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

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

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

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**CHINA CHENGTONG DEVELOPMENT GROUP LIMITED**

**中國誠通發展集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 217)**

**MAJOR TRANSACTIONS –  
SALE AND LEASEBACK ARRANGEMENTS**

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A letter from the Board is set out from pages 6 to 15 of this circular.

24 December 2024

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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                            |
| “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 Parties”   | means third parties independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)   |
| “Latest Practicable Date”     | means 19 December 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein                                       |

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## DEFINITIONS

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|---|---|
| “Lease Term”  | means the respective lease term under the PowerChina Real Estate & Xi’an Fanyue Agreements or the PowerChina Real Estate & Zhengzhou Yueheng Agreements or the PowerChina Real Estate & Shaanxi Silu Agreements (as the case may be)  |
| “Leased Assets”                                     | means the leased assets under the PowerChina Real Estate & Xi’an Fanyue Arrangement, the PowerChina Real Estate & Zhengzhou Yueheng Arrangement and the PowerChina Real Estate & Shaanxi Silu Arrangement (as the case may be)  |
| “Leased Assets Valuation Report”                    | means the valuation reports issued by the Valuer in respect of the value of the Leased Assets as at 27 September 2024, which will expire on 26 September 2025   |
| “Lessees”   | means, collectively, the PowerChina Real Estate & Xi’an Fanyue Co-Lessees, the PowerChina Real Estate & Zhengzhou Yueheng Co-Lessees and the PowerChina Real Estate & Shaanxi Silu Co-Lessees   |
| “Listing Rules”                                     | means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |
| “PowerChina Real Estate”                            | means PowerChina Real Estate Group Ltd., a state-owned enterprise established in the PRC with limited liability   |
| “PowerChina Real Estate & Shaanxi Silu Agreements”  | means, collectively, the following agreements dated 9 December 2024 and signed between Chengtong Financial Leasing and PowerChina Real Estate & Shaanxi Silu Co-Lessees:<br><br><ol style="list-style-type: none"><li>(1) leaseback assets transfer agreement; and</li><li>(2) finance lease agreement (sale and leaseback)</li></ol> |
| “PowerChina Real Estate & Shaanxi Silu Arrangement” | means the sale and leaseback arrangement under the PowerChina Real Estate & Shaanxi Silu Agreements   |
| “PowerChina Real Estate & Shaanxi Silu Co-Lessees”  | means, collectively, PowerChina Real Estate and Shaanxi Silu acting as co-lessees of the PowerChina Real Estate & Shaanxi Silu Arrangement  |

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## DEFINITIONS

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| “PowerChina Real Estate & Xi’an Fanyue Agreements”       | <p>means, collectively, the following agreements dated 9 December 2024 and signed between Chengtong Financial Leasing and PowerChina Real Estate &amp; Xi’an Fanyue Co-Lessees:</p> <p>(1) leaseback assets transfer agreement; and</p> <p>(2) finance lease agreement (sale and leaseback)</p>                                 |
| “PowerChina Real Estate & Xi’an Fanyue Arrangement”      | <p>means the sale and leaseback arrangement under the PowerChina Real Estate &amp; Xi’an Fanyue Agreements</p>  |
| “PowerChina Real Estate & Xi’an Fanyue Co-Lessees”       | <p>means, collectively, PowerChina Real Estate and Xi’an Fanyue acting as co-lessees of the PowerChina Real Estate &amp; Xi’an Fanyue Arrangement</p>   |
| “PowerChina Real Estate & Zhengzhou Yueheng Agreements”  | <p>means, collectively, the following agreements dated 9 December 2024 and signed between Chengtong Financial Leasing and PowerChina Real Estate &amp; Zhengzhou Yueheng Co-Lessees:</p> <p>(1) leaseback assets transfer agreement; and</p> <p>(2) finance lease agreement (sale and leaseback)</p>                            |
| “PowerChina Real Estate & Zhengzhou Yueheng Arrangement” | <p>means the sale and leaseback arrangement under the PowerChina Real Estate &amp; Zhengzhou Yueheng Agreements</p>   |
| “PowerChina Real Estate & Zhengzhou Yueheng Co-Lessees”  | <p>means, collectively, PowerChina Real Estate and Zhengzhou Yueheng acting as co-lessees of the PowerChina Real Estate &amp; Zhengzhou Yueheng Arrangement</p>   |
| “PRC”  | <p>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</p>   |
| “Previous Arrangement I”                                 | <p>means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Co-Lessees I on 21 September 2022 in respect of certain underground parking spaces for a term of three (3) years, the details of which are set out in the announcement of the Company dated 21 September 2022</p> |

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## DEFINITIONS

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|----------------------------|---|
| “Previous Arrangement II”  | means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Co-Lessees II on 23 November 2022 in respect of certain underground parking spaces for a term of three (3) years, the details of which are set out in the announcement of the Company dated 23 November 2022 and the circular of the Company dated 13 January 2023 |
| “Previous Arrangement III” | means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Co-Lessees III on 10 August 2023 in respect of certain underground parking spaces for a term of three (3) years, the details of which are set out in the announcement of the Company dated 10 August 2023 and the circular of the Company dated 15 September 2023  |
| “Previous Arrangements”    | means, collectively, the Previous Arrangement I, Previous Arrangement II and Previous Arrangement III   |
| “Previous Co-Lessees”      | means, collectively, Previous Co-Lessees I, Previous Co-Lessees II and Previous Co-Lessees III  |
| “Previous Co-Lessees I”    | means, collectively, PowerChina Real Estate and PowerChina Real Estate Group Changsha Ltd., a state-owned enterprise established in the PRC with limited liability, acting as co-lessees of the Previous Arrangement I  |
| “Previous Co-Lessees II”   | means, collectively, PowerChina Real Estate and Nanjing Jinling Real Estate Development Co., Ltd., a company established in the PRC with limited liability, acting as co-lessees of the Previous Arrangement II   |
| “Previous Co-Lessees III”  | means, collectively, PowerChina Real Estate and Foshan Fanyue Real Estate Co., Ltd., a state-owned enterprise established in the PRC with limited liability, acting as co-lessees of the Previous Arrangement III   |
| “Purchase Price”           | means the consideration payable by Chengtong Financial Leasing for the purchase of the relevant Leased Assets from the relevant Lessees   |
| “RMB”                      | means Renminbi, the lawful currency of the PRC  |

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## DEFINITIONS

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|                                   |  |
|-----------------------------------|--|
| “Sale and Leaseback Agreements”   | means, collectively, PowerChina Real Estate & Xi’an Fanyue Agreements, PowerChina Real Estate & Zhengzhou Yueheng Agreements and PowerChina Real Estate & Shaanxi Silu Agreements                |
| “Sale and Leaseback Arrangements” | means, collectively, the PowerChina Real Estate & Xi’an Fanyue Arrangement, the PowerChina Real Estate & Zhengzhou Yueheng Arrangement and the PowerChina Real Estate & Shaanxi Silu Arrangement |
| “SFO”                             | means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “Shaanxi Silu”                    | means China Power Construction Silk Road (Shaanxi) Construction Investment Development Co., Ltd., a state-owned enterprise established in the PRC with limited liability                         |
| “Shareholder(s)”                  | means the shareholder(s) of the Company  |
| “Stock Exchange”                  | means The Stock Exchange of Hong Kong Limited  |
| “Valuer”                          | means Guizhou Binglitan Real Estate Assets Appraisal Co., Ltd., a qualified independent valuer in the PRC  |
| “Xi’an Fanyue”                    | means Xi’an Fanyue Real Estate Co., Ltd., a state-owned enterprise established in the PRC with limited liability   |
| “Zhengzhou Yueheng”               | means Zhengzhou Yueheng Real Estate Co., Ltd., a state-owned enterprise established in the PRC with limited liability  |
| “%”                               | means per cent.  |

*In this circular, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.07. 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*)

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

24 December 2024

*To the Shareholders*

Dear Sir/Madam,

### MAJOR TRANSACTIONS – SALE AND LEASEBACK ARRANGEMENTS

#### 1. INTRODUCTION

Reference is made to the announcement of the Company dated 9 December 2024 in respect of the Sale and Leaseback Arrangements.

The purpose of this circular is to provide you with (i) information on the Sale and Leaseback Arrangements; and (ii) 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 PowerChina Real Estate & Xi'an Fanyue Agreements with PowerChina Real Estate & Xi'an Fanyue Co-Lessees; (ii) the PowerChina Real Estate & Zhengzhou Yueheng Agreements with PowerChina Real Estate & Zhengzhou Yueheng Co-Lessees; and



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## LETTER FROM THE BOARD

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(iii) the PowerChina Real Estate & Shaanxi Silu Agreements with PowerChina Real Estate & Shaanxi Silu Co-Lessees, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the relevant Lessees and will lease the Leased Assets back to the relevant Lessees for the Lease Term of two (2) years respectively, subject to early termination in accordance with the terms and conditions of the relevant Sale and Leaseback Agreements on 9 December 2024. The major terms of the Sale and Leaseback Arrangements are set out below.

### ***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 Lessees evidencing their ownerships in the Leased Assets, the obtaining of all necessary approvals by the Lessees in relation to the Sale and Leaseback Arrangements), Chengtong Financial Leasing will purchase the Leased Assets from the relevant Lessees and such Leased Assets will be leased back to the relevant Lessees for the Lease Term of two (2) years commencing from the date on which the Purchase Price in respect of the relevant Leased Assets is paid by Chengtong Financial Leasing, subject to early termination in accordance with the terms and conditions of the relevant Sale and Leaseback Agreements.

If any of the conditions under the relevant Sale and Leaseback Agreements is not satisfied on or before 9 March 2025, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant Sale and Leaseback Agreements.

As of the Latest Practicable Date, the conditions under the Sale and Leaseback Agreements have been satisfied.

### ***Purchase Price***

The Purchase Price was agreed between Chengtong Financial Leasing and the relevant Lessees with reference to the appraised value of the relevant Leased Assets as at 27 September 2024, as assessed by way of cost method by the Valuer.

According to the Leased Assets Valuation Report, the Valuer's scope of work is to assess the total appraised value of the Leased Assets, comprising a total of 2,128 sets of mechanical equipments (including power supply and distribution equipment, charging pile, diesel generator equipment, etc.) for PowerChina Real Estate & Xi'an Fanyue Arrangement; 620 sets of mechanical equipments (including power supply and distribution equipment, intelligent security system equipment, etc.) for PowerChina Real Estate & Zhengzhou Yueheng Arrangement; and 39 sets of mechanical equipments (including water supply equipment, power supply and distribution equipment, intelligent security system equipment, etc.) for PowerChina Real Estate & Shaanxi Silu Arrangement.

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## LETTER FROM THE BOARD

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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, 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.

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) the Leased Assets were purchased long time ago and it is difficult to find comparable cases in the market and (ii) the Leased Assets are not used for business use, and its income value cannot be objectively judged, both the market approach and the income approach were considered inappropriate methods for assessing the fair value of the 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 Leased Assets.

Based on the valuation, the total appraised replacement cost of the Leased Assets was determined by aggregating the replacement cost of each of the Leased Assets. The replacement cost of each individual 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.

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.

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## LETTER FROM THE BOARD

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Based on the above-mentioned, the total appraised value of the Leased Assets is calculated by multiplying the individual replacement cost of the Leased Assets by the relevant newness rate of the Leased Assets.

The appraised value of the Leased Assets in each of the Sale and Leaseback Arrangements and the key parameters used in the appraisals are summarised as follows:

|   | <b>PowerChina Real Estate &amp; Xi'an Fanyue Arrangement</b>   | <b>PowerChina Real Estate &amp; Zhengzhou Yueheng Arrangement</b>                                      | <b>PowerChina Real Estate &amp; Shaanxi Silu Arrangement</b>   |
|---|--|--|--|
| <b>Appraised value of the Leased Assets</b>   | Approximately RMB133.61 million (equivalent to approximately HK\$142.96 million)                         | Approximately RMB50.03 million (equivalent to approximately HK\$53.53 million)                         | Approximately RMB90.89 million (equivalent to approximately HK\$97.25 million)                           |
| <b>Quantity of Leased Assets</b>  | 2,128 sets   | 620 sets   | 39 sets  |
| <b>Range of appraised replacement cost of individual Leased Assets</b>  | Approximately RMB40,000 – RMB10.15 million (equivalent to approximately HK\$42,800 to HK\$10.86 million) | Approximately RMB46,000 – RMB1.15 million (equivalent to approximately HK\$49,220 to HK\$1.23 million) | Approximately RMB24,000 – RMB10.15 million (equivalent to approximately HK\$25,680 to HK\$10.86 million) |
| <b>Total appraised replacement cost of the relevant Leased Assets</b>   | Approximately RMB149.43 million (equivalent to approximately HK\$159.89 million)                         | Approximately RMB55.30 million (equivalent to approximately HK\$59.17 million)                         | Approximately RMB100.17 million (equivalent to approximately HK\$107.18 million)                         |
| <b>Percentage range of the equipment purchase fees of individual Leased Assets attributed to the replacement cost of such Leased Assets</b>               | 100%   | 100%   | 100%   |
| <b>Range of original purchase prices of the Leased Assets</b>   | Approximately RMB39,700 – RMB10 million (equivalent to approximately HK\$42,480 to HK\$10.7 million)     | Approximately RMB44,990 – RMB1.13 million (equivalent to approximately HK\$48,140 to HK\$1.21 million) | Approximately RMB24,000 – RMB10 million (equivalent to approximately HK\$25,680 to HK\$10.7 million)     |
| <b>Percentage of the aggregate original purchase prices of the Leased Assets attributed to the aggregate equipment purchase fees of the Leased Assets</b> | Approximately 98.52%   | Approximately 98.52%   | Approximately 98.52%   |
| <b>Range of newness rate of the Leased Assets</b>   | 44% – 96%  | 73% – 95%  | 57% – 94%  |
| <b>Average newness rate of the Leased Assets</b>  | Approximately 89.41%   | Approximately 90.47%   | Approximately 90.74%   |

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## LETTER FROM THE BOARD

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

- (i) the appraisal is premised on the specific appraisal purposes set out in the Leased Assets Valuation Report;
- (ii) all assets in the appraisal are based on the actual stock on the base date of evaluation, and the current market price of the relevant assets is based on the effective price on the base date of evaluation;
- (iii) there is no material change in the national macroeconomic policies and the social economic environment in which the assets are located;
- (iv) the appraisal assumes that the basic information provided by the entrusting party and the property right holder is true, accurate, complete, and free from duplication and material omission;
- (v) it is assumed that the management of the assets to be assessed competently implements effective management of the relevant assets and does not violate any national laws and regulations in the course of operation;
- (vi) the conclusion of the appraisal is based on the current fair market price determined by the purpose of the appraisal, the principle of going concern and the principle of open market, and does not take into account the impact of the mortgage and guarantee matters that may be undertaken in the future, as well as the additional price that may be paid by special parties on its appraisal value. It also does not take into account changes in national macroeconomic policies and the impact of natural forces and other force majeure on asset prices;
- (vii) the appraisal scope is only subject to the appraisal scope declared, and does not consider the assets that may exist outside the list provided;
- (viii) when the aforementioned conditions change, the appraisal results are generally invalidated.

The Board noted that if there is any deviation from the above assumptions, the valuation results may differ and has reviewed the 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 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 Leased Assets is fair and reasonable.

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## LETTER FROM THE BOARD

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The Valuer is a qualified asset valuation firm in the PRC registered with the Duyun Market Supervision and Administration and filed with Guizhou Provincial Department of Finance. Ms. Yang Yanping and Ms. Wang Jie who are employed by the Valuer were principally involved in the preparation of the Leased Assets Valuation Report. Ms. Yang Yanping and Ms. Wang Jie 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 Lessees and its holding companies, subsidiaries and associated companies, or the value reported in the Leased Assets Valuation Report.

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

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

### ***Legal title***

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

### ***Lease payment***

The total amount of lease payment over the relevant Lease Term in respect of each of the Sale and Leaseback Arrangements shall be payable by the relevant Lessees 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 in respect of each of the Sale and Leaseback Arrangements 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 as listed under “Material terms of each of the Sale and Leaseback Arrangements” of this circular.

### ***Service Fee***

Each of the relevant Lessees shall pay a one-off service fee (“**Service Fee**”) to Chengtong Financial Leasing for the preliminary services provided by Chengtong Financial Leasing in respect of the relevant Sale and Leaseback Arrangements. Such services include the provision of corporate finance consulting services which comprise advising the relevant Lessees on the Sale and Leaseback Arrangements and preparing written reports where necessary, and providing tailored advice on alternative financing

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## LETTER FROM THE BOARD

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solutions to the relevant Lessees including but not limited to finance lease arrangement after assessing their specific business operations, industry development and financial condition.

The amount of the Service Fee was determined according to the extent of services required by the relevant Lessees and the financing amount involved. The Service Fee is non-refundable.

### ***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.

### ***Lessees' rights to repurchase the Leased Assets***

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

### ***Material terms of each of the Sale and Leaseback Arrangements***

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

|  | PowerChina Real<br>Estate & Xi'an<br>Fanyue Arrangement | PowerChina Real<br>Estate & Zhengzhou<br>Yueheng<br>Arrangement | PowerChina Real<br>Estate & Shaanxi<br>Silu Arrangement |
|--|---|---|---|
| Date of the relevant Sale and Leaseback Agreements | 9 December 2024   | 9 December 2024   | 9 December 2024   |
| Lessees  | PowerChina Real<br>Estate & Xi'an<br>Fanyue Co-Lessees  | PowerChina Real<br>Estate & Zhengzhou<br>Yueheng Co-Lessees     | PowerChina Real<br>Estate & Shaanxi Silu<br>Co-Lessees  |

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## LETTER FROM THE BOARD

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|                         | PowerChina Real<br>Estate & Xi'an<br>Fanyue Arrangement  | PowerChina Real<br>Estate & Zhengzhou<br>Yueheng<br>Arrangement                              | PowerChina Real<br>Estate & Shaanxi<br>Silu Arrangement  |
|-------------------------|--|--|--|
| <b>Leased Assets</b>    | Certain power supply and distribution equipment, charging pile, diesel generator equipment, etc. | Certain power supply and distribution equipment, intelligent security system equipment, etc. | Certain water supply equipment, power supply and distribution equipment, intelligent security system equipment, etc. |
| <b>Purchase Price</b>   | RMB130 million<br>(equivalent to<br>HK\$139.1 million)   | RMB50 million<br>(equivalent to<br>HK\$53.5 million)   | RMB90 million<br>(equivalent to<br>HK\$96.3 million)   |
| <b>Lease Term</b>       | Two (2) years  | Two (2) years  | Two (2) years  |
| <b>Lease interest</b>   | Approximately<br>RMB4.96 million<br>(equivalent to<br>approximately<br>HK\$5.31 million)         | Approximately<br>RMB1.91 million<br>(equivalent to<br>approximately<br>HK\$2.04 million)     | Approximately<br>RMB3.43 million<br>(equivalent to<br>approximately<br>HK\$3.67 million)                             |
| <b>Lease payment</b>    | Approximately<br>RMB134.96 million<br>(equivalent to<br>approximately<br>HK\$144.41 million)     | Approximately<br>RMB51.91 million<br>(equivalent to<br>approximately<br>HK\$55.54 million)   | Approximately<br>RMB93.43 million<br>(equivalent to<br>approximately<br>HK\$99.97 million)                           |
| <b>Service Fee</b>      | RMB2.60 million<br>(equivalent to<br>HK\$2.78 million)   | RMB1 million<br>(equivalent to<br>HK\$1.07 million)  | RMB1.80 million<br>(equivalent to<br>HK\$1.93 million)   |
| <b>Estimated income</b> | Approximately<br>RMB7.56 million<br>(equivalent to<br>approximately<br>HK\$8.09 million)         | Approximately<br>RMB2.91 million<br>(equivalent to<br>approximately<br>HK\$3.11 million)     | Approximately<br>RMB5.23 million<br>(equivalent to<br>approximately<br>HK\$5.60 million)                             |

### **(B) Information of the 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) PowerChina Real Estate is wholly-owned by Power Construction Corporation of China, which is in turn wholly-owned by the State-owned Assets and Supervision and Administration Commission of the State Council; (ii) each of Xi'an Fanyue, Zhengzhou Yueheng and Shaanxi Silu is wholly-owned by PowerChina Real Estate; (iii) PowerChina Real Estate is principally engaged in the business of the development and sales of real estate, consulting and property management, etc.; and (iv) each of Xi'an Fanyue, Zhengzhou Yueheng and Shaanxi Silu is principally engaged in the business of the real estate development and operation, and consulting services.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, PowerChina Real Estate, Xi'an Fanyue, Zhengzhou Yueheng and Shaanxi Silu and their respective ultimate beneficial owners are Independent Third Parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as the Previous Arrangements, 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 of 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 reasonable income from each of the Sale and Leaseback Arrangements, which represents the total of the relevant amount of Service Fee and the difference between the estimated amount of total lease payment under the relevant Sale and Leaseback Arrangement and the relevant Purchase Price.

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.

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

Chengtong Financial Leasing entered into the Previous Arrangements with PowerChina Real Estate and its subsidiaries (as Previous Co-Lessees) on 21 September 2022, 23 November 2022 and 10 August 2023 respectively. Since the Sale and Leaseback Arrangements and the Previous Arrangements were all entered into with PowerChina Real Estate and its subsidiaries, and the Previous Arrangements are still subsisting when the Sale and Leaseback Arrangements were entered into, the Sale and Leaseback Arrangements are aggregated with the Previous Arrangements for the purpose of calculating the relevant percentage ratios (as defined in the Listing Rules).



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## LETTER FROM THE BOARD

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As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Sale and Leaseback Arrangements, both when calculated on a standalone basis and when aggregated with the Previous Arrangements, exceeds 25% but is less than 100%, the Sale and Leaseback Arrangements constitute major transactions of the Company and are subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, 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 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 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 October 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\$2,576.57 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\$1,247.80 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 loan from a related party of approximately HK\$23.31 million; and (v) lease liabilities of approximately HK\$5.41 million.

As at the close of business on 31 October 2024, the Group had contingent liabilities in relation to guarantees of approximately HK\$252.40 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 31 October 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 the six-month period ended 30 June 2024 (“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 secured loans 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 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***

| <b>Name of Shareholder</b> | <b>Nature of interest</b>                        | <b>Number of shares held</b> | <b>Class of shares</b> | <b>Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date</b> |
|----------------------------|--|------------------------------|------------------------|--|
| CCHK                       | Beneficial owner <i>(Note)</i>                   | 3,169,656,217                | 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 Directors’ knowledge, information and belief, 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.hk> and the website of the Company at <https://www.hk217.com> for a period of 14 days from the date of this circular.