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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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22 October 2024

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DEFINITION

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
“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
“Ganlong Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Ganlong Leased Assets from the Ganlong Lessee
“Ganlong Leased Assets”	means certain power equipment such as transformers, switch cabinets and monitoring and control panels etc.
“Ganlong Lessee”	means Ganlong Double Track Railway (Fujian) Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Ganlong Sale and Leaseback Agreements”	means, collectively, the following agreements in respect of the Ganlong Leased Assets dated 25 September 2024 and signed between Chengtong Financial Leasing and the Ganlong Lessee: <ol style="list-style-type: none">(1) leaseback assets transfer agreement; and(2) finance lease agreement (sale and leaseback)

DEFINITION

“Ganlong Sale and Leaseback Arrangement”	means the purchase of the Ganlong Leased Assets by Chengtong Financial Leasing from the Ganlong Lessee and the leaseback of the Ganlong Leased Assets to the Ganlong Lessee pursuant to the terms of the Ganlong Sale and Leaseback Agreements
“Group”	means the Company and its subsidiaries as at the date of this circular
“Haikou co-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)
“Haikou co-Lessee B”	means Haikou Hanqingshui Environmental Treatment Co., Ltd., a company established in the PRC with limited liability
“Haikou co-Lesseees”	means, collectively, Haikou co-Lessee A and Haikou co-Lessee B
“Haikou Leased Assets”	means certain rainwater and sewage pollution control and engineering equipment for the water environment comprehensive management projects in respect of 11 water bodies in Haikou City, Hainan Province, the PRC
“Haikou Leased Assets Valuation Report”	means the valuation report issued by the Valuer in respect of the value of the Haikou Leased Assets as at 8 August 2024, which will expire on 7 August 2025
“Haikou Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Haikou Leased Assets from the Haikou co-Lesseees
“Haikou Sale and Leaseback Agreements”	means, collectively, the following agreements in respect of the Haikou Leased Assets dated 10 September 2024 and signed between Chengtong Financial Leasing and the Haikou co-Lesseees: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
“Haikou Sale and Leaseback Arrangement”	means the purchase of the Haikou Leased Assets by Chengtong Financial Leasing from the Haikou co-Lesseees and the leaseback of the Haikou Leased Assets to the Haikou co-Lesseees pursuant to the terms of the Haikou Sale and Leaseback Agreements

DEFINITION

“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”	means a third party independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Latest Practicable Date”	means 17 October 2024, 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 Haikou Sale and Leaseback Agreements and/or the lease term under the Ganlong Sale and Leaseback Agreements (as the case may be)
“Leased Assets”	means the Haikou Leased Assets and/or the Ganlong Leased Assets (as the case may be)
“Lessee(s)”	means the Haikou co-Lessees and/or the Ganlong Lessee (as the case may be)
“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 Baisha Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Baisha Transaction 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, the 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
“Previous Baisha Transaction co-Lessees”	means, collectively, Haikou co-Lessee A and its indirect wholly-owned subsidiary, Baisha Hanxuyuan Water Environment Management Co., Ltd., acting as co-lessees of the Previous Baisha Transaction

DEFINITION

“Previous Fengcheng Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Fengcheng Transaction co-Lessees on 13 September 2023 in respect of certain equipment assets and facilities of sewage treatment plants in Fengcheng City, Jiangxi Province, the 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. for a term of three (3) years, the details of which are set out in the announcement of the Company dated 13 September 2023 and the circular of the Company dated 19 October 2023
“Previous Fengcheng Transaction co-Lessees”	means, collectively, Haikou co-Lessee A and Fengcheng City Han Chen Environmental Engineering Company Limited, which was indirectly held as to 80% by Haikou co-Lessee A, acting as co-lessees of the Previous Fengcheng Transaction
“Previous Haikou Transactions”	means, collectively, the Previous Baisha Transaction and the Previous Fengcheng Transaction
“Previous Inner Mongolia Lessee”	means Inner Mongolia Xiduo Railway Joint-stock Co., Ltd., a company established in the PRC with limited liability
“Previous Inner Mongolia Transaction”	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Inner Mongolia Lessee on 14 March 2023 in respect of certain railway facilities and equipment, including but not limited to (i) metallic protective fences and outdoor heating networks; and (ii) railroad switches and station mainlines, and ancillary facilities and equipment for a term of three (3) years, the details of which are set out in the announcement of the Company dated 14 March 2023 and the circular of the Company dated 19 April 2023
“Purchase Price”	means the Haikou Purchase Price and/or the Ganlong Purchase Price (as the case may be)
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means the Haikou Sale and Leaseback Agreements and/or the Ganlong Sale and Leaseback Agreements (as the case may be)

DEFINITION

“Sale and Leaseback Arrangements”	means the Haikou Sale and Leaseback Arrangement and/or Ganlong Sale and Leaseback Arrangement contemplated under the Sale and Leaseback Agreements (as the case may be)
“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
“Valuer”	means Beijing Zhonghuantai Asset Appraisal Co., Ltd., a qualified independent valuer in the PRC
“%”	means per cent.

In this circular, 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*)

Gu Honglin (*Managing Director*)

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

22 October 2024

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTIONS – SALE AND LEASEBACK ARRANGEMENTS

1. INTRODUCTION

Reference is made to the announcements of the Company dated 10 September 2024 and 25 September 2024 in respect of the Sale and Leaseback Arrangements.

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

2. MAJOR TRANSACTIONS

(A) The Sale and Leaseback Arrangements

Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into (i) the Haikou Sale and Leaseback Agreements with the Haikou co-Lessees on 10 September 2024; and (ii) the Ganlong Sale and Leaseback Agreements with the Ganlong Lessee on 25 September 2024. The major terms of the Sale and Leaseback Arrangements are set out below.

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Subject matter

In each of the Sale and Leaseback Arrangements, subject to the fulfilment of the conditions as set out in the relevant Sale and Leaseback Agreements (including but not limited to the provision of all necessary documents or information by the relevant Lessee(s) evidencing its ownership in the relevant Leased Assets, and the obtaining of all necessary approvals by the relevant Lessee(s) in relation to the relevant Sale and Leaseback Arrangement), Chengtong Financial Leasing will purchase the relevant Leased Assets from the relevant Lessee(s) and the relevant Leased Assets will be leased back to the relevant Lessee(s) for a specified lease term commencing from the respective date on which the relevant Purchase Price is paid by Chengtong Financial Leasing in respect of the relevant Leased Assets, subject to early termination in accordance with the terms and conditions of the relevant Sale and Leaseback Agreements.

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

Purchase Price

Haikou Purchase Price

The Haikou Purchase Price was agreed between Chengtong Financial Leasing and the Haikou co-Lessees with reference to the appraised value of the Haikou Leased Assets as at 8 August 2024 which amounted to approximately RMB150.03 million (equivalent to approximately HK\$163.53 million) as assessed by way of cost method by the Valuer.

According to the Haikou Leased Assets Valuation Report, the Valuer's scope of work is to assess the total appraised value of the Haikou Leased Assets, comprising a total of 224 of rainwater and sewage pollution control and engineering equipment located in the integrated water environment management offices of 11 water bodies in Haikou City, Hainan Province, the PRC.

Set forth below is the valuation methodology adopted by the Valuer in assessing the value of the Haikou 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, followed 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 an on-site inspection and calculation and analysis based on technical and economic factors.

LETTER FROM THE BOARD

In appraising the value of the Leased Assets, the Valuer had also considered (i) the market approach, which appraises the value of an appraised asset by direct comparison or relevant analogy analysis of the recent trading prices of the same or similar assets in the market and (ii) the income approach, which calculates the value of an appraised asset by estimating the expected future earnings of the appraised asset and converting into the present value with the appropriate discounted rate. Since (i) there is no open market for the Haikou Leased Assets and a lack of information about the comparable transaction of similar assets and (ii) it is hard to estimate the income of the Haikou Leased Assets on a standalone basis, both the market approach and the income approach were considered inappropriate methods for assessing the fair value of the Haikou Leased Assets. In accordance with the relevant procedures for the valuation of assets, the Valuer adopted the cost method taking into account the factors affecting the valuation of the Haikou Leased Assets.

Based on the valuation, the total appraised replacement cost of the Haikou Leased Assets is approximately RMB160.67 million (equivalent to approximately HK\$175.13 million). The aggregate replacement cost was determined by aggregating the replacement cost of each of the Haikou Leased Assets ranging from RMB1,700 (equivalent to HK\$1,853) to approximately RMB48.11 million (equivalent to approximately HK\$52.44 million). The replacement cost of each individual Haikou Leased Assets, where applicable, is composed of equipment purchase fee (including original purchase price and transportation and miscellaneous expenses), installation and tuning fee, equipment foundation fee, engineering construction fee and capital costs. Original purchase prices generally refer to ex-factory prices or the prices stated in the relevant order contract.

The equipment purchase fees of the respective Haikou Leased Assets account for approximately 95.46% to approximately 98.54%, with an average of approximately 98.14%, of the replacement cost of the respective Haikou Leased Assets. Among the equipment purchase fees, the original purchase prices of the Haikou Leased Assets range from approximately RMB1,651 (equivalent to approximately HK\$1,800) to approximately RMB46.28 million (equivalent to approximately HK\$50.44 million), and the aggregate original purchase prices of the Haikou Leased Assets account for approximately 98.52% of the aggregate equipment purchase fees of the Haikou Leased Assets. Other expenses such as transportation and miscellaneous expenses, installation and tuning fee, equipment foundation fee, engineering construction fee and capital costs either constitute an insignificant portion of the replacement cost or are not applicable in the calculation of such replacement cost.

The newness rate of the appraised asset is determined after taking into account the economic life of the appraised asset, the remaining service life of the appraised asset and the status of the appraised asset through an on-site inspection. The newness rates for the Haikou Leased Assets, evaluated by the Valuer, range from 93% to 94%.

Based on the above-mentioned, the total appraised value of the Haikou Leased Assets is approximately RMB150.03 million (equivalent to approximately HK\$163.53 million), which is calculated by multiplying the individual replacement cost of the Haikou Leased Assets by the relevant newness rate of the Haikou Leased Assets.

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The Board has considered the valuation assumptions as set out in the Haikou Leased Assets Valuation Report, which include but not limited to the following:

- (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 (1) the national macroeconomic policies and the social economic environment in which the assets are located; (2) the policies, the management system and relevant regulations in respect of the industry; and (3) 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 emphasizes 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 noted that if there is any deviation from the above assumptions, the valuation results may differ and has reviewed the Haikou Leased Assets Valuation Report and considered the valuation methods and assumptions adopted. The Board is of the view that the valuation method in respect of the Haikou Leased Assets 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 Haikou Leased Assets is fair and reasonable.

The Valuer is a qualified asset valuation firm in the PRC registered with the China Appraisal Society and filed with Beijing Municipal Finance Bureau. Mr. Liu Xiongliang and Mr. Chen Wei who are employed by the Valuer were principally involved in the preparation of the Haikou Leased Assets Valuation Report. Mr. Liu Xiongliang and Mr. Chen Wei are both members of the China Appraisal Society. As confirmed by the Valuer, the Valuer has no present nor prospective interests in the Company, the Haikou co-Lessees and its holding companies, subsidiaries and associated companies, or the value reported in the Haikou Leased Assets Valuation Report.

The Haikou Leased Assets form part of operational assets of the Haikou co-Lessees and are not revenue generating assets with identifiable income stream.

LETTER FROM THE BOARD

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

Ganlong Purchase Price

The Ganlong Purchase Price was agreed between Chengtong Financial Leasing and the Ganlong Lessee with reference to the net book value of the Ganlong Leased Assets of approximately RMB56.69 million (equivalent to approximately HK\$61.79 million). The Ganlong Leased Assets are not revenue generating assets with identifiable income stream.

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

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 relevant Lease Term in respect of the relevant Sale and Leaseback Arrangement shall be paid by the relevant Lessee(s) to Chengtong Financial Leasing in accordance with the payment schedule as set out in the relevant Sale and Leaseback Agreements.

The total amount of lease payment represents the sum of the relevant lease principal amount (being the amount of relevant Purchase Price to be paid by Chengtong Financial Leasing) and the relevant lease interest.

Service Fee

Chengtong Financial Leasing may charge a one-off service fee for the preliminary services provided by Chengtong Financial Leasing in respect of a sale and leaseback arrangement. Under the Haikou Sale and Leaseback Arrangement, the Haikou Co-Lessees shall pay a one-off service fee of approximately RMB3.02 million (equivalent to approximately HK\$3.29 million) (“**Service Fee**”) to Chengtong Financial Leasing for the preliminary services provided by Chengtong Financial Leasing under the Haikou Sale and Leaseback Arrangement. The Service Fee is non-refundable. The Service Fee was received in full by Chengtong Financial Leasing as of the Latest Practicable Date.

The lease payment and the Service Fee (if any) applicable to the relevant 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.

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Having considered the above factors in the specific circumstances of the Sale and Leaseback Arrangements, the Board considers that the lease payment, interest rate and the Service Fee as agreed in the relevant 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.

Lessee's right to repurchase the Leased Assets

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

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.

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

Material terms of the Sale and Leaseback Agreements

The general terms and conditions of the Haikou Sale and Leaseback Agreements and the Ganlong Sale and Leaseback Agreements are similar. The respective key terms are summarized as follows:

	Haikou Sale and Leaseback Agreements	Ganlong Sale and Leaseback Agreements
Date of the Sale and Leaseback Agreements	10 September 2024	25 September 2024
Lessee(s)	Haikou co-Lessees	Ganlong Lessee
Leased Assets	certain rainwater and sewage pollution control and engineering equipment for the water environment comprehensive management projects in respect of 11 water bodies in Haikou City, Hainan Province, the PRC	certain power equipment such as transformers, switch cabinets and monitoring and control panels etc.

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	Haikou Sale and Leaseback Agreements	Ganlong Sale and Leaseback Agreements
Purchase Price	RMB150 million (equivalent to HK\$163.50 million)	RMB50 million (equivalent to HK\$54.50 million)
Basis of Purchase Price	the appraised value of the Haikou Leased Assets of approximately RMB150.03 million (equivalent to approximately HK\$163.53 million)	the net book value of the Ganlong Leased Assets of approximately RMB56.69 million (equivalent to approximately HK\$61.79 million)
Lease Term	two (2) years	three (3) years
Lease payments	approximately RMB156.21 million (equivalent to approximately HK\$170.27 million), payable by the Haikou co-Lessees to Chengtong Financial Leasing in eight (8) quarterly instalments during the Lease Term	approximately RMB53.31 million (equivalent to approximately HK\$58.11 million), payable by the Ganlong Lessee to Chengtong Financial Leasing in six (6) semi-annual instalments during the Lease Term
Service Fee	approximately RMB3.02 million (equivalent to approximately HK\$3.29 million)	Nil
Nominal consideration for repurchase of the Leased Assets	RMB1.00 (equivalent to HK\$1.09)	RMB1.00 (equivalent to HK\$1.09)
Estimated income	approximately RMB9.23 million (equivalent to approximately HK\$10.06 million)	approximately RMB3.31 million (equivalent to approximately HK\$3.61 million)

(B) Information of the Lessees

The Haikou 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, (i) Haikou co-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 28.54% equity interests of Haikou co-Lessee A is China Energy Conservation and Environmental Protection Group Co., Ltd., a company which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council; (ii) Haikou co-Lessee B is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Haikou co-Lessee A; (iii) each of the Haikou co-Lessees and their ultimate beneficial owners is Independent Third Party;

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(iv) Haikou co-Lessee A is principally engaged in the business of provision of environmental engineering services including water conservation and landscape construction, etc.; and (v) Haikou co-Lessee B is principally engaged in the business of comprehensive management of the water environment and the operation and maintenance of related facilities, design and construction of environmental protection projects and operation and management, etc.

The Ganlong Lessee

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, (i) the Ganlong Lessee is directly owned as to (a) 60% by China Railway Nanchang Bureau Group Co., Ltd., which is wholly owned by China State Railway Group Co., Ltd., which is in turn wholly owned by the State Council of the PRC; (b) approximately 25.8% by Fujian Railway Investment Co., Ltd., which is owned as to approximately 86.1% by Fujian Province Investment Development Group Co., Ltd.; and (c) approximately 14.2% by Huaneng Power International, Inc., the A shares and H shares of which are listed on the Shanghai Stock Exchange (stock code: 600011) and the Stock Exchange (stock code: 00902), respectively; (ii) each of the Ganlong Lessee and its ultimate beneficial owners is Independent Third Party; and (iii) the Ganlong Lessee is principally engaged in the operation of public railway transport, construction work and property development and management.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as the Previous Haikou Transactions and the Previous Inner Mongolia Transaction, 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 transactions); and (b) the Lessees, its directors and legal representatives and any ultimate beneficial owner(s) of the Lessees who can exert influence on the transactions.

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

The Group is principally engaged in leasing, 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 Sale and Leaseback Arrangements is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn an aggregate income of approximately RMB12.54 million (equivalent to approximately HK\$13.67 million), being the total of (i) the Service Fee and (ii) the lease interest under the Sale and Leaseback Arrangements.

In light of the above, the Directors are of the view that the terms of the Sale and Leaseback Arrangements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(D) Implications under the Listing Rules

Haikou Sale and Leaseback Arrangement

Chengtong Financial Leasing entered into (i) the Previous Baisha Transaction with the Previous Baisha Transaction co-Lessees and (ii) the Previous Fengcheng Transaction with the Previous Fengcheng Transaction co-Lessees on 19 January 2023 and 13 September 2023, respectively (collectively, the Previous Haikou Transactions). Since (i) the Previous Haikou Transactions are still subsisting when the Haikou Sale and Leaseback Arrangement was entered into; (ii) the Haikou Sale and Leaseback Arrangement is entered into within 12 months from the completion date of the Previous Fengcheng Transaction; and (iii) each of the Haikou co-Lessees, Previous Baisha Transaction co-Lessees and Previous Fengcheng Transaction co-Lessees comprises Haikou co-Lessee A and subsidiaries of Haikou co-Lessee A, the Haikou Sale and Leaseback Arrangement is aggregated with the Previous Haikou Transactions 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 Haikou Sale and Leaseback Arrangement, both when calculated on a standalone basis and when aggregated with the Previous Haikou Transactions, exceeds 25% but is less than 100%, the Haikou 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.

Ganlong Sale and Leaseback Arrangement

On 14 March 2023, Chengtong Financial Leasing entered into the Previous Inner Mongolia Transaction with the Previous Inner Mongolia Lessee. Since (i) the Previous Inner Mongolia Transaction is still subsisting when the Ganlong Sale and Leaseback Arrangement was entered into; and (ii) the Ganlong Lessee and the Previous Inner Mongolia Lessee both being companies owned more than 50% by the subsidiaries of China State Railway Group Co., Ltd. are companies connected with each other, the Ganlong Sale and Leaseback Arrangement is aggregated with the Previous Inner Mongolia 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 Ganlong Sale and Leaseback Arrangement exceeds 5% but is less than 25% on a standalone basis, and exceeds 25% but is less than 100% when aggregated with the Previous Inner Mongolia Transaction, the Ganlong 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.

LETTER FROM THE BOARD

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 Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Sale and Leaseback Arrangements. In light of the foregoing, written Shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Company has obtained written Shareholder's approval in respect of the Sale and Leaseback Arrangements from CCHK, 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 Arrangements.

3. RECOMMENDATION

The Directors 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 Arrangements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were to be convened for the approval of the Sale and Leaseback Arrangements, the Board would recommend the Shareholders to vote in favour of the resolution to approve the same at such general meeting.

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 2021, 31 December 2022, 31 December 2023 and for the six months ended 30 June 2024 have been set out in the following documents respectively:

- (a) 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>);
- (b) 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>);
- (c) the annual report of the Company for the year ended 31 December 2023 from pages 91 to 241 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0424/2024042400654.pdf>); and
- (d) the interim report of the Company for the six months ended 30 June 2024 from pages 4 to 45 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0913/2024091300503.pdf>).

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 August 2024, 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\$2,887.32 million which are secured by charges over loan receivables and trade receivable under operating lease business of the Group; (ii) unsecured and unguaranteed bank borrowings of HK\$315.68 million; (iii) secured and guaranteed asset-backed securities of approximately HK\$1,467.53 million which are secured by charges over loan receivables 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\$212.90 million; and (v) lease liabilities of approximately HK\$5.74 million.

As at the close of business on 31 August 2024, the Group had contingent liabilities in relation to guarantees of approximately HK\$239.09 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 2024.

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 Arrangements, the internally generated funds, existing facilities available to the Group and financial resources presently available to the Group, the Group will have sufficient working capital to satisfy its requirements for at least twelve (12) months from the date of this circular.

4. FINANCIAL AND TRADING 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 the leasing business, in the face of the complicated domestic and international economic situation, the Group proactively responded to the various severe challenges, anchored in its goals, overcame the difficulties, optimized its asset structure and layout, and maintained a steady business development. On the basis of strictly adhering to the bottom line of risk and strengthening compliance operations, the Group will seize the historical opportunity to develop new quality productive forces, actively deploy strategies in emerging industries, focus on enhancing the effectiveness of serving the real economy, persist in making progress amidst stability, and strive to achieve stable operation in the diversified and dynamic market environment.

In respect of property development and investment, the Group increased the marketing efforts in 1H2024 and achieved the set target for the CCT-Champs-Elysees project under the severe market environment. In the next step, the Group will speed up the sales of its property stock, and utilize the recovered funds for the principal business of leasing.

In respect of the marine recreation services and hotel business, the Group's operating efficiency in 1H2024 was steady and improving. In the next step, the Group will adhere to market orientation, deepen the integration of culture and tourism, and endeavor to explore new customers. At the same time, the Group will actively explore and promote subsequent asset restructuring.

The Group is the only overseas listed company platform under CCHG, its ultimate controlling shareholder, and Chengtong Financial Leasing is the only financial leasing company under the Group. The Group and Chengtong Financial Leasing will further leverage on the resource advantages of the ultimate controlling shareholder, focus the resources on expanding the principal business of leasing and give full play to the synergy advantage of "industry + finance", so as to create greater value for the Shareholders. The Group will proactively seize development opportunities, being persistent in seeking progress while maintaining stable growth and strengthening stability through progress, constantly optimise its asset structure, and implement various production and operation initiatives in a solid manner, with a view to promoting the Company's high-quality development in all aspects. 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 2023, 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 2024, the unaudited consolidated total assets of the Group amounted to approximately HK\$8,853.25 million and the unaudited consolidated total liabilities of the Group amounted to approximately HK\$6,075.38 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 Arrangements. In respect of the implementation of the Sale and Leaseback Arrangements, the Sale and Leaseback Arrangements will be accounted for as a secured loan and recognised as loan receivables of the Group which will offset the decrease in the amount of bank balances and cash as a result of the payment of the Purchase Price by Chengtong Financial Leasing.

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

Save as disclosed above, the Sale and Leaseback Arrangements are not expected to have any material impact on the assets and liabilities and the earnings of the Group. The final financial impact on the Group will be subject to the 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 C3 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	Class of shares	Approximate
					percentage of the issued share capital as at the Latest Practicable Date
Mr. Zhang Bin	The Company	Beneficial owner	314,642	Ordinary shares	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 C3 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 of the Company 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 follows:

Long position

Name of Shareholder	Nature of interest	Number of shares held	Class of shares	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	Ordinary shares	53.14%
CCHG	Interest in controlled corporation <i>(Note)</i>	3,169,656,217	Ordinary shares	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 of the Company 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, 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.

3. MATERIAL CONTRACT

Hainan Huandao Travel Investment Group 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 2023, 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 Sale and Leaseback Agreements are on display and are published on the website of the Stock Exchange at <https://www.hkexnews.com> and the website of the Company at <https://www.hk217.com> for a period of 14 days from the date of this circular.