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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 TRANSACTION –
SALE AND LEASEBACK ARRANGEMENT**

A letter from the Board is set out from pages 4 to 12 of this circular.

19 October 2023

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DEFINITIONS

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
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“co-Lessees”	means, collectively, Lessee A and Lessee B
“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)

DEFINITIONS

“Latest Practicable Date”	means 16 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lease Term”	means the lease term under the Sale and Leaseback Agreements
“Leased Assets”	means certain equipment assets and facilities of sewage treatment plants in Fengcheng City, Jiangxi Province, PRC, including but without limitation integrated biochemical treatment equipment, HDPE pipes and HDPE special high pressure drainage pipes, PLC systems, electrical distribution boards and lighting distribution boards, etc.
“Lessee A”	means CECEP Techand Ecology & Environment Co., Ltd., a company whose shares are listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 300197)
“Lessee B”	means Fengcheng City Han Chen Environmental Engineering Company Limited, a company established in the PRC with limited liability
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 co-Lessees”	means, collectively, Lessee A and its wholly-owned subsidiary, Baisha Hanxuyuan Water Environment Management Co., Ltd., acting as co-lessees of the Previous Transaction

DEFINITIONS

“Previous Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous co-Lessees on 19 January 2023 in respect of certain sewage treatment equipment and pipes network in Bangxi Town, Baisha Li Autonomous County, Hainan Province, PRC and certain granulator, GNSS receiver, grinder equipment for a term of three (3) years, the details of which are set out in the announcement of the Company dated 19 January 2023
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Leased Assets from the co-Lessees
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the two (2) sets of the following agreements in respect of the Leased Assets dated 13 September 2023 and signed between Chengtong Financial Leasing and the co-Lessees: (1) leaseback assets transfer agreements; and (2) finance lease agreements (sale and leaseback)
“Sale and Leaseback Arrangement”	means the purchase of the Leased Assets by Chengtong Financial Leasing from the co-Lessees and the leaseback of the Leased Assets to the co-Lessees pursuant to the terms of the Sale and Leaseback Agreements
“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
“%”	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\$1.09. 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.

LETTER FROM THE BOARD



CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 217)

Executive Directors:

Zhang Bin (*Chairman*)

Yang Tianzhou (*Managing Director*)

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 October 2023

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION –
SALE AND LEASEBACK ARRANGEMENT**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 13 September 2023 in respect of the Sale and Leaseback Arrangement.

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

LETTER FROM THE BOARD

2. MAJOR TRANSACTION

(A) The Sale and Leaseback Arrangement

On 13 September 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into Sale and Leaseback Agreements with Lessee A and Lessee B, as the co-Lessees in respect of the Sale and Leaseback Arrangement. The major terms of the Sale and Leaseback Arrangement are set out below.

Subject matter

Subject to the fulfilment of the conditions as set out in the Sale and Leaseback Agreements (including but not limited to the provision of all necessary documents or information by the co-Lessees evidencing their ownership in the Leased Assets, and the obtaining of all necessary approvals by the co-Lessees in relation to the Sale and Leaseback Arrangement), Chengtong Financial Leasing will purchase the Leased Assets from the co-Lessees at a total Purchase Price of RMB200 million (equivalent to HK\$218 million), and the Leased Assets will be leased back to the co-Lessees for a Lease Term of three (3) years from the respective date on which the relevant Purchase Price is paid by Chengtong Financial Leasing in respect of the Leased Assets, subject to early termination in accordance with the terms and conditions of the Sale and Leaseback Agreements.

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

Purchase Price

The Purchase Price of the Leased Assets was agreed between Chengtong Financial Leasing and the co-Lessees with reference to the appraised value of the Leased Assets as at 8 July 2023. The valuation for the appraised value of the Leased Assets was conducted by way of cost method by an independent PRC valuer (the “Valuer”).

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

The cost method, being adopted by the Valuer for the valuation of the 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 on the appraisal date, while the newness rate is determined through on-site inspection and comprehensive technical analysis. Since the

LETTER FROM THE BOARD

Leased Assets form part of the facilities or equipment of the 26 newly built local sewage treatment plants and some supporting sewage collection pipe networks in Fengcheng City, Jiangxi Province, PRC, for which the information regarding the replacement cost of such assets was readily available, the Valuer was of the view that cost method is the most suitable approach for the valuation of the Leased Assets.

In appraising the value of the Leased Assets, the Valuer had also considered (i) the market approach, which determines the value of an appraised asset by direct comparison between the same or similar assets in the market or by relevant analogy analysis and (ii) the income approach, which determines the value of an appraised asset by estimating the expected future earnings of the appraised asset. In accordance with the relevant procedures for valuation of assets, (i) the market approach was not adopted because of a lack of highly developed, active and fair trading market or comparable transactions for assets identical or similar to the Leased Assets, thus the prerequisites for adopting market approach were not available; and (ii) the income approach was not adopted because the Leased Assets, when appraised individually, are not revenue generating equipment with identifiable income stream. After taking into account the factors affecting the valuation of the Leased Assets, the Valuer adopted the cost method.

Based on the relevant valuation, the total appraised replacement cost of the Leased Assets is approximately RMB237.17 million (equivalent to approximately HK\$258.51 million). The aggregate replacement cost was determined by aggregating the replacement cost of each of the Leased Assets (comprising over 400 equipment) ranging from approximately RMB1,047 (equivalent to HK\$1,141) to approximately RMB75.49 million (equivalent to approximately HK\$82.28 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 Valuer evaluated the newness rate for each of the Leased Asset (comprising over 400 equipment), and the newness rates of the Leased Assets range from 87% to 90%, with an average newness rate of approximately 89.9%. Based on the relevant valuation, the total appraised value of the Leased Assets is approximately RMB212.89 million (equivalent to approximately HK\$232.05 million), which is calculated by multiplying the individual replacement cost of the Leased Assets by the relevant newness rate of the Leased Assets.

LETTER FROM THE BOARD

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 the Valuer conducts the valuation by simulating the market according to the trading conditions of the appraised assets;
- (ii) the market is competitive, open and not exclusive. All individuals or entities in the market can participate in the transactions equally and freely, and each party in the transactions has obtained the necessary market information with sufficient time and necessary expertise in assets being traded;
- (iii) there is no material change in the national macroeconomic policies and the social economic environment in which the assets are located; no material change in the policy, the management system and relevant regulations in respect of the industry; and no material change in the tax policies, credit interest rates, etc. in respect of the business operation; and
- (iv) the appraised entities or assets will continue to be operated and utilised as a production factor according to its current conditions or on a changed basis. The valuation emphasises that the functions and profitability of the appraised assets under their current usage and mode of use, usage environment, scale, frequency and utilisation condition will continue normally in the foreseeable future.

The Board has reviewed the valuation report in respect of the 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 value of the Leased Assets is fair and reasonable.

The Leased Assets form part of the facilities or equipment of the 26 newly built local sewage treatment plants and some supporting sewage collection pipe networks in Fengcheng City, Jiangxi Province, PRC. The Leased Assets are not revenue generating assets with identifiable income stream.

The Purchase Price will be satisfied by the general working capital of the Group.

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Legal title

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

Lease payment

The total amount of lease payment over the Lease Term is estimated to be approximately RMB214.82 million (equivalent to approximately HK\$234.15 million) which shall be paid by the co-Lessees to Chengtong Financial Leasing in twelve (12) instalments payable quarterly during the Lease Term.

The total amount of lease payment represents the sum of the lease principal amount (being the amount of Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest which will be calculated on the then outstanding lease principal amount with a fixed monthly interest rate which is no less favourable than the prevailing one (1)-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China.

Service Fee

The co-Lessees shall pay a one-off service fee of RMB4.02 million (equivalent to approximately HK\$4.38 million) ("**Service Fee**") to Chengtong Financial Leasing within five (5) working days after the coming into effect of the Sale and Leaseback Agreements for the preliminary services provided by Chengtong Financial Leasing. The Service Fee is non-refundable.

The lease payment (including the interest rate and the premium) and the Service Fee applicable to the Sale and Leaseback 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 Service Fee and the prevailing market conditions.

Having considered the above factors in the specific circumstances of the Sale and Leaseback Arrangement, the Board considers that the lease payment, interest rate and the Service Fee as agreed in the Sale and Leaseback Agreements are fair and reasonable which are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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Co-Lessees' right to repurchase the Leased Assets

Upon the co-Lessees having paid all the lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Sale and Leaseback Agreements, the co-Lessees shall have the right to repurchase the Leased Assets under the Sale and Leaseback Agreements at a nominal consideration of RMB2.00 in total.

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.

Security money

The co-Lessees agree to pay a sum of RMB4 million (equivalent to HK\$4.36 million) as security money for the performance of their obligations under the Sale and Leaseback Agreements. The amount of the security money was determined after evaluating the background and credibility etc. of the co-Lessees.

If the co-Lessees fail to fully perform any obligation under the Sale and Leaseback Agreements, Chengtong Financial Leasing has the right to apply the security money to set off against any amount owed by the co-Lessees to it in the following order: liquidated damages, other payables including but not limited to insurance premiums and damages (if any), outstanding and prospective lease payments and repurchase price. If the co-Lessees have fully performed all their obligations under the Sale and Leaseback Agreements, Chengtong Financial Leasing shall return the security money to the co-Lessees upon the co-Lessees' presentation of the receipt(s) of the security money.

When the amount payable by the co-Lessees under the Sale and Leaseback Agreements is less than the balance of the security money, the Sale and Leaseback Agreements may be early terminated upon the co-Lessees' application. The co-Lessees 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 Sale and Leaseback Agreements and any remaining balance of the security money shall be returned to the co-Lessees.

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

(B) Information of the Parties

The co-Lessees

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and based on the information publicly available as of the Latest Practicable Date, (a) Lessee A is a company whose shares are listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 300197), its single largest shareholder holding approximately 24.8% equity interests of Lessee A is China Energy Conservation and Environmental Protection Group Co., Ltd, a company which is owned by the State-owned Assets Supervision and Administration Commission of the State Council and the National Council for Social Security Fund for approximately 91.5% and approximately 8.5% respectively; (b) Lessee B is directly or indirectly owned as to 80.0% by Lessee A, and is directly owned as to 20.0% by Fengcheng Rural Habitat Environment Investment Co., Ltd, which is ultimately controlled by the Fengcheng State-owned Assets Supervision and Administration Office; (c) each of the co-Lessees and their ultimate beneficial owners are Independent Third Parties; (d) Lessee A is principally engaged in the business of provision of environmental engineering services including water conservation and landscape construction, etc; and (e) Lessee B is principally engaged in environmental engineering related business including environmental engineering design and construction, project management, research and development, and sale of related equipment, etc.

(C) Reasons for and Benefits of the Sale and Leaseback Arrangement

The Group is principally engaged in leasing, property development and investment, marine recreation services and hotel business as at the Latest Practicable Date. The Group's leasing business is mainly carried out through Chengtong Financial Leasing as its principal business.

The entering into the Sale and Leaseback 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 RMB18.84 million (equivalent to approximately HK\$20.54 million), being the total of (i) the Service Fee and (ii) the difference between the estimated amount of total lease payment under the Sale and Leaseback Arrangement and the Purchase Price of the Leased Assets.

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

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(D) Implications under the Listing Rules

On 19 January 2023, Chengtong Financial Leasing entered into the Previous Transaction with the Previous co-Lessees. Since the Sale and Leaseback Arrangement is entered into within 12 months from the date of the Previous Transaction and the Previous co-Lessees comprise of Lessee A and its wholly-owned subsidiary, the Sale and Leaseback 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 the Sale and Leaseback Arrangement, both on standalone basis and when aggregated with the Previous Transaction, exceeds 25% but is less than 100%, the Sale and Leaseback 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) (as defined in the Listing Rules) has a material interest in the Sale and Leaseback Arrangement. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Sale and Leaseback 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 the Sale and Leaseback Arrangement from China Chengtong Hong Kong Company Limited, which is a controlling shareholder (as defined in the Listing Rules) 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 this circular. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Sale and Leaseback Arrangement.

3. RECOMMENDATION

The Directors, having considered the terms of, the reasons for and benefits of each of the Sale and Leaseback Arrangement, are of the view that the terms of the Sale and Leaseback Agreements are normal commercial terms and are fair and reasonable. The Directors also consider that the entering into of the Sale and Leaseback Arrangement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were to be convened for the approval of the Sale and Leaseback Arrangement, the Board would recommend the Shareholders to vote in favour of the resolution to approve the same at such general meeting.

LETTER FROM THE BOARD

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, and for the six months ended 30 June 2023 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>);
- (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>); and
- (d) the interim report of the Company for the six months ended 30 June 2023 from pages 6 to 47 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0914/2023091400776.pdf>).

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 August 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 unguaranteed bank borrowings of approximately HK\$3,312.16 million which are secured by charges over loans receivable and trade receivable under operating lease business of the Group; (ii) unsecured and unguaranteed bank borrowings of HK\$771.80 million; (iii) secured and guaranteed asset-backed securities of approximately HK\$3,677.24 million which are secured by charges over loans receivable and finance lease receivables of the Group and guaranteed by the ultimate holding company; (iv) unsecured and unguaranteed loans from related parties of approximately HK\$162.00 million; (v) unsecured and unguaranteed other loan of HK\$0.60 million; and (vi) unsecured and unguaranteed lease liabilities of approximately HK\$4.03 million.

As at the close of business on 31 August 2023, the Group had contingent liabilities in relation to guarantees of approximately HK\$208.71 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 31 August 2023.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors are of the opinion that, after taking into account the effects of the Sale and Leaseback 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, property development and investment, marine recreation services and hotel business as of the Latest Practicable Date.

In respect of leasing, Chengtong Financial Leasing will continue to enhance its cooperation with other state-owned enterprises, promote its development in business areas such as green and low carbon, new energy, new infrastructure, high-end equipment, intelligent logistics, and big data center etc., and to establish our industry features and market influences in specialised segments. Chengtong Financial Leasing will further expand its financing channels, strengthen self-financing capability, and seek low-cost funds for business investment. Moreover, it will strengthen risk prevention and control, as well as to seize the development opportunities brought by the continuous recovery and overall improvement of the national economy and favourable policies.

In respect of property development and investment, all the construction works of the CCT-Champs-Elysees project have been completed. In the next step, the Group will pay close attention to the specific measures taken by the PRC government to stabilise the housing market, seize the market opportunities, 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 principal business of leasing.

In respect of the marine recreation services and hotel business, the Group will pay active attention to the government's initiatives related to the recovery and expansion of cultural and tourism consumption, and will continue to optimise the project operation and management model to improve service quality, as well as accelerate the cultivation of internal impetus for market sales. At the same time, the Group will actively explore and promote subsequent asset restructuring to focus on the core leasing business.

Since early 2023, the Group has suspended the international trading business of bulk commodity after the inventory was sold out, so as to continue to optimise resource allocation to focus on the principal leasing business.

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 30 June 2023, the unaudited consolidated total assets of the Group amounted to approximately HK\$10,862.88 million and the unaudited consolidated total liabilities of the Group amounted to approximately HK\$8,081.65 million.

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

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

Save as disclosed above, the Sale and Leaseback 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:

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 Travel Investment Group Co., Ltd. (formerly known as Hainan Huandao Hotel and Travel Investment Co., Ltd.) (“**Huandao Travel Investment**”), an indirect wholly-owned subsidiary of the Company, entered into an entrusted loan agreement dated 11 September 2023 with Industrial Bank Co. Ltd. Haikou Branch, being the trustee (the “**Entrustee**”), and China Huandao Group Limited, a wholly-owned subsidiary of CCHG, being the borrower (the “**Borrower**”), pursuant to which Huandao Travel Investment agreed to entrust the Entrustee to provide the Borrower with a loan in the principal amount of RMB25,000,000 for a term of 24 months. Further details of the entrusted loan agreement are set out in the announcement of the Company dated 11 September 2023.

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

4. DIRECTORS’ SERVICE CONTRACTS

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

5. 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 <https://www.hkexnews.hk> and the website of the Company at <https://www.hk217.com> for a period of 14 days from the date of this circular:

- (a) the Sale and Leaseback Agreements; and
- (b) the security money agreements dated 13 September 2023 signed between Chengtong Financial Leasing and the co-Lessees.