will continue to carry out bulk commodity trade business prudently under stringent risk control.

For property development and investment business, section 3 in Phase III of the Zhucheng project has been largely completed. As a follow-up, the Group will expand its sales channels and make every effort to promote the sales of properties in its inventory while intensifying the withdrawal from this business.

Regarding marine recreation services and hotel business, the total turnover and profits dropped for the six months ended 30 June 2022 compared to the corresponding period of last year due to the continuous impact of the COVID-19 pandemic and the challenging tourism market environment. Going forward, the Group will actively pursue the restructuring of the marine recreation services and hotel business.

Looking ahead, the Group will continuously strengthen its strategic guidance and further increase the effort in the divestment and exit from non-core and non-advantageous businesses. The Group will leverage the resource advantages of its controlling shareholder, focus on leasing as its principal business and responsibilities, and give full play to the function of serving the real economy.

5. MATERIAL ADVERSE CHANGE

As disclosed in the interim report of the Company for the six months ended 30 June 2022, the Company recorded an unaudited consolidated profit after income tax of approximately HK\$21.76 million, representing a decrease of approximately 60% from that for the corresponding period in 2021 which was mainly attributable to the development of the COVID-19 pandemic in the PRC and the substantial increase in certain operating costs during the relevant period.

Other than the foregoing, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. FINANCIAL EFFECTS OF THE MAJOR TRANSACTIONS

As at 30 June 2022, the unaudited consolidated total assets of the Group amounted to approximately HK\$8,146.80 million and the unaudited consolidated total liabilities of the Group amounted to approximately HK\$5,155.14 million.

(i) Sale and Leaseback Master Agreements

Upon implementation of each Individual Sale and Leaseback Arrangement contemplated under the Sale and Leaseback Master Agreements, the Directors consider that there will be no significant immediate change to the Group's net asset value, as each of the Individual Sale and Leaseback Arrangement will be accounted for as secured loan and recognised as loans receivable of the Group which will offset the decrease in the amount of bank balances and cash as a result of the payment of the Purchase Price to the relevant Group A Lessee.

As regards earnings, the Group would be entitled to recognise the relevant service fee (if any) and interest income from each Individual Sale and Leaseback Arrangement which would provide additional income contribution to the Group.

(ii) The Assignment and the Sale and Leaseback Arrangements

In respect of the Assignment and the Sale and Leaseback Arrangements, the Directors consider that there will be no significant immediate change to the Group's net asset value, as the underlying Sale and Leaseback Arrangements will be accounted for as secured loans and recognised as loans receivable of the Group which will offset the decrease in the amount of bank balances and cash as a result of the payment of the Consideration to the Transferor.

As regards earnings, based on the preliminary assessment, it is expected that the Group will record a gain of approximately RMB13.41 million (equivalent to approximately HK\$15.69 million), being the difference between the estimated total lease payment receivable under the Sale and Leaseback Arrangements and the Consideration paid by Chengtong Financial Leasing for the Assignment.

Save as disclosed above, the Sale and Leaseback Master Agreements, the Individual Sale and Leaseback Arrangements, the Assignment and the Sale and Leaseback Arrangements are not expected to have any material impact on the earnings and the assets and liabilities of the Group. The final financial impact on the Group will be subject to 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 positions 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	314,642	0.01%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 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 and chief executive of the Company, had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position

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

Note: The entire issued share capital of World Gain is beneficially owned by CCHK, which is in turn wholly-owned by CCHG. Under the SFO, both CCHK and CCHG are deemed to be interested in all the Shares held by World Gain.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person, other than the Directors and chief executive of the Company, who had any interests or short positions in the Shares or underlying Shares 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, an executive Director and the Chairman of the Board, was the chairman of CCHK and Mr. Yang Tianzhou, the Managing Director of the Company, was a deputy general manager of CCHK. 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 (2) years immediately preceding the Latest Practicable Date and are, or may be, material:

- (a) the loan agreement dated 9 February 2021 entered into between 海南寰島酒店旅游投資有限公司 (unofficial English translation being Hainan Huandao Hotel and Travel Investment Co., Limited) (“**Huandao Hotel Investment**”), a wholly-owned subsidiary of the Company, as lender and 海南寰島實業發展有限公司 (unofficial English translation being Hainan Huandao Industrial Development Limited) (“**Huandao Industrial**”), an indirect wholly-owned subsidiary of CCHG, as borrower in relation to the provision of a loan in the principal amount of RMB10 million for a term of 18 months at an interest rate of 6% per annum, details of which are set out in the announcement of the Company dated 9 February 2021; and
- (b) the extension agreement dated 2 September 2021 entered into between Huandao Hotel Investment 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 extension of the term of a loan in the principal amount of RMB30 million granted under a loan agreement dated 3 September 2020 (details of which are set out in the announcement of the Company dated 3 September 2020) for two (2) years to 2 September 2023 upon expiry of the original term of the loan on 2 September 2021, details of which are set out in the announcement of the Company dated 2 September 2021.

4. DIRECTORS’ SERVICE CONTRACTS

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

5. LITIGATION

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.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, 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.

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

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

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

8. GENERAL

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/chengtong for 14 days from the date of this circular:

- (a) the Haifa Baocheng Master Agreement;
- (b) the China Kangfu Master Agreement;
- (c) the Leased Assets Transfer Agreement;
- (d) the Three-Party Agreement; and
- (e) the Sale and Leaseback Agreements.