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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, stock broker 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 –  
SALE AND LEASEBACK ARRANGEMENTS**

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A letter from the Board is set out from pages 4 to 16 of this circular.

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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:*

“Board”	means the board of Directors
“CCHG”	means China Chengtong Holdings Group Limited, a state-owned enterprise established in the PRC with limited liability and the ultimate holding company of the Company
“CCHK”	means China Chengtong Hong Kong Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company as at the Latest Practicable Date
“Chengtong Financial Leasing”	means Chengtong Financial Leasing Company Limited, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Chongqing Yufei”	means Chongqing Yufei Infrastructure Construction Co., Ltd., a company established in the PRC with limited liability
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	means China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the director(s) of the Company
“Group”	means the Company and its subsidiaries as at the date of this circular
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	means third party(ies) independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)

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## DEFINITIONS

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“Latest Practicable Date”	means 14 June 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LPR”	means the loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China
“PRC”	means the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Putian Agreements”	means, collectively, two (2) sets of the following agreements in respect of the Putian Leased Assets, all dated 29 May 2023 and signed between Chengtong Financial Leasing and the Putian Lessee:  (1) leaseback assets transfer agreement; and  (2) finance lease agreement (sale and leaseback)
“Putian Arrangement”	means the sale and leaseback arrangement contemplated under the Putian Agreements
“Putian Guarantor”	means Putian State-owned Assets Investment Group Co., Ltd., a state-owned enterprise established in the PRC with limited liability, the guarantor of the Putian Lessee under the Putian Arrangement
“Putian Lease Term”	means the lease term under the Putian Agreements
“Putian Leased Assets”	means certain water supply and drainage supporting equipment, fire protection and firefighting equipment, power distribution equipment, etc.
“Putian Lessee”	means Putian Hanjiang Xinghua Bay Port Development Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Putian Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Putian Leased Assets from the Putian Lessee

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## DEFINITIONS

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“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Wuhan Agreements”	means, collectively, the following agreements in respect of the Wuhan Leased Assets dated 2 June 2023 and signed between Chengtong Financial Leasing and the Wuhan co-Lessees:  (1) leaseback assets transfer agreement; and  (2) finance lease agreement (sale and leaseback)
“Wuhan Arrangement”	means the sale and leaseback arrangement contemplated under the Wuhan Agreements
“Wuhan co-Lessees”	means, collectively, Chongqing Yufei and Wuhan Green City acting as co-lessees of the Wuhan Arrangement
“Wuhan Green City”	means Wuhan Iron and Steel Green City Technology Development Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Wuhan Lease Term”	means the lease term under the Wuhan Agreements
“Wuhan Leased Assets”	means certain steel sheet piles, vibratory hammers, diesel engines, etc.
“Wuhan Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Wuhan Leased Assets from the Wuhan co-Lessees
“%”	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\$1.11. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

*The English names of all PRC entities in this circular are for identification purpose only.*

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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 address and principal place  
of business in Hong Kong:*

Suite 6406, 64th Floor  
Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

19 June 2023

*To the Shareholders*

Dear Sir/Madam,

**MAJOR TRANSACTIONS –  
SALE AND LEASEBACK ARRANGEMENTS**

**1. INTRODUCTION**

Reference is made to the announcements of the Company dated 29 May 2023 and 2 June 2023 in respect of (i) the Putian Arrangement and (ii) the Wuhan Arrangement, respectively.

The purpose of this circular is to provide you with (i) information on the Putian Arrangement; (ii) information on the Wuhan Arrangement; and (iii) other information required to be disclosed under the Listing Rules.

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## LETTER FROM THE BOARD

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### 2. MAJOR TRANSACTIONS

#### (A) The Putian Arrangement

On 29 May 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Putian Agreements with the Putian Lessee in respect of the Putian Arrangement, the major terms of which are set out below.

##### *Subject matter*

Subject to the fulfilment of the conditions as set out in the Putian Agreements (including but not limited to the provision of all necessary documents or information by the Putian Lessee evidencing its ownership in the Putian Leased Assets, the obtaining of all necessary approvals by the Putian Lessee in relation to the Putian Arrangement, the payment of the security money (as set out below) by the Putian Lessee and the signing and the coming into effect of the relevant security agreements), Chengtong Financial Leasing will purchase the Putian Leased Assets from the Putian Lessee at a total Putian Purchase Price of RMB150 million (equivalent to HK\$166.5 million), and the Putian Leased Assets will be leased back to the Putian Lessee for the Putian Lease Term of three (3) years from the respective date on which the relevant Putian Purchase Price is paid by Chengtong Financial Leasing in respect of the Putian Leased Assets, subject to early termination in accordance with the terms and conditions of the Putian Agreements.

If any of the conditions under the Putian Agreements is not satisfied on or before 29 June 2023, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant Putian Agreements.

All the conditions under the Putian Agreements have been satisfied.

##### *Putian Purchase Price*

The Putian Purchase Price was agreed between Chengtong Financial Leasing and the Putian Lessee with reference to the appraised value of the Putian Leased Assets as at 20 May 2023 which amounted to approximately RMB170.40 million (equivalent to approximately HK\$189.14 million) as assessed by way of cost method by an independent PRC valuer (the “**Valuer A**”).

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

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## LETTER FROM THE BOARD

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The cost method, being adopted by the Valuer A for the valuation of the Putian Leased Assets, is a method determining the value of an appraised asset by multiplying the replacement cost of the appraised asset by its newness rate. The Valuer A assesses the replacement cost which comprises of, among others, the (1) equipment purchasing price, (2) transportation cost, (3) equipment foundation cost, (4) installation fee and (5) other costs.

The equipment purchasing price is determined by the market value of the appraised asset. If the appraised asset is recently purchased, the equipment purchasing price will be the amount shown on the invoice. If the appraised asset is unavailable in the market, the equipment purchasing price will be determined with reference to the price of asset with the same or similar function as the appraised asset. The transportation cost is determined by the size and weight of asset and the transportation distance. The equipment foundation cost and installation fee are not applicable for the valuation of the Putian Leased Assets.

Based on the relevant valuation, the appraised replacement cost of the Putian Leased Assets is approximately RMB175.67 million (equivalent to approximately HK\$195.00 million).

The newness rate of the appraised asset is determined after taking into account the theoretical service life of the appraised asset, remaining service life of the appraised asset and status of the appraised asset through on-site inspection.

The appraised newness rate of the Putian Leased Assets is 97%.

Based on the relevant valuation, the total appraised value of the Putian Leased Assets is approximately RMB170.40 million (equivalent to approximately HK\$189.14 million), which is calculated by multiplying the individual replacement cost of the Putian Leased Assets by the respective newness rate of the Putian Leased Assets.

The Board has considered the valuation assumptions as set out in the relevant valuation report, which include but not limited to the followings:

- (i) the appraised assets are in the process of transactions and in open market, to which both transaction parties have sufficient opportunities to access, and their values are assessed according to the transaction conditions;
- (ii) the appraised assets have good titles and are in use and will continue to be used for the existing purpose, with the same usage, method, scale, frequency and licenses and in the same environment;
- (iii) the information provided by the instructing client, owner of the appraised assets and any other parties is reliable and appropriate based on the prudent analysis of the independent PRC valuer;



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## LETTER FROM THE BOARD

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- (iv) the enterprise has complied with the relevant laws and regulations and has performed its obligations of an asset owner responsibly and managed the relevant assets effectively;
- (v) the valuation was based on the purchasing power of local currency as of 20 May 2023;
- (vi) there are no material changes in the relevant existing laws, regulations, policies, local political, economic and social environment of such places where the parties to the transaction are located; and
- (vii) there are no other force majeure factors and unforeseeable factors that have a significant adverse impact.

The Board has reviewed the valuation report in respect of the Putian Leased Assets and considered the valuation methods and assumptions adopted. The Board is of the view that the valuation method is 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 Putian Leased Assets are fair and reasonable.

The Putian Leased Assets form part of the facilities or equipment used for the daily operation and development and construction of the Putian Lessee's ports and are not revenue generating asset with an identifiable income stream.

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

### ***Legal title***

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

### ***Lease payment***

The total amount of lease payment over the Putian Lease Term is estimated to be approximately RMB160.92 million (equivalent to approximately HK\$178.62 million) which shall be paid by the Putian Lessee to Chengtong Financial Leasing in six (6) instalments payable in every six months during the Putian Lease Term.

The total amount of lease payment represents the sum of the lease principal amount (being the aggregate amount of the Putian Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest which is calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over the one (1)-year LPR from time to time.

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## LETTER FROM THE BOARD

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The lease interest rate will be subject to review on 1 January every year. In the event that the one (1)-year LPR changes, the lease interest rate will be adjusted to a rate at the aforesaid fixed premium over the new one (1)-year LPR, except in the case where the Putian Lessee has an overdue lease payment and has not paid all overdue payments and liquidated damages, the interest rate to be applied will not be adjusted when the one (1)-year LPR is reduced.

### *Service fee*

The Putian Lessee shall pay a one-off service fee of RMB4.5 million (equivalent to approximately HK\$5.0 million) (“**Service Fee**”) to Chengtong Financial Leasing within 5 business days after the commencement date of the Putian Lease Term. The Service Fee is non-refundable.

The interest rate (including the applicable LPR and the premium) and Service Fee applicable to the Putian Arrangement have been agreed between the parties after arm’s length negotiation taking into account a number of factors, such as the amount of lease principal, the lease term, the overall return rate attained by the Group taking into account the amount of lease interests and Service Fee, the prevailing market conditions and the movement of the LPR.

Having considered the above factors in the specific circumstances of the Putian Arrangement, the Board considers that the interest rate and the Service Fee as agreed in the Putian Agreements are fair and reasonable and on normal commercial terms.

### *Putian Lessee’s right to repurchase the Putian Leased Assets*

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

### *Credit enhancement measures*

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

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## LETTER FROM THE BOARD

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### *Security money*

The Putian Lessee has agreed to pay an aggregate of RMB3 million (equivalent to HK\$3.33 million) as security money for the performance of its obligations under the Putian Agreements. The amount of the security money was determined after evaluating the background and creditability etc. of the Putian Lessee.

If the Putian Lessee fails to fully perform any obligation under the Putian Arrangement, Chengtong Financial Leasing has the right to apply the security money to set off against any amount owed 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 the Putian Lessee has fully performed all its obligations under the Putian Arrangement, Chengtong Financial Leasing shall return the security money to it upon its presentation of the receipt(s) of the security money.

### *Guarantee*

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

The Board considers that the existing credit enhancement measures is sufficient to safeguard the interest of the Company and the Shareholders.

## **(B) The Wuhan Arrangement**

On 2 June 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Wuhan Agreements with the Wuhan co-Lessees in respect of the Wuhan Arrangement, the major terms of which are set out below.

### *Subject matter*

Subject to the fulfilment of the conditions as set out in the Wuhan Agreements (including but not limited to the provision of all necessary documents or information by the Wuhan co-Lessees evidencing their ownership in the Wuhan Leased Assets, and the obtaining of all necessary approvals by the Wuhan co-Lessees in relation to the Wuhan Arrangement), Chengtong Financial Leasing will purchase the Wuhan Leased Assets from the Wuhan co-Lessees at a total Wuhan Purchase Price of RMB150 million (equivalent to HK\$166.5 million), and the Wuhan Leased Assets will be leased back to the Wuhan co-Lessees for a Wuhan Lease Term of three (3) years from the respective date on which the relevant Wuhan Purchase Price is paid by Chengtong

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## LETTER FROM THE BOARD

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Financial Leasing in respect of the Wuhan Leased Assets, subject to early termination in accordance with the terms and conditions of the Wuhan Agreements.

If any of the conditions under the Wuhan Agreements is not satisfied on or before 20 November 2023, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant Wuhan Agreements.

All the conditions under the Wuhan Agreements have been satisfied.

### *Wuhan Purchase Price*

The Wuhan Purchase Price was agreed between Chengtong Financial Leasing and the Wuhan co-Lessees with reference to the appraised value of the Wuhan Leased Assets as at 22 March 2023 which amounted to approximately RMB171.64 million (equivalent to approximately HK\$190.52 million) as assessed by way of cost method by an independent PRC valuer (the “**Valuer B**”).

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

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

Based on the relevant valuation, the appraised replacement cost of the Wuhan Leased Assets is approximately RMB203.56 million (equivalent to approximately HK\$225.95 million).

The newness rate of the appraised asset is determined after taking into account the theoretical service life of the appraised asset, remaining service life of the appraised asset and status of the appraised asset through on-site inspection.

The appraised newness rates of the Wuhan Leased Assets range from 68% to 98%.

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## LETTER FROM THE BOARD

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Based on the relevant valuation, the total appraised value of the Wuhan Leased Assets is approximately RMB171.64 million (equivalent to approximately HK\$190.52 million), which is calculated by multiplying the individual replacement cost of the Wuhan Leased Assets by the respective newness rate of the Wuhan Leased Assets.

The Board has considered the valuation assumptions as set out in the relevant valuation report, which include but not limited to the followings:

- (i) the appraised assets are in the process of transactions and in open and non-exclusive market, to which both transaction parties have sufficient opportunities to access, and their values are assessed according to the transaction conditions;
- (ii) there are no material changes in the national macro-economy, the socio-economic environment of the region, the industrial policies, management systems as well as relevant regulations; no material changes in tax policies in relation to relevant business operations and credit interest rate;
- (iii) the appraised assets have good titles and are in use and will continue to be used for the existing purpose, with the same usage, method, scale and frequency and in the same environment in the predictable future;
- (iv) the information provided by the instructing client, owner of the appraised assets and any other parties is reliable and appropriate based on the prudent analysis of the independent PRC valuer;
- (v) the physical parameters of the appraised assets are compatible with the data documented in the proof of ownership, technical datasheet and drawings provided by the instructing client and any other parties; the actual condition of the appraised assets is consistent with the findings of the on-site diligence of the independent PRC valuer; the quality condition of the appraised assets is compatible with their intended use; and
- (vi) the appraised assets are not subject to any circumstances, as required by judicial authorities and administrative authorities, where assignment and mortgage are prohibited.

The Board has reviewed the valuation report in respect of the Wuhan Leased Assets and considered the valuation methods and assumptions adopted. The Board is of the view that the valuation method is 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 Wuhan Leased Assets are fair and reasonable.

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## LETTER FROM THE BOARD

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The Wuhan Leased Assets form part of the facilities or equipment used for the comprehensive development project of Chongqing Changshou Economic and Technological Development Zone new energy and Lingang Economic Development Zone and are not revenue generating asset with an identifiable income stream.

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

### *Legal title*

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

### *Lease payment*

The total amount of lease payment over the Wuhan Lease Term is estimated to be approximately RMB167.77 million (equivalent to approximately HK\$186.22 million) which shall be paid by the Wuhan co-Lessees to Chengtong Financial Leasing in twelve (12) instalments payable quarterly during the Wuhan Lease Term.

The total amount of lease payment represents the sum of the lease principal amount (being the total amount of the Wuhan Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest which is calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over the five (5)-year LPR from time to time.

The lease interest rate will be subject to review on 1 January every year. In the event that the five (5)-year LPR changes, the lease interest rate will be adjusted to a rate at the aforesaid fixed premium over the new five (5)-year LPR, except in the case where the Wuhan co-Lessees have an overdue lease payment and have not paid all overdue payments and liquidated damages, the interest rate to be applied will not be adjusted when the five (5)-year LPR is reduced.

The interest rate (including the applicable five (5)-year LPR and the premium) applicable to the Wuhan Arrangement have been agreed between the parties after arm's length negotiation taking into account a number of factors, such as the amount of lease principal, the lease term, the overall return rate attained by the Group taking into account the amount of lease interests, the prevailing market conditions and the movement of the five (5)-year LPR.

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## LETTER FROM THE BOARD

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### *Wuhan co-Lessees' right to repurchase the Wuhan Leased Assets*

Upon the Wuhan co-Lessees having paid all the lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Wuhan Agreements, the Wuhan co-Lessees shall have the right to repurchase the Wuhan Leased Assets under the Wuhan Agreements at a nominal consideration of RMB1.00.

### *Credit enhancement measures*

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

## **(C) Information of the Parties**

### *Putian Lessee*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Putian Lessee is wholly-owned by the Putian Guarantor and indirectly wholly-owned by Putian State-owned Assets Supervision and Administration Commission; (ii) the Putian Lessee and its ultimate beneficial owner(s) are Independent Third Parties; and (iii) the Putian Lessee is principally engaged in the business of investment and construction of ports and wharfs infrastructures and warehouse and logistic services.

### *Putian Guarantor*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Putian Guarantor is wholly owned by Putian State-owned Assets Supervision and Administration Commission; (ii) the Putian Guarantor and its ultimate beneficial owner(s) are Independent Third Parties; and (iii) the Putian Guarantor is principally engaged in the business of the investment in railways and ports, the trading of timber, coal and chemicals and the development and construction of real estates and infrastructures.

### *Wuhan co-Lessees*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Chongqing Yufei is owned as to 50% by Wuhan Gangrui Equity Investment Partnership (Limited Partnership), the general partner of which is

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## LETTER FROM THE BOARD

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Tianfeng Tianrui Investment Co., Ltd. (a company wholly-owned by Tianfeng Securities Co., Ltd., a company whose shares is listed on the Shanghai Stock Exchange (stock code: 601162)); 40% ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council; and 10% ultimately controlled by Chongqing Changshou District State-owned Assets Supervision and Administration Commission; (ii) Chongqing Yufei and its ultimate beneficial owners are Independent Third Parties; and (iii) Chongqing Yufei is principally engaged in the business of construction and operation for landscaping engineering, water pollution prevention, engineering technology development, manufacturing and sales of environmental protection equipment, manufacturing and maintenance of transportation equipment and facilities, etc.; and

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Wuhan Green City is owned as to 99.94% ultimately by the State-owned Assets Supervision and Administration Commission of the State Council and 0.06% ultimately by the State-owned Assets Supervision and Administration Bureau of Qingshan District People's Government of Wuhan City; (ii) Wuhan Green City and its ultimate beneficial owners are Independent Third Parties; and (iii) Wuhan Green City is principally engaged in the business of construction of landscapes, residential buildings and municipal infrastructure, provision of telecommunications services, sales of construction materials, design, production and repair of special equipment, etc.

In addition, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Company, any connected person at the Company's level, and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transaction); and (b) any of the Chongqing Yufei, its director and legal representatives and any ultimate beneficial owner(s) of Chongqing Yufei who can exert influence on the transaction (including receivers (if any)).

### **(D) Reasons for and Benefits of the Putian Arrangement and the Wuhan Arrangement**

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 the Putian Arrangement is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn an income of approximately RMB15.42 million (equivalent to approximately HK\$17.12 million), being the total of (i) the Service Fee and (ii) the difference between the estimated amount of total lease payment under the Putian Arrangement and the Putian Purchase Price.



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## LETTER FROM THE BOARD

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The entering into the Wuhan Arrangement is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn an income of approximately RMB17.77 million (equivalent to approximately HK\$19.72 million), being the difference between the estimated amount of total lease payment under the Wuhan Arrangement and the Wuhan Purchase Price.

The Directors are of the view that the terms of each of the Putian Arrangement and the Wuhan Arrangement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **(E) Implications under the Listing Rules**

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

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of his/her/its close associate(s) has a material interest in each of the Putian Arrangement and the Wuhan Arrangement. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve each of the Putian Arrangement and the Wuhan Arrangement. In light of the foregoing, written Shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Company has obtained written Shareholder's approval in respect of each of the Putian Arrangement and the Wuhan Arrangement, respectively, from China Chengtong Hong Kong Company Limited, which is 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 Putian Agreements and the Wuhan Agreements. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Putian Agreements and the Wuhan Arrangement.

### **3. RECOMMENDATION**

The Directors, having considered the terms of, the reasons for and benefits of each of the Putian Arrangement and the Wuhan Arrangement, 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 Putian Arrangement and the Wuhan Arrangement 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 Putian Arrangement and the Wuhan Arrangement, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the same at such general meeting.

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## LETTER FROM THE BOARD

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#### 4. ADDITIONAL INFORMATION

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

Yours faithfully,  
On behalf of the Board  
**China Chengtong Development Group Limited**  
**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 2020, 31 December 2021 and 31 December 2022 have been set out in the following documents respectively:

- (a) 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>);
- (b) 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
- (c) the annual report of the Company for the year ended 31 December 2022 from pages 79 to 224 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400489.pdf>).

## 2. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 April 2023, 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\$3,608.99 million which were 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 HK\$500 million; (iii) secured and guaranteed asset-backed securities of approximately HK\$3,470.11 million; (iv) unsecured and unguaranteed loans from related parties of approximately HK\$279.30 million; (v) unsecured and unguaranteed other loan of HK\$0.60 million; and (vi) unsecured and unguaranteed lease liabilities of approximately HK\$7.66 million.

As at the close of business on 30 April 2023, the Group had contingent liabilities in relation to guarantees of approximately HK\$218.40 million given to banks in respect of mortgage loans granted to purchasers of certain property units.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing, mortgages or charges, contingent liabilities or guarantees as at 30 April 2023.

## 3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

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

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

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

In respect of financial leasing, Chengtong Financial Leasing will continue to enhance its cooperation with other state-owned enterprises, promote its development in business areas such as energy conservation and environmental protection, transportation and logistics, internet data center, new energy, and highlight its industry characteristics in these market segments. Chengtong Financial Leasing will further expand its financing channels, explore to develop independent rating to strengthen self-financing capability, and seek low-cost funds for business investment. Moreover, it will strengthen risk prevention and control, as well as build and improve the risk management system comprehensively.

In respect of bulk commodity trade, the Group will carefully examine the market condition to determine the next step of development.

In respect of property investment, all the construction works of the CCT-Champs-Elysees project have been completed. The CCT-Champs-Elysees project is wholly owned by the Group and is located in the Zhucheng City of Shandong Province of the PRC. The project had a total site area of approximately 146,006 square metres and was developed in three phases. The next step in respect of property investment will be to speed up the sales of the property units in section 3 of Phase III of the CCT-Champs-Elysees project, and utilise the recovered funds for the main business of financial leasing.

In respect of the marine recreation services and hotel business, the Group will continue to optimize the project operation and management model and accelerate the cultivation of internal impetus for market sales on one hand, and will actively explore and promote subsequent asset restructuring on the other hand.

The Group is the only overseas listed company platform under CCHG, its ultimate controlling shareholder, and Chengtong Financial Leasing is the only controlling financial leasing company under the Group. Chengtong Financial Leasing will give full play to the resource advantages of the controlling shareholder of the Group, focus its resources on rapidly expanding the principal business of financial leasing and create greater value for the Shareholders. The Board is full of confidence in the future development of the Group.

#### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 6. FINANCIAL EFFECTS OF THE TRANSACTIONS

As at 31 December 2022, the audited consolidated total assets of the Group amounted to approximately HK\$10,009.74 million and the audited consolidated total liabilities of the Group amounted to approximately HK\$7,074.49 million.

The Directors consider that there is no significant immediate change to the Group's net asset value upon implementation of the Putian Arrangement and Wuhan Arrangement, as each of the Putian Arrangement and Wuhan Arrangement 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 Putian Purchase Price and Wuhan Purchase Price by Chengtong Financial Leasing.

As regards earnings, the Group would be entitled to recognise the Service Fee (as the case maybe) and the interest income from the Putian Arrangement and Wuhan Arrangement as additional income to the Group.

Save as disclosed above, each of the Putian Arrangement and Wuhan Arrangement is 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 position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

#### *Long position*

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

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

pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

**(ii) Interests of substantial Shareholders**

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

*Long position*

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
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, an executive Director and the Managing Director of the Company, was a deputy general manager of CCHK; and Mr. Gu Honglin, an executive Director, was the chief accountant of CCHK. Mr. Zhang Bin, Mr. Yang Tianzhou and Mr. Gu Honglin were members of the executive committee of CCHK as at the Latest Practicable Date. Save as disclosed herein, no Director was a director or an employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

### **3. MATERIAL CONTRACT**

Hainan Huandao Hotel and Travel Investment Co., Limited (currently known as Hainan Huandao Travel Investment Group Limited), a wholly-owned subsidiary of the Company, as lender and China Huandao Group Limited, a wholly-owned subsidiary of CCHG, as borrower entered into the extension agreement dated 2 September 2021 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. Further details of the extension agreement are set out in the announcement of the Company dated 2 September 2021.

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

### **4. DIRECTORS' SERVICE CONTRACTS**

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

### **5. LITIGATION**

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

### **6. COMPETING INTERESTS**

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

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

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.



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

## **8. GENERAL**

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

## **9. DOCUMENTS ON DISPLAY**

Copies of the following documents are on display and are published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.hk217.com](http://www.hk217.com) for a period of 14 days from the date of this circular:

- (a) the Putian Agreements;
- (b) the Wuhan Agreements;
- (c) the security money agreement dated 29 May 2023 signed between Chengtong Financial Leasing and the Putian Lessee; and
- (d) the guarantee agreement dated 29 May 2023 signed between Chengtong Financial Leasing and the Putian Guarantor in respect of the Putian Leased Assets under the Putian Agreements.