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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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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) THE SALE AND LEASEBACK ARRANGEMENTS; AND  
(2) THE ASSIGNMENT AND THE SALE AND  
LEASEBACK ARRANGEMENTS**

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A letter from the Board is set out from pages 11 to 34 of this circular.

13 January 2023

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## DEFINITIONS

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

“Anshun Guangqi”	means 安順良業光啟文旅有限公司 (unofficial English translation being Anshun Liangye Guangqi Cultural Tourism Co., Ltd.), a company incorporated in the PRC with limited liability
“Assigned Properties”	means the rights of the Transferor as a lessor under the Group B Sale and Leaseback Agreements, including but not limited to the ownership of the Group B Leased Assets, the rights to receive lease payments, default interests, liquidated damages, repurchase price or any other payments or expenses from the relevant Group B Lessees and the Security Providers under the Group B 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 Agreements
“Board”	means the board of Directors
“CCHG”	means China Chengtong Holdings Group Limited, a state-owned enterprise established in the PRC with limited liability and the ultimate holding company of the Company
“CCHK”	means China Chengtong Hong Kong Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company as at the Latest Practicable Date
“Chengji Agreements”	means, collectively, two (2) sets of the following agreements in respect of two (2) batches of leased assets, and a supplemental agreement, all dated 8 December 2022 and signed between Chengtong Financial Leasing and Hunan Chengji:  <ol style="list-style-type: none"><li>(1) leaseback assets transfer agreement; and</li><li>(2) finance lease agreement (sale and leaseback)</li></ol>
“Chengji Arrangement”	means the sale and leaseback arrangement contemplated under the Chengji Agreements

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## DEFINITIONS

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“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 established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	means China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	means the consideration payable by Chengtong Financial Leasing to the Transferor for the assignment of the relevant Assigned Properties
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	means the novel coronavirus disease 2019
“Director(s)”	means the director(s) of the Company
“Entrustment Agreement”	means the entrustment agreement dated 24 November 2022 entered into between Chengtong Financial Leasing and the Transferor for the provision of certain management services by the Transferor in respect of the Group B Sale and Leaseback Arrangements after the Assignment
“Group”	means the Company and its subsidiaries as at the Latest Practicable Date
“Group A Leased Assets”	means the leased assets under the PowerChina & Jinling Arrangement, the Sanjiang Arrangement, the Shangrao Arrangement, the Luoyang Arrangement and/or the Chengji Arrangement (as the case may be)
“Group A Lessee(s)”	means the PowerChina & Jinling Co-Lessees, Hubei Sanjiang, Shangrao Wharf Investment, Luoyang Heat and/or Hunan Chengji (as the case may be)
“Group A Sale and Leaseback Agreements”	means, collectively, the PowerChina & Jinling Agreements, the Sanjiang Agreements, the Shangrao Agreements, the Luoyang Agreements and the Chengji Agreements

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## DEFINITIONS

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“Group A Sale and Leaseback Arrangements”	means, collectively, the PowerChina & Jinling Arrangement, the Sanjiang Arrangement, the Shangrao Arrangement, the Luoyang Arrangement and the Chengji Arrangement and each a “Group A Sale and Leaseback Arrangement”
“Group B Leased Assets”	means the leased assets under the Group B Sale and Leaseback Arrangements, the particulars of which are set out in Table 3 on page 25 of this circular
“Group B Lessee(s)”	means the Liangye & Nanjing Co-Lessees, the Liangye & Anshun Co-Lessees, the Zibo Co-Lessees and the Rizhao Co-Lessees (as the case may be)
“Group B Sale and Leaseback Agreements”	means, collectively, the Liangye & Nanjing Agreement, the Liangye & Anshun Agreement, the Zibo Agreement I, the Zibo Agreement II and the Rizhao Agreement, the particulars of which are set out in Table 3 on pages 25 to 26 of this circular, and each a “Group B Sale and Leaseback Agreement”
“Group B Sale and Leaseback Arrangements”	means, collectively, the Liangye & Anshun Arrangement, the Liangye & Nanjing Arrangement, the Zibo Arrangement and the Rizhao Arrangement, and each a “Group B Sale and Leaseback Arrangement”
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hubei Sanjiang”	means 湖北三江航天建築工程有限公司 (unofficial English translation being Hubei Sanjiang Aerospace Construction Work Co., Ltd.), a company established in the PRC with limited liability
“Hunan Chengji”	means 湖南城際鐵路有限公司 (unofficial English translation being Hunan Chengji Railway Co., Ltd.), a company established in the PRC with limited liability
“Independent Third Party(ies)”	means third party(ies) independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Latest Practicable Date”	means 10 January 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“Leased Assets Transfer Agreements”	means, collectively, the Liangye Transfer Agreement, Zibo Transfer Agreement and Rizhao Transfer Agreement
“Liangye & Anshun Agreement”	means the sale and leaseback agreement dated 14 September 2021 entered into among the Transferor (as lessor) and the Liangye & Anshun Co-Lessees (as lessees) in respect of the Liangye & Anshun Arrangement
“Liangye & Anshun Arrangement”	means the sale and leaseback arrangement under the Liangye & Anshun Agreement, the details of which are set out in Table 3 on pages 25 to 26 of this circular
“Liangye & Anshun Co-Lessees”	means, collectively, Liangye Technology and Anshun Guangqi, acting as co-lessees of the Liangye & Anshun Arrangement
“Liangye & Nanjing Agreement”	means the sale and leaseback agreement dated 28 June 2021 entered into among the Transferor (as lessor) and the Liangye & Nanjing Co-Lessees (as lessees) in respect of the Liangye & Nanjing Arrangement
“Liangye & Nanjing Arrangement”	means the sale and leaseback arrangement under the Liangye & Nanjing Agreement, the details of which are set out in Table 3 on pages 25 to 26 of this circular
“Liangye & Nanjing Co-Lessees”	means, collectively, Liangye Technology and Nanjing Huaifeng, acting as co-lessees of the Liangye & Nanjing Arrangement
“Liangye Technology”	means 良業科技集團股份有限公司 (unofficial English translation being Liangye Technology Group Holdings Co., Ltd.), a company incorporated in the PRC with limited liability
“Liangye Transfer Agreement”	means the leased assets transfer agreement dated 24 November 2022 entered into between the Transferor and Chengtong Financial Leasing, pursuant to which the Transferor conditionally agrees to assign to Chengtong Financial Leasing the rights as the lessor under the Liangye & Nanjing Arrangement and the Liangye & Anshun Arrangement
“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

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## DEFINITIONS

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“Luoyang Agreements”	means, collectively, two (2) sets of the following agreements in respect of two (2) batches of leased assets, and a supplemental agreement, all dated 5 December 2022 and signed between Chengtong Financial Leasing and Luoyang Heat:  (1) leaseback assets transfer agreement; and  (2) finance lease agreement (sale and leaseback)
“Luoyang Arrangement”	means the sale and leaseback arrangement contemplated under the Luoyang Agreements
“Luoyang Guarantor”	means 陝西煤業化工集團有限責任公司 (Shaanxi Coal and Chemical Industry Group Co., Ltd.), a state-owned enterprise established in the PRC with limited liability
“Luoyang Heat”	means 大唐洛陽熱電有限責任公司 (unofficial English translation being Datang Luoyang Heat and Power Co., Ltd.), a company established in the PRC with limited liability
“Nanjing Huaifeng”	means 南京淮風十里文化旅遊有限公司 (unofficial English translation being Nanjing Huaifeng Shili Cultural Tourism Co., Ltd.), a company incorporated in the PRC with limited liability
“Nanjing Jinling”	means 南京金鈴房地產開發有限公司 (unofficial English translation being Nanjing Jinling Real Estate Development Co., Ltd.), a company established in the PRC with limited liability
“PowerChina & Jinling Agreements”	means, collectively, the following agreements all dated 23 November 2022 and signed between Chengtong Financial Leasing and the PowerChina & Jinling Co-Lessees:  (1) leaseback assets transfer agreement; and  (2) finance lease agreement (sale and leaseback)
“PowerChina & Jinling Arrangement”	means the sale and leaseback arrangement contemplated under the PowerChina & Jinling Agreements
“PowerChina & Jinling Co-Lessees”	means, collectively, PowerChina Real Estate and Nanjing Jinling acting as co-lessees of the PowerChina & Jinling Arrangement

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## DEFINITIONS

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“PowerChina Real Estate”	means 中國電建地產集團有限公司 (PowerChina Real Estate Group Ltd.), a company established in the PRC with limited liability
“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 PowerChina Co-Lessees”	means, collectively, PowerChina Real Estate and 中國電建地產長沙有限公司 (unofficial English translation being PowerChina Real Estate Changsha Co., Ltd.) acting as co-lessees of the Previous Transaction
“Previous Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous PowerChina Co-Lessees on 21 September 2022 in respect of certain underground parking spaces of a residential project in Changsha City, the PRC for a term of three (3) years, the details of which are set out in the announcement of the Company dated 21 September 2022
“Purchase Price”	means the consideration paid or payable by Chengtong Financial Leasing for the purchase of the Group A Leased Assets from the relevant Group A Lessee(s)
“Rizhao Agreement”	means the sale and leaseback agreement dated 12 May 2022 entered into among the Transferor (as lessor) and the Rizhao Co-Lessees (as lessees) in respect of the Rizhao Arrangement
“Rizhao Arrangement”	means the sale and leaseback arrangement under the Rizhao Agreement, the details of which are set out in Table 3 on pages 25 to 26 of this circular
“Rizhao Co-Lessees”	means Rizhao Industrial Construction, Rizhao Xinbai Plating and Rizhao Sewage Treatment Co., acting as co-lessees under the Rizhao Arrangement
“Rizhao Guarantor I”	means 日照市嵐山區園區發展有限公司 (unofficial English translation being Rizhao City Lanshan District Zone Development Co., Ltd.), a company incorporated in the PRC with limited liability
“Rizhao Guarantor II”	means 日照市嵐山區城市建設發展有限公司 (unofficial English translation being Rizhao City Lanshan District Urban Construction Development Co., Ltd.), a company incorporated in the PRC with limited liability



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## DEFINITIONS

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“Rizhao Guarantor III”	means 日照市新嵐山財金投資集團有限公司 (unofficial English translation being Rizhao City New Lanshan Financial Investment Group Co., Ltd.), a company incorporated in the PRC with limited liability
“Rizhao Guarantors”	means, collectively, Rizhao Guarantor I, Rizhao Guarantor II and Rizhao Guarantor III
“Rizhao Industrial Construction”	means 日照市嵐山區工業項目建設開發有限公司 (unofficial English translation being Rizhao City Lanshan District Industrial Project Construction and Development Co., Ltd.), a company incorporated in the PRC with limited liability
“Rizhao Mortgagor”	means 日照市嵐山區環保科技有限公司 (unofficial English translation being Rizhao City Lanshan District Zone Conservation Technology Co., Ltd.), a company incorporated in the PRC with limited liability
“Rizhao Sewage Treatment Co.”	means 日照市嵐山區聖公山污水處理有限公司 (unofficial English translation being Rizhao City Lanshan District Shengongshan Sewage Treatment Co., Ltd.), a company incorporated in the PRC with limited liability
“Rizhao Transfer Agreement”	means the leased assets transfer agreement dated 24 November 2022 entered into between the Transferor and Chengtong Financial Leasing, pursuant to which the Transferor conditionally agrees to assign to Chengtong Financial Leasing the rights as the lessor under the Rizhao Arrangement
“Rizhao Xinbai Plating”	means 日照鑫百鍍科技有限公司 (unofficial English translation being Rizhao Xinbai Plating Technology Co., Ltd.), a company incorporated in the PRC with limited liability
“RMB”	means Renminbi, the lawful currency of the PRC
“Sanjiang Agreements”	means, collectively, the following agreements all dated 28 November 2022 and signed between Chengtong Financial Leasing and Hubei Sanjiang:  <ol style="list-style-type: none"><li>(1) leaseback assets transfer agreement;</li><li>(2) finance lease agreement (sale and leaseback); and</li><li>(3) security money agreement</li></ol>
“Sanjiang Arrangement”	means the sale and leaseback arrangement contemplated under the Sanjiang Agreements

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## DEFINITIONS

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“SASAC”	means the State-owned Assets Supervision and Administration Commission
“Security Providers”	means, collectively, the Zibo Guarantors, the Rizhao Guarantors, the Rizhao Mortgagor and Rizhao Industrial Construction
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shangrao Agreements”	means, collectively, the following agreements all dated 29 November 2022 and signed between Chengtong Financial Leasing and Shangrao Wharf Investment:  (1) leaseback assets transfer agreement;  (2) finance lease agreement (sale and leaseback); and  (3) security money agreement
“Shangrao Arrangement”	means the sale and leaseback arrangement contemplated under the Shangrao Agreements
“Shangrao Guarantor”	means 上饒投資控股集團有限公司 (unofficial English translation being Shangrao Investment Holding Group Co., Ltd.), a company established in the PRC with limited liability
“Shangrao Wharf Investment”	means 福安市上饒碼頭投資建設有限責任公司 (unofficial English translation being Fu’an Shangrao Wharf Investment and Construction Co., Ltd.), a company established in the PRC with limited liability
“Share(s)”	means the ordinary share(s) of the Company
“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Transfer Date”	means the date of completion of the Assignment (or such other date as may be agreed between the Transferor and Chengtong Financial Leasing)
“Transferor”	means 中交雄安融資租賃有限公司 (unofficial English translation being Zhongjiao Xiongan Financial Leasing Co., Ltd.), a company incorporated in the PRC with limited liability

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## DEFINITIONS

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“Zibo Agreement I”	means the sale and leaseback agreement dated 14 April 2022 entered into among the Transferor (as lessor) and the Zibo Co-Lessees (as lessees) in respect of the Zibo Arrangement I
“Zibo Agreement II”	means the sale and leaseback agreement dated 14 April 2022 entered into among the Transferor (as lessor) and the Zibo Co-Lessees (as lessees) in respect of the Zibo Arrangement II
“Zibo Arrangement I”	means the sale and leaseback arrangement under the Zibo Agreement I, the details of which are set out in Table 3 on pages 25 to 26 of this circular
“Zibo Arrangement II”	means the sale and leaseback arrangement under the Zibo Agreement II, the details of which are set out in Table 3 on pages 25 to 26 of this circular
“Zibo Arrangements”	means, collectively, Zibo Arrangement I and Zibo Arrangement II
“Zibo Co-Lessees”	means, collectively, Zibo Industrial Investment and Zibo Qihang Construction, acting as co-lessees under the Zibo Arrangements
“Zibo Guarantor I”	means 淄博高新國有資本投資有限公司 (unofficial English translation being Zibo Gaoxin State-owned Capital Investment Co., Ltd.), a company incorporated in the PRC with limited liability
“Zibo Guarantor II”	means 淄博高新城市投資運營集團有限公司 (unofficial English translation being Zibo Gaoxin Urban Investment Operation Group Co., Ltd.), a company incorporated in the PRC with limited liability
“Zibo Guarantors”	means, collectively, Zibo Guarantor I and Zibo Guarantor II
“Zibo Industrial Investment”	means 淄博高新產業投資有限公司 (unofficial English translation being Zibo New and Hi-Tech Industrial Investment Co., Ltd.), a company incorporated in the PRC with limited liability
“Zibo Qihang Construction”	means 淄博齊航建設有限公司 (unofficial English translation being Zibo Qihang Construction Co., Ltd.), a company incorporated in the PRC with limited liability

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## DEFINITIONS

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“Zibo Transfer Agreement” means the leased assets transfer agreement dated 24 November 2022 entered into between the Transferor and Chengtong Financial Leasing, pursuant to which the Transferor conditionally agrees to assign to Chengtong Financial Leasing the rights as the lessor under the Zibo Arrangements

“%” 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 or at all.*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Zhang Bin (*Chairman*)

Yang Tianzhou (*Managing Director*)

Gu Honglin

*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

13 January 2023

*To the Shareholders*

Dear Sir or Madam

**MAJOR TRANSACTIONS –  
(1) THE SALE AND LEASEBACK ARRANGEMENTS; AND  
(2) THE ASSIGNMENT AND THE SALE AND  
LEASEBACK ARRANGEMENTS**

#### INTRODUCTION

Reference is made to the announcements of the Company dated 23 November 2022, 28 November 2022, 29 November 2022, 5 December 2022 and 8 December 2022 in respect of the PowerChina & Jinling Arrangement, the Sanjiang Arrangement, the Shangrao Arrangement, the Luoyang Arrangement and the Chengji Arrangement respectively.

Reference is also made to the announcement of the Company dated 24 November 2022 in respect of the Assignment and the Group B Sale and Leaseback Arrangements.

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

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# LETTER FROM THE BOARD

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## 1. THE GROUP A SALE AND LEASEBACK ARRANGEMENTS

Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into (i) the PowerChina & Jinling Agreements with the PowerChina & Jinling Co-Lessees on 23 November 2022; (ii) the Sanjiang Agreements with Hubei Sanjiang on 28 November 2022; (iii) the Shangrao Agreements with Shangrao Wharf Investment on 29 November 2022; (iv) the Luoyang Agreements with Luoyang Heat on 5 December 2022; and (v) the Chengji Agreements with Hunan Chengji on 8 December 2022. The major terms of the Group A Sale and Leaseback Arrangements are set out below.

### **Subject matter**

In each of the Group A Sale and Leaseback Arrangements, subject to the fulfilment of the conditions as set out in the relevant Group A Sale and Leaseback Agreements (including but not limited to the provision of all necessary documents or information by the Group A Lessee(s) evidencing its/their ownerships in the Group A Leased Assets, the obtaining of all necessary approvals by the Group A Lessee(s) in relation to the Group A Sale and Leaseback Arrangements, the payment of the security money (if any) by the Group A Lessee(s), and the signing and the coming into effect of the security agreement(s) (if any)), Chengtong Financial Leasing will purchase the Group A Leased Assets from the relevant Group A Lessee(s) and such Group A Leased Assets will be leased back to the relevant Group A Lessee(s) for a specified lease term commencing from the date on which the Purchase Price in respect of the relevant Group A Leased Assets is paid by Chengtong Financial Leasing (“**Lease Term**”), subject to early termination in accordance with the terms and conditions of the relevant Group A Sale and Leaseback Agreements.

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

### **Purchase Price**

The Purchase Price was agreed between Chengtong Financial Leasing and the relevant Group A Lessee(s) with reference to the appraised value of the relevant Group A Leased Assets.

The valuation for the appraised value of the relevant Group A Leased Assets under the PowerChina & Jinling Arrangement was conducted by way of market approach. The Board has considered the valuation assumptions as set out in the relevant valuation report, which include but not limited to the followings:

- (1) the data in relation to the construction area, the utilisation planning, the levels in the building etc. as used in the valuation report are based on the information as set out in the title document of the immovable property as provided by the instructing client;

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## LETTER FROM THE BOARD

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- (2) there is no material issue relating to the structural or foundational quality of the appraised assets and the appraised assets were assumed to have been repaired and maintained properly and its period of use can reach the normal period of use for properties of such kind;
- (3) there is no material change to the surrounding environment of the appraised assets during its income period and the appraised assets can be used normally until the end of its income period; and
- (4) the appraised assets are in an open market where the purposes of the parties conducting transactions are to maximise economic benefits and the parties possess necessary market information and expertise, and the transaction conditions are open and are not exclusive.

The valuation for the appraised value of the relevant Group A Leased Assets under each of the Sanjiang Arrangement, the Shangrao Arrangement, the Luoyang Arrangement and the Chengji Arrangement was conducted by way of cost method. The Board has considered the valuation assumptions as set out in the relevant valuation reports, which include but not limited to the followings:

- (1) the appraised assets are in open market, the transaction parties are equal and have opportunity and time to access enough market information;
- (2) the appraised assets are in use and will continue to be used for the existing purpose;
- (3) the appraised assets are with good titles and are without any lien or other encumbrances;
- (4) the internal structure, quality and functions of the appraised assets are normal;
- (5) the person responsible for the appraised assets is accountable and has managed the appraised assets efficiently;
- (6) the acquisition and the usage of the appraised assets have fully complied with all relevant laws and regulations;
- (7) the information provided by the instructing client is true, legal and complete; and
- (8) there are no material changes in the relevant existing laws, regulations and policies as well as in the local political, economic and social environment of such places where the parties to the transaction are located.

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## LETTER FROM THE BOARD

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The Board has reviewed the valuation reports in respect of the Group A Leased Assets and considered the above valuation methods and assumptions adopted by the valuers, which are all qualified professional valuers in the PRC. The Board is of the view that the valuation methods are reasonable and the assumptions adopted are general assumptions commonly adopted in assets valuation in the PRC. Therefore, the Board considers that the appraised values of the Group A Leased Assets are fair and reasonable.

The Purchase Price of the Group A Leased Assets was/will be satisfied by the general working capital of the Group.

### **Legal title**

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

### **Lease payments**

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

The total amount of lease payments in respect of each Group A Sale and Leaseback Arrangement represents the sum of the relevant lease principal amount (being the amount of the relevant Purchase Price paid by Chengtong Financial Leasing) and the lease interest which is calculated on the then outstanding lease principal amount at a fixed interest rate or a floating interest rate determined at a fixed premium over the relevant LPR from time to time.

Where a floating interest rate applies, the lease interest rate will be subject to review on 1 January every year. In the event that the relevant LPR changes, the lease interest rate will be adjusted accordingly, except in the case where the relevant Group A Lessee(s) has/have overdue lease payment and has/have not paid all overdue payments and liquidated damages, the interest rate to be applied will not be lowered when the relevant LPR is reduced.

The interest rate (including the fixed interest rate and the fixed premium over the relevant LPR in the case of floating interest rate) applicable to the relevant Group A Sale and Leaseback Arrangement is one of the major commercial terms negotiated between the parties on an arm's length basis and may vary on a case-by-case basis depending on a number of factors, such as the relevant amount of lease principal, the lease term, the overall return rate attained by the Group taking into account the aggregate amount of lease interests and other receivables including but not limited to the Group A Service Fee (as defined below), the prevailing market conditions and the movement of the LPR. Having considered the above factors in the specific circumstances of the relevant Group A Sale and Leaseback Arrangement, the Board considers that the interest rate as agreed in each of the Group A Sale and Leaseback Agreements is fair and reasonable and on normal commercial terms.



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## LETTER FROM THE BOARD

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### **Service Fee**

Depending on the need of the Group A Lessee(s), Chengtong Financial Leasing may provide certain finance consultancy services including preliminary credibility assessment, financing plan design and structuring, operation and market analysis and/or capital management to the Group A Lessee(s) in return for a service fee (“**Group A Service Fee**”). The amount of the Group A Service Fee is a commercial term negotiated between the parties on an arm’s length basis and may vary on a case-by-case basis depending on the background and industries of the relevant Group A Lessee(s), the extent of the services provided and the financing amount involved.

The above finance consultancy services were provided by Chengtong Financial Leasing to each of the PowerChina & Jinling Co-Lessees and Hubei Sanjiang in return for certain Group A Service Fee. Having considered the specific background (including the financial condition) of the PowerChina & Jinling Co-Lessees and Hubei Sanjiang, and the scope of services provided to them respectively, the Board considers that the respective Group A Service Fee payable by them are fair and reasonable and on normal commercial terms.

Apart from the PowerChina & Jinling Co-Lessees and Hubei Sanjiang, no such services were provided to other Group A Lessees and therefore no Group A Service Fee is receivable from those other Group A Lessees.

### **The Group A Lessees’ right to repurchase the Group A Leased Assets**

Upon the Group A Lessee(s) having paid all the lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the relevant Group A Sale and Leaseback Agreements, the Group A Lessee(s) shall have the right to repurchase the relevant Group A Leased Assets under the relevant Group A Sale and Leaseback Agreements at a nominal consideration of RMB1.00.

### **Credit enhancement measures**

Before entering into the Group A Sale and Leaseback Agreements, due diligence was conducted on the Group A Lessee(s), including but not limited to ascertaining the identity and background of the shareholders and ultimate beneficial owner(s) of the Group A Lessee(s), obtaining information about its/their business operation and industry prospects, examining and analysing the financial statements of the Group A Lessee(s) and reviewing its/their relevant financial indicators, as well as checking the indebtedness status and the funding source of the Group A Lessee(s). The cash flow projection of the Group A Lessee(s) was also prepared in order to assess the repayment ability of the Group A Lessee(s) and the credit risks associated with the relevant Group A Sale and Leaseback Arrangement. Site inspection of the Group A Leased Assets was also carried out to ascertain their actual conditions and marketability.

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## LETTER FROM THE BOARD

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Depending on the overall risks associated with the relevant Group A Sale and Leaseback Arrangement as assessed through the above means, Chengtong Financial Leasing will request for appropriate credit enhancement measures, such as the payment of security money or the provision of corporate guarantee, to safeguard its interests as the lessor. Where the overall risks associated with the relevant Group A Sale and Leaseback Arrangement are considered to be acceptable by the Board based on the financial strength, business prospects and creditability of the relevant Group A Lessee(s), the Group may not require credit enhancement measures from the Group A Lessee(s).

### *Security money*

Each of Hubei Sanjiang and Shangrao Wharf Investment paid a security money to Chengtong Financial Leasing for the performance of its obligations under the Sanjiang Arrangement and the Shangrao Arrangement respectively. The amount of the security money was determined on a case-by-case basis after evaluating the background and creditability etc. of the relevant Group A Lessee.

If Hubei Sanjiang or Shangrao Wharf Investment fails to fully perform any obligation under the Sanjiang Arrangement or the Shangrao Arrangement (as the case may be), Chengtong Financial Leasing has the right to apply the security money to set off against any amount owed by Hubei Sanjiang or Shangrao Wharf Investment to it in the following order: liquidated damages, other payables including but not limited to damages (if any), outstanding and prospective lease payments and repurchase price. If Hubei Sanjiang or Shangrao Wharf Investment has fully performed all its obligations under the Sanjiang Arrangement or the Shangrao Arrangement (as the case may be), Chengtong Financial Leasing shall return the security money to them upon their presentation of the receipt(s) of the security money.

When the amount payable by Hubei Sanjiang or Shangrao Wharf Investment under the Sanjiang Arrangement or the Shangrao Arrangement (as the case may be) is less than the balance of the security money, the Sanjiang Arrangement or the Shangrao Arrangement may be early terminated upon the application of Hubei Sanjiang or Shangrao Wharf Investment (as the case may be). They shall then present the receipt(s) of the security money to Chengtong Financial Leasing upon which the security money shall be used to set off the lease payments and other payables under the Sanjiang Arrangement or the Shangrao Arrangement and any remaining balance of the security money shall be returned to Hubei Sanjiang or Shangrao Wharf Investment (as the case may be).

### *Guarantee*

The Shangrao Guarantor has provided a guarantee in favour of Chengtong Financial Leasing for all amounts payable by Shangrao Wharf Investment under the Shangrao Arrangement, including but not limited to liquidated damages, outstanding and prospective lease payments, repurchase price and other payables. The guarantee is irrevocable and continuing in nature.

## LETTER FROM THE BOARD

The Luoyang Guarantor has provided a guarantee in favour of Chengtong Financial Leasing for all amounts payable by Luoyang Heat under the Luoyang Arrangement, including outstanding and prospective lease payments, repurchase price, any service fee, liquidated damages, litigation fee, legal fee and other relevant expenses relating to enforcement and all other payables under the Luoyang Agreements. The guarantee is irrevocable and continuing in nature.

Save for the Shangrao Arrangement and the Luoyang Arrangement, none of the other Group A Sale and Leaseback Arrangements is secured by any guarantee.

### Material terms of each of the Group A Sale and Leaseback Arrangements

The general terms and conditions of each of the Group A Sale and Leaseback Arrangements are substantially the same. Their respective key terms are summarised as follows:

	The PowerChina & Jinling Arrangement	The Sanjiang Arrangement	The Shangrao Arrangement	The Luoyang Arrangement	The Chengji Arrangement
<b>Date of the Group A Sale and Leaseback Agreements</b>	23 November 2022	28 November 2022	29 November 2022	5 December 2022	8 December 2022
<b>Group A Lessee(s)</b>	The PowerChina & Jinling Co-Lessees	Hubei Sanjiang	Shangrao Wharf Investment	Luoyang Heat	Hunan Chengji
<b>Group A Leased Assets</b>	Certain underground parking spaces	Certain facilities and equipment in the Scientific Research and Production Guarantee Centre of Xiaogan Industrial Zone (孝感工業區科研生產保障中心) of the Sanjiang Industrial Park located in Xiaogan City of Hubei Province, the PRC, including but not limited to room ventilators attaching to room ceilings and centrifugal exhaust fans attaching to the surface of a unit	Certain wharf loading equipment	(i) Certain equipment for combined heat and power generation, including low-pressure heaters, suction ventilators, air blowers, outdoor ash and slag removal systems (slag conveyors) and feed water pump electric machine  (ii) Certain equipment for combined heat and power generation, including pneumatic dust removal systems, retrofit systems for dust removal, enclosed busbars and fire extinguishing systems for gas	(i) Certain electrification equipment, including but not limited to tension compensation devices for pulley, safety monitoring screens, aluminium-coated bearings, and ancillary facilities and equipment  (ii) Certain electrification equipment, including but not limited to electric single-beam hook crane, air valve of motor set, generator step-up transformers, and ancillary facilities and equipment
<b>Purchase Price</b>	RMB140 million (equivalent to HK\$154 million)	RMB150 million (equivalent to HK\$165 million)	RMB150 million (equivalent to HK\$165 million)	RMB300 million (equivalent to HK\$330 million)	RMB300 million (equivalent to HK\$330 million)

## LETTER FROM THE BOARD

	The PowerChina & Jinling Arrangement	The Sanjiang Arrangement	The Shangrao Arrangement	The Luoyang Arrangement	The Chengji Arrangement
<b>Appraised value of the Group A Leased Assets</b>	Approximately RMB140.30 million (equivalent to approximately HK\$154.33 million) as at 14 November 2022	Approximately RMB165.37 million (equivalent to approximately HK\$181.91 million) as at 15 November 2022	Approximately RMB171.42 million (equivalent to approximately HK\$188.56 million) as at 11 November 2022	Approximately RMB310.62 million (equivalent to approximately HK\$341.68 million) as at 8 November 2022	Approximately RMB385.05 million (equivalent to approximately HK\$423.56 million) as at 1 September 2022
<b>Lease Term</b>	Three (3) years	Three (3) years	Three (3) years	Three (3) years	Four (4) years
<b>Interest rate</b>	Floating interest rate, which is determined at a fixed premium over the one (1)-year LPR from time to time	Fixed interest rate, which is no less favourable than the prevailing one (1)-year LPR at the time when the Sanjiang Agreements were entered into	Fixed interest rate, which is no less favourable than the prevailing one (1)-year LPR at the time when the Shangrao Agreements were entered into	Floating interest rate, which is determined at a fixed premium over the five (5)-year LPR from time to time	Floating interest rate, which is determined at a fixed premium over the one (1)-year LPR from time to time
<b>Lease payments</b>	Approximately RMB153.34 million (equivalent to approximately HK\$168.67 million), payable in twelve (12) quarterly instalments during the Lease Term	Approximately RMB160.64 million (equivalent to approximately HK\$176.70 million), payable in twelve (12) quarterly instalments during the Lease Term	Approximately RMB161.89 million (equivalent to approximately HK\$178.08 million), payable in twelve (12) quarterly instalments during the Lease Term	Approximately RMB323.47 million (equivalent to approximately HK\$355.82 million), payable in twelve (12) quarterly instalments during the Lease Term	Approximately RMB335.13 million (equivalent to approximately HK\$368.64 million), payable in seventeen (17) quarterly instalments during the Lease Term ( <i>Note</i> )
<b>Group A Service Fee</b>	RMB1.2 million (equivalent to HK\$1.32 million)	RMB5.4 million (equivalent to HK\$5.94 million)	Nil	Nil	Nil
<b>Security money</b>	Nil	RMB1.5 million (equivalent to HK\$1.65 million)	RMB1.5 million (equivalent to HK\$1.65 million)	Nil	Nil
<b>Guarantor</b>	Nil	Nil	The Shangrao Guarantor	The Luoyang Guarantor	Nil
<b>Estimated income</b>	Approximately RMB14.54 million (equivalent to approximately HK\$15.99 million)	Approximately RMB16.04 million (equivalent to approximately HK\$17.64 million)	Approximately RMB11.89 million (equivalent to approximately HK\$13.08 million)	Approximately RMB23.47 million (equivalent to approximately HK\$25.82 million)	Approximately RMB35.13 million (equivalent to approximately HK\$38.64 million)

*Note:* After assessing the background, the financial condition and the repayment ability of Hunan Chengji and in view of the fact that no security will be available in the Chengji Arrangement, it was agreed between Chengtong Financial Leasing and Hunan Chengji that an initial instalment of the lease payment shall be payable by Hunan Chengji on the commencement date of the Lease Term, in addition to the quarterly instalments, as a measure to reduce the overall risk exposure by the Group.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE PARTIES

#### **The PowerChina & Jinling Co-Lessees**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the PowerChina & Jinling Agreements, (i) Nanjing Jinling was wholly-owned by PowerChina Real Estate which was ultimately wholly-owned by the SASAC of the State Council of the PRC; (ii) PowerChina Real Estate was principally engaged in the business of real estate development in the PRC; and (iii) Nanjing Jinling was principally engaged in the business of real estate development in Nanjing City, the PRC.

#### **Hubei Sanjiang**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Sanjiang Agreements, (i) Hubei Sanjiang was beneficially controlled by 中國航天科工集團有限公司 (China Aerospace Science and Industry Corporation Limited), which was in turn wholly-owned by the SASAC of the State Council of the PRC; and (ii) Hubei Sanjiang was principally engaged in the business of provision of construction services.

#### **Shangrao Wharf Investment**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Shangrao Agreements, (i) Shangrao Wharf Investment was indirectly owned as to approximately 96.67% by the Shangrao Guarantor, which was in turn owned as to approximately 97.71% by the SASAC of Shangrao City of the PRC; and (ii) Shangrao Wharf Investment was principally engaged in the business of the investment, construction, operation and management of the Shangrao Wharf in Fu'an City, Fujian Province, the PRC.

#### **The Shangrao Guarantor**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Shangrao Agreements, (i) the Shangrao Guarantor was owned as to approximately 97.71% by the SASAC of Shangrao City of the PRC; and (ii) the Shangrao Guarantor was principally engaged in the business of engineering construction, public utility services, tourism services, state-owned assets operations and digital financial services in Shangrao City, the PRC.

#### **Luoyang Heat**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Luoyang Agreements, (i) Luoyang Heat was directly owned as to (a) 50% by a wholly-owned subsidiary of the Luoyang Guarantor which was in turn wholly-owned by the SASAC of the People's Government of the Shaanxi Province and (b) 50% by 大唐河南發電有限公司 (unofficial English translation being Datang Henan Electricity Generation Co., Ltd.) which controlled the day-to-day operation and management of Luoyang Heat and was ultimately wholly-owned by the SASAC of the State Council of the PRC; and (ii) Luoyang Heat was principally engaged in the business of heat and electricity supply in Luoyang City, Henan Province, the PRC.

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## LETTER FROM THE BOARD

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### **The Luoyang Guarantor**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Luoyang Agreements, (i) the Luoyang Guarantor was wholly-owned by the SASAC of the People's Government of the Shaanxi Province; and (ii) the Luoyang Guarantor was principally engaged in the business of production and sales of coal, coal chemicals, iron and steel, as well as construction, manufacturing of machinery and provision of electricity.

### **Hunan Chengji**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Chengji Agreements, (i) Hunan Chengji was directly owned (a) as to approximately 70% by 湖南軌道交通控股集團有限公司 (unofficial English translation being Hunan Railway Transport Holding Group Co., Ltd.), which was ultimately owned as to more than 90% by the SASAC of Hunan Provincial People's Government and (b) as to approximately 30% by 中國鐵路廣州局集團有限公司 (unofficial English translation being China Railway Guangzhou Group Co., Ltd.), which was ultimately wholly-owned by the Ministry of Finance of the PRC; and (ii) Hunan Chengji was principally engaged in the business of construction, operation and management of the inter-city rail in Hunan Province, the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the relevant Group A Sale and Leaseback Agreements, each of the Group A Lessees, the Shangrao Guarantor, the Luoyang Guarantor and their ultimate beneficial owners were Independent Third Parties.

### **REASONS FOR AND BENEFITS OF THE GROUP A SALE AND LEASEBACK ARRANGEMENTS**

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

The entering into of the Group A Sale and Leaseback Arrangements is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn reasonable income from each of the Group A Sale and Leaseback Arrangements, which represents the total of the relevant amount of the Group A Service Fee (if any) and the difference between the estimated amount of total lease payments under the relevant Group A Sale and Leaseback Arrangement and the relevant Purchase Price.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for the Previous Transaction, there is, and in the past twelve (12) months, there has been, no material loan arrangement between (a) any of the Group A Lessees, any of their directors and legal representatives and/or any ultimate beneficial owner(s) of the Group A Lessees who can exert influence on any of the Group A Sale and Leaseback Arrangements; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in any of the Group A Sale and Leaseback Arrangements).

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## LETTER FROM THE BOARD

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Having considered the respective background, financial condition, business prospects and income flow of the Group A Lessees, the nature, condition and marketability of the Group A Leased Assets as well as the prevailing market conditions, the Directors are of the view that the terms of each of the Group A Sale and Leaseback Arrangements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

On 21 September 2022, Chengtong Financial Leasing entered into the Previous Transaction with the Previous PowerChina Co-Lessees. Since the PowerChina & Jinling Arrangement is entered into within 12 months from the date of the Previous Transaction, the PowerChina & Jinling Arrangement is aggregated with the Previous Transaction for the purpose of calculating the relevant percentage ratios (as defined in the Listing Rules).

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of each of (i) the PowerChina & Jinling Arrangement (when aggregated with the Previous Transaction); (ii) the Sanjiang Arrangement; (iii) the Shangrao Arrangement; (iv) the Luoyang Arrangement; and (v) the Chengji Arrangement exceeds 25% but is less than 100%, each of the Group A Sale and Leaseback Arrangements constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of his/her/its close associate(s) has any material interest in the Group A Sale and Leaseback Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Group A 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 the written Shareholder's approval in respect of each of the Group A Sale and Leaseback Arrangements from World Gain Holdings Limited, which was 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 date of the relevant Group A Sale and Leaseback Agreement. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Group A Sale and Leaseback Arrangements.

## 2. THE ASSIGNMENT AND THE GROUP B SALE AND LEASEBACK ARRANGEMENTS

### THE ASSIGNMENT

#### (1) The Leased Assets Transfer Agreements

On 24 November 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Leased Assets Transfer Agreements with the Transferor.

The major terms of the Leased Assets Transfer Agreements are set out below.

Date 24 November 2022

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## LETTER FROM THE BOARD

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- Parties
- (i) The Transferor; and
  - (ii) Chengtong Financial Leasing

### **Subject matter**

Pursuant to the Leased Assets Transfer Agreements, the Transferor has conditionally agreed to transfer and assign the Assigned Properties under each of the Group B Sale and Leaseback Arrangements to Chengtong Financial Leasing on 14 December 2022 (or such other date as may be agreed between the Transferor and Chengtong Financial Leasing).

The Assignment under the Rizhao Transfer Agreement took place on 30 November 2022. With effect from 30 November 2022, Chengtong Financial Leasing acquired the right to receive directly from the Rizhao Co-Lessees all the lease payments and other sums outstanding and payable by them under the Rizhao Agreement.

The Transferor and Chengtong Financial Leasing have agreed to transfer and assign the Assigned Properties under each of the Liangye Transfer Agreement and the Zibo Transfer Agreement to Chengtong Financial Leasing on or before 28 February 2023. With effect from the transfer date, Chengtong Financial Leasing shall have the right to receive from Liangye & Anshun Co-Lessees, Liangye & Nanjing Co-Lessees and Zibo Co-Lessees all the lease payments and other sums outstanding and payable by them under the Liangye & Anshun Agreement, Liangye & Nanjing Agreement, Zibo Agreement I and Zibo Agreement II respectively.

### **Consideration**

Chengtong Financial Leasing has paid the Consideration in respect of the Rizhao Transfer Agreement (as set out in Table 1 below) to the Transferor in one lump sum on 30 November 2022 upon the fulfilment of all the conditions precedent as set out in the Rizhao Transfer Agreement.

Pursuant to the Liangye Transfer Agreement and Zibo Transfer Agreement, subject to the fulfilment of all conditions precedent set out therein, Chengtong Financial Leasing shall pay the relevant Consideration (as set out in Table 1 below) to the Transferor in one lump sum on or before the Transfer Date.



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## LETTER FROM THE BOARD

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**Table 1**

	<b>Liangye Transfer Agreement</b>	<b>Zibo Transfer Agreement</b>	<b>Rizhao Transfer Agreement</b>	<b>Total</b>
<b>Consideration</b>	RMB143 million (equivalent to HK\$157.30 million)	approximately RMB177.12 million (equivalent to approximately HK\$194.83 million)	approximately RMB138.50 million (equivalent to HK\$152.35 million)	approximately RMB458.62 million (equivalent to approximately HK\$504.48 million)

The conditions precedent as contained in each of the Leased Assets Transfer Agreements are identical which include but are not limited to the following:

- (i) the signing and the coming into effect of the relevant 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 relevant Leased Assets and the creditor's rights and security rights in respect of the relevant Group B Sale and Leaseback Arrangements; and
- (iii) the cancellation by the Transferor of the finance lease registration in respect of the relevant Assigned Properties 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 Consideration was agreed between Chengtong Financial Leasing and the Transferor with reference to the outstanding amount of lease principal under the relevant Group B Sale and Leaseback Arrangements as at the date of the relevant Leased Assets Transfer Agreements. The final Consideration of each of the Leased Assets Transfer Agreements is subject to adjustment based on the actual Transfer Date of the respective Leased Assets Transfer Agreements.

The Consideration was and will be satisfied by the general working capital of the Group.

### **Service Fee**

The Transferor shall pay certain service fee ("**Group B Service Fee**") (as set out in Table 2 below) which represents approximately 0.6% of the relevant Consideration payable under each of the Leased Assets Transfer Agreements for the preliminary services provided by Chengtong Financial Leasing in respect of the Assignment. Such services relate to the negotiation and preparation work associated with the Assignment and mainly include the due diligence works performed in assessing the Group B Sale and Leaseback Arrangements and verifying the existence, conditions and title of the Group B Leased Assets.

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## LETTER FROM THE BOARD

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The Group B Service Fee is a commercial term negotiated between the Transferor and Chengtong Financial Leasing on an arm's length basis after taking into account the number of the underlying sale and leaseback arrangements involved in the Assignment, the extent of work done and time spent by Chengtong Financial Leasing in relation to the Assignment and with reference to the Consideration payable under the relevant Leased Assets Transfer Agreement. Having considered the above factors, the Board considers that the Group B Service Fee is fair and reasonable and on normal commercial terms.

**Table 2**

	<b>Liangye Transfer Agreement</b>	<b>Zibo Transfer Agreement</b>	<b>Rizhao Transfer Agreement</b>	<b>Total</b>
<b>Group B Service Fee</b>	approximately RMB0.86 million (equivalent to approximately HK\$0.95 million)	approximately RMB1.06 million (equivalent to approximately HK\$1.17 million)	RMB0.83 million (equivalent to approximately HK\$0.91 million)	approximately RMB2.75 million (equivalent to approximately HK\$3.03 million)

### (2) The Entrustment Agreement

On 24 November 2022, the Transferor and Chengtong Financial Leasing also entered into the Entrustment Agreement, pursuant to which Chengtong Financial Leasing entrusted the Transferor, upon the completion of the Assignment and during the remaining lease term of the Group B Sale and Leaseback Arrangements, to be responsible for matters including but not limited to supervising and monitoring the use of, and performing regular stocktaking of, the Group B Leased Assets, facilitating Chengtong Financial Leasing in receiving, and procuring the Group B Lessees in paying, all lease payments and other payables under the Group B Sale and Leaseback Arrangements in a punctual manner.

According to the Entrustment Agreement, Chengtong Financial Leasing shall pay management fee (“**Management Fee**”) of an aggregate of RMB15.65 million (equivalent to approximately HK\$17.22 million) to the Transferor in respect of the aforesaid matters. The Management Fee is payable on a quarterly basis. If Chengtong Financial Leasing has not received the full amount of any instalment of the lease payments and other payables under the relevant Group B Sale and Leaseback Arrangements from the Group B Lessee(s) on time, Chengtong Financial Leasing is not obliged to pay the Management Fee for the corresponding instalment to the Transferor until Chengtong Financial Leasing has received the full amount of the relevant lease payments and other payables under Group B Sale and Leaseback Arrangements from the Group B Lessee(s).

# LETTER FROM THE BOARD

## THE GROUP B SALE AND LEASEBACK ARRANGEMENTS

Major details of the Group B Sale and Leaseback Arrangements as at the date of the relevant Leased Assets Transfer Agreements are set out below:

**Table 3**

	<b>Liangye &amp; Nanjing Arrangement</b>	<b>Liangye &amp; Anshun Arrangement</b>	<b>Zibo Arrangement I</b>	<b>Zibo Arrangement II</b>	<b>Rizhao Arrangement</b>
<b>Date of the Group B Sale and Leaseback Agreements</b>	28 June 2021	14 September 2021	14 April 2022	14 April 2022	12 May 2022
<b>Lessee(s)</b>	Liangye & Nanjing Co-Lessees	Liangye & Anshun Co-Lessees	Zibo Co-Lessees	Zibo Co-Lessees	Rizhao Co-Lessees
<b>Leased Assets</b>	Certain lighting Equipment	Certain lighting equipment	Certain water drainage facility, electricity supply system, artificial intelligence system, ventilation system, fire prevention system, escalator system and heating system	Certain water drainage facility, electricity supply system, artificial intelligence system, ventilation system, fire prevention system and escalator system	Certain steel structures, water drainage facility, electricity supply facility, fire prevention system and intelligent information system
<b>Outstanding amount of lease principal</b>	RMB63 million (equivalent to HK\$69.30 million)	RMB80 million (equivalent to HK\$88 million)	approximately RMB84.71 million (equivalent to approximately HK\$93.18 million)	approximately RMB92.42 million (equivalent to approximately HK\$101.66 million)	approximately RMB138.50 million (equivalent to HK\$152.35 million)
<b>Interest rate</b>	Fixed interest rate	Fixed interest rate	Fixed interest rate	Fixed interest rate	Fixed interest rate

## LETTER FROM THE BOARD

	Liangye & Nanjing Arrangement	Liangye & Anshun Arrangement	Zibo Arrangement I	Zibo Arrangement II	Rizhao Arrangement
<b>Estimated amount of lease payment receivable for the remaining lease term</b> <i>(Note)</i>	Approximately RMB65.70 million (equivalent to HK\$72.27 million)	Approximately RMB89.35 million (equivalent to approximately HK\$98.29 million)	Approximately RMB92.50 million (equivalent to HK\$101.75 million)	Approximately RMB101.26 million (equivalent to approximately HK\$111.39 million)	Approximately RMB150.13 million (equivalent to approximately HK\$165.14 million)
<b>Expiry date of the lease term</b>	28 June 2024	14 September 2026	27 April 2025	29 June 2025	28 June 2025
<b>Security money</b>	RMB10.80 million (equivalent to HK\$11.88 million)	RMB5 million (equivalent to HK\$5.50 million)	RMB10 million (equivalent to HK\$11 million)	RMB10 million (equivalent to HK\$11 million)	RMB13 million (equivalent to HK\$14.30 million)
<b>Type of security provided</b>	Nil	Nil	Corporate guarantee provided by the Zibo Guarantors	Corporate guarantee provided by the Zibo Guarantors	(i) Corporate guarantee provided by the Rizhao Guarantors  (ii) Mortgage of properties owned by the Rizhao Mortgagor and Rizhao Industrial Construction

*Note:* The actual amount of lease payments receivable by Chengtong Financial Leasing from the Group B Lessees may be subject to change depending on the actual Transfer Date.

### Lease payment

The total amount of lease payments receivable from Group B Lessees represents the sum of the total amount of lease principal receivable for the remaining lease term of the Group B Sale and Leaseback Arrangements and the lease interest which is calculated on the then outstanding lease principal amount with the relevant fixed interest rate. The Board has considered the relevant fixed interest rate applicable under each of the Group B Sale and Leaseback Arrangements and is satisfied that those fixed interest rates represent a premium over the one (1)-year and five (5)-year LPR. In light of the above, the Board considers that those fixed interest rates as agreed under the Group B Sale and Leaseback Arrangements are fair and reasonable and on normal commercial terms.

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

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## LETTER FROM THE BOARD

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The Board has examined the original costs or the appraised values of the Group B Leased Assets when assessing the merits and benefits of the Group B Sale and Leaseback Arrangements. The original costs or the appraised values of the Group B Leased Assets are set out below:

**Table 4**

	Liangye & Nanjing Arrangement	Liangye & Anshun Arrangement	Zibo Arrangement I	Zibo Arrangement II	Rizhao Arrangement
<b>Original cost or the appraised value of the relevant Group B Leased Assets</b>	Original cost of RMB120 million (equivalent to HK\$132 million)	Original cost of approximately RMB131.13 million (equivalent to approximately HK\$144.24 million)	Appraised value of approximately RMB111.54 million (equivalent to approximately HK\$122.69 million) as at 1 March 2022	Appraised value of approximately RMB112.44 million (equivalent to approximately HK\$123.68 million) as at 1 March 2022	Appraised value of approximately RMB180.17 million (equivalent to approximately HK\$198.19 million) as at 19 April 2022

The relevant Group B Leased Assets under the Liangye & Nanjing Arrangement and the Liangye & Anshun Arrangement are brand new assets acquired by the Transferor from the Liangye & Nanjing Co-Lessees and the Liangye & Anshun Co-Lessees in June 2021 and September 2021 respectively. In view of the original costs, the dates of the acquisitions and the present conditions of such assets, the Board considers that no valuation on such assets is necessary.

The valuation for the appraised value of the relevant Group B Leased Assets under each of the Zibo Arrangements and the Rizhao Arrangement was conducted by way of cost method. The Board has reviewed the relevant valuation reports and considered the valuation assumptions as set out therein, which include but not limited to the followings:

- (1) the appraised assets are in open markets, the transaction parties are equal and have opportunity and time to access enough market information;
- (2) the appraised assets are in use and will continue to be used for the existing purpose;
- (3) the appraised assets are free from material defects, liabilities and limitations;
- (4) there are no material changes in the relevant existing laws, regulations and policies as well as in the local political, economic and social environment of such places where the parties to the transaction are located;

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## LETTER FROM THE BOARD

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- (5) the information provided by the instructing client is true, legal and complete;
- (6) the acquisition of the appraised assets has fully complied with all relevant laws and regulations; and
- (7) there are no other force majeure factors and unforeseeable factors that have a significant adverse impact on the value of the appraised assets.

As the valuation reports of the relevant Group B Leased Assets are valid for one (1) year from their respective record date of the valuation and in view of the fact that there is no material change to the circumstances and the conditions of such assets, the Board considers that the appraised values of the relevant Group B Leased Assets are fair and reasonable.

Having considered the original costs or the appraised values of the Group B Leased Assets and the respective estimated amount of lease payments receivable (which comprise the lease principal and the lease interest) under each of the Group B Sale and Leaseback Arrangements for the remaining lease term, the Board is satisfied that the value of the Group B Leased Assets is sufficient to cover the lease payments receivable by Chengtong Financial Leasing for the remaining term under the Group B Sale and Leaseback Arrangements.

### **Group B Lessees' right to repurchase the Group B Leased Assets**

Upon expiry of the lease term of the relevant Group B Sale and Leaseback Arrangement, subject to the relevant 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 Group B Sale and Leaseback Agreement, the relevant Group B Lessees shall have the right to repurchase the relevant Group B Leased Assets at a nominal repurchase price at RMB100.

### **Credit enhancement measures**

#### *Security money*

The security money as set out in Table 3 above was paid by the respective Group B Lessees to the Transferor as security for the performance of their obligations under the relevant Group B Sale and Leaseback Agreements. According to the Leased Assets Transfer Agreements, the amount of security money paid by Group B Lessees under the relevant Group B Sale and Leaseback Agreement was and will be deducted from the relevant Consideration payable by Chengtong Financial Leasing to the Transferor.

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## LETTER FROM THE BOARD

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After completion of the Assignment, if any relevant Group B Lessee fails to perform any obligations under the relevant Group B Sale and Leaseback Arrangement, Chengtong Financial Leasing has the right to apply the security money to set off against any amount owed by the relevant Group B Lessee to it in the following order: liquidated damages, other payables including but not limited to outstanding and prospective lease payments and repurchase price. In the event that the security money has been applied by Chengtong Financial Leasing to set off against any amount owed by the relevant Group B Lessee to it, the relevant Group B Lessee shall make up the security money to the initial amount as agreed in the relevant Group B Sale and Leaseback Agreement. If the relevant Lessee has fully performed all its obligations under the relevant Group B Sale and Leaseback Agreement as confirmed by Chengtong Financial Leasing, Chengtong Financial Leasing shall return the security money to the relevant Group B Lessee within three (3) working days.

### *Guarantee*

Each of the Zibo Guarantors has provided guarantee for all amounts payable by the Zibo Co-Lessees under the Zibo Agreement I and Zibo Agreement II, including but not limited to outstanding and prospective lease payments, liquidated damages, repurchase price and other payables. The guarantee is irrevocable and continuing in nature.

Each of the Rizhao Guarantors has provided guarantee for all amounts payable by the Rizhao Co-Lessees under the Rizhao Agreement, including but not limited to outstanding and prospective lease payments, liquidated damages, repurchase price and other payables. The guarantee is irrevocable and continuing in nature.

### *Mortgage*

Furthermore, Rizhao Industrial Construction and the Rizhao Mortgagor have charged their respective landed properties and the corresponding land use right as security for all amounts payable by the Rizhao Co-Lessees under the Rizhao Agreement, including but not limited to outstanding and prospective lease payments, liquidated damages, repurchase price and other payables.

## INFORMATION OF THE PARTIES

### **1. The Transferor**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Leased Assets Transfer Agreements, (a) the Transferor was directly owned as to (i) 51% by 中交融資租賃有限公司 (unofficial English translation being CCCC Financial Leasing Co., Ltd.), (ii) 25% by Hongkong Ocean Investment Development Co., Limited, and (iii) 24% by 中交疏浚(集團)股份有限公司 (unofficial English Translation being CCCC Dredging Group Co., Ltd.), all of which were subsidiaries of China Communications Construction Company Limited, the shares of which are listed on the Stock Exchange (stock code: 1800); (b) the holding company of China Communications Construction Company Limited was 中國交通建設集團有限公司 (China Communications Construction Group (Limited)) ("CCCC"), which was ultimately controlled by the SASAC of the State Council; and (c) the Transferor was principally engaged in the businesses of finance leasing and factoring.

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## LETTER FROM THE BOARD

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### 2. Liangye & Nanjing Co-Lessees and Liangye & Anshun Co-Lessees

#### *Liangye Technology*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Liangye Transfer Agreement, (a) Liangye Technology was directly owned as to approximately 90.01% by 北京碧水源科技股份有限公司 (Beijing OriginWater Technology Co., Ltd.), whose shares were listed on the Shenzhen Stock Exchange (stock code: 300070) and whose largest shareholder holding approximately 33.04% of its equity interest was 中國城鄉控股集團有限公司 (unofficial English translation being China Urban-Rural Holding Group Co., Ltd.), which was a wholly-owned subsidiary of CCCG; and (b) Liangye Technology was principally engaged in the design and production of intelligent lighting system.

#### *Nanjing Huaifeng*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Liangye Transfer Agreement, (a) Nanjing Huaifeng was directly owned as to (i) 60% by 國商普惠(北京)投資基金管理有限公司 (unofficial English translation being State Commercial Puhui (Beijing) Investment Fund Management Co., Ltd.) ("Puhui"), whose ultimate beneficial owner owning 90% of its equity interest was Mr. Han Bai Xiang (韓百祥), a PRC individual; and (ii) 40% by Liangye Technology; and (b) Nanjing Huaifeng was a special purpose vehicle formed by Liangye Technology and Puhui to operate and invest in a tourism project at Qinhuai River of the PRC.

#### *Anshun Guangqi*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Liangye Transfer Agreement, (a) approximately 80% of the equity interest of Anshun Guangqi was directly held by 北京啟明光合文旅規劃設計有限公司 (unofficial English translation being Beijing Qiming Guanghe Cultural Tourism Planning & Design Co., Ltd.), whose ultimate beneficial owners owning 60% and 40% of its equity interest were Mr. Wei Xing Han (魏星漢) and Ms. Zhu Xiao Ling (朱小玲) respectively, each being a PRC individual; (b) the day-to-day management and operation of Anshun Guangqi were actually controlled by Liangye Technology, which held approximately 8% of the equity interest of Anshun Guangqi; and (c) Anshun Guangqi was principally engaged in strategic planning on cultural tourism projects.

### 3. Zibo Co-Lessees and Zibo Guarantors

#### *Zibo Industrial Investment*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Zibo Transfer Agreement, Zibo Industrial Investment (a) was wholly-owned by Zibo Guarantor I, which was in turn wholly-owned by 淄博高新技術產業開發區財政金融局 (unofficial English translation being the Finance Bureau of Zibo High-tech Industrial Development Zone) ("Zibo Finance Bureau"); and (b) was principally engaged in the business of fund investment, financing and assets operation and commodity trading.



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## LETTER FROM THE BOARD

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### *Zibo Qihang Construction*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Zibo Transfer Agreement, Zibo Qihang Construction (a) was wholly-owned by Zibo Guarantor II, which was in turn wholly-owned by Zibo Guarantor I and ultimately wholly-owned by the Zibo Finance Bureau; and (b) was principally engaged in the development and construction of the Zibo High-tech Industrial Development Zone of the PRC.

### *Zibo Guarantor I*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Zibo Transfer Agreement, Zibo Guarantor I (a) was wholly-owned by the Zibo Finance Bureau; and (b) was principally engaged in the construction of urban infrastructure, land management, leasing and water supply in the Zibo High-tech Development Zone of the PRC.

### *Zibo Guarantor II*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Zibo Transfer Agreement, Zibo Guarantor II (a) was wholly-owned by Zibo Guarantor I and ultimately controlled by the Zibo Finance Bureau; and (b) was principally engaged in infrastructure development, real estate development, sale and leasing of property and water supply in Zibo High-tech Development Zone of the PRC.

#### **4. Rizhao Co-Lessees, Rizhao Guarantors and Rizhao Mortgagor**

### *Rizhao Co-Lessees*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Rizhao Transfer Agreement, (a) each of the Rizhao Co-Lessees was wholly-owned by Rizhao Guarantor I; (b) Rizhao Industrial Investment was principally engaged in the development, construction, operation and management of industrial property projects; (c) Rizhao Xinbai Plating was principally responsible for the construction of the Metal Surface Processing Industrial Zone in Rizhao City of the PRC; and (d) Rizhao Sewage Treatment Co. was principally engaged in sewage treatment and recycle.

### *Rizhao Guarantor I*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Rizhao Transfer Agreement, Rizhao Guarantor I (a) was ultimately owned as to more than 90% by 日照市嵐山區國有資產監督管理局 (unofficial English translation being the State-owned Assets Supervision and Administration Bureau of the Lanshan District of Rizhao City) ("**Rizhao SASAB**"); and (b) was principally engaged in investment of construction projects.

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## LETTER FROM THE BOARD

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### *Rizhao Guarantor II and Rizhao Guarantor III*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Rizhao Transfer Agreement, (a) each of Rizhao Guarantor II and Rizhao Guarantor III was ultimately wholly-owned by Rizhao SASAB; (b) Rizhao Guarantor II was principally engaged in the contracting of urban infrastructure construction; and (c) Rizhao Guarantor III was principally engaged in the construction, operation and maintenance of urban infrastructure, water supply and school bus operation in Lanshan district of Rizhao City, the PRC.

### *Rizhao Mortgagor*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Rizhao Transfer Agreement, Rizhao Mortgagor (a) was directly owned (i) as to 51% by Rizhao Industrial Construction, which was ultimately controlled by Rizhao SASAB; (ii) as to 49% by 日照嵐美環保科技有限公司 (unofficial English translation being Rizhao Lanmei Conservation Technology Co., Ltd.), which was in turn owned as to more than one-third of its equity interest by each of Mr. Guo Hong Wei (郭洪偉) and Mr. Zhang Ping (張平), both being PRC individuals; and (b) was principally engaged in the business of energy saving and recycling.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Leased Assets Transfer Agreements, the Transferor, Group B Lessees, the Security Providers and their respective ultimate beneficial owners were Independent Third Parties.

### **REASONS FOR AND BENEFITS OF THE ASSIGNMENT AND THE GROUP B SALE AND LEASEBACK ARRANGEMENTS**

The Assignment enables the Group to acquire five (5) high-quality finance leases which are and will be carried out in the ordinary and usual course of business of Chengtong Financial Leasing. After due consideration of the background and the credibility of the Group B Lessees, the repayment records of the Group B Lessees under the Group B Sale and Leaseback Arrangements, the value of the Group B Leased Assets and the satisfactory rate of return under the Group B Sale and Leaseback Arrangements, the Directors consider that the overall level of risks associated with the Assignment and the Group B Sale and Leaseback Arrangements is acceptable.

It is expected that the Group will earn an income of approximately RMB40.32 million (equivalent to approximately HK\$44.35 million) from the Group B Sale and Leaseback Arrangements, being the difference between the estimated aggregate amount of lease payments receivable under the Group B Sale and Leaseback Arrangements and the aggregate Consideration payable by Chengtong Financial Leasing for the Assignment as at the date of the Leased Assets Transfer Agreements. The final amount of income to be earned by the Group pursuant to the Group B Sale and Leaseback Arrangements is subject to the actual Transfer Date of the respective Leased Assets Transfer Agreements.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve (12) months, there has been, no material loan arrangement between (a) any of the Group B Lessees, any of their directors and legal representatives and/or any ultimate beneficial owner(s) of the Group B Lessees who can exert influence on any of the Group B Sale and Leaseback Arrangements; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in any of the Group B Sale and Leaseback Arrangements).

Having considered the respective background, financial condition, business prospects and income flow of the Group B Lessees, the nature, condition and marketability of the Group B Leased Assets as well as the prevailing market conditions, the Directors are of the view that the terms of each of the Leased Assets Transfer Agreements and the Group B Sale and Leaseback Agreements are fair and reasonable and that the Assignment and Group B Sale and Leaseback Arrangements are in the interests of the Company and the Shareholders as a whole.

Having considered the overall terms of Group B Sale and Leaseback Arrangements and that the services to be provided by the Transferor under the Entrustment Agreement are expected to enable the Group to manage the Group B Leased Assets and collect the lease payments from the Group B Lessees in a more efficient manner, the Directors are also of the view that the terms of the Entrustment Agreement are fair and reasonable and that the entering into of the Entrustment Agreement is 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 and the Group B Sale and Leaseback Arrangements exceed 25% but is less than 100%, the Assignment and the Group B 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) (having the meaning ascribed to it under the Listing Rules) has any material interest in the Assignment or the Group B 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 Group B 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 Group B Sale and Leaseback Arrangements from World Gain Holdings Limited, which was a controlling shareholder of the Company holding 3,169,656,217 issued shares of the Company, representing approximately 53.14% of the issued share capital of the Company as at the date of the Leased Assets Transfer Agreements. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Assignment and Group B Sale and Leaseback Arrangements.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors, having considered the terms of, the reasons for and benefits of each of the Group A Sale and Leaseback Arrangements, the Assignment and the Group B 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 the Group A Sale and Leaseback Arrangements and the Leased Assets Transfer Agreements are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Accordingly, if a general meeting were to be convened for the approval of the Group A Sale and Leaseback Arrangements, the Assignment and the Group B 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 30 November 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\$2,118.23 million which are secured by charges over loans receivable and finance lease receivables of the Group and/or guaranteed by the Company; (ii) unsecured and unguaranteed bank borrowings of approximately HK\$500 million; (iii) secured and guaranteed asset-backed securities of approximately HK\$2,716.35 million; (iv) unsecured and unguaranteed loan from related parties of approximately HK\$230.89 million; (v) unsecured and unguaranteed other loan of approximately HK\$0.60 million; and (vi) unsecured and unguaranteed lease liabilities of approximately HK\$8.33 million.

As at the close of business on 30 November 2022, the Group had contingent liabilities in relation to guarantees of approximately HK\$233.20 million given to banks in respect of mortgage loans granted to purchasers of certain property units.

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

**3. WORKING CAPITAL SUFFICIENCY OF THE GROUP**

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

#### 4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in leasing, bulk commodity trade, property development and investment, 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 for the six months ended 30 June 2022, representing a decrease of approximately 23% compared to the corresponding period of last year. The Group plans to issue RMB5 billion shelf asset-backed securities and has successfully completed the issuance of approximately RMB1.41 billion in September 2022. In addition, 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. During the second half of 2022, along with upholding its bottom line of risk and strengthening business compliance, Chengtong Financial Leasing took 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. and further established its features and market influences in specialised fields. The Group has also strengthened communications and cooperation with both domestic and overseas banks and financial institutions.

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 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) The Group A Sale and Leaseback Arrangements**

Upon implementation of the Group A Sale and Leaseback Arrangements, the Directors consider that there is no significant immediate change to the Group's net asset value, as the Group A 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 Purchase Price by Chengtong Financial Leasing.

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

**(ii) The Assignment and the Group B Sale and Leaseback Arrangements**

In respect of the Assignment and the Group B 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 Group B 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 RMB40.32 million (equivalent to approximately HK\$44.35 million) from the Group B Sale and Leaseback Arrangements, being the difference between the estimated aggregate amount of lease payments receivable under the Group B Sale and Leaseback Arrangements and the aggregate Consideration payable by Chengtong Financial Leasing for the Assignment.

Save as disclosed above, the Group A Sale and Leaseback Arrangements, the Assignment and the Group B Sale and Leaseback Arrangements are not expected to have any material impact on the assets and liabilities and the earnings of the Group. The final financial impact on the Group will be subject to the 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*

<b>Name of Director</b>	<b>Interests in the Company or its associated corporation</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the issued share capital as at the Latest Practicable Date</b>
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*

<b>Name of Shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date</b>
CCHK	Beneficial owner ( <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 CCHK is beneficially owned by CCHG. Under the SFO, CCHG is deemed to be interested in all the Shares held by CCHK.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person, other than the Directors and chief executive of the Company, who had any interests or short positions in the Shares or underlying Shares 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; Mr. Yang Tianzhou, the Managing Director of the Company, was a deputy general manager of CCHK; and Mr. Gu Honglin, an executive Director, is a member of the executive committee and the chief accountant 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 海南寰島酒店旅遊投資有限公司 (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, the details of which are set out in the announcement of the Company dated 9 February 2021;
- (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, the details of which are set out in the announcement of the Company dated 2 September 2021;
- (c) the purchase contract dated 16 December 2022 entered into between 四川宏華石油設備有限公司 (unofficial English translation being Sichuan Honghua Petroleum Equipment Co., Ltd) (“**Honghua Petroleum**”) as vendor and Chengtong Financial Leasing as purchaser in relation to the purchase of one (1) set of drilling machine and eleven (11) sets of top drive machine for shale gas extraction at the purchase price of RMB153.50 million, the details of which are set out in the announcement of the Company dated 16 December 2022;
- (d) the purchase contract dated 23 December 2022 entered into between Honghua Petroleum as vendor and 誠杭(杭州)租賃有限公司 (unofficial English translation being Chenghang Hangzhou Leasing Company Limited), an indirect wholly-owned subsidiary of the Company, as purchaser in relation to the purchase of five (5) sets of top drive machine for shale gas extraction at the purchase price of RMB40 million, the details of which are set out in the announcement of the Company dated 23 December 2022; and
- (e) the two (2) sets of purchase contracts both dated 23 December 2022 and entered into between 宏華融資租賃(深圳)有限公司 (unofficial English translation being Honghua Financial Leasing (Shenzhen) Co., Ltd.) as vendor and Chengtong Financial Leasing as purchaser in relation to the purchase of certain automated fracturing system(s) for shale gas extraction, including but not limited to fracturing pumps and ancillary facilities, at an aggregate purchase price of RMB249.36 million, the details of which are set out in the announcement of the Company dated 23 December 2022.

**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](http://www.hkexnews.hk) and the Company's website [www.irasia.com/listco/hk/chengtong](http://www.irasia.com/listco/hk/chengtong) for 14 days from the date of this circular:

- (a) the PowerChina & Jinling Agreements;
- (b) the Sanjiang Agreements;
- (c) the Shangrao Agreements;
- (d) the guarantee agreement dated 29 November 2022 signed between Chengtong Financial Leasing and the Shangrao Guarantor in respect of the guarantee provided in favour of Chengtong Financial Leasing;
- (e) the Luoyang Agreements;
- (f) two sets of guarantee agreements dated 5 December 2022 signed between Chengtong Financial Leasing and the Luoyang Guarantor in respect of the guarantees provided in favour of Chengtong Financial Leasing;
- (g) the Chengji Agreements;
- (h) the Leased Assets Transfer Agreements;
- (i) the Entrustment Agreement;
- (j) Group B Sale and Leaseback Agreements;
- (k) four sets of guarantee agreements all dated 14 April 2022 entered into between the Transferor and the respective Zibo Guarantors in respect of the guarantees provided for all amounts payable by the Zibo Co-Lessees under the Zibo Agreements;
- (l) three sets of guarantee agreements all dated 12 May 2022 entered into between the Transferor and the respective Rizhao Guarantors in respect of the guarantees provided for all amounts payable by the Rizhao Co-Lessees under the Rizhao Agreement;
- (m) the mortgage dated 12 May 2022 entered into between the Transferor and Rizhao Industrial Construction in respect of a charge over its landed properties and the corresponding land use right as security for all amounts payable by the Rizhao Co-Lessees under the Rizhao Agreement; and
- (n) the mortgage dated 12 May 2022 entered into between the Transferor and Rizhao Mortgagor in respect of a charge over its landed properties and the corresponding land use right as security for all amounts payable by the Rizhao Co-Lessees under the Rizhao Agreement.