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, stockbroker 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)

(1) MAJOR TRANSACTIONS – ACQUISITIONS OF THE FACILITIES AND THE OPERATING LEASE ARRANGEMENTS; (2) VERY SUBSTANTIAL ACQUISITION – THE SALE AND LEASEBACK ARRANGEMENTS; AND (3) NOTICE OF GENERAL MEETING

A letter from the Board is set out from pages 9 to 25 of this circular.

A notice convening the GM to be held at Conference Room of Suite 6406, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 7 March 2023 at 3:00 p.m. is set out on pages GM-1 to GM-4 of this circular. A form of proxy for use at the GM is also enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/chengtong) respectively.

Whether or not you are able to attend the GM in person, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same by 3:00 p.m. on Saturday, 4 March 2023 or not later than 48 hours before the time appointed for holding any adjournment or postponement of the GM to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjournment or postponement thereof should you so wish.

16 February 2023

CONTENTS

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

"Automated Fracturing Systems"	means certain automated fracturing systems for shale gas extraction, including but not limited to fracturing pumps, frequency conversion drive units and ancillary facilities purchased by the Group under the Purchase Contracts III and each the "Automated Fracturing System"
"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
"Chenghang Hangzhou"	means 誠杭(杭州)租賃有限公司 (unofficial English translation being Chenghang Hangzhou Leasing Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"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
"Chengxin & China Metallurgical Agreements"	means, collectively, two (2) sets of the following agreements in respect of two (2) batches of leased assets, all dated 11 January 2023 and signed between Chengtong Financial Leasing and the Chengxin & China Metallurgical Co-Lessees: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
"Chengxin & China Metallurgical Arrangement"	means the sale and leaseback arrangement under the Chengxin & China Metallurgical Agreements
"Chengxin & China Metallurgical Co-Lessees"	means, collectively, Zibo Chengxin and China Metallurgical acting as co-lessees of the Chengxin & China Metallurgical Arrangement

"China MCC5"	means 中國五冶集團有限公司 (China MCC5 Group Corp. Ltd.), a company established in the PRC with limited liability and a subsidiary of China Minmetals
"China Metallurgical"	means 中冶建工集團有限公司 (unofficial English translation being China Metallurgical Construction Engineering Group Co., Ltd.), a company established in the PRC with limited liability and a subsidiary of China Minmetals
"China Minmetals"	means 中國五礦集團有限公司 (China Minmetals Corporation), a state-owned enterprise established in the PRC with limited liability which is wholly-owned by the SASAC of the State Council
"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
"COVID-19"	means the novel coronavirus disease 2019
"Director(s)"	means the director(s) of the Company
"Drilling and Top Drive Machine"	means one (1) set of drilling machine and eleven (11) sets of top drive machine for shale gas extraction purchased by the Group under the Purchase Contract I
"Facilities"	means, collectively, the Drilling and Top Drive Machine, the Top Drive Machine and/or the Automated Fracturing Systems (as the case may be) purchased by the Group under the Purchase Contracts
"First Metallurgical & Guoye Co-Lessees"	means, collectively, 中國一冶集團有限公司 (China First Metallurgical Group Co., Ltd.) and 濮陽國冶城發建設有限公司 (unofficial English translation being Puyang Guoye Urban Development and Construction Co., Ltd.) acting as co-lessees
"Fuyang Shenrong"	means 杭州富陽申蓉建設發展有限公司 (unofficial English translation being Hangzhou Fuyang Shenrong Construction Development Co., Ltd.), a company established in the PRC with limited liability

"GM"	the general meeting of the Company convened to be held at 3:00 p.m. on Tuesday, 7 March 2023 at Conference Room of Suite 6406, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the purposes of, among other matters, considering and, if thought fit, approving the Sale and Leaseback Agreements and the Sale and Leaseback Arrangements contemplated thereunder, the notice of which is set out on pages GM-1 to GM-4 of this circular
"Group"	means the Company and its subsidiaries as at the Latest Practicable Date
"Group A Lessee(s)"	means Honghua Financial and/or Honghua Electric (as the case may be)
"Group A Purchase Price"	means the consideration paid by Chenghang Hangzhou and/or Chengtong Financial Leasing (as the case may be) for the purchase of the Facilities from the relevant Vendor
"Group B Lessees"	means, collectively, the Chengxin & China Metallurgical Co-Lessees, the Shenrong & China MCC5 Co-Lessees and/or the Zhaoqing High Tech & China MCC5 Co-Lessees (as the case may be)
"Group B Purchase Price"	means the consideration payable by Chengtong Financial Leasing for the purchase of the Leased Assets from the relevant Group B Lessees
"HK$" or "HKD"	means Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC
"Honghua Electric"	means 四川宏華電氣有限責任公司 (unofficial English translation being Sichuan Honghua Electric Co., Ltd.), a company incorporated in the PRC with limited liability
"Honghua Financial"	means 宏華融資租賃(深圳)有限公司 (unofficial English translation being Honghua Financial Leasing (Shenzhen) Co., Ltd.), a company incorporated in the PRC with limited liability
"Honghua Group"	means Honghua Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 196)

"Honghua Petroleum"	means 四川宏華石油設備有限公司 (unofficial English translation being Sichuan Honghua Petroleum Equipment Co., Ltd.), a company incorporated in the PRC with limited liability
"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 10 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Leased Assets"	means the leased assets under the Chengxin & China Metallurgical Arrangement, the Shenrong & China MCC5 Arrangement and/or the Zhaoqing High Tech & China MCC5 Arrangement (as the case may be)
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"LPR"	means the loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China
"Metallurgical Corporation"	means 中國冶金科工股份有限公司 (Metallurgical Corporation of China Ltd.), whose shares are listed on the Main Board of the Stock Exchange (stock code: 1618) and a subsidiary of China Minmetals
"Operating Lease Agreement(s)"	means the Operating Lease Agreement I and/or the Operating Lease Agreements II (as the case may be)
"Operating Lease Agreement I"	means the lease contract dated 23 December 2022 and signed between Chenghang Hangzhou as lessor and Honghua Financial as lessee in respect of the Top Drive Machine
"Operating Lease Agreements II"	means two (2) sets of the lease contracts dated 23 December 2022 and signed between Chengtong Financial Leasing as lessor and Honghua Electric as lessee in respect of two (2) batches of Automated Fracturing Systems
"Operating Lease Arrangement(s)"	means the Operating Lease Arrangement I and/or the Operating Lease Arrangement II (as the case may be)
"Operating Lease Arrangement I"	means the operating lease arrangement contemplated under the Operating Lease Agreement I
"Operating Lease Arrangement II"	means the operating lease arrangement contemplated under the Operating Lease Agreements II

"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 Operating Lease Arrangement I"	means the operating lease arrangement entered into between Chengtong Financial Leasing as lessor and Honghua Petroleum as lessee on 11 December 2022 in respect of five (5) sets of top drive machine equipment for drilling operations for a term of 360 days from 15 December 2022 at a total lease payment of approximately RMB9.21 million (equivalent to approximately HK$10.22 million)
"Previous Operating Lease Arrangement II"	means the operating lease arrangement entered into between Chengtong Financial Leasing as lessor and Honghua Financial as lessee on 16 December 2022 in respect of the Drilling and Top Drive Machine for a term of 360 days from 16 December 2022 at a total lease payment of approximately RMB35.53 million (equivalent to approximately HK$39.44 million) as disclosed in the announcement of the Company dated 16 December 2022
"Previous Operating Lease Arrangements"	means, collectively, the Previous Operating Lease Arrangement I and the Previous Operating Lease Arrangement II
"Previous Sale and Leaseback Arrangements"	means, collectively, the following transactions: (1) the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the First Metallurgical & Guoye Co-Lessees on 30 May 2022, the details of which are set out in the announcement of the Company dated 30 May 2022; (2) the sale and leaseback arrangement subsisting between Chengtong Financial Leasing and the Taoye & China MCC5 Co-Lessees which were assigned to Chengtong Financial Leasing by 横琴華通金融租賃有限公司 (unofficial English translation being Hengqin Huatong Financial Leasing Co., Ltd.) on 30 August 2022, the details of which are set out in the announcement of the Company dated 22 August 2022 and the circular of the Company dated 23 September 2022;

	(3) the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Rongyu & China MCC5 Co-Lessees on 28 October 2022, the details of which are set out in the announcement of the Company dated 28 October 2022 and the circular of the Company dated 18 November 2022; and
	(4) the sale and leaseback arrangement entered into between Chengtong Financial Leasing and the Ruiyuan & China MCC5 Co-Lessees on 28 October 2022, the details of which are set out in the announcement of the Company dated 28 October 2022 and the circular of the Company dated 18 November 2022
"Purchase Contract(s)"	means the Purchase Contract I, the Purchase Contract II and/or the Purchase Contracts III (as the case may be)
"Purchase Contract I"	means the sale and purchase contract dated 16 December 2022 and entered into between Honghua Petroleum as vendor and Chengtong Financial Leasing as purchaser in respect of the Drilling and Top Drive Machine
"Purchase Contract II"	means the sale and purchase contract dated 23 December 2022 and entered into between Honghua Petroleum as vendor and Chenghang Hangzhou as purchaser in respect of the Top Drive Machine
"Purchase Contracts III"	means two (2) sets of sale and purchase contracts dated 23 December 2022 and entered into between Honghua Financial as vendor and Chengtong Financial Leasing as purchaser in respect of two (2) batches of Automated Fracturing Systems
"RMB"	means Renminbi, the lawful currency of the PRC
"Rongyu & China MCC5 Co-Lessees"	means, collectively, 江蘇容裕建設發展有限公司 (unofficial English translation being Jiangsu Rongyu Construction Development Co., Ltd.) and China MCC5 acting as co-lessees
"Ruiyuan & China MCC5 Co-Lessees"	means, collectively, 上海鋭遠城市建設發展有限公司 (unofficial English translation being Shanghai Ruiyuan Urban Construction Development Co., Ltd.) and China MCC5 acting as co-lessees
"Sale and Leaseback Agreements"	means, collectively, the Chengxin & China Metallurgical Agreements, the Shenrong & China MCC5 Agreements and/or the Zhaoqing High Tech & China MCC5 Agreements (as the case may be)

"Sale and Leaseback Arrangement(s)"	means, collectively, the Chengxin & China Metallurgical Arrangement, the Shenrong & China MCC5 Arrangement and/or the Zhaoqing High Tech & China MCC5 Arrangement (as the case may be)
"SASAC"	means the State-owned Assets Supervision and Administration Commission
"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
"Shenrong & China MCC5 Agreements"	means, collectively, the following agreements, together with their supplemental agreements, all dated 11 January 2023 and signed between Chengtong Financial Leasing and the Shenrong & China MCC5 Co-Lessees: (1) leaseback assets transfer agreement; (2) finance lease agreement (sale and leaseback); and (3) security money agreement
"Shenrong & China MCC5 Arrangement"	means the sale and leaseback arrangement under the Shenrong & China MCC5 Agreements
"Shenrong & China MCC5 Co-Lessees"	means, collectively, Fuyang Shenrong and China MCC5 acting as co-lessees of the Shenrong & China MCC5 Arrangement
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Taoye & China MCC5 Co-Lessees"	means, collectively, 重慶桃冶雲溪大數據管理有限公司 (unofficial English translation being Chongqing Taoye Yunxi Big Data Management Co., Ltd.) and China MCC5 acting as co-lessees
"Top Drive Machine"	means five (5) sets of top drive machine for shale gas extraction purchased by the Group under the Purchase Contract II
"Vendor(s)"	means Honghua Petroleum and/or Honghua Financial (as the case may be)
"Zhaoqing High Tech"	means 廣東肇慶市高新建設開發有限公司 (unofficial English translation being Guangdong Zhaoqing High Tech Construction Development Co., Ltd.), a company established in the PRC with limited liability

"Zhaoqing High Tech & China MCC5 Agreements"	means, collectively, the following agreements, together with their supplemental agreements, all dated 11 January 2023 and signed between Chengtong Financial Leasing and the Zhaoqing High Tech & China MCC5 Co-Lessees: (1) leaseback assets transfer agreement; (2) finance lease agreement (sale and leaseback); and (3) security money agreement
"Zhaoqing High Tech & China MCC5 Arrangement"	means the sale and leaseback arrangement under the Zhaoqing High Tech & China MCC5 Agreements
"Zhaoqing High Tech & China MCC5 Co-Lessees"	means, collectively, Zhaoqing High Tech and China MCC5 acting as co-lessees of the Zhaoqing High Tech & China MCC5 Arrangement
"Zhongye Jianxin"	means 中冶建信投資基金管理(北京)有限公司 (unofficial English translation being Zhongye Jianxin Investment Fund Management (Beijing) Co., Ltd.), which, as at the date of the relevant Sale and Leaseback Agreements, was a joint venture owned as to (a) 50% by 建信(北京)投資基金管理有限責任公司 (unofficial English translation being Jianxin (Beijing) Investment Fund Management Co., Ltd.), which was in turn indirectly owned as to 67% by China Construction Bank Corporation, whose shares were listed on the Main Board of the Stock Exchange (stock code: 939); and (b) 50% by Metallurgical Corporation
"Zibo Chengxin"	means 淄博城信建投工程管理有限公司 (unofficial English translation being Zibo Chengxin Construction Investment Engineering Management Co., Ltd.), a company established in the PRC with limited liability
"%"	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$1.11. 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)*
Gu Honglin

Independent non-executive Directors:
Chang Qing
Lee Man Chun, Tony
He Jia

Registered office and principal place of business in Hong Kong:
Suite 6406, 64th Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

16 February 2023

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTIONS –
ACQUISITIONS OF THE FACILITIES AND
THE OPERATING LEASE ARRANGEMENTS;
(2) VERY SUBSTANTIAL ACQUISITION –
THE SALE AND LEASEBACK ARRANGEMENTS;
AND
(3) NOTICE OF GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcements of the Company dated 16 December 2022 and 23 December 2022 in respect of the acquisitions of the Facilities and the Operating Lease Arrangements.

Reference is also made to the announcement of the Company dated 11 January 2023 in respect of the Sale and Leaseback Arrangements.

The purpose of this circular is to provide you with (i) information on the acquisitions of the Facilities and the Operating Lease Arrangements; (ii) information on the Sale and Leaseback Arrangements; (iii) other information required to be disclosed under the Listing Rules; and (iv) the notice of the GM in respect of the Sale and Leaseback Arrangements.

2. MAJOR TRANSACTIONS

(A) Acquisitions of the Facilities

Chengtong Financial Leasing or Chenghang Hangzhou (as the case may be), both an indirect wholly-owned subsidiary of the Company, as purchaser entered into the Purchase Contract(s) with the relevant Vendor, pursuant to which Chengtong Financial Leasing or Chenghang Hangzhou (as the case may be) has agreed to purchase the Facilities from the relevant Vendor at the relevant Group A Purchase Price.

Material terms of each of the Purchase Contracts

The general terms and conditions of each of the Purchase Contracts are substantially the same. Their respective key terms are summarised as follows:

	The Purchase Contract I	**The Purchase Contract II**	**The Purchase Contracts III**
Date of the relevant Purchase Contract(s)	16 December 2022	23 December 2022	23 December 2022
Vendor	Honghua Petroleum	Honghua Petroleum	Honghua Financial
Purchaser	Chengtong Financial Leasing	Chenghang Hangzhou	Chengtong Financial Leasing
Facilities	The Drilling and Top Drive Machine	The Top Drive Machine	The Automated Fracturing Systems
Group A Purchase Price	RMB153.50 million (equivalent to approximately HK$170.39 million)	RMB40 million (equivalent to HK$44.40 million)	RMB249.36 million (equivalent to approximately HK$276.79 million)

The Facilities

Among the Facilities, the Drilling and Top Drive Machine under the Purchase Contract I and the Top Drive Machine under the Purchase Contract II comprise a total of one (1) set of model 70DB drilling machine, one (1) set of model DQ250 top drive machine, and fifteen (15) sets of model DQ500 top drive machine. The drilling machine is a set of high-power heavy combined working unit which is composed of various machinery and equipment consisting of eight (8) major systems such as lifting system, rotating system, circulation system, power system, transmission system, control system, drilling rig base and ancillary system. The drilling machine is mainly used in oil or natural gas drilling, which drives the drilling tool to break the rock and drill a wellbore to a specified depth for the extraction machine to obtain the oil or natural gas. The top drive machine is the driving equipment and the core component of the drilling machine.

The Automated Fracturing Systems under the Purchase Contracts III comprise five (5) subsidiary systems which are the automated power management system, the automated pump group management system, the automated fracturing fluid management system, the automated proppant management system and the digital fracturing management system. The Automated Fracturing Systems are used to press fractures in tight rocks to allow gas to seep into pipelines during the extraction of shale gas.

The Group A Purchase Price

The relevant Group A Purchase Price shall be paid in cash by Chengtong Financial Leasing or Chenghang Hangzhou (as the case may be) within five (5) days upon fulfilment of certain conditions as set out in the relevant Purchase Contract(s) (including but not limited to the signing and the coming into effect of the relevant lease contract, and the receipt by Chengtong Financial Leasing or Chenghang Hangzhou (as the case may be) of the facilities inspection completion certificate(s) issued by the relevant lessee).

The Group A Purchase Price was agreed between the relevant Vendor and Chengtong Financial Leasing or Chenghang Hangzhou (as the case may be) after arm's length negotiation with reference to the model, the technology level and usage applicability of the relevant Facilities, as well as the historical purchase prices of similar equipment with similar models.

Below is a summary of the unit price of the drilling machine and the top drive machine under the Purchase Contract I and the Purchase Contract II, as well as that of the comparable facilities:

	The Purchase Contract I and the Purchase Contract II		Comparable facilities	
Facilities	**Model**	**Unit price**	**Model**	**Unit price**
Drilling machine	70DB	RMB60 million	70DBS	Range from RMB81.63 million to RMB87.67 million
Top drive machine	DQ250	RMB6 million	DQ225Z	RMB6.39 million
	DQ500	RMB8.5 million	DQ500Z	RMB8.5 million

One of the major components in the Automated Fracturing Systems is the automated pump group management system which contains, among others, twenty (20) sets of model 6000 fracturing pumps and ten (10) sets of frequency conversion drive units. The aforesaid twenty (20) sets of model 6000 fracturing pumps belong to the same batch of leased assets manufactured by the Honghua group for a previous finance lease arrangement entered into among Honghua Petroleum, Honghua Financial and another lessor which is an Independent Third Party in 2017 and 2018. The then unit price of the fracturing pumps under such previous finance lease was RMB4.6 million. The unit price of fracturing pumps among the Automated Fracturing Systems is RMB3.21 million which was determined with reference to the aforesaid previous unit price after taking into account the current state of condition, the depreciation and the remaining useful life of such fracturing pumps. As for the frequency conversion drive units, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the unit price in the market ranges from RMB8 million to RMB12 million. The unit price of the frequency conversion drive units in the Automated Fracturing Systems is RMB9.47 million which falls within the aforesaid market range.

Apart from the above major components, there is no available direct comparable in the market for other components in the Automated Fracturing Systems as Honghua group is one of the two manufacturers of well-developed automated fracturing equipment in the PRC market. The equipment manufactured by such other manufacturer may not be considered as directly comparable to those manufactured by Honghua group due to the differences in design and requirement specifications of different equipment. Having said that, reference was made to certain previous finance lease arrangements entered into by the Honghua group, Chengtong Financial Leasing and other lessors in the market which involved fracturing systems. After analysing the differences in the configuration, the quantity and the price between the fracturing systems in the previous finance lease arrangements and those in the Automated Fracturing Systems, the Board considered that the unit price of the components in the Automated Fracturing Systems is fair and reasonable.

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

(B) The Operating Lease Arrangements

Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) as lessor also entered into the Operating Lease Agreement(s) with the relevant Group A Lessee, pursuant to which the relevant Group A Lessee has agreed to lease the Top Drive Machine and the Automated Fracturing Systems from Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) for a term of 360 days commencing from the date on which Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) has paid the relevant Group A Purchase Price.

Prior to the expiry of the lease term, Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) will use its best endeavour to negotiate for the renewal of the lease term with the Group A Lessees. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the lease term of operating lease arrangements is generally short term and parties will negotiate for renewal of the lease term according to their need prior to the expiry of the lease term. The Group has established a stable business relationship with Honghua group over the years and has successfully concluded two renewals of the Previous Operating Lease Arrangement I since December 2020. The Board therefore anticipates that it is more likely than not that the Operating Lease Arrangements can be renewed.

If no renewal can be agreed, Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) will actively seek for other lessees in respect of the leasing of the Facilities. Shale gas is an unconventional natural resources and many countries including China have devoted increasing effort in the exploitation and extraction of shale gas in recent years. The PRC has a large shale gas reserve in different provinces. According to the "14th Five-Year Plan for the Modern Energy System" published by the National Development and Reform Commission of the PRC in March 2022, the PRC government will strive to actively increase the scale of the extraction of shale gas and other unconventional resources in the coming years and has set target to achieve the production of shale gas of 80–100 billion cubic meters in 2030. In view of the above, the Board believes that the demand for machinery and equipment for shale gas extraction, in particular the fracturing system equipment, is expected to grow and hence considers that the Group should not encounter particular difficulties in securing a new lessee in the event that the Operating Lease Arrangements are not renewed.

Lease payments

The total amount of lease payments over the lease term in respect of each Operating Lease Arrangements shall be paid by the relevant Group A Lessee to Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) in five (5) instalments with the first instalment payable on the next day after the commencement date of the lease term, and the remaining lease payments payable in four (4) equal instalments on a quarterly basis during the lease term.

Same as for the Previous Operating Lease Arrangements, the total amount of lease payments was agreed between Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) and the relevant Group A Lessee after arm's length negotiation with reference to, including but not limited to, the prevailing terms of comparable operating lease arrangements conducted by the Group. Generally speaking, the periodic lease payment chargeable under an operating lease arrangement is determined with reference to the cost of the leased asset, its expected useful life and scrap value, the expected maintenance and other running costs, and a reasonable rate of return from such arrangement.

Security money

Each of the Group A Lessees paid a security money, which represents around 3% of the respective Group A Purchase Price, to Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) as security for the performance of its obligations under the relevant Operating Lease Arrangement.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the market range of security money under an operating lease arrangement is generally between 1% to 10% of the value of the leased assets. The amount of the security money under each of the Operating Lease Arrangements was determined on a case-by-case basis with reference to the above market range and taking into account factors such as the background, financial condition and creditability of the Group A Lessees. In light of the above, the Board considers that the basis of determination of the security money is fair and reasonable and on normal commercial terms.

If the relevant Group A Lessee fails to fully perform any obligation under the relevant Operating Lease Arrangement, Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) has the right to apply the relevant security money to set off against any amount owed by the relevant Group A Lessee to it in the following order: liquidated damages, other payables including but not limited to damages (if any), outstanding and prospective lease payments. If the relevant Group A Lessee has fully performed all its obligations under the relevant Operating Lease Arrangement, Chenghang Hangzhou or Chengtong Financial Leasing (as the case may be) shall return the security money to the relevant Group A Lessee or apply the balance of the security money as security money for any renewed lease term.

Material terms of each of the Previous Operating Lease Arrangements and the Operating Lease Arrangements

On 11 December and 16 December 2022, Chengtong Financial Leasing as lessor entered into the Previous Operating Lease Arrangement I and the Previous Operating Lease Arrangement II respectively. Each of the Previous Operating Lease Arrangements did not fall within the definition of "transaction" of the Company under Rule 14.04(1)(d) of the Listing Rules.

The respective key terms of the Operating Lease Arrangements, together with those of the Previous Operating Lease Arrangements, are summarised as follows:

	The Previous Operating Lease Arrangement I	**The Previous Operating Lease Arrangement II**	**The Operating Lease Arrangement I**	**The Operating Lease Arrangement II**
Date of the relevant operating lease arrangement	11 December 2022	16 December 2022	23 December 2022	23 December 2022
Lessor	Chengtong Financial Leasing	Chengtong Financial Leasing	Chenghang Hangzhou	Chengtong Financial Leasing
Lessee	Honghua Petroleum	Honghua Financial	Honghua Financial	Honghua Electric
Facilities	Five (5) sets of top drive machine equipment for drilling operations *(Note)*	The Drilling and Top Drive Machine	The Top Drive Machine	The Automated Fracturing Systems
Lease payments	Approximately RMB9.21 million (equivalent to approximately HK$10.22 million)	Approximately RMB35.53 million (equivalent to approximately HK$39.44 million)	RMB9.24 million (equivalent to approximately HK$10.26 million)	Approximately RMB58.33 million (equivalent to approximately HK$64.75 million)
Security money	Approximately RMB2.13 million (equivalent to approximately HK$2.36 million)	Approximately RMB4.61 million (equivalent to approximately HK$5.12 million)	RMB1.20 million (equivalent to approximately HK$1.33 million)	Approximately RMB7.48 million (equivalent to approximately HK$8.30 million)

Note: These facilities were purchased by Chengtong Financial Leasing from 四川宏華國際科貿有限公司 (unofficial English translation being Sichuan Honghua International Science and Trade Co., Ltd.) in December 2020 at a total purchase price of RMB42.5 million (equivalent to approximately HK$47.18 million). Upon acquisition, Chengtong Financial Leasing entered into an operating lease arrangement with Honghua Petroleum as lessee in respect of the leasing of these facilities for a term of 360 days from 17 December 2020 to 12 December 2021. In December 2021, the said operating lease arrangement was renewed for another term of 360 days which expired on 10 December 2022. The Previous Operating Lease Arrangement I was the second renewal of the said operating lease arrangement.

(C) Information of the Vendors and the Group A Lessees

Honghua Petroleum

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the relevant agreement(s)/contract(s), (i) Honghua Petroleum was an indirect wholly-owned subsidiary of Honghua Group; and (ii) Honghua Petroleum was principally engaged in the business of manufacturing of petroleum equipment.

Honghua Financial

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the relevant agreement(s)/contract(s), (i) Honghua Financial was indirectly owned as to 45% by Honghua Group, which was the sole ultimate beneficial owner owning more than one-third of the equity interest of Honghua Financial; and (ii) Honghua Financial was principally engaged in the business of leasing and the provision of advisory and guarantee services in respect of leasing transactions.

Honghua Electric

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the relevant agreement(s)/contract(s), (i) Honghua Electric was owned as to approximately 83.74% by Honghua Petroleum and was therefore an indirect non-wholly owned subsidiary of Honghua Group; and (ii) Honghua Electric was principally engaged in the business of manufacturing of panel of drilling rigs.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, there is, and in the past twelve (12) months, there has been, no material loan arrangement between (a) any of the Vendors, any of their directors and legal representatives and/or any ultimate beneficial owner(s) of the Vendors who can exert influence on any of the Purchase Contracts; and (b) 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 any of the Purchase Contracts).

In addition, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, there is, and in the past twelve (12) months, there has been, no material loan arrangement between (a) any of the Group A Lessees, any of their directors and legal representatives and/or any ultimate beneficial owner(s) of the Group A Lessees who can exert influence on any of the Operating Lease Arrangements; and (b) 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 any of the Operating Lease Arrangements).

As at the date of each Purchase Contract and each Operating Lease Arrangement, the Company was holding approximately 4.74% interest in Honghua Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Honghua Petroleum, Honghua Financial and Honghua Electric and their ultimate beneficial owners were Independent Third Parties at the relevant time.

(D) Reasons for and benefits of entering into the Purchase Contracts and the Operating Lease Arrangements

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

The Facilities purchased under the Purchase Contracts are for the purpose of leasing as the principal business of Chengtong Financial Leasing and Chenghang Hangzhou. Therefore, the entering into of the Purchase Contracts and the Operating Lease Arrangements is considered as in the ordinary and usual course of business of Chengtong Financial Leasing and Chenghang Hangzhou. Under the Operating Lease Arrangements, the Group can earn rental income from the Group A Lessees in the total sum of approximately RMB67.57 million (equivalent to approximately HK$75.00 million) during the lease term.

Having considered the model, the technology level and usage applicability of the Facilities, as well as the historical purchase prices of similar equipment with similar models, the Directors are of the view that the terms of the Purchase Contracts are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Having considered the prevailing terms of comparable operating lease arrangements conducted by the Group, the Directors are also of the view that the terms of the Operating Lease Arrangements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(E) Implications under the Listing Rules

The Purchase Contracts

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Purchase Contract I exceeds 25% but is less than 100%, the entering into of the Purchase Contract I constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since the Purchase Contract II and the Purchase Contracts III are entered into within twelve (12) months from the date of the Purchase Contract I and each of the Vendors is connected to or otherwise associated with Honghua Group, the Purchase Contract II and the Purchase Contracts III are aggregated with the Purchase Contract I for the purpose of calculating the relevant percentage ratios.

As the highest applicable percentage ratio in respect of the Purchase Contract II and the Purchase Contracts III, when aggregated with each other and the Purchase Contract I, exceeds 25% but is less than 100%, the entering into of the Purchase Contract II and the Purchase Contracts III constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Operating Lease Arrangements

In respect of the Operating Lease Arrangements, as the Company considers that by virtue of their size, nature or number, they have a significant impact on the operations of the Group as their total monetary values represent a 200% or more increase in the scale of the Group's existing operations conducted through lease arrangements of such kind. Therefore, the Operating Lease Arrangements fall within the definition of "transaction" of the Company under Rule 14.04(1)(d) of the Listing Rules.

On the other hand, each of the Previous Operating Lease Arrangements did not fall within the definition of a "transaction" of the Company under Rule 14.04(1)(d) of the Listing Rules. However, since the Operating Lease Arrangements are entered into within twelve (12) months from the date of each of the Previous Operating Lease Arrangements and each of the lessees thereunder is connected to or otherwise associated with Honghua Group, the Operating Lease Arrangements are aggregated with the Previous Operating Lease Arrangements for the purpose of calculating the relevant percentage ratios.

As the highest applicable percentage ratio in respect of the Operating Lease Arrangements, when aggregated with each other and the Previous Operating Lease Arrangements, exceeds 25% but is less than 100%, the entering into of the Operating Lease 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.

Written Shareholders' approval

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) has any material interest in the Purchase Contracts or the Operating Lease Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Purchase Contracts and the Operating Lease 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 the written Shareholder's approval in respect of each of the Purchase Contracts and each of the Operating Lease Arrangements from CCHK, which was a controlling shareholder of the Company holding 3,169,656,217 issued Shares, representing approximately 53.14% of the issued share capital of the Company as at the date of each of the Purchase Contracts and the Operating Lease Agreements. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Purchase Contracts and the Operating Lease Arrangements.

3. VERY SUBSTANTIAL ACQUISITION

(A) The Sale and Leaseback Arrangements

On 11 January 2023, Chengtong Financial Leasing entered into (i) the Chengxin & China Metallurgical Agreements with the Chengxin & China Metallurgical Co-Lessees; (ii) the Shenrong & China MCC5 Agreements with the Shenrong & China MCC5 Co-Lessees; and (iii) the Zhaoqing High Tech & China MCC5 Agreements with the Zhaoqing High Tech & China MCC5 Co-Lessees. The major terms of the Sale and Leaseback Arrangements are set out below.

Subject matter

In each of the Sale and Leaseback Arrangements, conditional upon the approval by the Shareholders of the relevant Sale and Leaseback Arrangement, and 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 Group B Lessees evidencing their ownerships in the Leased Assets, the obtaining of all necessary approvals by the Group B Lessees in relation to the Sale and Leaseback Arrangements, the payment of the security money (if any) by the Group B Lessees, and the signing and the coming into effect of the security agreement (if any)), Chengtong Financial Leasing will purchase the Leased Assets from the relevant Group B Lessees and such Leased Assets will be leased back to the relevant Group B Lessees for a term of three (3) years commencing from the date on which the Group B Purchase Price in respect of the relevant Leased Assets is paid by Chengtong Financial Leasing ("**Lease Term**"), subject to early termination in accordance with the terms and conditions of the relevant Sale and Leaseback Agreements.

If any of the conditions under the relevant Sale and Leaseback Agreement is not satisfied on or before 30 April 2023, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant Sale and Leaseback Agreement.

Save for the Shareholder's approval, all the conditions under the Sale and Leaseback Arrangements have been satisfied.

The Group B Purchase Price

The Group B Purchase Price was agreed between Chengtong Financial Leasing and the relevant Group B Lessees with reference to the appraised value of the relevant Leased Assets as assessed by way of cost method by professional PRC valuers which are Independent Third Parties.

The Board has considered the valuation assumptions as set out in the relevant valuation reports, which include but not limited to the followings:

(1) the appraised assets are in open market and the transaction parties are equal;

(2) the appraised assets are in use and will continue to be used for the existing purpose;

(3) the information provided by the instructing client is true, legal and complete;

(4) there are no legal obstacles in perfecting the title of the appraised assets;

(5) there are no material changes in the relevant existing laws, regulations and policies as well as in the local political, economic and social environment of such places where the parties to the transaction are located; and

(6) there are no other force majeure factors and unforeseeable factors that have a significant adverse impact on the value of the appraised assets.

The Board has reviewed the valuation reports in respect of the Leased Assets and considered the valuation methods and assumptions adopted. The Board is of the view that the valuation method is reasonable and the assumptions adopted are general assumptions commonly adopted in assets valuation in the PRC. Therefore, the Board considers that the appraised values of the Leased Assets are fair and reasonable.

The Leased Assets form part of the facilities or equipment used in construction projects and are not revenue generating assets with identifiable income stream.

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

Legal title

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

Lease payments

The total amount of lease payments over the Lease Term in respect of each Sale and Leaseback Arrangement shall be paid by the relevant Group B Lessees to Chengtong Financial Leasing in accordance with the payment schedule as set out in the relevant Sale and Leaseback Agreements.

The total amount of lease payments in respect of each Sale and Leaseback Arrangement represents the sum of the relevant lease principal amount (being the amount of the relevant Group B Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest which will be calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over the relevant LPR from time to time.

The lease interest rate will be subject to review on 1 January every year. In the event that the relevant LPR changes, the lease interest rate will be adjusted to a rate at the aforesaid fixed premium over the new LPR, except in the case where the relevant Group B Lessees have overdue lease payment and have not paid all overdue payments and liquidated damages, the interest rate to be applied will not be adjusted when the relevant LPR is reduced.

The interest rate applicable to each of the Sale and Leaseback Arrangements (including the applicable LPR and the premium) is one of the major commercial terms negotiated between the parties on an arm's length basis and may vary on a case-by-case basis depending on a number of factors, such as the relevant amount of lease principal, the lease term, the overall return rate attained by the Group taking into account the aggregate amount of lease interests and other receivables including but not limited to the Service Fee (as defined below), the prevailing market conditions and the movement of the LPR.

Having considered the above factors in the specific circumstances of the relevant Sale and Leaseback Arrangement, the Board considers that the interest rate as agreed in each of the Sale and Leaseback Agreements is fair and reasonable and on normal commercial terms.

Service Fee

The Chengxin & China Metallurgical Co-Lessees shall pay a service fee ("**Service Fee**") to Chengtong Financial Leasing for the preliminary services provided by Chengtong Financial Leasing in respect of the Chengxin & China Metallurgical Arrangement. Such services include the provision of corporate finance consulting services which comprise advising the Chengxin & China Metallurgical Co-Lessees on the Chengxin & China Metallurgical Arrangement and preparing written reports where necessary, and providing tailored advice on alternative financing solutions to the Chengxin & China Metallurgical Co-Lessees including but not limited to finance lease arrangement after assessing their specific business operations, industry development and financial condition. The Service Fee is non-refundable.

The amount of the Service Fee was determined according to the extent of services required by the Chengxin & China Metallurgical Co-Lessees and the financing amount involved. Having considered the above factors, the Board considers that the Service Fee payable by the Chengxin & China Metallurgical Co-Lessees is fair and reasonable and on normal commercial terms.

Apart from the Chengxin & China Metallurgical Co-Lessees, no such services were or will be provided to other Group B Lessees and therefore no Service Fee is receivable from those other Group B Lessees.

The Group B Lessees' right to repurchase the Leased Assets

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

Security money

The Shenrong & China MCC5 Co-Lessees and the Zhaoqing High Tech & China MCC5 Co-Lessees shall pay a security money to Chengtong Financial Leasing for the performance of their obligations under the Shenrong & China MCC5 Arrangement and the Zhaoqing High Tech & China MCC5 Arrangement respectively. The amount of the security money was determined on a case-by-case basis after evaluating the background and creditability etc. of the relevant Group B Lessees.

If the Shenrong & China MCC5 Co-Lessees or the Zhaoqing High Tech & China MCC5 Co-Lessees (as the case may be) fails to fully perform any obligation under the Shenrong & China MCC5 Arrangement or the Zhaoqing High Tech & China MCC5

Arrangement (as the case may be), Chengtong Financial Leasing has the right to apply the security money to set off against any amount owed 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 Shenrong & China MCC5 Co-Lessees or the Zhaoqing High Tech & China MCC5 Co-Lessees (as the case may be) have fully performed all their obligations under the Shenrong & China MCC5 Arrangement or the Zhaoqing High Tech & China MCC5 Arrangement, Chengtong Financial Leasing shall return the security money to them upon their presentation of the receipt(s) of the security money.

Material terms of each of the Sale and Leaseback Arrangements

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

	Chengxin & China Metallurgical Arrangement	**Shenrong & China MCC5 Arrangement**	**Zhaoqing High Tech & China MCC5 Arrangement**
Date of the relevant Sale and Leaseback Agreements	11 January 2023	11 January 2023	11 January 2023
Group B Lessees	Chengxin & China Metallurgical Co-Lessees	Shenrong & China MCC5 Co-Lessees	Zhaoqing High Tech & China MCC5 Co-Lessees
Leased Assets	Certain crawler cranes, rotary drilling rigs, mixing stations, excavators and other construction machinery and equipment	Certain construction equipment including but not limited to welding equipment, cranes, machine tools, electric flat cars etc.	Certain equipment including but not limited to drilling machines, gas compressors, crawler cranes, cutting machines etc.
Group B Purchase Price	RMB200 million (equivalent to HK$222 million)	RMB150 million (equivalent to HK$166.50 million)	RMB150 million (equivalent to HK$166.50 million)
Appraised value of the Leased Assets	Approximately RMB204.22 million (equivalent to approximately HK$226.68 million) as at 3 January 2023	Approximately RMB164.89 million (equivalent to approximately HK$183.03 million) as at 31 August 2022	Approximately RMB157.84 million (equivalent to approximately HK$175.20 million) as at 31 August 2022
Lease Term	Three (3) years	Three (3) years	Three (3) years

	Chengxin & China Metallurgical Arrangement	Shenrong & China MCC5 Arrangement	Zhaoqing High Tech & China MCC5 Arrangement
Interest rate	Floating interest rate, which is determined at a fixed premium over the one (1)-year LPR from time to time	Floating interest rate, which is determined at a fixed premium over the five (5)-year LPR from time to time	Floating interest rate, which is determined at a fixed premium over the five (5)-year LPR from time to time
Lease payments	Approximately RMB219.20 million (equivalent to approximately HK$243.31 million), payable in six (6) half-yearly instalments during the Lease Term	Approximately RMB164.39 million (equivalent to approximately HK$182.47 million), payable in six (6) half-yearly instalments during the Lease Term	Approximately RMB164.39 million (equivalent to approximately HK$182.47 million), payable in six (6) half-yearly instalments during the Lease Term
Service Fee	RMB2 million (equivalent to HK$2.22 million)	Nil	Nil
Security money	Nil	RMB7.50 million (equivalent to approximately HK$8.33 million)	RMB7.50 million (equivalent to approximately HK$8.33 million)
Estimated income	Approximately RMB21.20 million (equivalent to approximately HK$23.53 million)	Approximately RMB14.39 million (equivalent to approximately HK$15.97 million)	Approximately RMB14.39 million (equivalent to approximately HK$15.97 million)

(B) Information of the Group B Lessees

Zibo Chengxin

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Chengxin & China Metallurgical Agreements, (i) Zibo Chengxin was directly owned as to (a) 90% by Zhongye Jianxin; and (b) 10% by China Metallurgical; and (ii) Zibo Chengxin was a project company set up by Zhongye Jianxin and China Metallurgical mainly engaged in the investment in and the construction of the Zibo City Expressway Network (Phase 1).

China Metallurgical

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Chengxin & China Metallurgical Agreements, (i) China Metallurgical was a wholly-owned subsidiary of Metallurgical

Corporation; and (ii) China Metallurgical was principally engaged in the business of engineering construction.

China MCC5

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of each of the Shenrong & China MCC5 Agreements and the Zhaoqing High Tech & China MCC5 Agreements, (i) China MCC5 was directly owned as to approximately 98.58% by Metallurgical Corporation; and (ii) China MCC5 was a large-scale enterprise group integrating engineering contracting, steel engineering and installation, real estate development and project investment.

Fuyang Shenrong

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Shenrong & China MCC5 Agreements, (i) Fuyang Shenrong was directly owned as to (a) 60% by Zhongye Jianxin; (b) 30% by China MCC5; and (c) 10% by 杭州富陽開發區建設投資集團有限公司 (unofficial English translation being Hangzhou Fuyang Development Zone Construction Investment Group Co., Ltd.) ("**HFDZ**"), which was ultimately wholly-owned by 富陽經濟技術開發區管理委員會 (unofficial English translation being the Management Committee of the Fuyang Economic and Technological Development Zone); and (ii) Fuyang Shenrong was a project company set up by Zhongye Jianxin, China MCC5 and HFDZ for the survey, design, procurement and construction of the "micro-town" project in Changkou, Fuyang District, Hangzhou City, the PRC.

Zhaoqing High Tech

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Zhaoqing High Tech & China MCC5 Agreements, (i) Zhaoqing High Tech was directly owned as to 85% and 15% by Zhongye Jianxin and China MCC5 respectively; and (ii) Zhaoqing High Tech was principally engaged in the business of the investment, development, construction and operation of the infrastructure projects in the Zhaoqing Jin Li High Tech Industrial Development Zone and the Huodao Hengjiang Industrial Park of Zhaoqing City, the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Previous Sale and Leaseback Arrangements, there is, and in the past twelve (12) months, there has been, no material loan arrangement between (a) any of the Group B Lessees, any of their directors and legal representatives and/or any ultimate beneficial owner(s) of the Group B Lessees who can exert influence on any of the Sale and Leaseback Arrangements; and (b) 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 any of the Sale and Leaseback Arrangements).

In addition, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the relevant Sale and Leaseback Agreements, each of the Group B Lessees and their respective ultimate beneficial owners were Independent Third Parties.

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

The entering into of the Sale and Leaseback Arrangements is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn reasonable income from each of the Sale and Leaseback Arrangements, which represents the total of the relevant amount of Service Fee (if any) and the difference between the estimated amount of total lease payments under the relevant Sale and Leaseback Arrangement and the relevant Group B Purchase Price.

Having considered the respective background, financial condition, business prospects and income flow of the Group B Lessees, the nature, condition and marketability of the Leased Assets as well as the prevailing market conditions, the Directors are of the view that the terms of each of the Sale and Leaseback Arrangements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(D) Implications under the Listing Rules

During the 12-month period immediately preceding the date of the Sale and Leaseback Agreements, Chengtong Financial Leasing also entered into the Previous Sale and Leaseback Arrangements. Since the Sale and Leaseback Arrangements and the Previous Sale and Leaseback Arrangements were all entered into with, among others, the subsidiaries of China Minmetals within a 12-month period, the Sale and Leaseback Arrangements are aggregated with the Previous Sale and Leaseback Arrangements for the purpose of calculating the relevant percentage ratios (as defined in the Listing Rules).

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Sale and Leaseback Arrangements when aggregated with the Previous Sale and Leaseback Arrangements exceeds 100%, the entering into of the Sale and Leaseback Arrangements constitute a very substantial acquisition of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

(E) GM and closure of register of members

The GM will be held on Tuesday, 7 March 2023 at 3:00 p.m. at Conference Room of Suite 6406, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, approving the Sale and Leaseback Agreements and the Sale and Leaseback Arrangements contemplated thereunder. The notice of the GM is set out on pages GM-1 to GM-4 of this circular.

For determining the entitlement of the Shareholders to attend and vote at the GM, the register of members of the Company will be closed from Thursday, 2 March 2023 to Tuesday, 7 March 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the GM, all completed share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 1 March 2023.

Enclosed is a form of proxy for use at the GM. Whether or not you are able to attend the GM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same by 3:00 p.m. on Saturday, 4 March 2023 or not later than 48 hours before the time appointed for holding any adjournment or postponement of the GM to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the GM or any adjournment or postponement thereof should you so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

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) has any material interest in the Sale and Leaseback Arrangements. Thus, no Shareholder is required to abstain from voting on the resolutions approving the Sale and Leaseback Agreements and the Sale and Leaseback Arrangements contemplated thereunder. Each of the proposed resolutions will be passed by way of an ordinary resolution and voted on by way of poll in accordance with the requirements of the Listing Rules.

4. RECOMMENDATION

Major transactions – Acquisitions of the Facilities and the Operating Lease Arrangements

The Directors, having considered the terms of, the reasons for and benefits of each of the Purchase Contracts and the Operating Lease Arrangements, are of the view that the terms of the foregoing are normal commercial terms and are fair and reasonable. The Directors consider that the entering into of the Purchase Contracts and the Operating Lease Arrangements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Accordingly, if a general meeting were to be convened for the approval of the Purchase Contracts and the Operating Lease Arrangements, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the same at such general meeting.

Very substantial acquisition – The Sale and Leaseback Arrangements

The Directors, having considered the terms of, the reasons for and benefits of each of the Sale and Leaseback Arrangements, are of the view that the terms of the foregoing are normal commercial terms and are fair and reasonable. The Directors consider that the entering into of the Sale and Leaseback Arrangements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions approving the Sale and Leaseback Agreements and the Sale and Leaseback Arrangements contemplated thereunder to be proposed at the GM.

5. 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 2019, 31 December 2020 and 31 December 2021, and the six months ended 30 June 2022 have been set out in the following documents respectively:

(a) 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);

(b) 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);

(c) 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); and

(d) the interim report of the Company for the six months ended 30 June 2022 from pages 6 to 50 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0916/2022091600652.pdf).

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 December 2022, 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/or guaranteed bank borrowings of approximately HK$2,667.01 million which are secured by charges over loans receivable and finance lease receivables of the Group and/or guaranteed by the Company; (ii) unsecured and unguaranteed bank borrowings of HK$500 million; (iii) secured and guaranteed asset-backed securities of approximately HK$2,702.27 million; (iv) unsecured and unguaranteed loans from related parties of approximately HK$339.37 million; (v) unsecured and unguaranteed other loan of approximately HK$0.60 million; and (vi) unsecured and unguaranteed lease liabilities of approximately HK$8.27 million.

As at the close of business on 31 December 2022, the Group had contingent liabilities in relation to guarantees of approximately HK$245.85 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 December 2022.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors are of the opinion that, after taking into account the effects of the acquisitions of the Facilities, the Operating Lease Arrangements and the Sale and Leaseback Arrangements, the internally generated funds, existing facilities available to the Group and financial resources presently available to the Group, the Group will have sufficient working capital to satisfy its requirements for at least twelve (12) months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

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

Regarding the leasing business, the Group will continue to take a proactive approach to meet the impacts brought by internal and external unfavourable factors, continue to pull resources together to expand its core leasing business in all aspects and to maintain a steady growth. For the six months ended 30 June 2022, there were 13 new projects in the leasing business and recorded a turnover of approximately HK$186.10 million, representing an increase of approximately 53% compared to the corresponding period of last year. The leasing business recorded profit before tax of approximately HK$65.33 million for the six months ended 30 June 2022, representing a decrease of approximately 23% compared to the corresponding period of last year. The Group plans to issue RMB5 billion shelf asset-backed securities and has successfully completed the issuance of approximately RMB1.41 billion in September 2022. In addition, the Group is actively expanding its bank credit facilities. The Group was granted with RMB1,845 million of banking facilities during the six months ended 30 June 2022, which better assured the capital supply for business investment. Along with upholding its bottom line of risk and strengthening business compliance, Chengtong Financial Leasing will continue to take the resource advantage of the controlling shareholder of the Company to deepen its business presence in market segments like energy conservation and environmental protection, transportation and logistics, internet data centre and new energy etc. and further establish its features and market influences in specialised fields. The Group will also continue to strengthen communications and cooperation with both domestic and overseas banks and financial institutions.

As for the bulk commodity trade business, the Group will continue to focus on advantageous commodities such as steel and chemicals and choose large customers with good reputation to develop the sales market. It will continue to carry out bulk commodity trade business prudently under stringent risk control.

For property development and investment business, section 3 in Phase III of the Zhucheng project was completed in August 2022. As a follow-up, the Group will expand its sales channels and make every effort to promote the sales of properties in its inventory while intensifying the withdrawal from this business.

Regarding marine recreation services and hotel business, the total turnover and profits dropped for the six months ended 30 June 2022 compared to the corresponding period of last year due to the continuous impact of the COVID-19 pandemic and the challenging tourism market environment. Going forward, the Group will actively pursue the restructuring of the marine recreation services and hotel business.

Looking ahead, the Group will continuously strengthen its strategic guidance and further increase the effort in the divestment and exit from non-core and non-advantageous businesses. The Group will leverage the resource advantages of its controlling shareholder, focus on leasing as its principal business and responsibilities, and give full play to the function of serving the real economy.

5. MATERIAL ADVERSE CHANGE

As disclosed in the interim report of the Company for the six months ended 30 June 2022, the Company recorded an unaudited consolidated profit after income tax of approximately HK$21.76 million, representing a decrease of approximately 60% from that for the corresponding period in 2021 which was mainly attributable to the development of the COVID-19 pandemic in the PRC and the substantial increase in certain operating costs during the relevant period.

Other than the foregoing, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. FINANCIAL EFFECTS OF THE TRANSACTIONS

As at 30 June 2022, the unaudited consolidated total assets of the Group amounted to approximately HK$8,146.80 million and the unaudited consolidated total liabilities of the Group amounted to approximately HK$5,155.14 million.

(i) Major transactions – Acquisitions of the Facilities and the Operating Lease Arrangements

The Directors consider that there is no significant immediate change to the Group's net asset value upon the acquisitions of the Facilities, as the increase in value of the acquired Facilities under the non-current assets will offset the decrease in the amount of bank balances and cash as a result of the payment of the Group A Purchase Price by Chengtong Financial Leasing or Chenghang Hangzhou.

As regards earnings, there would be an increase in rental income as the Group would be entitled to recognise the lease payments under the Operating Lease Arrangements as additional income during the lease term.

(ii) Very substantial acquisition – The Sale and Leaseback Arrangements

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, as the Sale and Leaseback Arrangements will be accounted for as secured loans and recognised as loans receivable of the Group which will offset the decrease in the amount of bank balances and cash as a result of the payment of the Group B Purchase Price by Chengtong Financial Leasing.

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

Save as disclosed above, the acquisitions of the Facilities, the Operating Lease Arrangement and the Sale and Leaseback Arrangements are not expected to have any material impact on the assets and liabilities and the earnings of the Group. The final financial impact on the Group will be subject to the final audit to be performed by the auditors of the Company.

7. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 as extracted from the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021 and the interim report of the Company for the six months ended 30 June 2022, respectively.

For the year ended 31 December 2019

Financial Overview

The Group had confirmed that expanding the business scale of finance leasing business and the speeding up of the exit from the existing property development projects would be its future business development strategies. These strategies began to show effects on the results of the year ended 31 December 2019. For the year ended 31 December 2019, the Group recorded a turnover of approximately HK$1,110.60 million (2018: approximately HK$1,020.89 million), representing a year-on-year increase of approximately 9%. The increase in turnover was mainly due to: (i) the substantial increase in turnover from property development by approximately 116% from last year to approximately HK$131.93 million (2018: approximately HK$60.99 million); and (ii) the year-on-year increase in revenue from finance leasing business by approximately 40% to approximately HK$74.47 million (2018: approximately HK$53.26 million).

Business Review

Finance Leasing

During the year ended 31 December 2019, through the Group's development and acquisition of new projects, the Group's loans receivable from new finance leasing during the year ended 31 December 2019 increased substantially. As at 31 December 2019, the loans receivable from finance leasing amounted to HK$1,126.82 million, representing an increase of approximately 69% from such receivables of approximately HK$666.94 million as at 31 December 2018. Coupled with the completion of a number of finance consultancy projects during the year ended 31 December 2019, the turnover from finance leasing business increased by approximately 40% year-on-year to approximately HK$74.47 million (2018: approximately HK$53.26 million). The profit before tax was approximately HK$66.77 million (2018: approximately HK$44.14 million), representing a year-on-year increase of approximately 51%, which was mainly due to the year-on-year increase in turnover of approximately HK$21.20 million, which was primarily benefiting from the revenue from finance consultancy service of approximately HK$23.56 million (2018: approximately HK$8.93 million) for the year ended 31 December 2019, representing a year-on-year increase of approximately 164%; and the year-on-year increase in interest income from finance leasing arrangements by approximately HK$6.57 million to approximately HK$50.91 million (2018: approximately HK$44.34 million).

Bulk Commodity Trade

During the year ended 31 December 2019, the turnover from bulk commodity trade business segment was approximately HK$870.15 million (2018: approximately HK$865.24 million), which was similar to that of last year. Segment profit before tax was approximately HK$3.51 million (2018: approximately HK$4.34 million), representing a year-on-year decrease of approximately 19%.

Property Development

During the year ended 31 December 2019, the Group had two property development projects, namely, the "CCT-Champs-Elysees" and "Chengtong International City" located in Zhucheng City of Shandong Province and in Dafeng City of Jiangsu Province of the PRC respectively. The turnover for the Group's property development segment was approximately HK$131.93 million (2018: approximately HK$60.99 million), representing a substantial year-on-year increase of approximately 116%, and the segment profit before tax increased year-on-year by approximately 104% to approximately HK$41.82 million (2018: approximately HK$20.48 million).

Property Investment

The rental income from property investment of the Group was generated from the commercial properties of the CCT-Champs-Elysees project in Zhucheng City, Shandong Province, the PRC. The leasable area of the property was approximately 7,565 square metres. The actual leased area as at 31 December 2019 was approximately 6,680 square metres (as at 31 December 2018: approximately 6,680 square metres), which was in line with last year. The rental of new leases during the year ended 31 December 2019 decreased as compared to the original leases, resulting in a decrease in rental income by approximately 25% year-on-year to approximately HK$1.97 million (2018: approximately HK$2.64 million). The profit before tax amounted to approximately HK$1.70 million (2018: approximately HK$2.29 million), representing a year-on-year decrease of approximately 26%.

Marine Recreation Services and Hotel

The marine recreation services and hotel in Hainan Province, the PRC mainly consist of: (i) marine recreation services; (ii) hotel operation; and (iii) travelling agency business.

In respect of the marine recreation services, as a result of the negative impacts caused by factors including the implementation of the property purchase restriction policies in Hainan and diversion of tourists to other cities and counties in Hainan and the emergence of new tourist areas in Sanya, the number of tourists travelling to Yalong Bay, Sanya decreased substantially throughout the year ended 31 December 2019. As a result, the turnover from marine recreation services decreased by approximately 19% from approximately HK$36.30 million last year to approximately HK$29.32 million. Due to the decrease in turnover, the gross profit decreased by approximately 31% from approximately HK$19.02 million last year to approximately HK$13.05 million. Accordingly, the loss before tax of approximately HK$3.92 million was recorded in the year ended 31 December 2019, as compared to the profit before tax of approximately HK$2.27 million recorded last year.

In respect of hotel operation, since the completion of renovation and trial operation in August 2019, the revenue from hotel room sales amounted to approximately HK$1.57 million (2018: approximately HK$1.56 million), which was in line with last year. The loss before tax was approximately HK$9.04 million (2018: loss before tax of approximately HK$6.86 million), representing a year-on-year increase of approximately 32%, which was mainly due to the fact that the number of tourists did not increase for the year ended 31 December 2019 and the significant increase in labour costs and depreciation.

In respect of the travelling agency business, during the year ended 31 December 2019, the turnover of the travelling agency business was approximately HK$1.19 million (2018: approximately HK$0.90 million), representing a year-on-year increase of approximately 32%.

The above three businesses contributed a total segment turnover of approximately HK$32.08 million (2018: approximately HK$38.76 million) to the Group, representing a year-on-year decrease of 17%. The segment loss before tax amounted to approximately HK$13.04 million (2018: loss before tax of approximately HK$4.11 million), representing a year-on-year increase of approximately HK$8.93 million.

Asset Structure, Liquidity and Financial Resources

The Group continued to maintain a sound financial position. As at 31 December 2019, equity attributable to owners of the Company amounted to approximately HK$2,780.84 million (as at 31 December 2018: approximately HK$2,761.71 million), representing an increase of approximately 1% as compared with the equity attributable to owners of the Company as at 31 December 2018.

As at 31 December 2019, the total assets of the Group amounted to approximately HK$3,600.66 million, representing an increase of approximately 0.3% as compared to the total assets as at 31 December 2018. The amount of total current assets of the Group was approximately HK$2,575.93 million, accounting for approximately 72% of the total assets and representing a decrease by approximately 14% as compared to the total current assets as at 31 December 2018, which was mainly due to the Group's utilisation of part of the cash and deposits and the increase in loans receivable of approximately HK$438.99 million from non-current finance leasing business during the year ended 31 December 2019. The total non-current assets of the Group amounted to approximately HK$1,024.73 million, accounting for approximately 28% of the total assets and representing an increase by approximately 77% as compared to the total non-current assets as at 31 December 2018, which was mainly due to the increase in loans receivable from finance leasing business.

As at 31 December 2019, total liabilities of the Group amounted to approximately HK$686.45 million, representing a decrease of approximately 1% as compared with that as at the same date of last year. The total non-current liabilities of the Group amounted to approximately HK$50.41 million and accounted for approximately 7% of the total liabilities and represented a decrease of approximately 3% as compared with that as at the same date of last year. The total current liabilities of the Group amounted to approximately HK$636.04 million and accounted for approximately 93% of the total liabilities, representing a decrease of approximately 1% as compared with that as at the same date of last year. The current ratio (calculated as total current assets over total current liabilities) was approximately 4.0 times, representing a decrease of approximately 0.7 time as compared to the current ratio of approximately 4.7 times as at 31 December 2018. The liquidity of the assets of the Group remained sound.

As at 31 December 2019, the Group had cash and deposits (including pledged bank deposits, deposits in other financial institution and bank balances and cash) of approximately HK$738.98 million, accounting for approximately 21% and approximately 25% of the total assets and the net assets respectively, and representing a decrease of approximately HK$168.44 million as compared with that as at the same date of last year, which was mainly due to the Group's utilisation of cash and deposits and the increase in loans receivable from non-current finance leasing business. As at 31 December 2019, the bank borrowings of the Group amounted to approximately HK$277.70 million, representing an increase of approximately HK$3.60 million as compared with the bank borrowings as at 31 December 2018 of approximately HK$274.10 million. Bank borrowings of approximately HK$77.70 million was of one-year term and the remaining balance of HK$200 million was a revolving loan with the final repayment date to be due in the year of 2020. The effective interest rates of the bank borrowings ranged from approximately 3.04% to approximately 5.66% per annum. The Group expected that it would have sufficient financial resources to cope with the commitments and liabilities for the coming year.

The debt to equity ratio (calculated by dividing total interest-bearing borrowings by total equity) as at 31 December 2019 was approximately 10%, representing an increase by approximately 1% as compared with the debt to equity ratio of approximately 9% as at 31 December 2018, which indicated a stable financial position and a low gearing level of the Group.

Material Acquisition, Disposal and Significant Investment

Formation of Joint Venture with Chengtong International

On 25 October 2019, the Group entered into an investment agreement with the Company's related party, Chengtong International Limited ("**Chengtong International**"), pursuant to which a joint venture was formed. The joint venture was owned as to 51% by the Group and 49% by Chengtong International. Through the formation of the joint venture, the Group could leverage on the operational expertise of the shareholder of Chengtong International, and benefit from its international procurement and sales network as well as its established customer base. These would facilitate the continuous development of the international bulk commodity trade businesses of the Group abroad. For further details, please refer to the announcement of the Company dated 25 October 2019.

Disposal of 41% Equity Interest in Chengtong Energy

On 12 November 2019, the Group entered into an equity transfer agreement with the Company's related party, 中國誠通國際貿易有限公司 (China Chengtong International Co. Ltd.) ("**China Chengtong International**"), pursuant to which China Chengtong International conditionally agreed to acquire 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) ("**Chengtong Energy**") at the consideration of approximately HK$27.38 million. Upon completion of the equity transfer on 28 February 2020, a gain of approximately HK$7.48 million was recorded from the disposal of the equity interest in Chengtong Energy in 2020, and the Group retained 10% equity interest in Chengtong Energy and Chengtong Energy ceased to be a subsidiary of the Company. For further details, please refer to the announcement of the Company dated 12 November 2019 and the circular of the Company dated 6 December 2019.

Significant Investments

Details of the significant investments in the portfolio under other financial assets as at 31 December 2019 were as follows:

Description of investment	Approximate interest rate per annum	Approximate investment amount as at 31 December 2019	Fair value as at 31 December 2019 *(HK$'000)*	Approximate percentage to the Group's audited total assets as at 31 December 2019	Changes in fair value during the year 2019 *(HK$'000)*
Honghua Group (Stock code: 196) *(Note 1)*	N/A	HK$195,580,000	134,620	3.7%	30,480 *(Note 2)*
Unlisted trust schemes and wealth management products managed by PRC banks	5.0%–9.5%	RMB183,075,000	204,139	5.7% *(Note 4)*	942 *(Note 3)*
Interest bearing structured bank deposits with PRC banks	3.5%–3.9%	RMB184,700,000	205,017	5.7% *(Note 5)*	–

Notes:

1. The principal businesses of Honghua Group and its subsidiaries were manufacturing of drilling rigs, offshore engineering, manufacturing of oil & gas exploitation equipment and provision of drilling services. The Group held 254,000,000 shares of Honghua Group, representing approximately 4.7% of the total issued shares of Honghua Group as at the date of the annual report for the year ended 31 December 2019. During the year ended 31 December 2019, the Group did not receive any dividend income from Honghua Group.

2. This financial asset was measured at FVOCI (non-recycling).

3. This financial asset was measured at fair value through profit or loss.

4. This included a total of four unlisted trust schemes and wealth management products managed by PRC banks and the value of each product accounted for no more than 5% of the audited total assets of the Group as at 31 December 2019.

5. This included a total of three interest-bearing structural bank deposits in the PRC and the value of each product accounted for no more than 5% of the audited total assets of the Group as at 31 December 2019.

As at the date of the annual report for the year ended 31 December 2019, the Group anticipated to receive investment income from these investments and intended to actively explore other potential investment opportunities to maximise shareholders' value.

Saved as disclosed above, the Group had no material acquisition, disposal and significant investment exceeding 5% of the total asset value of the Group as at 31 December 2019.

Pledge of Assets

As at 31 December 2019, pledged bank deposits of the Group in the sum of approximately HK$4.19 million were pledged as security for banking facilities granted to mortgagors (as at 31 December 2018: approximately HK$1.26 million). The remaining balance of approximately HK$0.27 million of the Group's pledged bank deposit (as at 31 December 2018: approximately HK$2.56 million) was guaranteed deposits.

Treasury Policies

The business activities and operation of the Group were mainly carried out in Mainland China and Hong Kong, with transactions denominated in RMB, HKD and United States dollars ("**USD**"), which exposed the Group to foreign currency risks. The HKD-denominated bank borrowings of the Group of approximately HK$200 million were based on floating interest rates, which exposed the Group to interest rate risks. The Group would use interest rate and foreign currency swaps and forward foreign exchange contracts as and when appropriate for risk management and hedging purposes with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It was the Group's policy not to enter into derivative financing transactions for speculative purposes. It was also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure including hedge funds or similar instruments.

Interest Rate Risk

As at 31 December 2019, the Group's bank borrowings were denominated in HKD and RMB, of which the RMB-denominated bank borrowings of approximately RMB70 million were based on fixed interest rates, and the HKD-denominated borrowings of approximately HK$200 million were based on floating interest rates. The floating interest rates were stabilised at a low level because the banks in Hong Kong had sufficient capital and strong liquidity and there was no urgent need to increase the interest rates. Although the Group did not have any hedging measures against such interest rate risks, the Group would continue to closely monitor the risks arising from such interest rate fluctuation. If interest rate rose, hedging instruments would be used in due course against the interest rate risks caused by the HKD-denominated bank borrowings which were based on floating interest rates.

Foreign Exchange Risk

During the year ended 31 December 2019, the Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Any fluctuation in the exchange rate of HKD against RMB might have an impact on the Group's results. As at 31 December 2019, the net assets of the Group's business within the territory of the PRC were approximately RMB1,936.24 million. According to the Hong Kong Accounting Standards ("**HKASs**"), such amount of net assets denominated in RMB should be converted at the exchange rate applicable as at the end of the reporting period. Due to the decrease in foreign exchange reserve by approximately HK$58.30 million as a result of the depreciation of RMB during the year 2019, there had been a decrease in net assets of the Group.

Although foreign currency fluctuations did not pose significant risks to the Group during the year of 2019 and the Group did not have any hedging measures against such exchange risks, the Group would continue to closely monitor the risks arising from such currency fluctuations.

Contingent Liabilities

As at 31 December 2019, the Group had contingent liabilities in relation to guarantees of approximately HK$207,145,000 (2018: HK$211,918,000) given to banks in respect of mortgage loans granted to purchasers of certain property units.

In March 2016, the Group entered into a guarantee agreement with 中國誠通煤業投資有限公司 (unofficial English translation being China Chengtong Coal Investment Limited), a subsidiary of the ultimate holding company of the Company for a period of three years. The aforesaid guarantee provided by the Group was discharged during the year ended 31 December 2019 (2018: to the extent of approximately RMB53,540,000 (approximately HK$61,036,000)).

Employees

As at 31 December 2019, the Group employed a total of 291 employees (as at 31 December 2018: 267), of which 12 (as at 31 December 2018: 11) were based in Hong Kong and 279 (as at 31 December 2018: 256) were based in the PRC. During the year ended 31 December 2019, the total staff costs of the Group (including directors emoluments and provident funds) were approximately HK$59.06 million. Employee's remunerations were determined in accordance with their experiences, competence, qualifications, nature of duties, and current market trend. Apart from basic salary, discretionary bonus and other incentives were offered to employees of the Group to reward their performance and contributions. The emoluments of the Directors were determined having regard to the Company's corporate goals and the individual performance of the Directors.

The Company has adopted a share option scheme ("**Share Option Scheme**") under which the Company may grant options to Directors and eligible employees to subscribe for the Shares. The Company had also adopted a share award scheme ("**Share Award Scheme**"), under which Shares would be awarded, with the approval of the Board, to selected employees to recognise their contribution and to give them incentives thereto in order to retain them for the continual operation and development of the Group, as well as to attract suitable personnel for the growth and further development of the Group.

Future Plans for Material Investments or Capital Assets

As at 31 December 2019, the Group had no immediate future plans for any material investments or capital assets.

For the year ended 31 December 2020

Financial Overview

For the year ended 31 December 2020, the Group realised a consolidated turnover of approximately HK$931.69 million, representing a decrease of approximately 16% as compared to approximately HK$1,110.60 million last year. The global economy was severely impacted by COVID-19 which led to a decrease in the Group's turnover from bulk commodity trade business by approximately 22% as compared to that of last year to approximately HK$677.89 million; a decrease in the turnover from marine recreation services and hotel business by approximately 48% year-on-year to approximately HK$16.83 million; and a decrease in the turnover from property development business by approximately 32% year-on-year to approximately HK$89.71 million. As the Group expanded its leasing business timely by increasing several new finance leasing projects, and commenced operating lease business during the year, the turnover from leasing business increased by approximately 96% as compared to that of last year to approximately HK$146.27 million, partially offsetting the negative impact of the COVID-19 on the Group's consolidated turnover.

Business Review

Leasing

The Group had formulated leasing as the direction of the future development of its principal business, and had resolved that the Group's wholly-owned subsidiary, Chengtong Financial Leasing, was to feature professional development based on strict risk control, with the initial business focus on expanding the scale of finance leasing, exploring the development of other leasing business, and establishing the brand and market influence of Chengtong Financial Leasing. During the year ended 31 December 2020, despite the impact of COVID-19 on the overall environment of the global economy, the Group leveraged on the existing resources timely to rapidly expand the scale of its leasing business, increased a number of professional staff, commenced operating lease business and completed a number of new finance leasing projects under strict risk control. In response to the operational risks brought by the epidemic, the Group had reorganised and formulated new strategic development plans and business strategies. It would focus on developing business sectors that had stable cash flow and were less affected by the epidemic such as energy saving and environmental protection, new infrastructure (focusing on Internet data centres), high-end equipment manufacturing, public utilities, and mass medical healthcare, to reduce the impact of the epidemic and to focus on business opportunities in national strategic areas such as new urbanisation, Made-in-China 2025, new infrastructure, and the "Belt and Road" initiative.

The Group completed a number of sale and leaseback projects based on strict risk measures during the year and recorded loans receivable from finance leasing of approximately HK$2,072.70 million as at 31 December 2020, which accounted for approximately 53% and approximately 69% of the Group's consolidated total assets and consolidated net assets respectively and represented a significant increase of approximately 84% from finance leasing loans receivable of approximately HK$1,126.82 million as at 31 December 2019, thereby achieving a profit before tax of approximately HK$121.64 million, which represented an increase of approximately 82% from approximately HK$66.77 million last year.

Bulk Commodity Trade

During the year ended 31 December 2020, as affected by the COVID-19 epidemic, the turnover from bulk commodity trade business segment was only approximately HK$677.89 million, representing a decrease of approximately 22% as compared to approximately HK$870.15 million last year. Segment profit before tax decreased by approximately 41% year-on-year to approximately HK$2.07 million (2019: approximately HK$3.51 million).

Property Development

On 24 July 2020, the Group completed the disposal of 誠通投資集團有限公司 (unofficial English translation being Chengtong Investment Group Limited) ("**Chengtong Investment**"), thereby indirectly disposing of the Group's interest in "Chengtong International City" located in Dafeng District, Yancheng City of Jiangsu Province of the PRC. During the year ended 31 December 2020, the Group's revenue from property development was only derived from the "CCT-Champs-Elysees" project located in Zhucheng City of Shandong Province of the PRC. The turnover from the property development business segment decreased by approximately 32% year-on-year to approximately HK$89.71 million (2019: approximately HK$131.93 million) as affected by the COVID-19 epidemic. Segment profit before tax decreased by approximately 41% year-on-year to approximately HK$24.90 million (2019: approximately HK$41.82 million).

Property Investment

The rental income from the property investment of the Group was generated from the commercial properties of the CCT-Champs-Elysees project in Zhucheng City, Shandong Province, the PRC. The leasable area of the properties was approximately 7,565 square metres. As affected by the COVID-19 epidemic, as at 31 December 2020, the actual leased area of the properties was approximately 5,122 square metres, representing a decrease of approximately 23% as compared to approximately 6,680 square metres as at 31 December 2019. The rental income decreased by approximately 50% year-on-year to approximately HK$0.99 million (2019: approximately HK$1.97 million). The profit before tax was approximately HK$0.87 million, representing a decrease of approximately 49% when compared to that of approximately HK$1.70 million last year.

Marine Recreation Services and Hotel

The marine recreation services and hotel business in Hainan Province, the PRC mainly consist of: (i) marine recreation services; (ii) hotel operation; and (iii) travelling agency business.

In respect of marine recreation services, as affected by the COVID-19 epidemic and extreme weather (hurricane), the operation of marine recreation business was facing an extremely difficult environment during the year. The Group granted appropriate rental reduction or concession, resulting in a decrease in turnover by approximately 65% year-on-year to approximately HK$10.21 million (2019: approximately HK$29.32 million). The Group recorded a loss before tax of approximately HK$37.59 million (2019: loss of approximately HK$3.92 million), representing a significant increase in loss by approximately HK$33.67 million year-on-year, the main reasons of which included the following: (i) as affected by the COVID-19 epidemic and the extreme weather, the tourism market suffered severe setbacks, resulting in a year-on-year decrease in turnover by approximately HK$19.11 million; (ii) the Jialong submersible equipment for marine tourism had not been approved for launching operations and further adjustment to the operation plan and modification before using were needed, resulting in an impairment provision of approximately HK$19.01 million after evaluation by an independent professional valuer; and (iii) an increase in selling expenses of approximately HK$3.09 million resulting from the repair of coastal equipment which were damaged by hurricane.

In respect of the hotel operation, the sales revenue of the hotel operation amounted to approximately HK$5.14 million, representing an increase of approximately 227% as compared to approximately HK$1.57 million last year, which was mainly because only five months' sales revenue was recorded last year following the completion of renovation of hotel rooms and trial operation in August. The loss before tax decreased by approximately 8% year-on-year to approximately HK$8.36 million (2019: loss of approximately HK$9.04 million), the main reasons of which included the following: (i) the tourism business had gradually returned to normal due to the control of the epidemic in the second half of the year, leading to a rebound in sales revenue; (ii) compared to the suspension of business for renovation for seven months last year, the number of business days increased during the year and the total cost and expenses of sales and administrative expenses increased by approximately 28% year-on-year to approximately HK$13.58 million (2019: approximately HK$10.63 million).

In respect of the traveling agency business, during the year ended 31 December 2020, the travelling agency business recorded turnover of approximately HK$1.48 million (2019: approximately HK$1.19 million), representing a year-on-year increase of approximately 24%. The profit before tax amounted to approximately HK$0.03 million, representing a turnaround from loss to profit when compared to last year.

The above three businesses contributed to a total segment turnover of approximately HK$16.83 million to the Group (2019: approximately HK$32.08 million), representing a year-on-year decrease of approximately 48%. The segment loss before tax amounted to approximately HK$45.93 million (2019: loss of approximately HK$13.04 million), representing a year-on-year increase of approximately HK$32.89 million.

Asset Structure, Liquidity and Financial Resources

As the COVID-19 pandemic had a relatively small impact on the Group's asset quality and capital liquidity, the Group continued to maintain a sound financial position. As at 31 December 2020, the equity attributable to owners of the Company amounted to approximately HK$2,979.64 million, representing an increase of approximately 7% from approximately HK$2,780.84 million recorded as at 31 December 2019.

As at 31 December 2020, the total assets of the Group amounted to approximately HK$3,906.75 million, representing a rise of approximately 9% as compared to the total assets of approximately HK$3,600.66 million as at 31 December 2019. The total current assets of the Group was approximately HK$2,022.71 million, accounting for approximately 52% of the total assets and representing a decrease of approximately 22% as compared to the total current assets of approximately HK$2,575.93 million as at 31 December 2019, which was mainly due to the Group's reduction of other financial assets during the year for an increase of approximately HK$753.64 million in high-yield loans receivable of finance leasing business under non-current assets. The Group's total non-current assets amounted to approximately HK$1,884.04 million, accounting for approximately 48% of the total assets and representing an increase of approximately 84% as compared to the total non-current assets of approximately HK$1,024.73 million as at 31 December 2019, which was largely because of a growth in loans receivable under non-current assets from the expansion of the scale of the Group's leasing business.

As at 31 December 2020, the Group's total liabilities amounted to approximately HK$921.48 million, representing a rise of approximately 34% as compared to the total liabilities of approximately HK$686.45 million as at 31 December 2019. The total non-current liabilities of the Group amounted to approximately HK$49.88 million, accounting for approximately 5% of the total liabilities, which approximated to the total non-current liabilities of approximately HK$50.41 million as at 31 December 2019. The Group's total current liabilities amounted to approximately HK$871.60 million, accounting for approximately 95% of the total liabilities and representing an increase of approximately 37% as compared to the total current liabilities of approximately HK$636.04 million as at 31 December 2019, which was mainly due to: (i) a rise in customers' deposit received from newly transacted finance lease projects during the year; (ii) an increase in bank borrowings for the expansion of the leasing business; and (iii) an increase in trade payables related to the commencement of international trading of bulk commodities during the year. Although the current ratio (calculated as total current assets divided by total current liabilities) as at 31 December 2020 was approximately 2.3 times, representing a decrease of approximately 1.7 times as compared to the current ratio of approximately 4.0 times as at 31 December 2019, the liquidity of the assets of the Group remained sound. The Group expected to have adequate financial resources to cope with the commitments and liabilities in the coming year and the possible impacts on its financial position from the ongoing COVID-19 epidemic.

As at 31 December 2020, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK$865.17 million, which were primarily denominated in RMB, HKD and USD, accounting for approximately 22% and 29% of the total assets and the net assets respectively, and representing a growth of approximately 17% as compared to approximately HK$738.98 million recorded as at 31 December 2019. This was mainly because the Group completed the sale of the entire equity interest in Chengtong Investment for a consideration of approximately RMB241.19 million on 24 July 2020. As at 31 December 2020, the bank borrowings of the Group amounted to approximately HK$338.42 million, representing a rise of approximately 22% as compared to the bank borrowings of approximately HK$277.70 million as at 31 December 2019. Bank borrowings of approximately HK$178.42 million were denominated in RMB with a term of three years with the final repayment date to be due within 2023 and the remaining balance of HK$160.00 million was a revolving loan denominated in HKD with the final repayment date to be due at the end of June 2021. The effective annual interest rates of the bank borrowings ranged from approximately 2.11% to approximately 4.5%. For the year ended on 31 December 2020, the interest coverage ratio (as calculated by dividing consolidated profit before income tax and finance costs by finance costs) was approximately 20.2 times, representing a year-on-year increase of approximately 26% as compared to the ratio of approximately 16.0 times recorded as at 31 December 2019, which indicated that the Group's finance costs still remained at a low level relative to the profit for the year ended on 31 December 2020.

The debt to equity ratio (calculated by dividing total interest-bearing loans by total equity) as at 31 December 2020 was approximately 12.1%, representing an increase of approximately 2.6% as compared to the debt to equity ratio of approximately 9.5% as at 31 December 2019 and the liability remained at a low level which indicated a stable financial position of the Group.

Material Acquisition, Disposal and Significant Investment

Disposal of 41% Equity Interest in Chengtong Energy

Please refer to the paragraph under the sub-heading "Disposal of 41% Equity Interest in Chengtong Energy" on page I-7 of this appendix.

Disposal of 66.67% Equity Interest in Dafeng Harbour

On 5 May 2020, the Company entered into an equity transfer agreement with CCHK, a wholly-owned subsidiary of CCHG, to dispose of the entire equity interest in Chengtong Investment for a consideration of approximately RMB241.19 million, thereby indirectly disposing of the Company's interest in 誠通大豐海港開發有限公司 (unofficial English translation as Chengtong Dafeng Harbour Development Limited) ("**Dafeng Harbour**"), which owned the project of "Chengtong International City" in Jiangsu Province of the PRC. For details, please refer to the announcements of the Company dated 5 May 2020 and 24 July 2020 and the circular of the Company dated 10 June 2020. The above equity transfer was completed on 24 July 2020 upon which Chengtong Investment and its subsidiaries including Dafeng Harbour ceased to be the subsidiaries of the Company. A gain of approximately HK$42.75 million was recorded from the disposal of the equity interest in Chengtong Investment.

Saved as disclosed above, the Group had no material acquisition, disposal and significant investment exceeding 5% of the total asset value of the Group as at 31 December 2020.

Pledge of Assets

As at 31 December 2020, the Group's pledged bank deposits amounted to approximately HK$5.56 million, representing an increase of approximately 25% from approximately HK$4.46 million pledged as at 31 December 2019. The pledged bank deposits included approximately HK$4.17 million (as at 31 December 2019: approximately HK$4.19 million) pledged as security for banking facilities granted to mortgagors, and approximately HK$1.28 million (as at 31 December 2019: nil) as guaranteed deposits to banks that issued import letters of credit for the international bulk commodity trade business, and the remaining pledged bank deposit of approximately HK$0.11 million (as at 31 December 2019: approximately HK$0.27 million) was guaranteed deposit. As at 31 December 2020, loans receivables of the Group with an aggregate carrying value of approximately HK$199.99 million were charged as security for the Group's bank borrowings with a carrying amount of approximately HK$178.42 million.

Treasury Policies

The business activities and operation of the Group were mainly carried out in Mainland China and Hong Kong, with transactions denominated in RMB, HKD and USD, which exposed the Group to foreign currency risks. The Group's HKD-denominated bank borrowings of HK$160 million were based on floating interest rates, which exposed the Group to interest rate risks. The Group would use interest rate and foreign currency swaps and forward foreign exchange contracts, when appropriate, for risk management and hedging purposes, with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It was the Group's policy not to enter into derivative financing transactions for speculative purposes. It was also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure, including hedge funds or similar instruments.

Interest Rate Risk

As at 31 December 2020, the Group's bank borrowings were denominated in HKD and RMB, of which both the RMB-denominated bank borrowings of approximately HK$178.42 million and the HKD-denominated bank borrowings of approximately HK$160 million were based on floating interest rates. The floating interest rates were stable at a low level because banks in Hong Kong had sufficient capital and strong liquidity and there was no urgent need to increase the interest rates. Although the Group did not have any hedging measures against such interest rate risks, it would continue to closely monitor the risks arising from such interest rate fluctuation. When interest rate rose, hedging instruments would be used in due course against the interest rate risks caused by the HKD-denominated bank borrowings which were based on floating interest rates.

Foreign Exchange Risk

During the year ended 31 December 2020, the Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Any fluctuation in the exchange rate of HKD against RMB might have an impact on the Group's results. As at 31 December 2020, the net assets of the Group's business within the territory of the PRC were approximately RMB2,154.13 million. According to the HKASs, such amount of net assets denominated in RMB should be converted at the exchange rate applicable as at the end of the reporting period. Due to the increase in the Group's foreign exchange reserve of approximately HK$144.03 million as a result of the appreciation of RMB during the year ended 31 December 2020, there had been a rise in the Group's net assets as at 31 December 2020. Although foreign currency fluctuations did not pose significant risks to the Group during the year ended 31 December 2020 and the Group did not have any hedging measures against such exchange risks, the Group would continue to closely monitor the possible risks arising from such currency fluctuations.

Contingent Liabilities

As at 31 December 2020, the Group had contingent liabilities in relation to guarantees of approximately HK$212,924,000 (2019: HK$207,145,000) given to banks in respect of mortgage loans granted to purchasers of certain property units.

Employees

As at 31 December 2020, the Group employed a total of 288 employees (as at 31 December 2019: 291), of which 12 (as at 31 December 2019: 12) were based in Hong Kong and 276 (as at 31 December 2019: 279) were based in the PRC. During the year ended 31 December 2020, the total staff costs of the Group (including directors' emoluments and provident funds) were approximately HK$67.00 million. Employee's remunerations were determined in accordance with their experiences, competence, qualifications, nature of duties, and current market trend. Apart from basic salary, discretionary bonus and other incentives were offered to employees of the Group to reward their performance and contributions. The emoluments of the Directors were determined having regard to the Company's corporate goals, the individual performance of the Directors and their role and position (if any) in the group members of CCHG, the ultimate holding company of the Company.

The Company has adopted the Share Option Scheme and the Share Award Scheme.

Future Plans for Material Investments or Capital Assets

As at 31 December 2020, the Group had no immediate future plans for any material investments or capital assets.

For the year ended 31 December 2021

Financial Overview

Underpinned by the growth of our leasing business, the Group's consolidated turnover for the year ended 31 December 2021 was approximately HK$1,172.68 million, representing an increase of approximately 26% as compared to last year. The Group continued to expand its leasing business in 2021 and clocked up the leasing revenue to approximately 27% of the total turnover. Notwithstanding the persisting impact of the ongoing COVID-19 pandemic on international shipping and transportation, bulk commodity trade business remained stable. The revenue from bulk commodity trade increased by approximately 11% and contributed to approximately 64% of the total turnover. Revenue from other business segments accounted for approximately 9% of the total turnover.

Business Review

Finance Leasing

During the year ended 31 December 2021, Chengtong Financial Leasing accelerated to expand the scale of business and developed new business in line with the national policies and directions, in particular, to nourish green leasing business, and completed a number of new leasing projects in relation to clean energy, photovoltaic power generation, new energy vehicles and new infrastructure such as internet data centres. In addition, Chengtong Financial Leasing continued to synergise cooperation with other state-owned enterprises and concluded new leasing arrangements. During the year ended 31 December 2021, Chengtong Financial Leasing completed 37 finance lease and sales and leaseback projects and 24 consultancy service projects, achieving an increase in project number of over 100% on a year-on-year basis, which in turn resulted in increase in both interest income and consultancy service fee of approximately 93% and 108% respectively from last year. Rental income from operating lease also surged by more than 6 times as compared with last year as more new operating lease contracts were signed in 2021 and 12 months' (i.e. full year) operation results (2020: 3 months) were recorded.

The segment results in leasing business for the year were therefore elevated by approximately HK$75.63 million or 62% to approximately HK$197.27 million (2020: approximately HK$121.64 million). As at 31 December 2021, the net leasing receivables of the Group amounted to approximately HK$5,865.11 million, which had significantly increased by approximately 183% from that of approximately HK$2,072.70 million as at 31 December 2020, and represented approximately 72% of the total assets as at 31 December 2021 (as at 31 December 2020: approximately 53%).

Bulk Commodity Trade

During the year ended 31 December 2021, the Group carried out its bulk commodity trade business solely through its 51%-owned joint venture company, Chengtong World Trade Limited ("**World Trade**"). Since 2020, the Group gradually withdrew from domestic trade as planned and focused on international trade of steel, chemicals and other commodity products with tightened trade risk management to strictly select upstream suppliers and downstream customers. World Trade did not carry out any domestic trade in 2021 while the revenue from international trade has increased significantly by approximately 71% to approximately HK$755.43 million for the year. The total segment revenue increased by approximately HK$77.54 million or 11% from that of last year.

The overall segment results increased by approximately HK$1.56 million year-on-year to approximately HK$3.62 million (2020: approximately HK$2.07 million) which was benefited from the streamlined operation and reduced transportation and storage expenses of domestic trade.

Property Development and Investment

The Group's revenue from property development and investment in 2021 were derived from (i) the sales and rental income of the CCT-Champs-Elysees project located in Zhucheng City of Shandong Province of the PRC; and (ii) the rental income of office premises in Beijing and Haikou City in the PRC. The segment revenue decreased by approximately 12% year-on-year as affected by the negative sentiment in the property market as well as the ongoing COVID-19 pandemic. Segment results decreased by approximately 18% year-on-year to approximately HK$21.18 million.

Marine Recreation Services and Hotel

The Group operated its marine recreation services and hotel business in Hainan Province, the PRC, which was mainly consisted of: (i) marine recreation services; (ii) hotel operation; and (iii) travelling agency business.

In respect of the marine recreation services, after suffering a setback brought by the COVID-19 pandemic and extreme weather condition in 2020, the marine recreation services business regained momentum in 2021 alongside the relaxation of domestic travelling restriction in the PRC. The number of visitors to Hainan Province increased in a controlled manner and the turnover from marine recreation services increased by about 35% and approximated to HK$13.77 million (2020: approximately HK$10.21 million).

In respect of the hotel operations, the hotel operation had a steady business growth and its sales revenue amounted to approximately HK$6.60 million (2020: approximately HK$5.14 million) and represented an increase of approximately 28% over last year, which was mainly due to the increase in visitors to Hainan Province in 2021. The total direct administrative and selling expenses of the business increased by approximately 13% to HK$12.46 million (2020: approximately HK$10.99 million). The loss before tax amounted to HK$8.45 million and was similar to that for 2020 of approximately HK$8.36 million.

In respect of the travelling agency business, during the year ended 31 December 2021, the travelling agency business recorded a turnover of approximately HK$2.01 million (2020: approximately HK$1.48 million), representing a year-on-year increase of approximately 36%. The profit before tax amounted to approximately HK$0.14 million (2020: approximately HK$0.03 million) which showed improvement from last year.

The combined segment results in 2021 recorded a loss of approximately HK$22.72 million (2020: loss of approximately HK$45.93 million), which was reduced by approximately 51% from last year.

Asset Structure, Liquidity and Financial Resources

The COVID-19 pandemic had a relatively small impact on the Group's asset quality and capital liquidity and the Group continued to maintain a sound financial position. As at 31 December 2021, the equity attributable to owners of the Company amounted to approximately HK$3,134.60 million and represented an increase of approximately 5% from approximately HK$2,979.64 million recorded as at 31 December 2020.

As at 31 December 2021, the total assets of the Group amounted to approximately HK$8,167.81 million, of which about 47% were current portion, representing an upsurge of approximately 109% as compared to the total assets of approximately HK$3,906.75 million as at 31 December 2020. This was largely because of the growth in leasing receivables recorded under current and non-current assets from the expansion of the scale of the Group's leasing business.

At the same time, the total liabilities of the Group increased to approximately HK$5,026.10 million as at 31 December 2021 from approximately HK$921.48 million as at 31 December 2020 as the Group obtained more external financing in 2021, including issuance of asset-backed securities on the Shanghai Stock Exchange and increasing bank borrowings in the PRC, so as to support the growth of the leasing business. The current and non-current portions of total liabilities were approximately 64% and 36% respectively.

As at 31 December 2021, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK$1,384.67 million, which consisted of primarily the unutilised balance from the proceeds of the asset-backed securities and were denominated in RMB. Other cash and deposits were denominated in HKD and USD. The cash and deposits accounted for approximately 17% and 44% of the total assets and the net assets respectively, and represented an increase of approximately 60% as compared to approximately HK$865.17 million as at 31 December 2020.

As at 31 December 2021, the bank borrowings of the Group amounted to approximately HK$1,441.78 million (2020: approximately HK$338.42 million), represented a rise of more than 4 times from last year. The Group increased both the short-term and medium-term bank borrowings in the PRC in order to finance the development of leasing business. As at 31 December 2021, about HK$981.46 million or 68% of the Group's total bank borrowings were denominated in RMB with repayment due dates ranging from 2022 to 2026. The remaining balance of approximately HK$460.32 million of bank loans were denominated in HKD with the maturity dates falling due in March and June 2022. The effective annual interest rates of the bank borrowings ranged from approximately 1.99% to approximately 4.90%.

As the Group focused on developing and expanding the leasing business, the leverage of the Group increased significantly during the year. The debt to equity ratio (calculated as dividing total interest-bearing loans by total equity) and debt to asset ratio (calculated as dividing total interest-bearing loans by total assets) were approximately 1.41 times and 0.54 times respectively as at 31 December 2021. For the year ended 31 December 2021, the interest coverage ratio (calculated as dividing consolidated profit before income tax and finance costs (EBIT) by finance costs) was approximately 28 times, representing a year-on-year increase of approximately 40% as compared to the ratio of approximately 20 times recorded as at 31 December 2020. Notwithstanding the increase in the leverage, the ratios indicated that the Group still had a strong ability to repay borrowings and finance costs.

Material Acquisition, Disposal and Significant Investment

The Group had no material acquisition, disposal and significant investment exceeding 5% of the total asset value of the Group as at 31 December 2021.

Pledge of Assets

As at 31 December 2021, the Group had pledged bank deposits amounted to approximately HK$4.41 million, representing a decrease of approximately 21% from approximately HK$5.56 million as at 31 December 2020. The pledged bank deposits mainly included approximately HK$4.28 million (as at 31 December 2020: approximately HK$4.17 million) of security money for banking facilities granted to mortgagors of the CCT-Champs-Elysees project.

As at 31 December 2021, the leasing receivables of the Group with an aggregate carrying value of approximately HK$3,907.63 million (as at 31 December 2020: approximately HK$199.99 million) and trade receivables under operating lease business with carrying amount of approximately HK$2.15 million (as at 31 December 2020: nil) were charged as security for the Group's asset-backed securities and bank borrowings with carrying amounts of approximately HK$2,932.61 million (as at 31 December 2020: nil) and HK$981.46 million respectively (as at 31 December 2020: approximately HK$178.42 million).

Treasury Policies

The business activities and operation of the Group were mainly carried out in Mainland China and Hong Kong, with transactions denominated in RMB, HKD and USD, which exposed the Group to foreign currency risks. As at 31 December 2021, the Group had bank borrowings denominated in HKD and RMB with a total of approximately HK$1,441.78 million which were based on floating interest rates, thereby exposing the Group to interest rate risks. The Group would, where appropriate, use interest rate and foreign currency swaps and forward foreign exchange contracts for risk management and hedging purposes, with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It was the Group's policy not to enter into derivative financing transactions for speculative purposes. It was also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure, including hedge funds or similar instruments.

Interest Rate Risk

As at 31 December 2021, the Group's bank borrowings, which comprised RMB-denominated bank borrowings of approximately HK$981.46 million and the HKD-denominated bank borrowings of approximately HK$460.32 million, were based on floating interest rates. The floating interest rates were relatively stable with Hong Kong Interbank Offered Rate in Hong Kong and LPR in the PRC fluctuated within a narrow range throughout 2021.

Most of the Group's leasing receivables were carried at floating interest rates with reference to the prevailing LPR and effectively hedged against the interest rate risks arising from bank borrowings in the PRC.

Having said that, the Group would continue to closely monitor the risks arising from interest rate fluctuation and apply appropriate hedging strategies against the interest rate risks caused by the debt instruments which were based on floating interest rates.

Foreign Exchange Risk

During the year ended 31 December 2021, the Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Any fluctuation in the exchange rate of HKD against RMB might have an impact on the Group's results. As at 31 December 2021, the net assets of the Group's business in the PRC were approximately RMB2,740.75 million. According to the HKASs, such amount of net assets denominated in RMB would be converted into HKD at the exchange rate applicable as at the end of the reporting period. The Group's foreign exchange reserve increased approximately by HK$63.17 million during the year. The Group did not have any hedging measures against foreign exchange risks. However, the Group would continue to closely monitor the possible risks arising from currency fluctuations.

Contingent Liabilities

As at 31 December 2021, the Group had contingent liabilities in relation to guarantees of approximately HK$224,455,000 (2020: HK$212,924,000) given to banks in respect of mortgage loans granted to purchasers of certain property units.

Employees

As at 31 December 2021, the Group employed a total of 278 employees (as at 31 December 2020: 288), of which 11 (as at 31 December 2020: 12) were based in Hong Kong and 267 (as at 31 December 2020: 276) were based in the PRC. During the year ended 31 December 2021, the total staff costs of the Group (including directors' emoluments and provident funds) were approximately HK$70.06 million. Employee's remunerations were determined in accordance with their experiences, competence, qualifications, nature of duties, and current market trend. Apart from basic salary, discretionary bonus and other incentives were offered to employees of the Group to reward their performance and contributions. The emoluments of the Directors were determined having regard to the Company's corporate goals, the individual performance of the Directors and their role and position (if any) in the group members of CCHG, the ultimate holding company of the Company.

The Company has adopted the Share Option Scheme and the Share Award Scheme.

Future Plans for Material Investments or Capital Assets

As at 31 December 2021, the Group had no immediate future plans for any material investments or capital assets.

For the six months ended 30 June 2022 ("1H2022")

Financial Overview

During the 1H2022, the Group's core leasing operation continued to grow its revenue and operating profit. The other business segments of the Group were impacted by the ongoing COVID-19 pandemic. The new wave of COVID-19 in 1H2022 which had caused major cities in the PRC including Beijing, Shanghai and Shenzhen to partially lock down and the various government measures implemented to prevent and control the spread of the virus had severely undermined the recovering economy and slowed down normal business activities in the PRC. The consolidated turnover for the 1H2022 was approximately HK$476.17 million, which represented a slight increase of approximately 1% as compared to that of the six-month period ended 30 June 2021.

Business Review

Leasing

During the 1H2022, Chengtong Financial Leasing pursued to expand the scale of the business and completed a number of new leasing projects in relation to environmental protection, transportation and infrastructure. Chengtong Financial Leasing continued to synergise cooperation with other state-owned enterprises and concluded new leasing arrangements. During the 1H2022, Chengtong Financial Leasing realised an increase in interest income from both new and existing finance lease projects to approximately HK$154.18 million, representing an increase of approximately 114% from 1H2021. The consultancy service business, however, experienced a quiet period during the new wave of COVID-19 in 1H2022 and the relevant service fee income decreased by approximately 49% to approximately HK$16.44 million during the 1H2022. The rental income from operating lease was stable in 1H2022 but no new operating lease project was entered into during the 1H2022. Nonetheless, the total segment revenue for 1H2022 stood at approximately HK$186.10 million and represented an increase of approximately 53% from the six months ended 30 June 2021 ("**1H2021**").

The segment results in leasing business for 1H2022 therefore reduced by approximately 23% to approximately HK$65.33 million (1H2021: approximately HK$84.84 million). As at 30 June 2022, the net leasing receivables of the Group amounted to approximately HK$5,832.54 million, which has slightly decreased by approximately 1% from that of approximately HK$5,865.11 million as at 31 December 2021, and represented approximately 72% of the consolidated total assets as at 30 June 2022 (as at 31 December 2021: approximately 72%).

Bulk Commodity Trade

During the 1H2022, the Group carried out its bulk commodity trade business through its 51%-owned joint venture company, World Trade, and focused on international trade of steel, chemicals and other commodity products with tightened trade risk management to strictly select upstream suppliers and downstream customers. Due to the enduring impacts of the COVID-19 pandemic, trade flow was severely affected. There were imbalances in the supply and demand of commodity products and there were uncertainties in the transportation logistics and the associated costs. Notwithstanding the segment revenue decreased by approximately HK$65.61 million or approximately 21% from 1H2021, World Trade managed to achieve an increase in gross profit and segment results through more stringent cost control.

Property Development and Investment

The Group's revenue from property development was entirely derived from its wholly owned project, namely the CCT-Champs-Elysees project, located in Zhucheng City of Shandong Province of the PRC. The project had a total site area of approximately 146,006 square metres and was developed in three phases. The property sales increased by approximately 20% and was attributable to the increase in floor area sold for Phase III of the project during the 1H2022. The average selling price per square metre of the residential area for 1H2022 was approximately RMB5,524 and had no significant fluctuation from the last corresponding period (1H2021: approximately RMB5,506). As at 30 June 2022, the completed and unsold area of the project included residential area of approximately 19,661 square metres (as at 31 December 2021: approximately 25,171 square metres) and commercial spaces of approximately 1,410 square metres (as at 31 December 2021: approximately 1,410 square metres). It was the Group's plan and target to complete the development and sales of the project in 2024.

The segment gross profit margin dropped mainly because of the higher construction cost for Phase III of the CCT-Champs-Elysees project. The segment results decreased by approximately 3% year-on-year as more marketing expenses were incurred to promote the sale of the project.

Marine Recreation Services and Hotel

The Group operated its marine recreation services and hotel business in Hainan Province, the PRC, which was mainly consisted of: (i) marine recreation services; (ii) hotel operation; and (iii) travelling agency business.

In respect of the marine recreation services, during the 1H2022, the turnover from marine recreation services decreased by about 24% and approximated to HK$6.32 million (1H2021: approximately HK$8.32 million). The gross profit dropped by approximately HK$1.72 million in 1H2022, but was almost offset by savings of administrative expenses in 1H2022 in connection with the decrease in the number of visitors. The loss before tax was approximately HK$6.56 million in 1H2022 (1H2021: loss of approximately HK$6.41 million).

In respect of the hotel operation, as the sales revenue from hotel operation in 1H2022 decreased to approximately HK$2.31 million (1H2021: approximately HK$4.52 million) while the cost of revenue for 1H2022 and 1H2021 were similar, a decrease in gross profit of approximately HK$1.98 million was recorded for 1H2022. The loss before tax for the 1H2022 amounted to HK$4.83 million (1H2021: approximately HK$3.48 million).

In respect of the travelling agency business, during the 1H2022, the travelling agency business improved and recorded a turnaround from loss to profit in 1H2022. The profit before tax for 1H2022 amounted to approximately HK$0.02 million (1H2021: loss of approximately HK$0.40 million).

The above three businesses contributed to a total segment turnover of approximately HK$9.12 million to the Group (1H2021: approximately HK$12.87 million), representing a year-on-year decrease of approximately 29%. The segment loss before tax amounted to approximately HK$11.37 million (1H2021: loss of approximately HK$10.29 million), representing a year-on-year increase of approximately 11%.

Asset Structure, Liquidity and Financial Resources

As at 30 June 2022, the Group continued to maintain a sound financial position in respect of its asset quality and capital liquidity. The equity attributable to owners of the Company amounted to approximately HK$2,983.89 million, representing a decrease of approximately 5% from approximately HK$3,134.60 million as at 31 December 2021, which was mainly due to the decrease in exchange reserve for RMB-denominated assets and liabilities of approximately HK$132.89 million during the 1H2022.

As at 30 June 2022, the total assets of the Group amounted to approximately HK$8,146.80 million, of which about 51% were current portion, and was barely changed over that of 31 December 2021. Leasing receivables remained as the largest component and accounted for about 72% of the total assets. On the other hand, the total liabilities of the Group increased slightly to approximately HK$5,155.14 million as at 30 June 2022 from approximately HK$5,026.10 million as at 31 December 2021 as the Group maintained its gearing and used asset-backed securities and bank borrowings as sources of financing, so as to continuously support the growth of the leasing business. The current and non-current portions of total liabilities were approximately 66% and 34% respectively and were similar to that as at 31 December 2021.

The current ratio (calculated as total current assets divided by total current liabilities) as at 30 June 2022 was approximately 1.20 times (31 December 2021: approximately 1.17 times), showing that the liquidity of the Group remained at a healthy level.

As at 30 June 2022, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK$1,368.33 million, which primarily represented net balance of payments and receipts from leasing business and were denominated in RMB. Other cash and deposits were denominated in HKD and USD. The cash and deposits accounted for approximately 17% and 46% of the total assets and the net assets respectively, and almost leveled with that of 31 December 2021.

As at 30 June 2022, the bank borrowings of the Group amounted to approximately HK$1,969.08 million ("**Total Bank Borrowings**") (as at 31 December 2021: approximately HK$1,441.78 million), represented a rise of approximately 37%. It was one of the Group's strategies to increase leverage in respect of both short-term and medium-term bank borrowings in the PRC in order to finance the development of leasing business. As at 30 June 2022, about HK$1,441.02 million or approximately 73% of the Total Bank Borrowings were denominated in RMB with repayment due dates ranging from 2022 to 2026, and approximately HK$500.50 million was denominated in HKD, among which a bank loan with a principal amount of HK$500 million would mature in June 2023, and the balance of approximately HK$27.56 million was denominated in USD and of trade-finance nature. The effective annual interest rates of the bank borrowings ranged from approximately 2.25% to approximately 4.90%.

The Group had launched two asset-backed securities schemes on the Shanghai Stock Exchange on 21 May 2021 and 24 November 2021 respectively with the total issue size of RMB2,970 million (equivalent to HK$3,564 million). The asset-backed securities were classified into priority and subordinated tranches according to their risks, earnings and duration. The Group held all the subordinated tranches.

During the 1H2022, the Group made timely repayments for priority tranches under the asset-backed securities schemes. As at 30 June 2022, the Group's outstanding balance of the priority tranche asset-backed securities amounted to approximately HK$2,208.20 million (31 December 2021: approximately HK$2,932.61 million), and had coupon rates ranging from 3.4% to 4.3% per annum and the expected maturity dates ranging from July 2022 to January 2026.

As the Group increased bank borrowings to finance its leasing business, the total debts increased during the 1H2022, but the debt to equity ratio (calculated as dividing total interest-bearing loans by total equity) and debt to asset ratio (calculated as dividing total interest-bearing loans by total assets) remained at the same level as that of 31 December 2021. During the 1H2022, the interest coverage ratio (calculated as dividing consolidated profit before income tax and finance costs (EBIT) by finance costs) dropped as the Group's gearing increased and more finance costs were incurred. The interest coverage ratio was approximately 9 times as compared to the ratio of approximately 28 times recorded as at 31 December 2021. The ratios indicated that the Group was able to expand and grow through external financing yet still had a strong ability to repay borrowings and finance costs.

Material Acquisition, Disposal and Significant Investment

The Group had no material acquisition, disposal and significant investment exceeding 5% of the total asset value of the Group as at six months ended 2022.

Pledge of Assets

As at 30 June 2022, the Group pledged bank deposits of approximately HK$4.22 million, as compared to the amount of approximately HK$4.41 million as at 31 December 2021. The pledged bank deposits mainly included approximately HK$4.11 million (as at 31 December 2021: approximately HK$4.28 million) of security money for construction project quality, the payment of wages to rural migrant workers and bank facilities granted to mortgagors of the CCT-Champs-Elysees project.

As at 30 June 2022, the leasing receivables of the Group with an aggregate carrying value of approximately HK$3,704.05 million (as at 31 December 2021: approximately HK$3,907.63 million) and trade receivables under operating lease business with carrying amount of approximately HK$2.04 million (as at 31 December 2021: HK$2.15 million) were charged as security for the Group's asset-backed securities and bank borrowings with carrying amounts of approximately HK$2,208.20 million (as at 31 December 2021: approximately HK$2,932.61 million) and HK$1,441.02 million respectively (as at 31 December 2021: approximately HK$981.46 million).

As at 30 June 2022, the bill receivables of the Group with an aggregate carrying value of approximately HK$24.01 million (as at 31 December 2021: nil) was charged as security for the Group's bank borrowings with carrying amounts of approximately HK$27.56 million (as at 31 December 2021: nil).

Treasury Policies

The business activities and operation of the Group were mainly carried out in Mainland China and Hong Kong, with transactions denominated in RMB, HKD and USD, which exposed the Group to interest rates and foreign currency risks. As at 30 June 2022, the Total Bank Borrowings were denominated in the said currencies and were based on fixed and floating interest rates, thereby exposing the Group to interest rate and foreign exchange risks. The Group would, where appropriate, use interest rate and foreign currency swaps and forward foreign exchange contracts for risk management and hedging purposes, with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It was the Group's policy not to enter into derivative financing transactions for speculative purposes. It was also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure, including hedge funds or similar instruments.

Interest Rate Risk

As at 30 June 2022, out of the Total Bank Borrowings, RMB-denominated bank borrowings of approximately HK$671.72 million and HKD-denominated bank borrowings of approximately HK$500.50 million were based on floating interest rates. The floating interest rate for the HKD-denominated bank loan was based on Hong Kong Interbank Offered Rate (HIBOR) in Hong Kong which was escalating during the 1H2022, while the floating interest rates for RMB-denominated bank loans in the PRC were based on LPR in the PRC and were adjusted downward during the 1H2022. The remaining bank borrowings of approximately HK$796.86 million were based on fixed interest rates. The Group's asset-backed securities had different fixed coupon rates for different classes in the priority tranche.

Most of the Group's leasing receivables were carried at floating interest rates with reference to the prevailing LPRs and effectively hedged against the interest rate risks arising from bank borrowings in the PRC. Having said that, the Group would continue to closely monitor the risks arising from interest rate fluctuation and apply appropriate hedging strategies against the interest rate risks caused by the debt instruments which were based on floating interest rates.

Foreign Exchange Risk

During the 1H2022, the Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Any fluctuation in the exchange rate of HKD against RMB might have an impact on the Group's results. As at 30 June 2022, the net assets of the Group's business in the PRC were approximately RMB2,765.46 million. According to the HKASs, such amount of net assets denominated in RMB would be converted into HKD at the exchange rate applicable as at the end of the reporting period. The Group's foreign exchange reserve decreased approximately by HK$132.89 million during the 1H2022. The Group did not have any hedging measures against foreign exchange risks. However, the Group would continue to closely monitor the possible risks arising from currency fluctuations.

Contingent Liabilities

As at 30 June 2022, the Group provided guarantees of HK$226,045,000 (31 December 2021: HK$224,455,000) given to banks in respect of mortgage loans granted to purchasers of certain property units.

Employees

As at 30 June 2022, the Group employed a total of 266 employees (as at 31 December 2021: 278), of which 13 (as at 31 December 2021: 11) were based in Hong Kong and 253 (as at 31 December 2021: 267) were based in Mainland China. During the 1H2022, the total staff costs of the Group (including directors' emoluments and contributions to retirement benefits schemes) were approximately HK$47.67 million. Employees' remunerations were determined in accordance with their experiences, competence, qualifications, nature of duties, and current market trend so as to maintain competitiveness. Apart from basic salary, discretionary bonus and other incentives might be offered to the employees of the Group as a reward for their performance and contributions. The emoluments of the Directors were determined having regard to the Company's corporate goals, the individual performance of the Directors and their role and position (if any) in the group members of CCHG, the ultimate holding company of the Company.

The Company has adopted the Share Option Scheme and the Share Award Scheme.

Future Plans for Material Investments or Capital Assets

As at six months ended June 2022, the Group had no immediate future plans for any material investments or capital assets.

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

Long position

Name of Director	Interests in the Company or its associated corporation	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital as at the Latest Practicable Date
Mr. Zhang Bin	The Company	Beneficial owner	314,642	0.01%

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

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors and chief executive of the Company, had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO 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; Mr. Yang Tianzhou, the Managing Director of the Company, was a deputy general manager of CCHK; and Mr. Gu Honglin, an executive Director, was the chief accountant of CCHK. Mr. Zhang Bin, Mr. Yang Tianzhou and Mr. Gu Honglin were members of the executive committee of CCHK as at the Latest Practicable Date. Save as disclosed herein, no Director was a director or an employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. MATERIAL 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 (2) years immediately preceding the Latest Practicable Date and are, or may be, material:

(a) the loan agreement dated 9 February 2021 and entered into between 海南寰島酒店旅遊投資有限公司 (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 海南寰島實業發展有限公司 (unofficial

English translation being Hainan Huandao Industrial Development Limited) ("**Huandao Industrial**"), an indirect wholly-owned subsidiary of 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, the details of which are set out in the announcement of the Company dated 9 February 2021; and

(b) the extension agreement dated 2 September 2021 and entered into between Huandao Hotel Investment 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 extension of the term of a loan in the principal amount of RMB30 million granted under a loan agreement dated 3 September 2020 (details of which are set out in the announcement of the Company dated 3 September 2020) for two (2) years to 2 September 2023 upon expiry of the original term of the loan on 2 September 2021, the details of which are set out in the announcement of the Company dated 2 September 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, so far as was known to the Directors, 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 2021, 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 AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website www.irasia.com/listco/hk/chengtong for 14 days from the date of this circular:

(a) the Purchase Contracts;

(b) the Operating Lease Agreements;

(c) the Chengxin & China Metallurgical Agreements;

(d) the Shenrong & China MCC5 Agreements; and

(e) the Zhaoqing High Tech & China MCC5 Agreements.

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)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting ("**Meeting**") of China Chengtong Development Group Limited ("**Company**") will be held at Conference Room of Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 7 March 2023 at 3:00 p.m. to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the Chengxin & China Metallurgical Agreements (as defined in the circular of the Company dated 16 February 2023) dated 11 January 2023 and entered into between 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited), an indirect wholly-owned subsidiary of the Company, as lessor and 淄博城信建投工程管理有限公司 (unofficial English translation being Zibo Chengxin Construction Investment Engineering Management Co., Ltd.) and 中冶建工集團有限公司 (unofficial English translation being China Metallurgical Construction Engineering Group Co., Ltd.), acting as co-lessees, in respect of a sale and leaseback arrangement for a term of three (3) years be and are hereby confirmed, approved and ratified;

(b) the transactions contemplated under the Chengxin & China Metallurgical Agreements be and are hereby approved; and

(c) any one of the directors of the Company be and is hereby authorised to do all such acts and things and to sign and execute all such documents, instruments, agreements or deeds on behalf of the Company as he considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Chengxin & China Metallurgical Agreements and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto as are, in the opinion of such director, in the interests of the Company and its shareholders as a whole."

2. "**THAT**:

(a) the Shenrong & China MCC5 Agreements (as defined in the circular of the Company dated 16 February 2023) dated 11 January 2023 and entered into between 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited), an indirect wholly-owned subsidiary of the Company, as lessor and 杭州富陽申蓉建設發展有限公司 (unofficial English translation being Hangzhou Fuyang Shenrong Construction Development Co., Ltd.) and 中國五冶集團有限公司 (China MCC5 Group Corp. Ltd.), acting as co-lessees, in respect of a sale and leaseback arrangement for a term of three (3) years be and are hereby confirmed, approved and ratified;

(b) the transactions contemplated under the Shenrong & China MCC5 Agreements be and are hereby approved; and

(c) any one of the directors of the Company be and is hereby authorised to do all such acts and things and to sign and execute all such documents, instruments, agreements or deeds on behalf of the Company as he considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Shenrong & China MCC5 Agreements and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto as are, in the opinion of such director, in the interests of the Company and its shareholders as a whole."

3. "**THAT**:

(a) the Zhaoqing High Tech & China MCC5 Agreements (as defined in the circular of the Company dated 16 February 2023) dated 11 January 2023 and entered into between 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited), an indirect wholly-owned subsidiary of the Company, as lessor and 廣東肇慶市高新建設開發有限公司 (unofficial English translation being Guangdong Zhaoqing High Tech Construction Development Co., Ltd.) and 中國五冶集團有限公司 (China MCC5 Group Corp. Ltd.), acting as co-lessees, in respect of a sale and leaseback arrangement for a term of three (3) years be and are hereby confirmed, approved and ratified;

(b) the transactions contemplated under the Zhaoqing High Tech & China MCC5 Agreements be and are hereby approved; and

(c) any one of the directors of the Company be and is hereby authorised to do all such acts and things and to sign and execute all such documents, instruments, agreements or deeds on behalf of the Company as he considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Zhaoqing High Tech & China MCC5 Agreements and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto as are, in the opinion of such director, in the interests of the Company and its shareholders as a whole."

By order of the board of directors
China Chengtong Development Group Limited
Zhang Bin
Chairman

16 February 2023

Registered address in Hong Kong:
Suite 6406, 64th Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Notes:

(1) A shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his/her/its stead. If more than one proxy is so appointed, the form of proxy shall specify the number and class of shares in respect of which each such proxy is appointed. A proxy need not be a shareholder of the Company. In case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder are present at the Meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

(2) The Company does not in any way wish to diminish the opportunity available to the shareholders of the Company to exercise their rights and to vote, but is conscious of the pressing need to protect the shareholders from possible exposure to the coronavirus pandemic. **For the health and safety of the shareholders, the Company would like to encourage shareholders to exercise their right to vote at the Meeting by appointing the chairman of the Meeting as their proxy instead of attending the Meeting in person. Physical attendance is not necessary for the purpose of exercising shareholders' rights.**

(3) To be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 3:00 p.m. on Saturday, 4 March 2023 or not later than 48 hours before the time appointed for holding any adjournment or postponement of the Meeting. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the Meeting or any adjournment or postponement thereof should they so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

(4) For determining the entitlement of the shareholders of the Company to attend and vote at the Meeting, the register of members of the Company will be closed from Thursday, 2 March 2023 to Tuesday, 7 March 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the Meeting, all completed share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 1 March 2023.

(5) The above resolutions will be voted by way of poll as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(6) If a tropical cyclone warning signal no. 8 or above is hoisted, or "extreme conditions" caused by a super typhoon or a black rainstorm warning is in force at or at any time after 12:00 noon on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the website of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the website of the Company (www.irasia.com/listco/hk/chengtong) to notify the shareholders of the Company of the date, time and place of the rescheduled meeting. The Meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders of the Company should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.

As at the date of this notice, the executive directors are Mr. Zhang Bin, Mr. Yang Tianzhou and Mr. Gu Honglin; and the independent non-executive directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.