THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

MAJOR TRANSACTIONS –
(1) SALE AND LEASEBACK ARRANGEMENTS; AND
(2) TERMINATION OF THE CHINA KANGFU SALE AND LEASEBACK ARRANGEMENTS

A letter from the Board is set out from pages 7 to 23 of this circular.

14 May 2024

CONTENTS

Page

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

"Anhui 2024 Leased Assets"	means certain pipeline facilities of a thermal power plant including steam and water pipes, hot air/cold air/flue gas ducts and pulverized coal pipes
"Anhui 2024 Leased Assets Valuation Report"	means the valuation report issued by the Valuer in respect of the value of the Anhui 2024 Leased Assets as at 19 March 2024, which will expire on 18 March 2025
"Anhui 2024 Lessee"	means Anhui Electric Power Co., Ltd., a company established in the PRC with limited liability
"Anhui 2024 Purchase Price"	means the consideration payable by Chengtong Financial Leasing for the purchase of the Anhui 2024 Leased Assets from the Anhui 2024 Lessee
"Anhui 2024 Sale and Leaseback Agreements"	means, collectively, the following agreements in respect of the Anhui 2024 Leased Assets dated 10 April 2024 and signed between Chengtong Financial Leasing and the Anhui 2024 Lessee: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
"Anhui 2024 Sale and Leaseback Arrangement"	means the purchase of the Anhui 2024 Leased Assets by Chengtong Financial Leasing from the Anhui 2024 Lessee and the leaseback of the Anhui 2024 Leased Assets to the Anhui 2024 Lessee pursuant to the terms of the Anhui 2024 Sale and Leaseback Agreements
"Board"	means the board of Directors
"CCHG"	means China Chengtong Holdings Group Limited, a state-owned enterprise established in the PRC with limited liability and the ultimate holding company of the Company
"CCHK"	means China Chengtong Hong Kong Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company as at the Latest Practicable Date

"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
"China Kangfu Leased Assets"	means certain power generation equipment and facilities for wind power plant
"China Kangfu Lessee"	means China Kangfu International Leasing Co., Ltd., a joint stock limited company established in the PRC
"China Kangfu Master Agreement"	means, collectively, the sale and leaseback master agreement and the supplemental agreement both dated 12 August 2022 and entered into between Chengtong Financial Leasing and China Kangfu Lessee, the details of which are set out in the announcement of the Company dated 12 August 2022 and the circular of the Company dated 23 September 2022
"China Kangfu Purchase Price"	means the consideration payable by Chengtong Financial Leasing for the purchases of the China Kangfu Leased Assets from China Kangfu Lessee under the China Kangfu Sale and Leaseback Arrangements
"China Kangfu Sale and Leaseback Agreements"	means, collectively, three (3) sets of the following agreements in respect of the China Kangfu Leased Assets and signed between Chengtong Financial Leasing and China Kangfu Lessee on 30 September 2022 and 3 February 2023: (1) leaseback assets transfer agreements; and (2) finance lease agreements (sale and leaseback)
"China Kangfu Sale and Leaseback Arrangements"	means the purchase of the China Kangfu Leased Assets by Chengtong Financial Leasing from China Kangfu Lessee and the leaseback of the China Kangfu Leased Assets to China Kangfu Lessee pursuant to the terms of the China Kangfu Sale and Leaseback Agreements
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Company"	means China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	means the director(s) of the Company
"Group"	means the Company and its subsidiaries as at the date of this circular
"HK$"	means Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	means third party(ies) independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
"Latest Practicable Date"	means 8 May 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 Shekou Sale and Leaseback Agreements and/or the lease term under the Anhui 2024 Sale and Leaseback Agreements (as the case may be)
"Leased Assets"	means the Shekou Leased Assets and/or the Anhui 2024 Leased Assets (as the case may be)
"Lessee"	means the Shekou Lessee and/or the Anhui 2024 Lessee (as the case may be)
"Listing Rules"	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LPR"	means the one (1)-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China
"PRC"	means the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"Previous Anhui Transaction"	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Anhui 2024 Lessee on 18 December 2023 in respect of certain power and heat generating equipment and facilities including furnace electrostatic precipitator and condenser, and in-plant railway equipment, etc. for a term of two (2) years, the details of which are set out in the announcement of the Company dated 18 December 2023 and the circular of the Company dated 18 January 2024
"Previous Datang Transaction"	means the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Previous Lessee on 5 December 2022 in respect of certain equipment for combined heat and power generation for a term of three (3) years, the details of which are set out in the announcement of the Company dated 5 December 2022 and the circular of the Company dated 13 January 2023
"Previous Lessee"	means Datang Luoyang Heat and Power Co., Ltd., acting as the lessee of the Previous Datang Transaction, which is directly owned as to 50% by Datang Henan Electricity Generation Co., Ltd. which controls the day-to-day operation and management of the Previous Lessee, and is a wholly-owned subsidiary of China Datang Corporation Ltd.
"Previous Transactions"	means Previous Datang Transaction and Previous Anhui Transaction
"Purchase Price"	means the Shekou Purchase Price and/or the Anhui 2024 Purchase Price (as the case may be)
"RMB"	means Renminbi, the lawful currency of the PRC
"Sale and Leaseback Agreements"	means the Shekou Sale and Leaseback Agreements and/or the Anhui 2024 Sale and Leaseback Agreements (as the case may be)
"Sale and Leaseback Arrangements"	means the Shekou Sale and Leaseback Arrangement and/or Anhui 2024 Sale and Leaseback Arrangement contemplated under the Sale and Leaseback Agreements

"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	means the shareholder(s) of the Company
"Shekou Leased Assets"	means certain seaport equipment including jetty motorised boat bridge, stationary crane and flood control water gate system equipment
"Shekou Leased Assets Valuation Report"	means the valuation report issued by the Valuer in respect of the value of the Shekou Leased Assets as at 26 February 2024, which will expire on 25 February 2025
"Shekou Lessee"	means China Merchants Shekou Industrial Zone Holdings Co., Ltd., a company established in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 001979)
"Shekou Purchase Price"	means the consideration payable by Chengtong Financial Leasing for the purchase of the Shekou Leased Assets from the Shekou Lessee under the Shekou Sale and Leaseback Arrangement
"Shekou Sale and Leaseback Agreements"	means, collectively, the following agreements in respect of the Shekou Leased Assets dated 28 March 2024 and signed between Chengtong Financial Leasing and the Shekou Lessee: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
"Shekou Sale and Leaseback Arrangement"	means the purchase of the Shekou Leased Assets by Chengtong Financial Leasing from the Shekou Lessee and the leaseback of the Shekou Leased Assets to the Shekou Lessee pursuant to the terms of the Shekou Sale and Leaseback Agreements
"Valuer"	means Zhongyan International Assets Appraisal Co., Ltd., a qualified independent valuer in the PRC

"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"%"	means per cent.

In this circular, amounts quoted in RMB have been converted into HK$ at the rate of RMB1.00 to HK$1.08. 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.

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

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

14 May 2024

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTIONS – (1) SALE AND LEASEBACK ARRANGEMENTS; AND (2) TERMINATION OF THE CHINA KANGFU SALE AND LEASEBACK ARRANGEMENTS

1. INTRODUCTION

Reference is made to the announcements of the Company dated 28 March 2024 and 10 April 2024 in respect of the Sale and Leaseback Arrangements, and to the announcement of the Company dated 23 April 2024 in respect of the termination of the China Kangfu Sale and Leaseback Arrangements.

The purpose of this circular is to provide you with (i) information on the Shekou Sale and Leaseback Arrangement; (ii) information on the Anhui 2024 Sale and Leaseback Arrangement; (iii) information on the termination of the China Kangfu Sale and Leaseback Arrangements; and (iv) other information required to be disclosed under the Listing Rules.

2. MAJOR TRANSACTIONS

(A) The Sale and Leaseback Arrangements

On 28 March 2024 and 10 April 2024, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Shekou Sale and Leaseback Agreements and Anhui 2024 Sale and Leaseback Agreements with the Shekou Lessee and Anhui 2024 Lessee in respect of the Shekou Sale and Leaseback Arrangement and Anhui 2024 Sale and Leaseback Arrangement, respectively. 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 relevant Lessee evidencing its ownership in the relevant Leased Assets, and the obtaining of all necessary approvals by the relevant Lessee in relation to the relevant Sale and Leaseback Arrangements), Chengtong Financial Leasing will purchase the relevant Leased Assets from the relevant Lessee and the relevant Leased Assets will be leased back to the relevant Lessee 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 Sale and Leaseback Agreements.

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

Purchase Price

Shekou Purchase Price

The Shekou Purchase Price was agreed between Chengtong Financial Leasing and the Shekou Lessee with reference to the appraised value of the Shekou Leased Assets as at 26 February 2024. The valuation for the appraised value of the Shekou Leased Assets was conducted by way of the cost method by the Valuer.

According to the Shekou Leased Assets Valuation Report, the Valuer's scope of work is to assess the total appraised value of the Shekou Leased Assets, comprising a total of 11 seaport equipment located in China Merchants Shekou Cruise Center Jetty Pier of the Shekou Lessee.

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

The cost method, being adopted by the Valuer for the valuation of the Shekou 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 on-site inspection and calculation and analysis based on technical and economic factors. Considering that the information regarding the replacement cost of the Shekou Leased Assets was readily available, the Valuer adopted the cost method for the valuation of the Shekou Leased Assets.

In appraising the value of the Shekou 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 Shekou 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 Shekou 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 Shekou 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 Shekou Leased Assets.

For ascertaining the reasonable replacement cost and newness rate, the Valuer conducted on-site inspection to confirm the existence, quality, maintenance, usage and condition of the Shekou Leased Assets, collected and obtained information on the Shekou Leased Assets by market inquiries or referencing price information relevant to the Shekou Leased Assets. In the process of the valuation, the Valuer also analysed and selected the information including the original book value of the Shekou Leased Assets provided by the Shekou Lessee.

Based on the valuation, the total appraised replacement cost of the Shekou Leased Assets is approximately RMB446.40 million (equivalent to approximately HK$482.11 million). The aggregate replacement cost was determined by aggregating the replacement cost of each of the Shekou Leased Assets (comprising 11 sets of seaport equipment) ranging from approximately RMB22.24 million (equivalent to approximately HK$24.02 million) to approximately RMB54.52 million (equivalent to approximately HK$58.88 million). The replacement cost of each individual Shekou 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 original purchase price of the Shekou Leased Assets range from approximately RMB21.94 million to approximately RMB54.24 million, and equipment purchase fees account for approximately 98.22% to approximately 99.48%, with an average of approximately 98.45%, of the replacement cost of the respective Shekou 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 on-site inspection. The newness rates for the Shekou Leased Assets (comprising of 11 seaport equipment), evaluated by the Valuer, range from 87.85% to 92.11%, with an average of approximately 91.15%. Based on the valuation, the total appraised value of the Shekou Leased Assets is approximately RMB406.90 million (equivalent to approximately HK$439.45 million), which is calculated by multiplying the individual replacement cost of the Shekou Leased Assets by the relevant newness rate of the Shekou Leased Assets.

The Board has considered the valuation assumptions as set out in the Shekou 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 the national macroeconomic policies and the social economic environment in which the assets are located; no material change in the policies, the management system and relevant regulations in respect of the industry; and no material change in the tax policies, credit interest rates, etc. in respect of the business operation; and

(iv) the appraised entities or assets will continue to be operated and utilised as a production factor according to its current conditions or on a changed basis. The valuation emphasises that the functions and profitability of the appraised assets under their current usage and mode of use, usage environment, scale, frequency and utilisation condition will continue normally in the foreseeable future.

The Board noted that if there is any deviation from the above assumptions, the valuation results may differ and has reviewed the valuation report in respect of the Shekou Leased Assets and considered the valuation methods and assumptions adopted. The Board is of the view that the valuation method, in respect of the Shekou 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 Shekou Leased Assets is fair and reasonable.

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

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

Anhui 2024 Purchase Price

The Anhui 2024 Purchase Price of the Anhui 2024 Leased Assets was agreed between Chengtong Financial Leasing and the Anhui 2024 Lessee with reference to the appraised value of the Anhui 2024 Leased Assets as at 19 March 2024. The valuation for the appraised value of the Anhui 2024 Leased Assets was conducted by way of the cost method by the Valuer.

According to the Anhui 2024 Leased Assets Valuation Report, the Valuer's scope of work is to assess the total appraised value of the Anhui 2024 Leased Assets. Based on the valuation, the total appraised replacement cost of the Anhui 2024 Leased Assets is approximately RMB64.41 million (equivalent to approximately HK$69.56 million). The aggregate replacement cost was determined by aggregating the replacement cost of each of the Anhui 2024 Leased Assets. The replacement cost of each individual Anhui 2024 Leased Assets is composed of construction fees, construction-related expenses and capital costs. The construction fees are mainly determined by referencing the construction drawings provided by the Anhui 2024 Lessee and conducting an on-site inspection to calculate the construction and installation costs of the Anhui 2024 Leased Assets based on the relevant quotes and prices of local construction material as at the date of appraisal. The construction-related expenses included survey and design fees, bidding agency service fees, construction unit management fees, project construction supervision fees, etc. incurred by the Anhui 2024 Lessee for the construction of the Anhui 2024 Leased Assets. Capital costs refer to the interest cost incurred for the investment in the construction of the Anhui 2024 Leased Asset. The construction fees of the Anhui 2024 Leased Assets range from approximately RMB16.31 million to approximately RMB27.84 million and account for an average of approximately 97.60% of the replacement cost of the respective Anhui 2024 Leased Assets. The construction-related expenses and the capital costs only constitute an insignificant portion of the replacement cost 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 Valuer evaluated the newness rate for each of the Anhui 2024 Leased Assets (comprising three kinds of ducts and pipelines with a total length of 2,141 meters) as approximately 48.00%.

Based on the above-mentioned, the total appraised value of the Anhui 2024 Leased Assets is approximately RMB30.92 million (equivalent to approximately HK$33.39 million), which is calculated by multiplying the individual replacement cost of the Anhui 2024 Leased Assets by the relevant newness rate of the Anhui 2024 Leased Assets.

Set forth below is the valuation methodology adopted by the Valuer in assessing the value of the Anhui 2024 Leased Assets.

The cost method, being adopted by the Valuer for the valuation of the Anhui 2024 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 Anhui 2024 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 a lack of information about the comparable transaction of similar assets and (ii) the Anhui 2024 Leased Assets are not capable of generating revenue, both the market approach and the income approach were considered inappropriate methods for assessing the fair value of the Anhui 2024 Leased Assets. In accordance with the relevant procedures for the valuation of assets, the Valuer adopted the cost method.

For ascertaining the reasonable replacement cost and newness rate, the Valuer conducted on-site inspection to confirm the existence, quality, maintenance, usage and condition of the Anhui 2024 Leased Assets, collected and obtained information on the Anhui 2024 Leased Assets by referencing price information relevant to the Anhui 2024 Leased Assets. In the process of the valuation, the Valuer also analysed and selected the information including the original book value of the Anhui 2024 Leased Assets provided by the Anhui 2024 Lessee.

The Board has considered the valuation assumptions as set out in the Anhui 2024 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 the national macroeconomic policies and the social economic environment in which the assets are located; no material change in the policies, the management system and relevant regulations in respect of the industry; and no material change in the tax policies, credit interest rates, etc. in respect of the business operation; and

(iv) the appraised entities or assets will continue to be operated and utilised as a production factor according to its current conditions or on a changed basis. The valuation emphasises that the functions and profitability of the appraised assets under their current usage and mode of use, usage environment, scale, frequency and utilisation condition will continue normally in the foreseeable future.

The Board noted that if there is any deviation from the above assumptions, the valuation results may differ and has reviewed the valuation report in respect of the Anhui 2024 Leased Assets and considered the valuation methods and assumptions adopted. The Board is of the view that the valuation method, in respect of the Anhui 2024 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 Anhui 2024 Leased Assets is fair and reasonable.

The Anhui 2024 Leased Assets form part of the operational assets of the Anhui 2024 Lessee and are not revenue generating assets with identifiable income stream.

The Anhui 2024 Purchase Price was satisfied by the general working capital of the Group.

The Valuer is a qualified asset valuation firm in the PRC registered with the China Appraisal Society and filed with Beijing Municipal Finance Bureau. Ms. Hou Ying and Mr. Liu Xiaodong who are employed by the Valuer were principally involved in the preparation of the Shekou Leased Assets Valuation Report and the Anhui 2024 Leased Assets Valuation Report. Ms. Hou Ying and Mr. Liu Xiaodong 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 Shekou Lessee and the Anhui 2024 Lessee and their respective holding companies, subsidiaries and associated companies, or the value reported in the Shekou Leased Assets Valuation Report and the Anhui 2024 Leased Assets Valuation Report.

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 Sale and Leaseback Arrangements shall be paid by the relevant Lessee 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. Under the Shekou Sale and Leaseback Arrangement, it will be calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed discount over the LPR from time to time and under the Anhui 2024 Sale and Leaseback Arrangement, it will be calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over the LPR from time to time.

The lease interest rate will be subject to review on 1 January every year. In the event that the LPR changes, the lease interest rate under the Shekou Sale and Leaseback Arrangement will be adjusted to a rate at the aforesaid fixed discount to the new LPR and the lease interest rate under the Anhui 2024 Sale and Leaseback Arrangement will be adjusted to a rate at the aforesaid fixed premium over the new LPR, except in the case where the relevant Lessee has an overdue lease payment and has not paid all overdue payments and liquidated damages, the interest rate to be applied will not be adjusted when the LPR is reduced.

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 Shekou Sale and Leaseback Arrangement, the Shekou Lessee shall pay a one-off service fee of RMB27.20 million (equivalent to approximately HK$29.38 million) ("**Shekou Service Fee**") to Chengtong Financial Leasing under the Shekou Sale and Leaseback Agreements for the preliminary services provided by Chengtong Financial Leasing and under the Anhui 2024 Sale and Leaseback Arrangement, the Anhui 2024 Lessee shall pay a one-off service fee of RMB375,000 (equivalent to HK$405,000) to Chengtong Financial Leasing under the Anhui 2024 Sale and Leaseback Agreements for the preliminary services provided by Chengtong Financial leasing ("**Anhui 2024 Service Fee**", together with the Shekou Service Fee, the "**Service Fee**"). The Service Fee was received in full by Chengtong Financial Leasing as of the Latest Practicable Date.

The lease payment (including the interest rate to be determined in accordance with the applicable LPR) and the Service Fee applicable to the relevant Sale and Leaseback Arrangements have been agreed between the parties after arm's length negotiation taking into account a number of factors, such as the amount of lease principal, the lease term, the overall return rate attained by the Group taking into account the amount of lease interests and the Service Fee, the prevailing market conditions and the movement of the LPR.

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 each of the Sale and Leaseback Agreements are fair and reasonable which are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Lessee's right to repurchase the Leased Assets

Upon the relevant Lessee 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 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 the 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 Shekou Sale and Leaseback Agreements and the Anhui 2024 Sale and Leaseback Agreements are similar. The respective key terms are summarized as follows:

	Shekou Sale and Leaseback Agreements	**Anhui 2024 Sale and Leaseback Agreements**
Date of the Agreements	28 March 2024	10 April 2024
Lessee	Shekou Lessee	Anhui 2024 Lessee
Leased Assets	certain seaport equipment including jetty motorised boat bridge, stationary crane and flood control water gate system equipment	certain pipeline facilities of a thermal power plant including steam and water pipes, hot air/cold air/flue gas ducts and pulverized coal pipes
Purchase Price	RMB400 million (equivalent to HK$432 million)	RMB30 million (equivalent to HK$32.4 million)
Appraised value of the Leased Assets	RMB406.90 million (equivalent to approximately HK$439.45 million)	approximately RMB30.92 million (equivalent to approximately HK$33.39 million)
Lease Term	four (4) years	two (2) years
Interest rate	floating interest rate, which is determined at a fixed discount to the LPR from time to time	floating interest rate, which is determined at a fixed premium to the LPR from time to time

	Shekou Sale and Leaseback Agreements	Anhui 2024 Sale and Leaseback Agreements
Lease payments	approximately RMB412.34 million (equivalent to approximately HK$445.33 million), payable in eight (8) instalments, the first instalment is due in the third month after the date of the payment of the Shekou Purchase Price and the second to seventh instalments are due every six months. The final instalment is due on the maturity of the Lease Term.	approximately RMB31.52 million (equivalent to approximately HK$34.04 million), payable in eight (8) instalments quarterly during the Lease Term
Service Fee	RMB27.20 million (equivalent to approximately HK$29.38 million)	RMB375,000 (equivalent to HK$405,000)
Nominal consideration of repurchase	RMB0.80	RMB1.00
Estimated income	approximately RMB39.54 million (equivalent to approximately HK$42.70 million)	approximately RMB1.89 million (equivalent to approximately HK$2.04 million)

(B) Termination of the China Kangfu Sale and Leaseback Arrangements

China Kangfu Sale and Leaseback Arrangements

On 30 September 2022 and 3 February 2023, Chengtong Financial Leasing entered into a total of three sets of sale and leaseback agreements (that is, collectively the China Kangfu Sale and Leaseback Agreements) each for a term of two (2) years with China Kangfu Lessee pursuant to the China Kangfu Master Agreement. Details of which are set out below:

(i) pursuant to the first set of China Kangfu Sale and Leaseback Agreements dated 30 September 2022, Chengtong Financial Leasing purchased the relevant China Kangfu Leased Assets from China Kangfu Lessee at a China Kangfu Purchase Price of RMB150 million (equivalent to HK$162 million) and leased the relevant China Kangfu Leased Assets back to China Kangfu Lessee for a total lease payment of approximately RMB157.77 million (equivalent to approximately HK$170.39 million);

(ii) pursuant to the second set of China Kangfu Sale and Leaseback Agreements dated 3 February 2023, Chengtong Financial Leasing purchased the relevant China Kangfu Leased Assets from China Kangfu Lessee at a China Kangfu Purchase Price of RMB32 million (equivalent to HK$34.56 million) and leased the relevant China Kangfu Leased Assets back to China Kangfu Lessee for a total lease payment of approximately RMB33.64 million (equivalent to approximately HK$36.33 million); and

(iii) pursuant to the third set of China Kangfu Sale and Leaseback Agreements dated 3 February 2023, Chengtong Financial Leasing purchased the relevant China Kangfu Leased Assets from China Kangfu Lessee at a China Kangfu Purchase Price of RMB76 million (equivalent to approximately HK$82.08 million) and leased the relevant China Kangfu Leased Assets back to China Kangfu Lessee for a total lease payment of approximately RMB79.87 million (equivalent to approximately HK$86.26 million).

The lease payments of the China Kangfu Sale and Leaseback Arrangements were determined with reference to the China Kangfu Purchase Price and a floating interest rate to be determined at a fixed premium over the LPR from time to time.

Termination and Confirmation

Chengtong Financial Leasing and China Kangfu Lessee have agreed to early terminate the China Kangfu Sale and Leaseback Agreements with effect from 23 April 2024.

As at 15 April 2024, the sum of the outstanding lease payments from China Kangfu Lessee under the China Kangfu Sale and Leaseback Arrangements amounted to approximately RMB132.14 million (equivalent to approximately HK$142.71 million), comprising the total outstanding lease principal (being the sum of the relevant Purchase Price) of RMB129 million (equivalent to HK$139.32 million), lease interest receivable of approximately RMB1.10 million (equivalent to approximately HK$1.19 million) and unearned interest of approximately RMB2.04 million (equivalent to approximately HK$2.20 million).

On 15 April 2024, China Kangfu Lessee had paid Chengtong Financial Leasing an amount of approximately RMB130.10 million (equivalent to approximately HK$140.51 million) (the "**Final Payment**"), which represented the sum of the then outstanding lease principal and the lease interest receivables and the nominal consideration of RMB3.00 payable by China Kangfu Lessee for the repurchase of all China Kangfu Leased Assets.

On 23 April 2024, Chengtong Financial Leasing and China Kangfu Lessee signed a confirmation, pursuant to which the parties acknowledged and confirmed that (i) the Final Payment was received by Chengtong Financial Leasing in full and final settlement of all the payment obligations of China Kangfu Lessee under the China Kangfu Sale and Leaseback Arrangements; (ii) the China Kangfu Sale and Leaseback Agreements shall terminate with effect from 23 April 2024; and (iii) no party shall have any claim under the China Kangfu Sale and Leaseback Arrangements.

The Group has recognised an income in the amount of approximately RMB13.07 million (equivalent to approximately HK$14.12 million) under the China Kangfu Sale and Leaseback Arrangements.

(C) Information of the Parties

The Shekou 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 date of the Latest Practicable Date, (a) the Shekou Lessee is ultimately controlled and owned as to approximately 58.46% in aggregate by the China Merchants Group Limited, which is owned as to 90% by State-owned Assets Supervision and Administration Commission of the State Council and 10% by National Council for Social Security Fund; (b) save that CCHG indirectly held approximately 0.72% equity interests in the Shekou Lessee, each of the Shekou Lessee and its ultimate beneficial owner(s) is Independent Third Party(ies); and (c) the Shekou Lessee is principally engaged in the business of the urban, community and park investment; development and operation construction; transportation and industrial manufacturing etc.

The Anhui 2024 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 date of the Latest Practicable Date, (a) the Anhui 2024 Lessee is directly owned as to (i) 50% by Datang Anhui Power Generation Company Limited, which is wholly owned by Datang International Power Generation Co., Ltd., the A shares and H shares of which are listed on the Shanghai Stock Exchange (stock code: 601991) and the Stock Exchange (stock code: 991), respectively. Datang International Power Generation Co., Ltd is owned as to approximately 53.1% by China Datang Corporation Ltd., which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council, and (ii) 50% by Huainan Mining (Group) Co., Ltd., which is owned as to approximately 82.9% by Huaihe Energy Holding Group Co., Ltd., which is wholly owned by the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government; (b) each of the Anhui 2024 Lessee and its ultimate beneficial owners are Independent Third Parties; and (c) the Anhui 2024 Lessee is principally engaged in the business of production and supply of electricity and heat, and provision of maintenance services to third-party power stations.

The China Kangfu 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 date of the Latest Practicable Date, (a) China Kangfu Lessee is a company whose shares are quoted on the National Equities Exchanges and Quotations in the PRC (stock code: 833499) and its largest shareholder holding approximately 20.05% of its equity interest is Diantou Ronghe New Energy Development Co., Ltd., a company established in the PRC with limited liability whose single largest shareholder holding approximately 35.64% of its equity interest is ultimately owned by the State-owned Assets Supervision and Administration Commission of the State Council; (b) each of the China Kangfu Lessee and its ultimate beneficial owners are Independent Third Parties; and (c) the China Kangfu Lessee is principally engaged in the business of provision of finance lease services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Company, any connected person at the Company's level, and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transaction); and (b) any of Anhui 2024 Lessee, Shekou Lessee, China Kangfu Lessee, their directors and legal representatives and any ultimate beneficial owner(s) of Anhui 2024 Lessee, Shekou Lessee and China Kangfu Lessee who can exert influence on the transaction.

(D) Reasons and Benefits

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 Sale and Leaseback Arrangements

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 RMB41.43 million (equivalent to approximately HK$44.74 million), being the total of (i) the Service Fee and (ii) the difference between the estimated amount of total lease payment under the Sale and Leaseback Arrangements and the Purchase Price of the Leased Assets.

Taking into account the Service Fee received by the Group upfront, in respect of the Shekou Sale and Leaseback Arrangement, is relatively substantial and the possible benefits that may be derived therefrom, 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.

The Termination of the China Kangfu Sale and Leaseback Arrangements

In view of the early termination of the three individual underlying projects of China Kangfu (derived from the China Kangfu Sale and Leaseback Arrangements) and subsequent change in funding arrangements of China Kangfu Lessee, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to recover the outstanding lease principal as soon as possible so that the fund can be utilised by the Group in other potential projects. In light of the above, the Directors are of the view that the terms of the termination of the China Kangfu Sale and Leaseback Arrangements are fair and reasonable.

(E) Implications under the Listing Rules

Shekou Sale and Leaseback Arrangement

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Shekou Sale and Leaseback Arrangement exceeds 25% but is less than 100%, the Shekou 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.

Anhui 2024 Sale and Leaseback Arrangement

On 5 December 2022 and 18 December 2023, Chengtong Financial Leasing entered into the Previous Datang Transaction and the Previous Anhui Transaction (that is, collectively the Previous Transactions) with the Previous Lessee and the Anhui 2024 Lessee, respectively. Since (i) the Previous Transactions are still subsisting when the Anhui 2024 Sale and Leaseback Arrangement is entered into, (ii) the Anhui 2024 Sale and Leaseback Arrangement is entered into within 12 months from the completion date of the Previous Anhui Transaction, and (iii) the Previous Lessee and the Anhui 2024 Lessee, both being companies owned as to 50% by the subsidiaries of China Datang Corporation Ltd., are companies connected with one another, the Anhui 2024 Sale and Leaseback Arrangement is aggregated with the Previous 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 Anhui 2024 Sale and Leaseback Arrangement exceeds 5% but less than 25% on standalone basis, but exceeds 25% but is less than 100% when aggregated with the Previous Transactions, the Anhui 2024 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.

China Kangfu Sale and Leaseback Arrangements

Since the China Kangfu Sale and Leaseback Agreements were entered into between the same parties and are terminated by the same parties on the same day, being 23 April 2024, the termination of the China Kangfu Sale and Leaseback Arrangements are aggregated 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 termination of the China Kangfu Sale and Leaseback Arrangements exceeds 25% but less than 100% on an aggregated basis, the termination of the China Kangfu Sale and Leaseback Arrangements constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of his/her/its close associate(s) (as defined in the Listing Rules) has a material interest in the Sale and Leaseback Arrangements and the termination of the China Kangfu 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 and the termination of the China Kangfu 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 and the termination of the China Kangfu 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 and the termination of the China Kangfu Sale and Leaseback Arrangements.

3. RECOMMENDATION

The Directors are of the view that the terms of the Sale and Leaseback Agreements and the termination of the China Kangfu Sale and Leaseback Arrangements are normal commercial terms and are fair and reasonable. The Directors also consider that the entering into of the Sale and Leaseback Arrangements and the termination of the China Kangfu Sale and Leaseback Arrangements are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were to be convened for the approval of the Sale and Leaseback Arrangements and the termination of the China Kangfu 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 and 31 December 2023 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); and

(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).

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 March 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$3,307.46 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$500 million; (iii) secured and guaranteed asset-backed securities of approximately HK$2,315.94 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$162.00 million; (v) unsecured and unguaranteed other loan of approximately HK$0.60 million; and (vi) lease liabilities of approximately HK$6.30 million.

As at the close of business on 31 March 2024, the Group had contingent liabilities in relation to guarantees of approximately HK$225.41 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 March 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 Arrangement, the internally generated funds, existing facilities available to the Group and financial resources presently available to the Group, the Group will have sufficient working capital to satisfy its requirements for at least twelve (12) months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in leasing, property development and investment, marine recreation services and hotel business as of the Latest Practicable Date.

In respect of leasing, the Group and Chengtong Financial Leasing will on the premise of strict risk control, achieve stable operation on the basis of the existing business scale and continue to strengthen its self-financing capability. In terms of business expansion, the Group will continue to intensify its efforts to gradually form a professional and distinctive development path on the back of existing specific advantageous industries. In respect of business management, the Group will actively respond to changes in regulatory policies, strive to improve business compliance standards, and promote risk prevention and control as well as transformation in all aspects.

In respect of property development and investment, the Group will continue to intensify its efforts and speed up the sale of the remaining property units in section 3 of Phase III of the CCT-Champs-Elysees project. Regarding marine recreation services and hotel business, the Group will actively seize the opportunity from the recovering tourism market in Hainan Province to improve the efficiency level while actively exploring and promoting 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 31 December 2023, the audited consolidated total assets of the Group amounted to approximately HK$10,570.20 million and the audited consolidated total liabilities of the Group amounted to approximately HK$7,710.09 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 and the termination of the China Kangfu 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 receivable of the Group which will offset the decrease in the amount of bank balances and cash as a result of the payment of the Purchase Price by Chengtong Financial Leasing. In respect of the termination of the China Kangfu Sale and Leaseback Arrangements, the increase in the amount of bank balances and cash as a result of the payment of Final Payment will be offset by the decrease in loan receivables of the Group under the China Kangfu Sale and Leaseback Arrangements.

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 and the termination of the China Kangfu 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	Approximate percentage of the issued share capital as at the Latest Practicable Date
Mr. Zhang Bin	The Company	Beneficial owner	314,642	0.01%

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

Long position

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
CCHK	Beneficial owner *(Note)*	3,169,656,217	53.14%
CCHG	Interest in controlled corporation *(Note)*	3,169,656,217	53.14%

Note: The entire issued share capital of CCHK is beneficially owned by CCHG. Under the SFO, CCHG is deemed to be interested in all the shares held by CCHK.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person, other than the Directors and chief executive of the Company, who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, Mr. Zhang Bin, an executive Director and the Chairman of the Board, was the chairman of CCHK and Mr. Gu Honglin, an executive Director, was the chief accountant of CCHK. Mr. Zhang Bin and Mr. Gu Honglin were members of the executive committee of CCHK as at the Latest Practicable Date. Save as disclosed herein, no Director was a director or an employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. MATERIAL CONTRACT

Hainan Huandao Travel Investment Group Co., Ltd. ("**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 entrustee (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 following documents 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:

(a) the Sale and Leaseback Agreements; and

(b) the written notice and confirmation receipt in relation to the termination of the China Kangfu Sale and Leaseback Agreements.