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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 TRANSACTION —**  
**FINANCE LEASE ARRANGEMENT**

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A letter from the board of directors of the Company is set out from pages 5 to 12 of this circular.

25 August 2021

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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:*

“2020 Finance Lease Agreements”	means, collectively, the following agreements each dated 30 October 2020 and signed between Chengtong Financial Leasing and the Previous Lessee in relation to the Previous Transaction:  (1) two sets of leaseback assets transfer agreement;  (2) two sets of finance lease agreement; and  (3) two sets of security money agreement
“Board”	means the board of Directors
“CCHG”	means 中國誠通控股集團有限公司 (unofficial English translation being China Chengtong Holdings Group Limited), a state-owned company incorporated in the PRC with limited liability, being the ultimate holding company of the Company
“CCHK”	means China Chengtong Hong Kong Company Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of CCHG
“Chengtong Financial Leasing”	means 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	means novel coronavirus disease 2019
“Director(s)”	means the director(s) of the Company
“Facilities I”	means certain cold storage refrigeration equipment and ancillary facilities
“Facilities II”	means certain structures and facilities of a food procurement centre and cold storage refrigeration equipment

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## DEFINITIONS

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“Finance Lease Agreement I”	means, collectively, the following agreements each dated 19 July 2021 and signed between Chengtong Financial Leasing and the Lessee in relation to the sale and leaseback of Facilities I:  (1) leaseback assets transfer agreement;  (2) finance lease agreement; and  (3) security money agreement
“Finance Lease Agreement II”	means, collectively, the following agreements each dated 19 July 2021 and signed between Chengtong Financial Leasing and the Lessee in relation to the sale and leaseback of Facilities II:  (1) leaseback assets transfer agreement;  (2) finance lease agreement; and  (3) security money agreement
“Finance Lease Agreements”	means, collectively, Finance Lease Agreement I and Finance Lease Agreement II
“Finance Lease Arrangement”	means the purchase of the Leased Assets by Chengtong Financial Leasing from the Lessee and the leaseback of the Leased Assets to the Lessee pursuant to the terms of the Finance Lease Agreements
“Group”	means the Company and its subsidiaries as at the Latest Practicable Date
“Guarantor”	means 蘭州市城市發展投資有限公司 (unofficial English translation being Lanzhou Urban Development Investment Co. Ltd.), a company established in the PRC with limited liability
“HK\$”	means Hong Kong dollars, 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
“Lanzhou Construction Investment”	means 蘭州建設投資(控股)集團有限公司 (unofficial English translation being Lanzhou Construction Investment (Holdings) Group Co. Ltd.)
“Lanzhou SASAC”	means 蘭州市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Lanzhou Municipal Government)

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## DEFINITIONS

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“Latest Practicable Date”	means 19 August 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Leased Assets”	means, collectively, Facilities I and Facilities II
“Lessee”	means 蘭州國際高原夏菜副食品採購中心有限公司 (unofficial English translation being Lanzhou International Gao Yuan Xia Cai Sideline Food Procurement Centre Co., Ltd.), a company established in the PRC with limited liability
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“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 Lessee”	means 蘭州建投環保節能產業有限公司 (unofficial English translation being Lanzhou Construction Investment Environmental Conservation Industry Co., Ltd.), a company established in the PRC with limited liability
“Previous Transaction”	means the purchase of certain sewage treatment equipment and structures by Chengtong Financial Leasing from the Previous Lessee and the leaseback of such facilities to the Previous Lessee pursuant to the terms of the 2020 Finance Lease Agreements, the details of which are set out in the announcement of the Company dated 30 October 2020
“Purchase Price”	means the respective consideration payable by Chengtong Financial Leasing for the purchase of the Facilities I and Facilities II from the Lessee
“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	means the ordinary share(s) of the Company
“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“US\$”	means the United States Dollars, the lawful currency of the United States of America

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## DEFINITIONS

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“World Gain” means World Gain Holdings Limited, the controlling shareholder of the Company

“%” means per cent.

*In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.20. 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.*



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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 217)**

*Executive Directors:*

Zhang Bin (*Chairman*)  
Yang Tianzhou (*Managing Director*)  
Wang Tianlin  
Li Shufang

*Registered office and principal place of  
business in Hong Kong:*

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

*Independent non-executive Directors:*

Chang Qing  
Lee Man Chun, Tony  
He Jia

25 August 2021

*To the Shareholders*

Dear Sir or Madam

**MAJOR TRANSACTION —  
FINANCE LEASE ARRANGEMENT**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 19 July 2021 in relation to the Finance Lease Arrangement. On 19 July 2021, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreements with the Lessee, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the Lessee and will lease the Leased Assets back to the Lessee for a term of five (5) years.

The purpose of this circular is to provide you with (i) details of the Finance Lease Agreements and the Finance Lease Arrangement; and (ii) other information required to be disclosed under the Listing Rules.

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## LETTER FROM THE BOARD

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### FINANCE LEASE ARRANGEMENT

#### Date of the Finance Lease Agreements

19 July 2021

#### Parties

Lessor: Chengtong Financial Leasing

Lessee: The Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the immediate shareholder controlling more than one-third of the equity interest of the Lessee is 蘭州國資投資(控股)建設集團有限公司 (unofficial English translation being Lanzhou State-owned Investment (Holdings) Construction Group Co. Ltd.), which is in turn owned as to 80% by Lanzhou Construction Investment. Lanzhou Construction Investment is ultimately owned by Lanzhou SASAC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessee and its ultimate beneficial owners are Independent Third Parties, and the Lessee is principally engaged in the business of operation and management of procurement centre for the wholesale of agricultural and sideline products.

#### Subject matter

Subject to the fulfilment of the conditions as set out in each of the Finance Lease Agreement I and Finance Lease Agreement II (including but not limited to the obtaining of the relevant Shareholder's approval by the Company approving each of the Finance Lease Agreement I and Finance Lease Agreement II and the Finance Lease Arrangement contemplated thereunder in accordance with the requirements of the Listing Rules, the obtaining of all necessary approvals by the Lessee in relation to the Finance Lease Arrangement, the signing and the coming into effect of the relevant guarantee agreements and the payment of the security money (as set out below) by the Lessee), Chengtong Financial Leasing will purchase Facilities I and Facilities II from the Lessee at the Purchase Price of RMB100 million (equivalent to HK\$120 million) and RMB200 million (equivalent to HK\$240 million) respectively, and Facilities I and Facilities II will be leased back to the Lessee for a period of five (5) years from the date on which the respective Purchase Price is paid by Chengtong Financial Leasing ("**Lease Term**").

If any of the conditions under the Finance Lease Agreement I and Finance Lease Agreement II are not satisfied on or before 19 September 2021, Chengtong Financial Leasing shall have the right to unilaterally terminate the Finance Lease Agreement I and/or the Finance Lease Agreement II (as the case may be).



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## LETTER FROM THE BOARD

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### **Purchase Price**

The respective Purchase Price of Facilities I and Facilities II was agreed between Chengtong Financial Leasing and the Lessee with reference to the respective appraised value of the Facilities I and Facilities II as at 28 June 2021 which amounted to approximately RMB101.90 million (equivalent to approximately HK\$122.28 million) and approximately RMB211.16 million (equivalent to approximately HK\$253.39 million) respectively.

The respective valuation on Facilities I and Facilities II was conducted by way of cost method with the following principal assumptions:

#### **(a) General assumptions**

##### *(i) Transaction assumption*

Under transaction assumption, it is assumed that all assets to be appraised are in the process of transactions in the market and the valuer conducts the valuation according to the transaction terms of the assets to be appraised based on a simulated market. Transaction assumption is the most basic assumption in assets valuation.

##### *(ii) Open market assumption*

Open market assumption assumes that the parties to the transaction are of equal status, with sufficient time and opportunities to obtain market information so as to make reasonable judgments on the function, usage and transaction price of the assets. Open market assumption is made on the basis that the assets can be transacted in an open market.

##### *(iii) Continuous use assumption*

Continuous use assumption assumes that the assets to be appraised are in use and will be used continuously according to their current usage and current method of usage under the same scale, frequency and environment, or in cases of change, the valuation method, parameters and basis will be determined accordingly.

#### **(b) Special Assumptions**

- (i) The valuer has conducted general investigation on the description of the laws or the legal matters relating to the appraised assets (including ownership and encumbrances) in compliance with the relevant regulations. Save as disclosed in the working report, during the course of valuation, it has been assumed that the ownership of the appraised assets is of good standing, and the appraised assets can be transacted in the market and are not restricted by any encumbrances such as retention right.

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## LETTER FROM THE BOARD

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- (ii) On the basis of careful analysis, the information provided by the instructing client, asset owner and other parties, on which the conclusion of the valuation was solely or partly based, is assumed to be reliable and appropriate.
- (iii) All licence(s), permit(s), consent(s) or other legal or administrative authorisation documents in relation to the usage of the appraised assets are valid as at the valuation reference date and it is assumed that the aforesaid licence(s) or permit(s) can be renewed upon its respective expiry date.
- (iv) Save for those as disclosed in the valuation report, it is assumed that the corporation has fully complied with the relevant current national and local laws and regulations.
- (v) It is assumed that the corporation has carried out its obligations as the owner of the assets and has performed effective management over the assets.
- (vi) The valuation is made based on the purchasing power of the domestic currency in the PRC as at 28 June 2021.
- (vii) There being no material change in the existing laws, regulations and policies of the PRC and there will not be any adverse impact on the macroeconomic condition of the PRC.
- (viii) There is no material change in the political, economic and social environment of the respective regions in which the parties to the transaction are located.
- (ix) There is no other unforeseeable factors or force majeure that may cause any material adverse impact.

Having considered the valuation method and the above assumptions, the Directors are of the view that the respective appraised value of Facilities I and Facilities II are fair and reasonable.

The Purchase Price will be satisfied by the internal resources of the Group and/or borrowings.

### **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 in respect of Facilities I and Facilities II over the Lease Term is estimated to be approximately RMB114.50 million (equivalent to approximately HK\$137.40 million) and approximately RMB229.01 million (equivalent to approximately HK\$274.81 million) respectively, which shall be paid by the Lessee to Chengtong Financial Leasing in twenty (20) quarterly instalments during the Lease Term.

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## LETTER FROM THE BOARD

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The total amount of lease payment represents the sum of the relevant lease principal amount (being the respective amount of Purchase Price to be paid by Chengtong Financial Leasing pursuant to Financial Lease Agreement I and Finance Lease Agreement II) and the lease interest which is calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over the five-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China ("5-Year LPR") from time to time. As at the Latest Practicable Date, the 5-Year LPR was 4.65% per annum. In the event that the 5-Year LPR changes during the Lease Term, the lease interest rate will be adjusted to a rate at the aforesaid fixed premium over the new 5-Year LPR on an annual basis on 1 January every year. However, in case where the Lessee has overdue lease payment and has not paid all overdue payments and liquidated damages, the interest rate applied will be adjusted upward as aforementioned when the 5-Year LPR is increased but it will remain unchanged without being adjusted downward when the 5-Year LPR is reduced.

The interest rate has been agreed after arm's length negotiations between the parties with reference to the Purchase Price payable by Chengtong Financial Leasing for the purchase of the Leased Assets and the credit risks associated with the Finance Lease Arrangement.

### **Lessee's right to repurchase the Leased Assets**

Upon the Lessee having paid all the respective lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Finance Lease Agreement I and Finance Lease Agreement II, the Lessee shall have the right to repurchase Facilities I and Facilities II at a nominal consideration of RMB1.00 respectively.

### **Security money**

The Lessee agrees to pay RMB5 million (equivalent to HK\$6 million) and RMB10 million (equivalent to HK\$12 million) as security money for the performance of its obligations under the Finance Lease Agreement I and Finance Lease Agreement II respectively.

If the Lessee fails to fully perform any obligation under any of the Finance Lease Agreements, Chengtong Financial Leasing has the right to apply the respective security money to set off against any amount owed by the Lessee to it in the following order: liquidated damages, other payables including but not limited to damages (if any), outstanding and prospective lease payments and repurchase price. If the security money is not sufficient to pay up the amount owed by the Lessee to Chengtong Financial Leasing and if the default of the Lessee constitutes an event of default as specified in the Finance Lease Agreements, Chengtong Financial Leasing is entitled to terminate the Finance Lease Agreements, gain possession of the Leased Assets and hold the Lessee liable for its economic loss. Without prejudice to any of the rights and privilege of Chengtong Financial Leasing against the Lessee, Chengtong Financial Leasing is also entitled to enforce the guarantee provided by the Guarantor for all amounts payable by the Lessee under the Finance Lease Agreements.

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## LETTER FROM THE BOARD

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If the Lessee has fully performed all its obligations under the respective Finance Lease Agreements, Chengtong Financial Leasing shall return the respective security money to the Lessee upon the expiry of the Lease Term and the Lessee's presentation of the receipt(s) of the security money.

When the respective amount payable by the Lessee under the Finance Lease Agreement I and the Finance Lease Agreement II is less than the respective balance of the security money, the Finance Lease Agreement I and/or Finance Lease Agreement II (as the case may be) may be early terminated upon the Lessee's application. The Lessee shall then present the receipt(s) of the security money to Chengtong Financial Leasing upon which the security money shall be used to set off the lease payments and other payables under the Finance Lease Agreement I and/or Finance Lease Agreement II (as the case may be) and any remaining balance of the security money shall be returned to the Lessee.

### **Guarantee**

The Guarantor will provide a guarantee in favour of Chengtong Financial Leasing for all amounts payable by the Lessee under each of the Finance Lease Agreement I and the Finance Lease Agreement II, including but not limited to liquidated damages, outstanding and prospective lease payment, repurchase price and other payables. The guarantee is irrevocable and continuing in nature.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Guarantor is owned as to 97% by Lanzhou Construction Investment, which is in turn ultimately owned by Lanzhou SASAC; (ii) the Guarantor and its ultimate beneficial owners are Independent Third Parties; and (iii) the Guarantor is principally engaged in the construction of urban infrastructure and the provision of public utilities in the PRC.

### **REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT**

The Group is principally engaged in leasing, bulk commodity trade, property development and investment, marine recreation services and hotel business. The Group's leasing business is mainly carried out through Chengtong Financial Leasing as its principal business.

The entering into of the Finance Lease Arrangement is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn an aggregate amount of income of approximately RMB43.51 million (equivalent to approximately HK\$52.21 million), being the difference between the estimated total lease payment under the Finance Lease Arrangement and the aggregate Purchase Price to be paid by Chengtong Financial Leasing for the Leased Assets.

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

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## LETTER FROM THE BOARD

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### IMPLICATION UNDER THE LISTING RULES

On 30 October 2020, Chengtong Financial Leasing entered into the Previous Transaction with the Previous Lessee. The Previous Lessee is wholly-owned by Lanzhou Construction Investment, which is in turn ultimately owned by Lanzhou SASAC. Since the Finance Lease Arrangement is entered into within 12 months from the date of the Previous Transaction and each of the Lessee and the Previous Lessee is controlled by a common beneficial owner, namely Lanzhou Construction Investment, the Finance Lease Arrangement is aggregated with the Previous Transaction for the purpose of calculating the relevant percentage ratios (as defined under the Listing Rules).

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement, both when calculated individually and when aggregated with the Previous Transaction, exceeds 25% but is less than 100%, the Finance Lease 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.

Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Finance Lease Arrangement, written Shareholder's 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 Finance Lease Arrangement from World Gain, which is a controlling shareholder of the Company then holding 3,022,154,119 issued Shares, representing approximately 52.03% of the then issued share capital of the Company as at the date of the written Shareholder's approval. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Finance Lease Arrangement.

### RECOMMENDATION

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

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**LETTER FROM THE BOARD**

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**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 2018, 31 December 2019 and 31 December 2020 have been set out in the following documents respectively:

- (a) the annual report of the Company for the year ended 31 December 2018 from pages 90 to 224 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0315/ltn20190315438.pdf>);
- (b) the annual report of the Company for the year ended 31 December 2019 from pages 102 to 212 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0316/2020031600964.pdf>); and
- (c) the annual report of the Company for the year ended 31 December 2020 from pages 72 to 180 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0318/2021031800684.pdf>).

## 2. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 June 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had (i) short-term bank borrowings of approximately HK\$158,675,000 which are secured by charges over loans receivable of the Group and guaranteed by the Company; (ii) short-term bank borrowings of approximately HK\$460,505,000 which are unsecured; (iii) other loan of HK\$600,000 which are unsecured; (iv) loan from a related party of approximately HK\$23,585,000 which are unsecured; (v) asset-backed securities of approximately HK\$1,486,940,000 which are collateralised by the loans receivable and trade receivables of the Group, of which approximately HK\$929,146,000 were guaranteed by CCHG; and (vi) lease liabilities of approximately HK\$4,460,000.

As at 30 June 2021, the Group had contingent liabilities in relation to guarantees of approximately HK\$209,398,000 given to banks in respect of mortgage loans granted to purchasers of certain property units. These are corporate guarantees provided by the Group in relation to the property development project of the Group in the PRC, namely the “CCT-Champs-Elysees” project in Zhucheng City, Shandong Province. Pursuant to the terms of the guarantees, upon default in mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties.

Save as disclosed above, apart from intra-group liabilities, as at the close of business on 30 June 2021, the Group did not have any other borrowings, mortgages, charges, debentures or debt securities issued and outstanding, or authorised or otherwise created but unissued, or other indebtedness, liabilities under acceptances or acceptance credits or hire purchase commitments, contingent liabilities or guarantees.

### 3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the Group's internal resources and the available credit facilities, the working capital available to the Group is sufficient for the Group's requirements for at least the next 12 months from the date of this circular.

The Company has obtained a letter of confirmation from its auditors as required under Rule 14.66(12) of the Listing Rules in respect of the above statement as to the sufficiency of working capital of the Group.

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

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

In respect of leasing, the Group will continue to consolidate its existing resources to rapidly expand its finance leasing business. The Group completed the increase in the registered capital of Chengtong Financial Leasing from US\$40 million to RMB2 billion in early June this year, which enhanced its capital strength. As at the end of June, the Group completed a total of 14 new leasing projects, which led to a significant increase of approximately 70% in the finance lease receivables and loans receivable balance in respect of leasing from approximately RMB2,072.70 million as at 31 December 2020 to approximately RMB3,522.38 million as at 30 June 2021. In the first half of this year, the Group completed the issuance of its first asset-backed securitisation product ("ABS"), with a total size of approximately HK\$1.8 billion. The expected coupon rates of the priority tranche of the ABS range from 3.8% to 4.3% per annum. This has further broadened the Group's financing channels and provided new funding channels for the sustainable development of the leasing business of the Group in the future. In the second half of the year, the Group will continue to accelerate the development of the leasing business and leased asset management business on the basis of stringent risk control and enhanced operation in compliance with laws and regulations. In the future, the Group will focus on developing leasing projects of large-scale and/or new infrastructure and large-scale logistics to further expand the scale of the Group's finance leasing business and exert its market influence. At the same time, it will strengthen cooperation with domestic and foreign banks as well as other financial institutions and strive to complete the issuance of the second phase of ABS within this year.

With respect to bulk commodity trade, the Group will continue to focus on the bulk commodity sectors such as iron, steel and chemicals, identify and select large and reputable customers to develop sales marketplace and enhance its ability to cope with risks.

In relation to property development and investment, the Group will speed up the construction and sales progress of the final phase of the CCT-Champs-Elysees project as planned with a view to exiting the property development business after completion of the project.



In respect of marine recreation services and hotel, since the introduction of the Hainan Free Trade Port plan at the beginning of the year, domestic tourism enterprises have entered Hainan Province in succession to seek for development, which has led to fierce competition in the tourism and hotel business. The Group will strive to reduce costs and continuously expand its sales channels, striving to turn loss into profit for this business.

## **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 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## **6. EFFECTS OF THE FINANCE LEASE ARRANGEMENT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP**

As at 30 June 2021, the unaudited consolidated total assets of the Group amounted to approximately HK\$5,802.71 million and the unaudited consolidated total liabilities of the Group amounted to approximately HK\$2,797.62 million. Under the Finance Lease Arrangement, the purchase of the Leased Assets from the Lessee by Chengtong Financial Leasing will decrease the amount of bank balances and cash of the Group by HK\$360 million on one hand, while the leaseback of the Leased Assets to the Lessee by Chengtong Financial Leasing will increase the amount of loans receivable of the Group by HK\$360 million on the other hand. The receipt of the security money will increase both the total assets and total liabilities of the Group by HK\$18 million. In light of the aforesaid, there is no combined effect on the net asset value of the Group immediately upon the entering into of the Finance Lease Arrangement.

As regards earnings of the Group as a result of the Finance Lease Arrangement, based on preliminary assessment, it is expected that the Group will record a gain of approximately RMB43.51 million (equivalent to approximately HK\$52.21 million), being the difference between the estimated total lease payment under the Finance Lease Arrangement and the aggregate Purchase Price to be paid by Chengtong Financial Leasing for the Leased Assets. The final financial impact on the Group as a result of the Finance Lease Arrangement will be subject to the final audit to be performed by the auditors of the Company.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Interests of Directors and chief executive of the Company

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

#### *Long position*

Name of Director	Interests in the Company or its associated corporation	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital as at the Latest Practicable Date
Mr. Zhang Bin	The Company	Beneficial owner	314,642	0.005%
Mr. Wang Tianlin	The Company	Beneficial owner	419,522	0.007%
Mr. Li Shufang	The Company	Beneficial owner	209,761	0.004%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

**(ii) Interests of substantial Shareholders**

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

***Long position***

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
World Gain	Beneficial owner ( <i>Note 1</i> )	3,169,656,217	53.14%
CCHK	Interest in controlled corporation ( <i>Note 1</i> )	3,169,656,217	53.14%
CCHG	Interest in controlled corporation ( <i>Note 1</i> )	3,169,656,217	53.14%

*Note:*

1. The entire issued share capital of World Gain is beneficially owned by CCHK, which is in turn wholly-owned by CCHG. Both CCHK and CCHG are deemed to be interested in all the Shares held by World Gain under the SFO.

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 a Director or chief executive of the Company, who had any 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, Mr. Zhang Bin was the chairman of CCHK and a director of World Gain and each of Mr. Yang Tianzhou and Mr. Wang Tianlin was a deputy general manager of CCHK. 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 CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and are, or may be, material:

- (a) the investment agreement dated 25 October 2019 entered into among World Asia Properties Limited (currently known as Chengtong World Trade Limited) (“**World Asia**”) (an indirect non-wholly owned subsidiary of the Company), Chengtong International Limited (an indirect non-wholly owned subsidiary of CCHG) and Galactic Investment Limited (a wholly-owned subsidiary of the Company) in relation to (i) the transfer of 49 ordinary shares of World Asia by Galactic Investment Limited to Chengtong International Limited at a cash consideration of HK\$49; (ii) the subscription of 5,099,949 new shares of World Asia by Galactic Investment Limited at an aggregate subscription price of HK\$5,099,949; and (iii) the subscription of 4,899,951 new shares of World Asia by Chengtong International Limited at an aggregate subscription price of HK\$4,899,951, details of which are set out in the announcement of the Company dated 25 October 2019;
- (b) the equity transfer agreement dated 12 November 2019 entered into between 誠通發展貿易有限公司 (unofficial English translation being Chengtong Development Trading Co., Limited), a wholly-owned subsidiary of the Company, as vendor and 中國誠通國際貿易有限公司 (unofficial English translation being China Chengtong International Co. Ltd.), a non-wholly owned subsidiary of CCHG, as purchaser in relation to the transfer of 41% of the equity interest of 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited) at a consideration of approximately RMB24.66 million, details of which are set out in the announcement of the Company dated 12 November 2019 and the circular of the Company dated 6 December 2019;
- (c) the equity transfer agreement dated 5 May 2020 entered into between the Company as vendor and CCHK as purchaser in relation to the transfer of the entire issued share capital of Chengtong Investment Group Limited, a then wholly-owned subsidiary of the Company, at a consideration of approximately RMB241.19 million, details of which are set out in the announcement of the Company dated 5 May 2020 and the circular of the Company dated 10 June 2020;
- (d) the loan agreement dated 3 September 2020 entered into between 海南寰島酒店旅游投資有限公司 (unofficial English translation being Hainan Huandao Hotel and Travel Investment Co., Limited) (“**Huandao Hotel Investment**”), a wholly-owned subsidiary of the Company, as lender and 中國寰島集團有限公司 (unofficial English translation being China Huandao Group Limited), a wholly-owned subsidiary of CCHG, as borrower in relation to the provision of a loan in the principal amount of RMB30 million for a term of one year at an interest rate of 6% per annum, details of which are set out in the announcement of the Company dated 3 September 2020; and

- (e) the loan agreement dated 9 February 2021 entered into between Huandao Hotel Investment as lender and 海南寰島實業發展有限公司 (unofficial English Translation being Hainan Huandao Industrial Development Limited), an indirect wholly-owned subsidiary of the CCHG, as borrower in relation to the provision of a loan in the principal amount of RMB10 million for a term of 18 months at an interest rate of 6% per annum, details of which are set out in the announcement of the Company dated 9 February 2021.

#### **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**

So far as was known to the Directors, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

#### **6. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors nor any of their respective close associates 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 2020, 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, 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 AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m., Monday to Friday (except public holidays) at the principal place of business of the Company from the date of this circular up to and including 8 September 2021:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for each of the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- (c) the material contracts referred to in the section headed “Material contracts” in this appendix; and
- (d) this circular.