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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

**MAJOR TRANSACTIONS –
SALE AND LEASEBACK ARRANGEMENTS**

A letter from the Board is set out from pages 6 to 16 of this circular.

15 September 2023

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DEFINITIONS

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

“Board”	means the board of Directors
“CCHG”	means China Chengtong Holdings Group Limited, a state-owned enterprise established in the PRC with limited liability and the ultimate holding company of the Company
“CCHK”	means China Chengtong Hong Kong Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company as at the Latest Practicable Date
“Chengtong Financial Leasing”	means Chengtong Financial Leasing Company Limited, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“China Glass Agreements”	means, collectively, the two (2) sets of the following agreements, in respect of the China Glass Leased Assets dated 9 August 2023 and signed between Chengtong Financial Leasing and the China Glass co-Lessees: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
“China Glass Arrangement”	means the sale and leaseback arrangement contemplated under the China Glass Agreements
“China Glass co-Lessees”	means, collectively, China Glass Investment and Wuhai CNG acting as co-lessees of the China Glass Arrangement
“China Glass Investment”	means China Glass Investment Limited, a company established in the PRC with limited liability
“China Glass Leased Assets”	means certain tin bath, annealing furnace, melting furnace, waste heat power generation equipment, etc.
“China Glass Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the China Glass Leased Assets from the China Glass co-Lessees
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“co-Lessees”	means the China Glass co-Lessees and/or the PowerChina co-Lessees (as the case may be)

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“Company”	means China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the director(s) of the Company
“Foshan Fanyue”	means Foshan Fanyue Real Estate Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Group”	means the Company and its subsidiaries as at the date of this circular
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	means third party(ies) independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Latest Practicable Date”	means 11 September 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lease Term”	means the lease term under the China Glass Agreements and/or the lease term under the PowerChina Agreements (as the case may be)
“Leased Assets”	means the China Glass Leased Assets and/or the PowerChina Leased Assets (as the case may be)
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LPR”	means the loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China

DEFINITIONS

“PowerChina Agreements”	means, collectively, the following agreements in respect of the PowerChina Leased Assets dated 10 August 2023 and signed between Chengtong Financial Leasing and the PowerChina co-Lessees: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)
“PowerChina Arrangement”	means the sale and leaseback arrangement contemplated under the PowerChina Agreements
“PowerChina co-Lessees”	means, collectively, Foshan Fanyue and PowerChina Real Estate acting as co-lessees of the PowerChina Arrangement
“PowerChina Leased Assets”	means certain underground parking spaces
“PowerChina Leased Assets Valuation Report”	means the valuation report issued by the PowerChina Valuer in respect of the market value of the PowerChina Leased Assets as at 20 July 2023, the extract of which is set out in Appendix II to this circular
“PowerChina Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the PowerChina Leased Assets from the PowerChina co-Lessees
“PowerChina Real Estate”	means PowerChina Real Estate Group Ltd., a state-owned enterprise established in the PRC with limited liability
“PowerChina Valuer”	means Guizhou Binglitian Real Estate Property Valuation Co., Ltd., a qualified independent valuer in the PRC
“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 China Glass Lessees”	means, collectively, Shaanxi CNG New Technology Limited and Dongtai China Glass Special Glass Company Limited, being the subsidiaries of China Glass Holdings Limited, acting as lessees of the Previous China Glass Transactions

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“Previous China Glass Transactions”	<p>means, collectively, the following sale and leaseback arrangements entered into on 22 July 2022 for a term of four (4) years, the details of which are set out in the announcement of the Company dated 22 July 2022:</p> <ol style="list-style-type: none">(1) the sale and leaseback arrangement entered into between Chengtong Financial Leasing and Shaanxi CNG New Technology Limited in respect of certain furnaces, boilers and auxiliary equipment(2) the sale and leaseback arrangement entered into between Chengtong Financial Leasing and Dongtai China Glass Special Glass Company Limited in respect of certain furnaces and molding equipment
“Previous PowerChina co-Lessees”	<p>means, collectively, PowerChina Real Estate and its subsidiaries acting as co-lessees of the Previous PowerChina Transactions</p>
“Previous PowerChina Transactions”	<p>means, collectively, the following arrangements entered into between Chengtong Financial Leasing and the Previous PowerChina co-Lessees:</p> <ol style="list-style-type: none">(1) the sale and leaseback arrangement entered into on 21 September 2022 in respect of certain underground parking spaces for a term of three (3) years, the details of which are set out in the announcement of the Company dated 21 September 2022; and(2) the sale and leaseback arrangement entered into on 23 November 2022 in respect of certain underground parking spaces for a term of three (3) years, the details of which are set out in the announcement of the Company dated 23 November 2022
“Purchase Price”	<p>means the China Glass Purchase Price and/or the PowerChina Purchase Price (as the case may be)</p>
“Registered Real Estate Appraiser(s)”	<p>means qualified registered real estate appraiser(s) with the Ministry of Housing and Urban-Rural Development of the PRC</p>
“RMB”	<p>means Renminbi, the lawful currency of the PRC</p>
“Sale and Leaseback Agreements”	<p>means the China Glass Agreements and/or the PowerChina Agreements (as the case may be)</p>

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“Sale and Leaseback Arrangements”	means the sale and leaseback arrangements contemplated under the Sale and Leaseback Agreements
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Wuhai CNG”	means Wuhai CNG Special Glass 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\$1.09. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

The English names of all PRC entities in this circular are for identification purpose only.

LETTER FROM THE BOARD



CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

Executive Directors:

Zhang Bin (*Chairman*)

Yang Tianzhou (*Managing Director*)

Gu Honglin

Independent Non-Executive Directors:

Chang Qing

Lee Man Chun, Tony

He Jia

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

Suite 6406, 64th Floor

Central Plaza

18 Harbour Road

Wanchai, Hong Kong

15 September 2023

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTIONS – SALE AND LEASEBACK ARRANGEMENTS

1. INTRODUCTION

Reference is made to the announcements of the Company dated 9 August 2023 and 10 August 2023 in respect of the China Glass Arrangement and the PowerChina Arrangement, respectively.

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

LETTER FROM THE BOARD

2. MAJOR TRANSACTIONS

(A) The Sale and Leaseback Arrangements

On 9 August 2023 and 10 August 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the China Glass Agreements and the PowerChina Agreements with the China Glass co-Lessees and the PowerChina co-Lessees in respect of the China Glass Arrangement and the PowerChina Arrangement, respectively. The major terms of the Sale and Leaseback Arrangements are set out below.

Subject matter

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

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

Purchase Price

China Glass Purchase Price

The China Glass Purchase Price was agreed between Chengtong Financial Leasing and the China Glass co-Lessees with reference to the appraised value of the China Glass Leased Assets as at 30 June 2023. The valuation for the appraised value of the China Glass Leased Assets was conducted by way of cost method by an independent PRC valuer (“**China Glass Valuer**”).

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

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The cost method, being adopted by the China Glass Valuer for the valuation of the China Glass Leased Assets, is a method determining the value of an appraised asset by multiplying the replacement cost of the appraised asset by its newness rate. The value of the appraised asset is first to be obtained by estimating the replacement cost of the appraised asset, following by deducting various estimated depreciation factors that currently exist in the appraised asset. The replacement cost is determined on the basis of the current market value of the appraised asset on the appraisal date, while the newness rate is determined through on-site inspection and comprehensive technical analysis. Since the China Glass Leased Assets form part of the facilities or equipment used for glass production in Wuhai CNG's factories, for which the information regarding the replacement cost of such assets was readily available, the China Glass Valuer was of the view that cost method is the most suitable approach for the valuation of the China Glass Leased Assets.

In appraising the value of the China Glass Leased Assets, the China Glass Valuer had also considered (i) the market approach, which determines the value of an appraised asset by direct comparison between the same or similar assets in the market or by relevant analogy analysis and (ii) the income approach, which determines the value of an appraised asset by estimating the expected future earnings of the appraised asset. As advised by the China Glass Valuer, (i) the market approach was not adopted because of a lack of highly developed, active and fair second-hand trading market or comparable transactions for assets identical or similar to the China Glass Leased Assets, thus the prerequisites for adopting market approach were not available; and (ii) the income approach was not adopted because the China Glass Leased Assets, when appraised individually, are not revenue generating equipment with identifiable income stream.

Based on the relevant valuation, the total appraised replacement cost of the China Glass Leased Assets is approximately RMB418.98 million (equivalent to approximately HK\$456.69 million). The aggregate replacement cost was determined by aggregating the replacement cost of each of the China Glass Leased Assets (comprising over 380 equipment) ranging from approximately RMB0.02 million (equivalent to HK\$0.218 million) to approximately RMB91.62 million (equivalent to approximately HK\$99.87 million).

The newness rate of the appraised asset is determined after taking into account the theoretical service life of the appraised asset, remaining service life of the appraised asset and status of the appraised asset through on-site inspection.

The China Glass Valuer evaluated the newness rate for each of the China Glass Leased Asset (comprising over 380 equipment), and the newness rates of the China Glass Leased Assets range from 43% to 63%, with an average newness rate of approximately 50.9%.

Based on the relevant valuation, the total appraised value of the China Glass Leased Assets is approximately RMB213.20 million (equivalent to approximately HK\$232.39 million), which is calculated by multiplying the individual replacement cost of the China Glass Leased Assets by the relevant newness rate of the China Glass Leased Assets.

LETTER FROM THE BOARD

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

- (i) save as disclosed in the valuation report, the acquisition and use of the appraised assets are in compliance with the PRC laws and regulations;
- (ii) the business operations of the instructing clients are in compliance with requirements on safety production set out in the PRC laws and regulations and the relevant industry standards;
- (iii) the China Glass Valuer conducts the valuation according to the specific aim of the valuation;
- (iv) the conditions of the appraised assets as shown during the on-site inspections conform with the actual conditions of the assets as at 30 June 2023;
- (v) the appraised assets will continue to be used for the existing purpose and the owner of the appraised assets will continue to operate its business operation in compliance with the PRC laws and regulations;
- (vi) the valuation disregarded impacts of inflation, and the pricing standard of the valuation is in effect as at 30 June 2023;
- (vii) the change in the conditions of the market in the future was not being taken into account in the valuation; and
- (viii) there is no other force majeure factors and unforeseeable factors that have a significant adverse impact.

The Board has reviewed the valuation report in respect of the China Glass 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 value of the China Glass Leased Assets is fair and reasonable.

The China Glass Leased Assets form part of the facilities or equipment used for glass production, such as tin bath, annealing furnace, melting furnace, waste heat power generation equipment, in the Wuhai CNG's factories. The China Glass Leased Assets are not revenue generating assets with identifiable income stream.

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

LETTER FROM THE BOARD

PowerChina Purchase Price

The PowerChina Purchase Price was agreed between Chengtong Financial Leasing and the PowerChina co-Lessees with reference to the appraised value of the PowerChina Leased Assets as at 20 July 2023. The valuation for the appraised value of the PowerChina Leased Assets was conducted by way of market approach by the PowerChina Valuer.

Based on the relevant valuation, the total appraised value of the PowerChina Leased Assets is approximately RMB174.42 million (equivalent to approximately HK\$190.12 million). For details of the PowerChina Leased Assets Valuation Report, please refer to Appendix II to this circular.

The Board has reviewed the PowerChina Leased Assets Valuation Report and considered the appropriateness of the valuation methods and assumptions. In particular, the Board agrees with the PowerChina Valuer that (i) the market approach is the most suitable valuation method as there are readily available and comparable recent transactions in respect of underground parking spaces in proximity of the PowerChina Leased Assets; and (ii) the assumptions adopted (the extract of which are reproduced in Appendix II to this circular) are general assumptions commonly adopted in assets valuation in the PRC. Having considered the above, the Board considers that the appraised value of the PowerChina Leased Assets is fair and reasonable.

The PowerChina Leased Assets are not revenue generating assets with identifiable income stream as at the Latest Practicable Date and the Company does not intend to hold the PowerChina Leased Assets for rental purpose, save as the PowerChina Arrangement.

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

Qualification of the PowerChina Valuer

As advised by the PowerChina Valuer:

- (a) the PowerChina Valuer is a qualified real estate valuation firm in the PRC;
- (b) Ms. Song Jinmei and Mr. Huang Wenxue, appraisers in charge of preparing the PowerChina Leased Assets Valuation Report are both PRC qualified registered real estate appraisers with the Ministry of Housing and Urban-Rural Development of the PRC (the “MOHU”) and are required under the MOHU rules and regulations to comply with the professional discipline and ethics regulations of the real estate appraisal industry in the PRC;
- (c) the PowerChina Leased Assets Valuation Report has been prepared in compliance with the Code for Real Estate Appraisal (GB/T50291-2015), the Standard for Basic Terms of Real Estate Appraisal (GB/T50899-2013) and the Guidance on Real Estate Appraisal (Jian Zhu Fang [2010] No. 8) of the national standards of the People’s Republic of China (the “**National Standards**”);

LETTER FROM THE BOARD

- (d) Ms. Song Jinmei and Mr. Huang Wenxue are employed by the PowerChina Valuer as the Registered Real Estate Appraisers for 3 and 5 years and have 7 and 9 years of experience in valuation of properties in the PRC, respectively;
- (e) Ms. Song Jinmei and Mr. Huang Wenxue are both members of the China Institute of Real Estate Appraisers and Agents (the “CIREA”) and are required to comply with the professional discipline of the CIREA when preparing the property valuation report;
- (f) the CIREA and the Hong Kong Institute of Surveyors (the “HKIS”) had signed a reciprocity agreement in relation to the recognition of qualifications of PRC real estate appraisers and Hong Kong surveyors; and
- (g) under the reciprocity agreement, each institute’s individual members who meet certain eligibility criteria and are nominated by one institute can apply for the other institute’s membership through an examination organized by the other institute.

On the basis of the above, the Board takes the view that (i) the CIREA is a professional body of similar standing to HKIS and (ii) the National Standards are widely accepted standards for valuing real estate in the PRC.

The Board considers that (i) the PowerChina Leased Assets Valuation Report, being a report prepared by Ms. Song Jinmei and Mr. Huang Wenxue, members of the CIREA, has been prepared in accordance with standards comparable with the HKIS property valuation standards and (ii) the PowerChina Leased Assets Valuation Report contains all material details of the basis of valuation as required under Rule 5.05 of the Listing Rules.

Legal title

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

Lease payments

The total amount of lease payments over the relevant Lease Term in respect of the Sale and Leaseback Arrangements shall be paid by the relevant co-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 the relevant Sale and Leaseback Arrangements represents the sum of the relevant lease principal amount (being the total amount of the relevant Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest which is calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over the relevant LPR from time to time.

LETTER FROM THE BOARD

The lease interest rate will be subject to review on 1 January every year. In the event that the applicable LPR changes, the lease interest rate will be adjusted to a rate at the aforesaid fixed premium over the new applicable LPR, except in the case where the relevant co-Lessees have an 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 applicable LPR is reduced.

Having considered the above factors in the specific circumstances of the Sale and Leaseback Arrangements, 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

Chengtong Financial Leasing may charge a one-off service fee for the preliminary services provided by Chengtong Financial Leasing in respect of a sale and leaseback arrangement. Under the China Glass Arrangement, the China Glass co-Lessees shall pay a one-off service fee of RMB\$1.7 million in total (equivalent to approximately HK\$1.85 million) (“**Service Fee**”) to Chengtong Financial Leasing for the preliminary services provided by Chengtong Financial Leasing in respect of the China Glass Arrangement. The Service Fee is non-refundable. The Board considers the Service Fee is a normal commercial term and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Co-Lessees’ right to repurchase the Leased Assets

Upon the relevant co-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 relevant co-Lessees shall have the right to repurchase the relevant Leased Assets under the relevant Sale and Leaseback Agreements at a certain nominal consideration.

Credit enhancement measures

Depending on the overall risks associated with a sale and leaseback arrangement, Chengtong Financial Leasing will request appropriate credit enhancement measure(s) on a case-by-case basis, such as the payment of security money, the provision of corporate guarantee, receivables pledge and share pledge to safeguard its interests as the lessor. Chengtong Financial Leasing will monitor, among others, the financial conditions of the lessee(s) and the security provider(s) from time to time and may request the lessee(s) to provide further security as and when Chengtong Financial Leasing considers necessary.

LETTER FROM THE BOARD

Material terms of the Sale and Leaseback Agreements

The general terms and conditions of the PowerChina Agreements and the China Glass Agreements are substantially similar. The respective key terms are summarized as follows:

	China Glass Agreements	PowerChina Agreements
Date of the Agreements	9 August 2023	10 August 2023
co-Lessees	China Glass co-Lessees	PowerChina co-Lessees
Leased Assets	Certain tin bath, annealing furnace, melting furnace, waste heat power generation equipment, etc.	Certain underground parking spaces
Purchase Price	RMB200 million (equivalent to HK\$218 million)	RMB160 million (equivalent to HK\$174.4 million)
Appraised value of the Leased Assets	Approximately RMB213.20 million (equivalent to approximately HK\$232.39 million) as at 30 June 2023	Approximately RMB174.42 million (equivalent to approximately HK\$190.12 million) as at 20 July 2023
Lease Term	Four (4) years	Three (3) years
Interest rate	Floating interest rate, which is determined at a fixed premium over the one (1)-LPR from time to time	Floating interest rate, which is determined at a fixed premium over the five (5)-LPR from time to time
Lease payments	Approximately RMB218.86 million (equivalent to approximately HK\$238.56 million), payable in sixteen (16) quarterly instalments during the Lease Term	Approximately RMB180.36 million (equivalent to approximately HK\$196.59 million), payable in twelve (12) quarterly instalments during the Lease Term

LETTER FROM THE BOARD

	China Glass Agreements	PowerChina Agreements
Service Fee	RMB\$1.7 million (equivalent to approximately HK\$1.85 million)	Nil
Nominal consideration of repurchase	RMB2.00	RMB1.00
Estimated income	Approximately RMB20.56 million (equivalent to approximately HK\$22.41 million)	Approximately RMB20.36 million (equivalent to approximately HK\$22.19 million)

(B) Information of the Parties

The China Glass co-Lessees

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Wuhai CNG is indirectly controlled by China Glass Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 3300); (ii) China Glass Investment is indirectly wholly-owned by China Glass Holdings Limited; (iii) Wuhai CNG, China Glass Investment and their ultimate beneficial owner are Independent Third Parties; and (iv) Wuhai CNG is principally engaged in the business of the production, marketing and distribution of glass and glass products and (v) China Glass Investment is principally engaged in investment holding and the business of procurement, marketing and distribution of glass products and raw materials.

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

The PowerChina co-Lessees

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) PowerChina Real Estate is wholly-owned by Power Construction Corporation of China, which is in turn wholly-owned by the State-owned Assets and Supervision and Administration Commission of the State Council; (ii) Foshan Fanyue is wholly-owned by PowerChina Real Estate; (iii) PowerChina Real Estate, Foshan Fanyue and their ultimate beneficial owner are Independent Third Parties; (iv) both PowerChina Real Estate and Foshan Fanyue are principally engaged in the business of the development and sales of real estate, consulting and property management, etc.

LETTER FROM THE BOARD

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

The Group is principally engaged in leasing, property development and investment, marine recreation services and hotel business as of the Latest Practicable Date and has suspended its bulk commodity trading since early 2023. The Group's leasing business is mainly carried out through Chengtong Financial Leasing as its principal business.

The entering into the Sale and Leaseback Arrangements is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn an aggregate income of approximately RMB40.92 million (equivalent to HK\$44.60 million) from the sum, being a total of (i) the services fee (if any) and (ii) the difference between the estimated amount of total lease payment under the Sale and Leaseback Arrangements and the Purchase Price of the Leased Assets.

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

(D) Implications under the Listing Rules

On 22 July 2022, Chengtong Financial Leasing entered into the Previous China Glass Transactions with the Previous China Glass co-Lessees. Since all of Wuhai CNG, China Glass Investment and the Previous China Glass co-Lessees are indirectly controlled by China Glass Holdings Limited and the Previous China Glass Transactions are still subsisting as of the date of the China Glass Agreements, the China Glass Arrangement is aggregated with the Previous China Glass Transactions for the purpose of calculating the relevant percentage ratios (as defined in the Listing Rules).

On 21 September 2022 and 23 November 2022, Chengtong Financial Leasing entered into the Previous PowerChina Transactions with the Previous PowerChina co-Lessees. Since the PowerChina Arrangement is entered into within 12 months from the dates of the Previous PowerChina Transactions and the Previous PowerChina co-Lessees comprise of PowerChina Real Estate and its subsidiaries, the PowerChina Arrangement is aggregated with the Previous PowerChina Transactions for the purpose of calculating the relevant percentage ratios (as defined in the Listing Rules).

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of each of (i) the PowerChina Arrangement and (ii) the China Glass Arrangement exceeds 25% but is less than 100%, respectively, each of the Sale and Leaseback Arrangements constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of his/her/its close associate(s) has a material interest in the Sale and Leaseback Arrangements. Thus, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Sale and Leaseback Arrangements. In light of the foregoing, written Shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Company has obtained written Shareholder's approval in respect of each of the Sale and Leaseback Arrangements from China Chengtong Hong Kong Company Limited, which is a controlling shareholder of the Company holding 3,169,656,217 issued shares of the Company, representing approximately 53.14% of the issued share capital of the Company as at the date of the relevant Sale and Leaseback Agreements. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Sale and Leaseback Arrangements.

3. RECOMMENDATION

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 Sale and Leaseback Agreements are normal commercial terms and are fair and reasonable. The Directors also consider that the entering into of the Sale and Leaseback Arrangements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were to be convened for the approval of the Sale and Leaseback Arrangements, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the same at such general meeting.

4. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
China Chengtong Development Group Limited
Zhang Bin
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, and the six months ended 30 June 2023 have been set out in the following documents respectively:

- (a) 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>);
- (b) 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>);
- (c) the annual report of the Company for the year ended 31 December 2022 from pages 79 to 224 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400489.pdf>); and
- (d) the interim results announcement of the Company for the six months ended 30 June 2023 from pages 2 to 17 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0828/2023082800029.pdf>).

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 July 2023, 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\$3,117.23 million which are secured by charges over loans receivable and trade receivable under operating lease business of the Group; (ii) secured and guaranteed bank borrowings of HK\$259.71 million which are secured by charges over loans receivables and guaranteed by Company; (iii) unsecured and unguaranteed bank borrowings of HK\$773.48 million; (iv) secured and guaranteed asset-backed securities of approximately HK\$3,913.10 million which are secured by charges over loans receivable and finance lease receivables of the Group and guaranteed by the ultimate holding company; (v) unsecured and unguaranteed loans from related parties of approximately HK\$163.50 million; (vi) unsecured and unguaranteed other loan of HK\$0.60 million; and (vii) unsecured and unguaranteed lease liabilities of approximately HK\$4.20 million.

As at the close of business on 31 July 2023, the Group had contingent liabilities in relation to guarantees of approximately HK\$162.12 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 July 2023.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

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

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in leasing, property development and investment, marine recreation services and hotel business as of the Latest Practicable Date and has suspended its bulk commodity trading since early 2023.

In respect of leasing, Chengtong Financial Leasing will continue to enhance its cooperation with other state-owned enterprises, promote its development in business areas such as green and low carbon, new energy, new infrastructure, high-end equipment, intelligent logistics, and big data center etc., and to establish our industry features and market influences in specialised segments. Chengtong Financial Leasing will further expand its financing channels, strengthen self-financing capability, and seek low-cost funds for business investment. Moreover, it will strengthen risk prevention and control, as well as to seize the development opportunities brought by the continuous recovery and overall improvement of the national economy and favourable policies.

In respect of property development and investment, all the construction works of the CCT-Champs-Elysees project have been completed. In the next step, the Group will pay close attention to the specific measures taken by the PRC government to stabilise the housing market, seize the market opportunities, speed up the sales of the property units in Section 3 of Phase III of the CCT-Champs-Elysees project, and utilise the recovered funds for the principal business of leasing.

In respect of the marine recreation services and hotel business, the Group will pay active attention to the government's initiatives related to the recovery and expansion of cultural and tourism consumption, and will continue to optimise the project operation and management model to improve service quality, as well as accelerate the cultivation of internal impetus for market sales. At the same time, the Group will actively explore and promote subsequent asset restructuring to focus on the core leasing business.

In respect of bulk commodity trade, the Group has suspended the international trading business of bulk commodity in early 2023 after the inventory was sold out, so as to continue to optimise resource allocation to focus on the principal leasing business.

The Group is the only overseas listed company platform under CCHG, its ultimate controlling shareholder, and Chengtong Financial Leasing is the only controlling financial leasing company under the Group. Chengtong Financial Leasing will give full play to the resource advantages of the controlling shareholder of the Group, focus its resources on rapidly expanding the principal business of financial leasing and create greater value for the Shareholders. The Board is full of confidence in the future development of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, 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 2023, the unaudited consolidated total assets of the Group amounted to approximately HK\$10,862.88 million and the unaudited consolidated total liabilities of the Group amounted to approximately HK\$8,081.65 million.

The Directors consider that there is no significant immediate change to the Group's net asset value upon implementation of the Sale and Leaseback Arrangements, 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 respective Purchase Price by Chengtong Financial Leasing.

As regards earnings, the Group would be entitled to recognise interest income and service fee (as the case maybe) from the Sale and Leaseback Arrangements as additional income to the Group.

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

The following is an English translation of the extract of the PowerChina Leased Assets Valuation Report, which was prepared in Chinese only. In case of any discrepancies between the Chinese and English versions of the text, the Chinese version shall prevail.

PROPERTY VALUATION REPORT

Name of valuation project: Valuation conducted by Guizhou Binglitan Real Estate Property Valuation Co., Ltd. on the market value of the underground parking spaces located at Foshan Mingyue Huafu, No. 3 Chao Le Road, Daliang Fengsha, Shunde District, Foshan City owned by Foshan Fanyue Real Estate Co., Ltd.

Client: Foshan Fanyue Real Estate Co., Ltd.

Appraisal company: Guizhou Binglitan Real Estate Property Valuation Co., Ltd.

Registered Real Estate Appraisers: Song Jinmei (Registration No.: 3220170091)
Huang Wenxue (Registration No.: 3520120084)

Date of issuance of valuation report: 25 July 2023

Valuation report no.: Bingfang Appraisal [2023] No. 80329

LETTER TO THE CLIENT**Foshan Fanyue Real Estate Co., Ltd.:**

As appointed by the client, we have conducted an on-site inspection and market surveys, analysed and estimated the following properties in accordance with relevant national laws, regulations and technical standards, and in accordance with the principles of independence, objectivity, impartiality and legality. The value of the properties is reported as follows:

1. Valuation purpose

The market value of the subject of valuation as at the time of value provides a value reference for the client to evaluate the value of the real estate for financial leasing of the subject of valuation.

2. Subject of valuation

The subject of valuation is located at Foshan Mingyue Huafu, No. 3 Chao Le Road, Daliang Fengsha, Shunde District, Foshan City. The real estate certificate has not been obtained. Details are set out in the table below:

No.	Property owner	No.		Location	Usage	Size	Quantity
1	Foshan Fanyue Real Estate Co., Ltd.	Phase I	01 – 451	Foshan Mingyue Huafu, No. 3, Chao Le Road, Daliang Fengsha, Shunde District, Foshan	Parking spaces	4.6m * 2.5m	969
2		Phase II	452 – 969				

The scope of property includes buildings (excluding second decoration), apportioned land use rights (including land premium) and ancillary public facilities, excluding movable properties, creditor's rights and debts and other properties or interests.

3. Time of Value

20 July 2023.

4. Type of value

The value of the real estate provided in this report is the market value (including the value of the state-owned land use rights apportioned to the subject of valuation) at the time of value under all the restrictions of the real estate valuation report.

5. Method of valuation

Market comparison method.

6. Valuation result

The value of the subject of valuation as at 20 July 2023 that meets the assumptions and restrictions in this report is RMB ONE HUNDRED AND SEVENTY-FOUR MILLION FOUR HUNDRED AND TWENTY THOUSAND (¥174.42 million), details of the valuation are as follows:

(Currency: RMB)

No.	Property owner	No.		Location	Usage	Size	Quantity	Unit (RMB/unit)	Total price (RMB'000)
1	Foshan Fanyue Real Estate Co., Ltd.	Phase I	01 - 451	No. 3, Chao Le Road, Daliang Fengsha, Shunde District, Foshan	Parking spaces	4.6m * 2.5m	969	180,000.00	17,442.00
2		Phase II	452 - 969						

Regarding the valuation result, we have made the following notes:

1. The unit price in the valuation result has been rounded, and the total price remains at 100 yuan;
2. Users of the report are advised to read the full text of the report and its appendices in detail when using the valuation result.

Guizhou Binglitian Real Estate Property Valuation Co., Ltd.
Legal Representative:

25 July 2023

STATEMENTS OF REGISTERED REAL ESTATE APPRAISERS**We hereby emphasise that:**

1. The facts stated in the valuation report are objective, and there are no false records, misleading statements and material omissions.
2. The analysis, opinions and conclusions in the valuation report are professional analysis, opinions and conclusions which are independent, objective and fair by the Registered Real Estate Appraisers, but are subject to the valuation assumptions and restrictions stated in the valuation report.
3. We have no actual or potential interests in the subject of valuation in the valuation report, have no interests with the valuation client and the valuation stakeholders, and have no prejudice against the subject of valuation, the valuation client and the valuation stakeholders.
4. We conducted the valuation work and prepared the valuation report in accordance with the requirements of the Code for Real Estate Appraisal (GB/T50291-2015), the Standard for Basic Terms of Real Estate Appraisal (GB/T50899-2013) and the Guidance on Real Estate Appraisal (Jian Zhu Fang [2010] No. 8) of the national standards of the People's Republic of China.
5. The valuation personnel conducted an on-site inspection of the subject of valuation in this valuation report on 20 July 2023. Our on-site inspection of the subject of valuation is limited to its appearance and use.
6. No one has provided important professional assistance to this valuation report.

Name of Registered Real Estate Appraiser	Registration number	Signature
Song Jinmei	3220170091	Signed
Huang Wenxue	3520120084	Signed

VALUATION ASSUMPTIONS AND RESTRICTIONS**1. General assumptions**

- I. For the information provided by the client, we have conducted prudent inspection, but have not verified it with relevant government departments. In the absence of reasons to doubt the legality, authenticity, accuracy and completeness of the information provided by the client, this valuation assumes that the information provided by the client is legal, true, accurate and complete. However, we are not responsible for the legality, authenticity, accuracy and completeness of the information provided by the client.
- II. We have not conducted professional measurement on the subject of valuation. The gross floor area, planned use, floor level and other basis involved in this report shall be based on the information provided by the client in the valuation engagement letter.
- III. We made necessary inspection of the physical condition of the subject of valuation provided by the client, and the subject of valuation was still in normal condition at the time of value, but the inspection was limited to its appearance and use. We have taken account of housing safety which is a major factor affecting the market value of the subject of valuation, but we have not obtained from professional parties opinions or test results relating to the safety of the subject of valuation, nor conducted professional test on the structural quality of the subject of valuation. Therefore, in the absence of any reason to suspect that the subject of valuation has any potential safety issues and any tests or inspection by other professional parties, we assume that the subject of valuation has no major quality problems in terms of structure and foundation, and its service life can reach the normal service life of such kind of house after normal maintenance. If the users of the report are in doubt as to whether there is any potential safety issues in the subject of valuation, they are advised to engage a professional party to conduct tests and inspection separately.
- IV. We have conducted necessary survey on the surrounding environment of the subject of valuation which is normal and there is no significant environmental pollution as at the time of value. We have taken account of environmental pollution which is a major factor affecting the market value of the subject of valuation, but we have not obtained from professional parties opinions or test results relating to the major environmental pollution, nor conducted any professional test on the surrounding environment. Therefore, in the absence of any reason to suspect that the subject of valuation has major environmental pollution and any tests or inspection by other professional parties, we assume that there is no significant change in the surrounding environment of the subject of valuation during its effective income period, and can be used normally until the end of the limited income period. If the users of the report are in doubt as to whether there are major environmental issues of the subject of valuation, they are advised to engage a professional party to conduct tests and inspection separately.

- V. The real estate market where the subject property is located at the time of value is an open market. The open market refers to the transaction conducted by both parties in the market for the purpose of maximising the economic benefits, mastering the necessary market information, having the necessary knowledge of the transaction object, and the transaction conditions are open and non-exclusive. The transaction conditions are as follows:
- (1) The parties to the transaction are willing to conduct the transaction.
 - (2) The purpose of the transactions between the parties is to maximise their respective interests.
 - (3) Both parties to the transaction have the necessary expertise and understanding of the subject of the transaction.
 - (4) Both parties to the transaction have access to necessary market information.
 - (5) The parties to the transaction have sufficient time to conduct the transaction.
 - (6) There is no additional bid offered by buyers due to special interests.

2. Assumptions of undated events

The valuation price issued in this report includes the transfer fee of state-owned land use rights. If, at the time of value, the owner still has any outstanding tax payable in relation to the subject of valuation, it shall be paid in accordance with relevant regulations or deducted from the valuation price accordingly.

3. Assumptions which deviate from facts

The subject of valuation does not have any item which deviates from the facts and therefore there is no assumption which deviates from the facts in this valuation report.

4. Assumption of inconsistency

There is no inconsistency in the subject of valuation and therefore there is no inconsistent assumption in this valuation report.

5. Assumption of insufficient basis

The subject of valuation has not obtained the Real Estate Title Certificate. The data used in the valuation is based on the contents set out in the valuation engagement letter provided by the client. In case of any discrepancy, the certificate issued by the relevant department shall prevail.

6. Restrictions on the use of the valuation report

- I. This valuation report and the valuation result are solely for the valuation purpose of this report. This valuation report and the valuation result are invalid immediately when used for other purposes.
- II. The full valuation report should be used, and the party appointed shall not be responsible for any losses caused by the use of any part of the report.
- III. This valuation report is for the use of the client. Except as required by laws or administrative regulations, the whole or part of the contents of this report and its appendices shall not be provided to any entity or individual other than the client, the filing authority and the review department of the appraisal, and shall not be displayed in public media or copied or lead to evidence without the permission of the appraisal company.
- IV. The valuation result in this report are subject to the assumptions and the definition of value in this report. In the event of any change in factors affecting the value of the real estate such as the time of value, GFA, ownership status, type of value, physical condition and location condition, the valuation result in this report shall be adjusted accordingly.
- V. The term of use of this valuation report is from the date of its issuance, and the effective term is determined to be one year from 25 July 2023 to 24 July 2024 based on the purpose of this valuation and the appraisers' estimation of the degree of change in the market value of the subject of valuation.
- VI. After the time of value, if the factors affecting the real estate value of the subject property change during the validity period of the valuation report, the valuation result cannot be directly used, and if necessary, corresponding adjustments or re-issuance of the valuation report shall be made.
- VII. This valuation report shall be signed by two Registered Real Estate Appraisers and shall be valid only after being affixed with the official seal of the valuation institution and the riding seal.
- VIII. This valuation report is interpreted by Guizhou Binglitian Real Estate Property Valuation Co., Ltd.

REAL ESTATE VALUATION RESULT REPORT**1. Client**

Name: Foshan Fanyue Real Estate Co., Ltd.

2. Appraisal company

Real estate appraisal company
(Name): Guizhou Binglitan Real Estate Property Valuation Co.,
Ltd.

Address: No. 21, 20/F, Zhonghuan Plaza, Jiangzhong Road,
Wenfeng Street, Duyun, Qiannan Buyi and Miao
Autonomous Prefecture, Guizhou Province (Unified
social credit identifier: 9152010232214439XL

Qualification certificate no.: Zhu Fang Appraisal Zi A2018002

Qualification: Level III

Legal representative: Song Jinmei

3. Purpose of valuation

The market value of the subject of valuation as at the time of value provides a value reference for the client to evaluate the value of the real estate for financial leasing of the subject of valuation.

4. Subject of valuation***I. Property scope of the subject of valuation***

The scope of property includes buildings (excluding second decoration), apportioned land use rights (including land premium) and ancillary public facilities, excluding movable properties, creditor's rights and debts and other properties or interests.

*II. Equity of the subject of valuation**(1) Ownership registration of the subject of valuation***SUMMARY OF TITLE REGISTRATION**

Rights holder	Foshan Fanyue Real Estate Co., Ltd.	Commonly owned	Exclusive parcel
Title certificate no.	Yue (2017) Shunde District Bu Dong Chan Quan Di 2217001680		
Location	Land parcel in Zhendongwei, Jinliang Residential Committee, Daliang Street, Shunde District		
Housing condition	Real Estate Unit No.	440606005211GB00465W00000000	Total number of floors/floor -
	Usage	-	Building structure -
	Area	-	
Land Status	Type of right of use	Assignment	Usage See note
	Area	Area of parcel commonly owned: 56030.93 m ²	
	Useful life	See note	

(2) Status of registration of other rights

As of the time of value, it was not found that the subject of valuation has other rights and records such as mortgage, lease and guarantee, and the legal priority of compensation known to the Registered Real Estate Appraisers was zero. The real estate rights and interests of the subject of valuation are valid and the status of the use right is clear, and no other items are set at the time of value, with no negative effect to the rights and interests.

III. Physical condition of the subject of valuation

Building structure	Mixed structure	Number of units	969
Specification (m²)	4.6m * 2.5m		
Decoration	The building where the subject of valuation is located has a good appearance and exterior wall painting		
Facilities and equipment	Water and electricity installation with fire hydrant and other auxiliary facilities		
Usage and maintenance	Currently, the subject of valuation is underground parking spaces with good maintenance		

IV. Location of the subject of valuation

Location Status	Address	Foshan Mingyue Huafu, No. 3, Chao Le Road, Daliang, Shunde District, Foshan		
Traffic conditions	Street conditions	street	Traffic control	Nil
	Off-road conditions	joint roads are in good condition	Parking convenience	good
	Transportation available	public buses and taxis with good transportation		
Environmental Conditions	Natural	the surrounding environment is good and there is no air, water, noise, radiation, solid waste and other pollution.		
	Cultural	good quality of local residents, with good security		
External auxiliary	Infrastructure	the infrastructure has achieved the “six connections” (water supply, drainage, road, power supply, communication, natural gas) with a high water and electricity supply guarantee rate. Infrastructure is complete.		
Facility Condition	Public service facilities	Well-equipped living facilities nearby; with hospitals and other service institutions, and public supporting facilities are relatively complete.		

5. Time of Value

According to the requirements of the Code for Real Estate Appraisal and the Guidance on Real Estate Appraisal, the time of value for the on-site inspection of this valuation was taken as the time point for this valuation, i.e. 20 July 2023.

6. Value type

The value of the real estate provided in this report is the market value (including the value of the state-owned land use rights apportioned to the subject of valuation) at the time of value under all the restrictions of the real estate valuation report.

7. Valuation basis***I. Relevant laws, regulations and policies on which the valuation is based***

- (1) the Civil Code of the PRC (adopted on May 28, 2020 and officially enacted on January 1, 2021);
- (2) Urban Real Estate Administration Law of the PRC (Order No. 72 of the President of the PRC, 30 August 2007);
- (3) Land Administration Law of the PRC (Order No. 28 of the President of the PRC, 28 August 2004);
- (4) Urban and Rural Planning Law of the PRC (Order No. 74 of the President of the PRC, 28 October 2007);
- (5) Measures for Administration of Urban Real Estate (Order No. 98 of the Ministry of Construction of the PRC);
- (6) Asset Valuation Law of the People's Republic of China (Order No. 46 of the President of the PRC, 2 July 2016);
- (7) Other laws, regulations and policies on which the valuation is based.

II. Technical Standards Based on Valuation

- (1) Code for Real Estate Appraisal (GB/T50291 – 2015);
- (2) Criteria for Basic Terms of Real Estate Valuation (GB/T50899 – 2013);
- (3) Guiding Opinions on Real Estate Appraisal (Jian Zhu Fang [2010] No. 8).

III. Information provided by the client

- (1) Valuation engagement letter;
- (2) Copy of ownership information of the subject of valuation;
- (3) Copy of business licence of the client;
- (4) Other information provided by the client.

IV. Relevant information obtained by the appraisal company

- (1) Information on the project cost in the region where the subject of valuation is located;
- (2) Information related to on-site survey by valuation personnel;
- (3) Research information obtained by the valuation personnel on the real estate market and the real estate market in the region where the subject of valuation is located;
- (4) Other relevant information collected by the valuation personnel.

8. Valuation principles

The principles of real estate valuation followed in this valuation include: independent, objective and fair principles, legal principles, maximum and best use principles, substitution principles, and time of value principles.

- (1) Independent, objective and fair principle: firstly, independence means that the real estate appraisal company itself should be an independent party that does not depend on others and is not bound by others. Secondly, the real estate appraisal companies and valuers are required to have no interests with the appraisal subjects and related parties. Thirdly, the real estate appraisal companies and valuation personnel are required not to be influenced by external interference factors, not to succumb to external pressure, and to rely entirely on their own professional knowledge, experience and conscience for appraisal. Objectivity means that real estate appraisal companies and valuation personnel are required to appraise things according to their true values and facts without personal likes and dislikes, emotions and prejudices. Fairness means that real estate appraisal companies and valuation personnel should be fair and impartial, and do not favour any parties. Therefore, the real estate appraisal companies and the valuation personnel are required to be pragmatic, fair and impartial in evaluating the value or price that is fair and reasonable for all parties.
- (2) Legal principle: the real estate price is an organic combination of physical property, location and equity. Therefore, the valuers and valuation personnel must comply with the provisions of relevant laws and regulations in the valuation of the real estate property rights, the use of the real estate and the punishment of the real estate. In the event that the property rights cannot be clearly defined, the property rights of the subject of valuation shall be clearly set. Therefore, the valuation result is the value or price of the subject of valuation determined in accordance with the law.
- (3) Principle of highest and best use: the principle of requiring the valuation result to be reasonably and possibly maximised to the extent legally permissible, technically feasible, financially feasible, at its highest and best use condition in terms of usage, scale, grade, etc. The highest and best use to the extent that is legally permissible can maximise the profit of the real estate. The price of real estate is affected by the state of the land and building. When the combination of the two is balanced, the usage of the real estate can be highly maximised and the best use can be achieved.

- (4) Principle of substitution: according to the market operation pattern, when goods or services provided are the same or substantially similar in the same market, the one with lower price attracts the demand, that is, when more than two alternative goods or services exist at the same time, the price of the goods or services is determined after mutual influence and comparison. The market price of real estate also follows the substitution rule. The market price of a property is subject to other properties with the same value in use, i.e. the market price of the same type of properties with the possibility of substitution. In other words, the value or price deviation between the valuation result of the subject of valuation and other similar properties under the same conditions is within a reasonable range.
- (5) Time of value principle: the property market and those factors affecting the price of properties are everchanging, so is the property price. Therefore, the price of a property is time-sensitive, and each price is time specific. The valuation result is the price or price determined at a specific time based on the valuation purpose.

9. Valuation method

I. Basis of laws, regulations or technical standards for selecting valuation method

According to Article 4.1.2 of the Code for Real Estate Appraisal (GB/T50291-2015), the selection of valuation method shall meet the following requirements:

- ① Where there are many similar real estate transactions in the area where the subject of valuation is located, the comparison method shall be adopted.
- ② If the subject of valuation or its similar real estate usually has rental income, the income approach shall be adopted.
- ③ If the subject of valuation can be assumed to be an independent development and construction project for redevelopment, the cost method is preferred. When there are no transactions or few transactions of the same type of real estate of the subject of valuation, and the subject of valuation or its same type of real estate have no such rental income, the cost method shall be adopted.

II. Valuation method and reasons selected for this valuation

Market comparison approach: the subject of valuation is underground parking spaces, and there are many recent transactions of similar properties in the same supply and demand circle, which are more comparable and easier to collect transaction cases. Therefore, the comparison approach can be used to calculate the market value of the subject of valuation.

III. Definition of valuation method

Market comparison method: a method to obtain the value of the subject of valuation by comparing the subject of valuation with similar recent property transactions and adjusting the transaction price to arrive at the value of the subject of valuation.

10. Valuation result

In accordance with relevant laws and regulations, policy documents and valuation standards, and based on the relevant information provided by the client and the information obtained by the Registered Real Estate Appraisers of the appraisal company, and in accordance with the valuation purpose and in accordance with the valuation principles, the subject of valuation was analysed, measured and judged by the corresponding valuation method. Subject to the satisfaction of the assumptions and restrictions in this report, the valuation result of the subject of valuation as at the time of value (20 July 2023) was RMB ONE HUNDRED AND SEVENTY-FOUR MILLION FOUR HUNDRED AND TWENTY THOUSAND (¥174.42 million). Please refer to the following section for details of the valuation.

Table:*(Currency: RMB)*

No.	Property owner	No.		Location	Usage	Size	Quantity	Unit (RMB/unit)	Total price (RMB0'000)
1	Foshan Fanyue Real Estate Co., Ltd.	Phase I	01 - 451	No. 3, Chao Le Road, Daliang Fengsha, Shunde District, Foshan	Parking spaces	4.6m * 2.5m	969	180,000.00	17,442.00
		Phase II	452 - 969						

11. Valuation personnel

Name of Registered Real Estate Appraiser	Registration number	Signature	Date of signature
Song Jinmei	3220170091	Signed	25 July 2023
Huang Wenxue	3520120084	Signed	25 July 2023

12. On-site inspection date

20 July 2023.

13. Valuation date

20 July 2023 to 25 July 2023.

14. Term of use of valuation report

The term of use of this valuation report is from the date of issuance of the valuation report, and the effective term is determined to be one year from 25 July 2023 to 24 July 2024 based on the purpose of this valuation and the estimation of the valuation personnel on the degree of change in the market value of the subject of valuation.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

Long position

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

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 <i>(Note)</i>	3,169,656,217	53.14%
CCHG	Interest in controlled corporation <i>(Note)</i>	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, an executive Director and 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 CONTRACT

Hainan Huandao Travel Investment Group Co., Ltd. (formerly known as Hainan Huandao Hotel and Travel Investment Co., Ltd.) (“**Huandao Travel Investment**”), an indirect wholly-owned subsidiary of the Company, entered into an entrusted loan agreement dated 11 September 2023 with Industrial Bank Co. Ltd. Haikou Branch, being the entrustee (the “**Entrustee**”), and China Huandao Group Limited, a wholly-owned subsidiary of CCHG, being the borrower (the “**Borrower**”), pursuant to which Huandao Travel Investment agreed to entrust the Entrustee to provide the Borrower with a loan in the principal amount of RMB25,000,000 for a term of 24 months. Further details of the entrusted loan agreement are set out in the announcement of the Company dated 11 September 2023.

Save as aforementioned, there is no other contract (not being contract entered into in the ordinary course of business) entered into by the members of the Group within two (2) years immediately preceding the Latest Practicable Date and is, or may be, material.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation other than statutory compensation.

5. LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor any of their respective close associate(s) had any interests in a business, which competed or was likely to compete, directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

7. INTERESTS IN THE GROUP’S ASSETS OR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2022, 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. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given advice, letter, report or opinion for incorporation and as contained in this circular:

Name	Qualification
Guizhou Binglitian Real Estate Property Valuation Co., Ltd.	Qualified independent valuer in the PRC

As of the Latest Practicable Date, the expert identified above had no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As of the Latest Practicable Date, the expert identified above had no direct or indirect interests in any assets which had been, since 31 December 2022 (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 any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

The expert identified above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and references to its name in the form and context in which they are included.

9. 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.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are on display and are published on the website of the Stock Exchange at <https://www.hkexnews.com> and the website of the Company at <https://www.hk217.com> for a period of 14 days from the date of this circular:

- (a) the PowerChina Leased Assets Valuation Report, the extract of which is set out in Appendix II to this circular;
- (b) the letter of consent from the expert identified in the section headed "QUALIFICATION AND CONSENT OF EXPERTS" above in this appendix;
- (c) the PowerChina Agreements; and
- (d) the China Glass Agreements.