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 accompanying with the form of proxy 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)

MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF 41% OF THE EQUITY INTEREST IN THE TARGET COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of the Company to be held at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 23 December 2019 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same by 10:00 a.m. on Friday, 20 December 2019 or not later than 48 hours before the time appointed for holding any adjournment of the meeting 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 meeting or any adjournment thereof should you so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

6 December 2019

CONTENTS

		Page
Definitions		1
Letter from the Board		5
Letter from the Independent Board Committee		13
Letter from the Independent Financial Adviser		14
Appendix I	**– Extract of the Valuation Report**	I-1
Appendix II	**– Letter from the Reporting Accountants in relation to the Valuation Report**	II-1
Appendix III	**– Letter of Confirmation from the Board in relation to profit forecast**	III-1
Appendix IV	**– Financial Information of the Group**	IV-1
Appendix V	**– General Information**	V-1
Notice of the EGM		EGM-1

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 中國誠通控股集團有限公司 (unofficial English translation being China Chengtong Holdings Group Limited), a company incorporated in the PRC with limited liability and the ultimate holding company of the Company
"CCHK"	means China Chengtong Hong Kong Company Limited (中國誠通香港有限公司), a company incorporated in Hong Kong with limited liability and an intermediate holding company of the Company
"Company"	means China Chengtong Development Group Limited (中國誠通發展集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion Date"	means the date on which the Equity Transfer is duly registered at the relevant PRC registration authority
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	means the consideration payable by the Purchaser to the Vendor for the transfer of the Relevant Equity
"Director(s)"	means the director(s) of the Company
"EGM"	means an extraordinary general meeting of the Company convened to be held at 10:00 a.m. on Monday, 23 December 2019 at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the Equity Transfer contemplated thereunder
"Equity Transfer"	means the transfer of the Relevant Equity pursuant to the Equity Transfer Agreement
"Equity Transfer Agreement"	means the equity transfer agreement dated 12 November 2019 entered into between the Vendor and the Purchaser in respect of the Equity Transfer
"Group"	means the Company and its subsidiaries
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	means the independent board committee of the Company comprising all independent non-executive Directors, which has been established by the Board to advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder
"Independent Financial Adviser"	means Celestial Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer contemplated under the Equity Transfer Agreement
"Independent Shareholders"	means Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution(s) approving the Equity Transfer Agreement and the Equity Transfer contemplated thereunder
"Independent Third Party"	means a third party independent of the Company and its connected persons
"JV Partner"	means 廣州市天鵝湖貿易發展有限公司, a company incorporated in the PRC with limited liability and a shareholder holding 49% of the equity interest of the Target Company as at the date of this circular
"Latest Practicable Date"	means 3 December 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	means 31 March 2020 (or such other date as the Vendor and the Purchaser may agree in writing)
"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 PRC and Taiwan
"Previous Transaction"	means the formation of joint venture in World Asia between the Group and a wholly-owned subsidiary of the Purchaser as disclosed in the announcement of the Company dated 25 October 2019

"Purchaser"	means 中國誠通國際貿易有限公司 (unofficial English translation being China Chengtong International Co. Ltd.), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of CCHG
"Relevant Equity"	means 41% of the equity interest of the Target Company to be transferred by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement
"Reporting Accountants"	means BDO Limited, certified public accountants of Hong Kong
"RMB"	means Renminbi, the lawful currency of the PRC
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	means the ordinary share(s) of the Company
"Shareholder(s)"	means holder(s) of the Shares
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Target Company"	means 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited), a company incorporated in the PRC with limited liability which is owned as to 51% by the Vendor and as to 49% by the JV Partner as at the date of this circular
"Transition Period"	means the period commencing from the Valuation Reference Date to the Completion Date
"Valuation"	means the valuation of the entire equity interest of the Target Company conducted by the Valuer as at the Valuation Reference Date
"Valuation Reference Date"	means 31 December 2018
"Valuation Report"	means the valuation report dated 29 August 2019 issued by the Valuer in respect of the Valuation
"Valuer"	means Beijing Zhonglin Assets Appraisal Co., Ltd., a qualified independent valuer in the PRC

"Vendor"	means 誠通發展貿易有限公司 (unofficial English translation being Chengtong Development Trading Co., Limited), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Working Day"	means a statutory working day as designated by the State Council of the PRC
"World Asia"	means Chengtong World Trade Limited (誠通世亞有限公司) (previously known as World Asia Properties Limited (世亞置業有限公司)), a company incorporated in Hong Kong with limited liability and a joint venture which is owned as to 51% by Galactic Investment Limited (a wholly-owned subsidiary of the Company) and as to 49% by Chengtong International Limited (a wholly-owned subsidiary of the Purchaser and an indirect non-wholly owned subsidiary of CCHG)
"World Gain"	World Gain Holdings Limited, the immediate holding company of the Company and an indirect wholly-owned subsidiary of CCHG
"%"	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 at all.

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

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

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

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

6 December 2019

To the Shareholders

Dear Sir or Madam

MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF 41% OF THE EQUITY INTEREST IN THE TARGET COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 12 November 2019 in relation to the Equity Transfer. After trading hours on 12 November 2019, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to transfer and the Purchaser conditionally agreed to acquire the Relevant Equity at the Consideration of RMB24,664,100 (equivalent to approximately HK$27,377,000).

The purpose of this circular is to provide you with (i) details of the Equity Transfer Agreement and the Equity Transfer; (ii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Equity Transfer; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Equity Transfer; (iv) other information required to be disclosed under the Listing Rules; and (v) the notice of the EGM.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

12 November 2019

Parties

(i) the Vendor; and

(ii) the Purchaser.

Subject matter

Subject to the terms and conditions of the Equity Transfer Agreement, the Vendor conditionally agreed to transfer and the Purchaser conditionally agreed to acquire the Relevant Equity, representing 41% of the entire equity interest of the Target Company.

Consideration

The Consideration for the Relevant Equity is RMB24,664,100 (equivalent to approximately HK$27,377,000) and shall be payable by the Purchaser to the Vendor in the following manner:

(1) RMB2,466,400 (equivalent to approximately HK$2,738,000), representing approximately 10% of the Consideration, shall be payable within five (5) Working Days after the fulfillment of all the conditions precedent as set out in the Equity Transfer Agreement; and

(2) RMB22,197,700 (equivalent to approximately HK$24,639,000), representing approximately 90% of the Consideration, shall be payable on the Completion Date.

The Consideration shall be paid by the Purchaser in cash. The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the Valuation conducted by the Valuer using the income approach. Based on the Valuation, the appraised value of the entire equity interest of the Target Company was approximately RMB60.16 million (equivalent to approximately HK$66.78 million) as at the Valuation Reference Date. According to the unaudited management accounts of the Target Company for the period from 1 January 2019 to 31 October 2019, the Target Company has recorded a loss of approximately RMB2.05 million (equivalent to approximately HK$2.28 million) for the ten months ended 31 October 2019. The Directors believe that there has not been any further significant fluctuation in the appraised value of the entire equity interest of the Target Company from 31 October 2019 up to the Latest Practicable Date.

Conditions precedent

The Equity Transfer shall be conditional upon the fulfillment of all of the following conditions:

(1) the Equity Transfer having been approved by the Independent Shareholders by way of ordinary resolution(s) at the EGM of the Company in accordance with the Listing Rules;

(2) all necessary authorisations, consents and approvals as may be required for the Vendor to perform and complete the Equity Transfer having been obtained; and

(3) all necessary authorisations, consents and approvals as may be required for the Purchaser to perform and complete the Equity Transfer having been obtained.

If any of the conditions precedent as set out above has not been fulfilled before 9:00 a.m. on the Long Stop Date, the Equity Transfer Agreement (save and except for certain clauses such as confidentiality, notices and dispute resolution) shall terminate immediately, upon which the parties shall cease to have any rights and obligations under the Equity Transfer Agreement and neither the Vendor nor the Purchaser shall have any claim against the other party thereunder save for any antecedent breach.

Completion

Subject to fulfilment of all the above conditions precedent, the Vendor shall procure for all the necessary matters to be done for the purpose of effecting the completion of the Equity Transfer. In this connection, the Equity Transfer Agreement provides that within five (5) Working Days after the Purchaser has paid the first instalment of the Consideration, the Vendor shall procure the holding of the shareholders' meeting of the Target Company for approving matters relating to the completion of the Equity Transfer such as to approve and confirm the status of the Purchaser as a new shareholder, to approve amendments to the articles of association of the Target Company reflecting the new shareholding structure upon completion of the Equity Transfer and to appoint new director(s) to the Target Company. Thereafter, the Vendor and the Purchaser shall procure the completion of the registration of the Equity Transfer at the relevant PRC registration authority within ten (10) Working Days after the aforesaid shareholders' meeting of the Target Company. The date on which the Equity Transfer is registered at the relevant PRC registration authority shall be the Completion Date.

Immediately upon completion of the Equity Transfer, the Vendor will remain interested in 10% of the equity interest of the Target Company, thereby reducing the Company's indirect interest in the Target Company to 10%. The Target Company will then cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the Group's consolidated financial statements.

Transition Period

Pursuant to the Equity Transfer Agreement, any profit or loss incurred by the Target Company for the Transition Period shall be borne by the original shareholders of the Target Company in accordance with their respective shareholding before completion of the Equity Transfer. The amount of profit or loss of the Target Company for the Transition Period shall be determined based on the audited financial information of the Target Company made up to and including the Completion Date. Within ten (10) Working Days from the issuance date of the aforesaid audited financial information of the Target Company, if the Target Company incurs a profit for the Transition Period ("**Transition Period Profit**"), the Purchaser shall pay to the Vendor an amount equivalent to 41% of the Transition Period Profit whereas if the Target Company incurs a loss during the Transition Period ("**Transition Period Loss**"), the Vendor shall pay to the Purchaser an amount equivalent to 41% of the Transition Period Loss.

INFORMATION OF THE TARGET COMPANY

The Target Company was established in 2010 and is currently owned as to 51% by the Vendor and as to 49% by the JV Partner. As at the Latest Practicable Date, the Target Company was engaged in bulk commodity trading, principally in the trading of coal.

As at 30 June 2019, the total asset value and the net asset value of the Target Company as extracted from the unaudited consolidated financial statements of the Company as at 30 June 2019 were approximately HK$79.18 million and approximately HK$52.46 million respectively.

Certain financial information of the Target Company as extracted from the audited consolidated financial statements of the Company for the two years ended 31 December 2017 and 31 December 2018 is as follows:

	For the year ended 31 December 2017 *HK$'000 approximately*	**For the year ended 31 December 2018** *HK$'000 approximately*
Turnover	684,775	614,721
Net profit before taxation	6,572	1,553
Net profit after taxation	5,218	771

INFORMATION OF THE PARTIES

The Vendor is a wholly-owned subsidiary of the Company and is principally engaged in the business of bulk commodity trading of steel and non-ferrous metals.

The Purchaser is principally engaged in the business of exports and trading of aluminium, non-ferrous metals, coal, fuel oil and chemical products, and the provision of warehouse storage services.

The Purchaser is owned (i) as to 70% by CCHG, the ultimate holding company of the Company which together with its subsidiaries are principally engaged in the business of equity operation, provision of financial services, assets management, integrated logistics, as well as development and utilisation of forestry pulp paper; and (ii) as to an aggregate of 30% by a limited partnership established in the PRC, namely Zhejiang Free Trade Zone Xingtong Investment Partnership (Limited Partnership), which is principally engaged in investment holding, and 12 individuals, namely Cao Fugen, Liu Wendong, Cao Weiliang, Yin Bo, Wang Lixiang, Xu Dilong, Yang Yihong, Xiao Xiao, Zhou Xuan, Zhang Kaihong, Ru Jianfeng, and Zhang Deheng.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

The Group is principally engaged in finance leasing, property investment, property development, bulk commodity trade (including trading of coal, steel and non-ferrous metals) and hotel and marine travelling services.

The Group carries on bulk commodity trading business through (i) the Vendor, which principally involves the trading of steel and non-ferrous metals and (ii) the Target Company, which principally involves the trading of coal, both exclusively in the PRC market.

The coal business of the Group is based in, and edging on, the geographical advantage of Zhuhai Gaolan port area. However, due to the tightened domestic supply and decrease in coal demand from downstream enterprises in recent years, the Group was unable to develop the coal trading business to an economic scale and the profit contribution from the coal trading business was nominal. In view of the above, the Group has been exploring other business opportunities for the bulk commodity business.

As disclosed in the announcement of the Company dated 25 October 2019, the Group has formed a strategic alliance with a wholly-owned subsidiary of the Purchaser and formed a joint venture in World Asia, which will focus on the development of international bulk commodity trade businesses by leveraging the Purchaser's operational expertise and international procurement and sales network. In order to better allocate the Group's resources and enhance the operational efficiency, the Directors consider that it is a right move to further strengthen the relationship of the Group with the Purchaser through the Equity Transfer.

The Directors consider that the Equity Transfer represents an adjustment in the business strategy of the Group. While the Group remains its presence in the domestic coal trading business, by disposing of the Relevant Equity, the Group is able to realise its investment in the existing coal trading business at an optimal price and divert its investment to the bulk commodity trading of steel and non-ferrous metals with a view to expand such business into the international market.

The net proceeds from the Equity Transfer will be used as general working capital of the Group.

Based on the preliminary assessment, it is expected that the Group will record a gain of approximately RMB3.13 million (equivalent to approximately HK$3.47 million) as a result of the Equity Transfer, being the difference between the Consideration and the unaudited net asset value of the Target Company as at 31 October 2019 attributable to the Relevant Equity and after taking into account the adjustment in relation to the Transition Period, the release of exchange reserve, the fair value of the 10% equity interest retained by the Group in the Target Company as calculated with reference to the Valuation and the direct expenses in relation to the Equity Transfer. According to the unaudited management accounts of the Target Company for the period from 1 January 2019 to 31 October 2019, the Target Company has recorded a loss in the amount of approximately RMB2.05 million (equivalent to approximately HK$2.28 million) for the ten months ended 31 October 2019. As it is expected that the completion of the Equity Transfer will soon take place in December 2019 or early January 2020, the Board expects that there will be no material adverse change to the financial performance of the Target Company since 31 October 2019 up to the Completion Date. The actual gain or loss as a result of the Equity Transfer to be recorded by the Group is subject to the final Completion Date and the final audit to be performed by the auditors of the Company.

The terms of the Equity Transfer Agreement were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Notwithstanding that some of the Directors are also the senior management of certain subsidiaries of CCHG, those subsidiaries of CCHG (namely CCHK and World Gain) are not parties to the Equity Transfer and have no control over the Purchaser. As such, none of the Directors is considered to have any material interests in the Equity Transfer and none of them is required to abstain from voting on the Board resolutions approving the Equity Transfer Agreement and the Equity Transfer.

IMPLICATIONS UNDER THE LISTING RULES

Major transaction and connected transaction

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Equity Transfer, both when calculated individually and when aggregated with the Previous Transaction, exceeds 25% but is less than 75%, the Equity Transfer 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.

As the Purchaser is a non-wholly owned subsidiary of CCHG, the ultimate holding company of the Company, the Purchaser is therefore a connected person of the Company under the Listing Rules. Accordingly, the Equity Transfer also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Profit forecast pursuant to Rule 14.61 of the Listing Rules

Pursuant to the Valuation Report, the appraised value of the entire equity interest of the Target Company as at the Valuation Reference Date using the income approach was approximately RMB60.16 million (equivalent to approximately HK$66.78 million) as assessed by the Valuer. Such Valuation constitutes a "profit forecast" pursuant to Rule 14.61 of the Listing Rules and is therefore subject to additional requirements as set out in Rule 14.62 of the Listing Rules.

An extract of the Valuation Report, containing the principal assumptions on which the Valuation has been based, is set out in Appendix I to this circular.

The Reporting Accountants confirmed that they have performed procedures on the arithmetical accuracy and compilation of the discounted future estimated cash flows of the Target Company on which the Valuation was based, but did not report on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based.

The Board confirmed that it was satisfied that the discounted future estimated cash flows of the Target Company on which the Valuation was based has been made after due and careful enquiry.

A letter from the Reporting Accountants in compliance with Rule 14.62(2) of the Listing Rules and a letter of confirmation from the Board in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix II and Appendix III to this circular respectively.

EGM

The EGM will be held at 10:00 a.m. on Monday, 23 December 2019 at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the Equity Transfer. The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

For determining the entitlement of the Shareholders to attend and vote at the EGM, Shareholders whose names appear on the register of members of the Company at 4:30 p.m. (Hong Kong time) on Tuesday, 17 December 2019 shall be entitled to attend and vote at the EGM. In order to be entitled to attend and vote at the EGM, 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 Tuesday, 17 December 2019.

In accordance with the Listing Rules, the resolution will be voted on by way of poll at the EGM.

As at the Latest Practicable Date, World Gain held 3,022,154,119 Shares, representing approximately 52.03% of the issued share capital of the Company. Since the Purchaser is an associate of World Gain, World Gain has a material interest in the Equity Transfer and will therefore abstain from voting at the EGM on the resolution approving the Equity Transfer Agreement and the Equity Transfer. Save as aforesaid, as at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, no other Shareholders had a material interest in the Equity Transfer and are required to abstain from voting at the EGM.

Enclosed is a form of proxy for use at the EGM. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same by 10:00 a.m. on Friday, 20 December 2019 or not later than 48 hours before the time appointed for holding any adjournment of the EGM 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 EGM or any adjournment thereof should you so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

RECOMMENDATION

The Independent Board Committee, having considered the terms of the Equity Transfer Agreement and the benefits for and reasons of the Equity Transfer and taken into account the advice of the Independent Financial Adviser, considers that the terms of the Equity Transfer Agreement are normal commercial terms and are fair and reasonable. The Independent Board Committee also considers that although the Equity Transfer is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote for the resolution approving the Equity Transfer Agreement and the Equity Transfer. The text of the letter from the Independent Board Committee is set out on page 13 of this circular.

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

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)

6 December 2019

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF 41% OF THE EQUITY INTEREST IN THE TARGET COMPANY

We refer to the circular of the Company dated 6 December 2019 ("**Circular**"), of which this letter forms part. Unless otherwise required, capitalised terms herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Equity Transfer Agreement and the Equity Transfer. The Independent Financial Adviser has been appointed to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving their advice, are set out on pages 14 to 33 of the Circular. Your attention is also drawn to the Letter from the Board as set out on pages 5 to 12 of the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Equity Transfer Agreement and the benefits for and reasons of the Equity Transfer and taking into account the advice of the Independent Financial Adviser set out in its letter on pages 14 to 33 of the Circular, we are of the opinion that the terms of the Equity Transfer Agreement are normal commercial terms and are fair and reasonable. We also consider that although the Equity Transfer is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote for the resolution approving the Equity Transfer Agreement and the Equity Transfer.

Yours faithfully,
Independent Board Committee

Chang Qing **Lee Man Chun, Tony** **He Jia**

Independent non-executive Directors

The following is the full text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder, which was prepared for the purpose of inclusion in this Circular.

Celestial Capital Limited
22/F, Manhattan Place,
23 Wang Tai Road,
Kowloon Bay,
Hong Kong

6 December 2019

To the Independent Board Committee and the Independent Shareholders of
China Chengtong Development Group Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF 41% OF THE EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Details of the Equity Transfer Agreement are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 6 December 2019 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular or (if not defined in the Circular) in the announcement of the Company dated 12 November 2019 unless the context requires otherwise.

On 12 November 2019 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to transfer and the Purchaser conditionally agreed to acquire the Relevant Equity at the Consideration of RMB24,664,100 (equivalent to approximately HK$27,377,000).

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Equity Transfer, both when calculated individually and when aggregated with the Previous Transaction, exceeds 25% but is less than 75%, the Equity Transfer 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.

As the Purchaser is a non-wholly owned subsidiary of CCHG, the ultimate holding company of the Company, the Purchaser is therefore a connected person of the Company under the Listing Rules. Accordingly, the Equity Transfer also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

It was set out in the Letter from the Board that notwithstanding that some of the Directors are also the senior management of certain subsidiaries of CCHG, those subsidiaries of CCHG (namely CCHK and World Gain) are not parties to the Equity Transfer and have no control over the Purchaser; as such, none of the Directors is considered to have any material interests in the Equity Transfer and none of them is required to abstain from voting on the Board resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been established to advise the Independent Shareholders (i) as to whether the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and whether they are in the interests of the Company and the Independent Shareholders as a whole, and (ii) on how to vote at the EGM. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give independent opinion to the Independent Board Committee for it to advise the Independent Shareholders in these regards.

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, among other things, the Equity Transfer Agreement, the annual report of the Company for the financial year ended 31 December 2018, the unaudited interim report of the Company for the six months ended 30 June 2019, the Valuation Report and the Circular (including but not limited to the letter from the Reporting Accountants in relation to the Valuation Report and the letter of confirmation from the Board in relation to profit forecast respectively set out in Appendix II and Appendix III to the Circular). We have relied on (i) the information, facts and representations provided, and the opinions and views expressed, to us by the Company and/or the Directors and/or the management of the Group; and (ii) the information, facts and representations contained or referred to in the Circular, including but not limited to the Letter from the Board contained therein, and have assumed that all such information, facts and representations provided, as well as all such opinions and views expressed, to us and/or contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, view and intention made by the Company and/or the Directors in the Circular, including but not limited to the Letter from the Board, were reasonably made after due and careful enquiry and the expectations and intentions made by the Company, the Directors and/or the management of the Company will be met or carried out as the case may be. We consider that we have received and reviewed sufficient information to reach an informed view and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and/or the management of the Group. We have been confirmed by the Company that no material facts have been withheld or omitted from the information provided to us, the opinion expressed to us, and/or information or opinion contained or referred to in the Circular.

We have not, however, carried out any independent verification of the information provided by the Company, the Directors and/or the management of the Group, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Company or the Target Company, or any of their respective subsidiaries, controlled entities, jointly controlled entities or associates. We consider that we have performed our duties with impartiality and independence from the Company.

The Circular (including the Letter from the Board and the appendices to the 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 Group and the Target Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the 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 in the Circular misleading.

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or the counterparty of the Equity Transfer Agreement that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders. In the past two years preceding the Latest Practicable Date, there was no engagement between the Company and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company or the Purchaser. Accordingly, we are qualified to give independent advice in respect of the Equity Transfer Agreement.

PRINCIPAL REASONS AND FACTORS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer, we have taken into consideration the following principal factors and reasons:

(1) Background of and reasons for entering into of the Equity Transfer Agreement

Subject matter of the Equity Transfer Agreement and information on the Target Company

Subject to the terms and conditions of the Equity Transfer Agreement, the Vendor (a wholly-owned subsidiary of the Company) conditionally agreed to transfer and the Purchaser conditionally agreed to acquire the Relevant Equity, representing 41% of the entire equity interest of the Target Company.

The equity interest of the Target Company is currently owned as to 51% by the Vendor and as to 49% by the JV Partner. Accordingly, the Target Company is an indirect non-wholly owned subsidiary of the Company. Immediately upon completion of the Equity Transfer, the Group will remain interested in 10% of the equity interest of the Target Company, which will then cease to be a subsidiary of the Company.

Business and financial performance of the Group

The Group is principally engaged in (i) property development, (ii) property investment, (iii) finance leasing, (iv) bulk commodity trading and (v) hotel and marine travelling services ((i) to (v) are referred to as "**Reportable Segment(s)**").

The following table ("**Table 1**") sets out a summary of the financial performance of the Reportable Segments, being their respective segment revenues and segment results, for the two years ended 31 December 2017 ("**YR2017**") and 2018 ("**YR2018**") and the six months ended 30 June 2018 ("**1H 2018**") and 2019 ("**1H 2019**") respectively as extracted from the annual report of the Company for YR2018 ("**2018 AR**") and its interim report for 1H 2019 ("**2019 IR**"), and the changes in segment results and segment margins during the year/period derived therefrom:

Table 1

	For the year ended 31 December		**For the six months ended 30 June**	
	2017	**2018**	**2018**	**2019**
	HK'000 approximately	*HK'000 approximately*	*HK'000 approximately*	*HK'000 approximately*
Revenue	1,353,119	1,020,892	663,385	507,888
Segment revenue:				
Property development	109,212	60,993	35,110	16,199
Property investment	2,412	2,638	1,382	1,083
Finance leasing	52,693	53,264	23,637	33,050
Bulk commodity trade	1,145,872	865,237	578,417	439,387
Hotel and marine travelling services	42,930	38,760	24,839	18,169
Total segment revenue	**1,353,119**	**1,020,892**	**663,385**	**507,888**
Segment results:				
Property development	24,253	20,477	8,485	3,681
Property investment	2,151	2,293	1,218	927
Finance leasing	44,630	44,136	18,336	28,227
Bulk commodity trade	9,523	4,339	9,327	471
Hotel and marine travelling services	(4,804)	(4,108)	(832)	(3,905)
Total segment results	**75,753**	**67,137**	**36,534**	**29,401**
Changes in segment results during the year/period as compared with corresponding period in previous year (in percentage):				
Property development		**-15.57%**		**-56.62%**
Property investment		**6.60%**		**-23.89%**
Finance leasing		**-1.11%**		**53.94%**
Bulk commodity trade		**-54.44%**		**-94.95%**
Hotel and marine travelling services		**Not applicable**		**Not applicable**
Changes in segment results		**-11.37%**		**-19.52%**
Segment margins *(calculated by dividing segment results of a Reportable Segment by its segment revenue):*				
Property development	**22.21%**	**33.57%**	**24.17%**	**22.72%**
Property investment	**89.18%**	**86.92%**	**88.13%**	**85.60%**
Finance leasing	**84.70%**	**82.86%**	**77.57%**	**85.41%**
Bulk commodity trade	**0.83%**	**0.50%**	**1.61%**	**0.11%**
Hotel and marine travelling services	**Not applicable**	**Not applicable**	**Not applicable**	**Not applicable**

Financial performance of the Group's coal trading business carried out through the Target Company

As disclosed in the Letter from the Board, the Group carries on bulk commodity trading business through (i) the Target Company, which principally involves the trading of coal, and (ii) the Vendor, which principally involves the trading of steel and non-ferrous metals, both exclusively in the PRC market. Set out below is an analysis of the performance of the Group's bulk commodity trade segment, in particular its coal trading business carried out through the Target Company, as abstracted from the 2018 AR and 2019 IR.

YR2018 compared to YR2017

Financial figures of the Group and its Reportable Segments for YR2018 and YR2017 set out in the 2018 AR and reproduced in Table 1 and here below, unless otherwise specified and as confirmed by the Company, are extracted from the Company's audited consolidated financial statements.

– Bulk commodity trade segment

During YR2018, two of the five Reportable Segments recorded increase in their respective segment revenues while the other three Reportable Segments (including the bulk commodity trade segment) recorded decreasing segment revenues, which resulted in a drop by approximately 24.55% in the Group's total revenue as a whole from approximately HK$1,353.12 million in YR2017 to approximately HK$1,020.89 million in YR2018.

The segment revenue of the bulk commodity trade segment decreased by approximately HK$280.64 million, or by approximately 24.49% (which is close to the percentage of decrease in the Group's total revenue by approximately 24.55% mentioned above), to approximately HK$865.24 million in YR2018 from approximately HK$1,145.87 million recorded in YR2017.

In YR2018, although the segment revenue of the bulk commodity trade segment contributed to about 84.75% (2017: about 84.68%) of the Group's total revenue, its segment profit of approximately HK$4.34 million (YR2017: approximately HK$9.52 million) only contributed to approximately 6.46% (YR2017: approximately 12.57%) of the total segment profit of the Group of approximately HK$67.14 million during that year (YR2017: approximately HK$75.75 million). In addition, the abovementioned segment profit of the bulk commodity trade segment decreased by approximately 54.44% in YR2018 as compared to that for YR2017, and such drop in segment results is the highest in percentage among all Reportable Segments recording segment profits in YR2018 and is higher than the percentage decreased in the Group's total segment results which is approximately 11.37% (from approximately HK$75.75 million in YR2017 to approximately HK$67.14 million in YR2018).

During YR2018, as shown in Table 1, the segment margin of the bulk commodity trade segment of 0.50% (YR2017: 0.83%) is the lowest among the segment margins of all Reportable Segments generating segment profits during YR2018 which, by excluding the segment margin of the bulk commodity trade segment, ranged from approximately 33.57% to 86.92% (YR2017: ranged from approximately 22.21% to 89.18%).

– Coal trading carried out by the Target Company

It was set out in the Letter from the Board, and duplicated above, that the Group's bulk commodity trading business includes trading of coal and trading of steel and non-ferrous metals in the PRC, and the Target Company principally involves the trading of coal. The Letter from the Board also disclosed the following financial information of the Target Company which was extracted from the Company's audited consolidated financial statements for YR2017 and YR2018:

	For the year ended 31 December 2017 *HK$'000* *approximately*	**For the year ended 31 December 2018** *HK$'000* *approximately*
Turnover	684,775	614,721
Net profit before taxation	6,572	1,553
Net profit after taxation	5,218	771

We have also reviewed the 2018 AR and noticed that (i) the coal trading turnover was approximately HK$614.72 million in YR2018 (YR2017: approximately HK$684.77 million), which was the same as the turnover of the Target Company set out in the above table, and representing a decrease of approximately 10.23%; and (ii) the net profit before tax attributable to the coal trading business was approximately HK$1.75 million in YR2018 (YR2017: approximately HK$6.95 million), which was different from the Target Company's net profit before taxation of approximately HK$1.55 million in YR2018 (YR2017: approximately HK$6.57 million) as disclosed in the above table. We have been confirmed by the Company that the net profit before tax of the Group's coal trading business (a) represented the net profit before taxation of the Target Company before deducting inter-company interest expenses; and (b) formed part of the segment profit of the bulk commodity trade segment of the Group.

With regard to the coal trading business of the Group, it was further disclosed in the 2018 AR that due to decrease in sales volume by approximately 14.85% and increase in administrative expenses during YR2018, the profit before tax of the coal trading business decreased from approximately HK$6.95 million in YR2017 to approximately HK$1.75 million in YR2018, representing a significant year-on-year decrease of approximately 74.82%.

Based on the above information on the coal trading business and the Target Company, (1) the turnover of the coal trading business of approximately HK$614.72 million in YR2018 (YR2017: approximately HK$684.77 million) contributed to approximately 60.21% of the total segment revenue of the Group in YR2018 (YR2017: approximately 50.61%); (2) the segment profit of the coal trading business of approximately HK$1.75 million in YR2018 (YR2017: approximately HK$6.95 million) contributed to approximately 2.61% of the total segment profit of the Group in YR2018 (YR2017: approximately 9.17%); (3) the decrease in the segment profit of the coal trading business in percentage, being approximately 74.82%, in YR2018, is higher than the respective percentage decreased in segment results of the other Reportable Segments as well as the percentage decreased in the Group's total segment results during YR2018 as shown in Table 1; and (4) the segment margin of the coal trading business, being calculated by dividing its segment results by its segment revenue, was approximately 0.28% in YR2018 (YR2017: approximately 1.01%) and was the lowest among all Reportable Segments which generated segment profits during YR2018.

1H 2019 compared to 1H 2018

Financial figures of the Group and its Reportable Segments for 1H 2019 and 1H 2018 set out in the 2019 IR and reproduced here below, unless otherwise specified and as confirmed by the Company, are extracted from the Company's unaudited consolidated financial statements.

– Bulk commodity trade segment

During 1H 2019, only one Reportable Segment recorded an increase in segment revenue while the other four Reportable Segments (including the bulk commodity trade segment) recorded decreasing segment revenues, and the Group's total revenue amounted to approximately HK$507.89 million in 1H 2019, representing a decrease of approximately 23.44% as compared with the total revenue of approximately HK$663.39 million in 1H 2018.

The segment revenue of the bulk commodity trade segment decreased by approximately 24.04% (which is close to the percentage decreased in the Group's total revenue by about 23.44% mentioned above) from approximately HK$578.42 million in 1H 2018 to approximately HK$439.39 million in 1H 2019.

Although the segment revenue of the bulk commodity trade segment continued to contribute to about 86.51% of the Group's total revenue in 1H 2019 (1H 2018: about 87.19%), its segment profit of approximately HK$0.47 million in 1H 2019 (1H 2018: approximately HK$9.33 million) only contributed to approximately 1.60% (1H 2018: approximately 25.53%) of the total segment profit of the Group of approximately HK$29.40 million during 1H 2019 (1H 2018: approximately HK$36.53 million). In addition, the abovementioned segment profit of the bulk commodity trade segment decreased by approximately 94.95% in 1H 2019, and such drop in segment profit is the highest in percentage among all Reportable Segments recording segment profits in 1H 2019 and is substantially higher than the percentage decreased in the Group's total segment profit which is approximately 19.52% (from approximately HK$36.53 million in 1H 2018 to approximately HK$29.40 million in 1H 2019).

During 1H 2019, as shown in Table 1, the segment margin of the bulk commodity trade segment further deteriorated to approximately 0.11% in 1H 2019 (1H 2018: 1.61%), which is much lower than the segment margins of all other Reportable Segments generating segment profits during 1H 2019, which ranged from approximately 22.72% to 85.60% (1H 2018: from approximately 24.17% to 88.13%).

– Coal trading carried out by the Target Company

According to the 2019 IR, (i) the coal trading turnover was approximately HK$218.54 million in 1H 2019 (which contributed to approximately 43.03% of the total segment revenue of the Group in 1H 2019 (1H 2018: approximately 64.89%)), representing a decrease of approximately 49.23% as compared with the corresponding segment revenue of approximately HK$430.49 million in 1H 2018, which decrease was caused by weak demand and supply of coal (coal trading business recorded a year-on-year decrease in sales volume of approximately 38.46% in 1H 2019) as well as a decrease by approximately 5% of the average unit selling price of the Target Company's coal products in 1H 2019 as compared with that in 1H 2018; and (ii) there was a turnaround from segment profit before tax of approximately HK$4.93 million in 1H 2018 to segment loss before tax of approximately HK$0.85 million in 1H 2019 for the coal trading business. For reference, in 1H 2019, save for the hotel and marine travelling services segment which recorded a segment loss, the other three Reportable Segments (being the property development, property investment and finance leasing) continued to generate segment profits, ranging from approximately HK$0.93 million to approximately HK$28.23 million (1H 2018: from approximately HK$1.22 million to approximately HK$18.34 million), and the steel and non-ferrous metals trading business of the Group also recorded a segment profit of approximately HK$1.32 million (1H 2018: approximately HK$4.40 million).

As demonstrated above, although the contribution from the coal trading business to the Group's total revenue was substantial (being approximately 60.21% in YR2018 and approximately 43.03% in 1H 2019), it relatively underperformed in terms of segment margin measurement for its segment margin of approximately 0.28% in YR2018 was the lowest among the profit generating Reportable Segments, segment margins of which ranged from approximately 33.57% to 86.92% in YR2018. In addition, (i) the profit before tax of the coal trading business decreased by approximately 75% in YR2018, which is higher than the respective decreases in segment results of the other profitable Reportable Segments as well as the decrease in the Group's total segment results during YR2018 as shown in Table 1; and (ii) there was a turnaround from profit to loss in 1H 2019 which a loss before tax of approximately HK$0.85 million was recorded for the coal trading business, while the other Reportable Segments (save for the segment of hotel and marine travelling services) and the steel and non-ferrous metals trading business of the Group continued to record segment profits during the period.

Prospect of coal trading business in the PRC

As confirmed by the Directors, the Target Company sources and sells thermal coal in the PRC, mainly in the Guangdong Province.

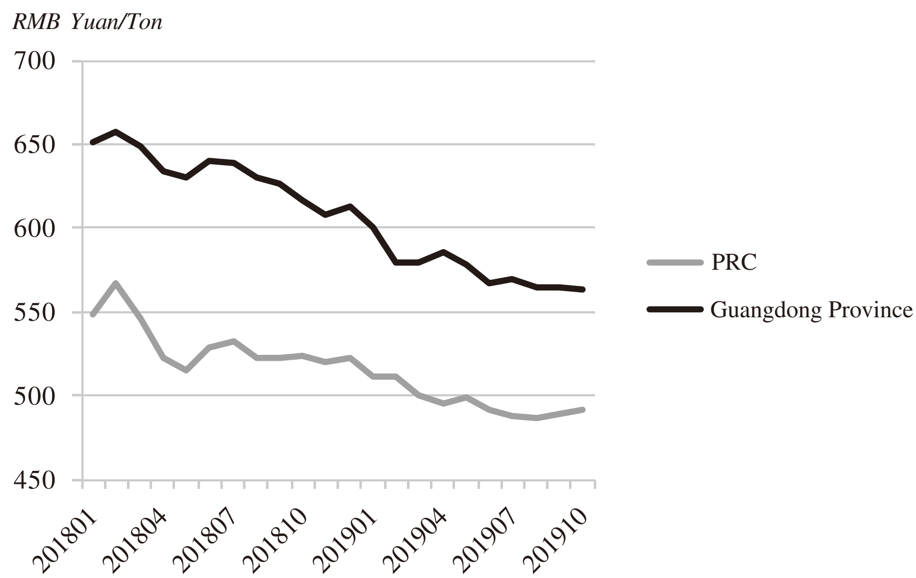
Set out below is the information on the production and consumption of energy and coal (being one of the energy components) in the PRC during the ten-year period from 2009 to 2018 (source: website of the National Bureau of Statistics of China (中華人民共和國國家統計局):

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
	million tons standard coal (approximate)									
Total energy production	2,861	3,121	3,402	3,510	3,588	3,619	3,615	3,460	3,585	3,770
Coal production	2,197	2,378	2,647	2,675	2,705	2,663	2,610	2,408	2,495	2,613
– Percentage of total energy production (approximate)	77%	76%	79%	76%	75%	74%	72%	70%	70%	69%
Total energy consumption	3,361	3,606	3,870	4,021	4,169	4,258	4,299	4,359	4,485	4,640
Coal consumption	2,407	2,496	2,717	2,755	2,810	2,793	2,738	2,703	2,709	2,734
– Percentage of total energy consumption (approximate)	72%	69%	70%	69%	67%	65%	64%	62%	60%	59%

We noticed from the above table that total energy production and consumption in the PRC increased by approximately 32% and 38% respectively, while the total coal production and consumption in the PRC only increased by approximately 19% and 14% respectively, during the 10-year period from 2009 to 2018.

The chart below sets out the monthly-issued national China Thermal Coal Index ("**CTCI**") and the CTCI in the Guangdong Province by the National Development and Reform Commission (國家發展和改革委員會) of the PRC for the period from January 2018 to October 2019, which demonstrated a general decreasing trend in each of the national CTCI and CTCI in the Guangdong Province during the period. The national CTCI of RMB492.01 per ton in October 2019 increased slightly by approximately 0.43% as compared with RMB489.88 per ton in September 2019, but represented a drop by approximately 6.01% as compared with RMB523.47 per ton in October 2018.

National CTCI and CTCI in the Guangdong Province in 2018–2019 (up to October)



We have been advised by the Company that the PRC government policy with regard to the energy (including coal) has affected the thermal coal market in the PRC. According to the Thirteenth Five-year Plan ("十三五"計劃), it has been the PRC government's targets that (i) the production of coal is set to be a total of 3,900 million tons in 2020, representing an average annual growth rate (accumulated) of approximately 0.8% from a total of 3,750 million tons in 2015, while the corresponding average annual growth rate (accumulated) from 2010 to 2015 was approximately 1.8%; and (ii) the consumption of coal is set to be a total of 4,100 million tons in 2020, representing an average annual growth rate (accumulated) of approximately 0.7% from a total of 3,960 million tons in 2015, while the corresponding average annual growth rate (accumulated) from 2010 to 2015 was approximately 2.6%. It was also stated in the Thirteenth Five-year Plan that the reliance on clean energy would increase to replace certain consumption of the traditional energy (including coal), and the coal consumption would represent approximately 58% of the total consumption of energy in 2020 (as shown in the table above, coal consumption represented approximately 64% and 59% of the total energy consumption in 2015 and 2018 respectively).

On the basis of the development of the coal market in the PRC as stated above, in particular (a) the national CTCI in the PRC has shown a decreasing trend since early 2018 and the national CTCI in October 2019 dropped by approximately 6.01% as compared with that in October 2018; and (b) the PRC government's policy to have less reliance on traditional energy (including coal) and its target to lower coal consumption in terms of proportion of the total energy consumption to approximately 58% in 2020 from approximately 64% in 2015, it is expected that the coal market in the PRC will continue to be subject to challenges in terms of coal price and consumption level.

Reasons for and benefits of the Equity Transfer

As set out in the Letter from the Board, the Group carries on bulk commodity trading business through (i) the Target Company, which principally involves the trading of coal and (ii) the Vendor, which principally involves the trading of steel and non-ferrous metals, both exclusively in the PRC market. With regard to the coal trading business, due to the tightened domestic supply and decrease in coal demand from downstream enterprises in recent years, the Group was unable to develop the coal trading business to an economic scale and the profit contribution from the coal trading business was nominal (please refer to the above paragraph headed "Financial performance of the Group's coal trading business carried out through the Target Company"). In view of the above, the Group has been exploring other business opportunities for the bulk commodity business. As disclosed in the announcement of the Company dated 25 October 2019, the Group has formed a strategic alliance with a wholly-owned subsidiary of the Purchaser and formed a joint venture in World Asia, which will focus on the development of international bulk commodity trade business.

The Directors consider that the Equity Transfer (being disposal of the Relevant Equity i.e. 41% of the entire equity interest of the Target Company, which currently involves the coal trading business of the Group in the PRC, by the Vendor, which is a wholly-owned subsidiary of the Group) represents an adjustment in the business strategy of the Group. While the Group remains its presence in the domestic coal trading business via retaining 10% of the equity interest of the Target Company after completion of the Equity Transfer, it is able to realise its investment in the existing coal trading business through the Equity Transfer and divert its investment to the bulk commodity trading of steel and non-ferrous metals with a view to expand such business into the international market. In addition, we have been confirmed by the Company that the businesses of all other Reportable Segments, including those recorded historical segment profits as detailed above, would not be affected by the Equity Transfer and would be continued by the Group after completion of the Equity Transfer, upon which time the Group will concentrate its resources to the business development of those other Reportable Segments for the purpose of achieving improvement in the financial performance thereof.

Having considered (i) the financial performance of the Group, including the declining performance of the coal trading business carried out through the Target Company for YR2018 compared to YR2017 and 1H2019 as compared to 1H2018 (in particular, the profit before tax of the coal trading business decreased by approximately 74.82% during YR2018 and there was a turnaround from profit to loss for 1H 2019 as compared with 1H 2018), as well as the relatively underperformance by comparing segment margins of the coal trading business with the other Reportable Segments recording segment profits in YR2017 and YR2018; (ii) the challenges faced by the coal industry in the PRC in terms of coal price and consumption level ((a) the national CTCI in the PRC in October 2019 dropped by approximately 6.01% as compared with that in October 2018, and (b) the PRC government's policy set out in the Thirteenth Five-year Plan to have less reliance on traditional energy (including coal) and its target to lower coal consumption in terms of proportion of the total energy consumption to approximately 58% in 2020 from approximately 64% in 2015); (iii) the business strategy of the Group to divert its investment from coal trading business to bulk commodity trading of steel and non-ferrous metals; and (iv) the continuation of the businesses of all other Reportable Segments by the Group, including those recorded historical segment profits, after completion of the Equity Transfer, upon which time the Group will concentrate its resources to the business development of those other Reportable Segments for the purpose of achieving improvement in the financial performance thereof, we concur with the Directors' view that the disposal of 41% of the entire equity interest in the Target Company by the Group by entering into the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

(2) Principal terms of the Equity Transfer Agreement

Consideration

As stated in the Letter from the Board and as confirmed by the Directors, (i) the terms of the Equity Transfer Agreement, including but not limited to the Consideration of RMB24,664,100 (equivalent to approximately HK$27,377,000) were determined after arm's length negotiations between the Vendor and the Purchaser, and the Directors are of the view that the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and (ii) the Consideration is determined with reference to the Valuation conducted by the Valuer, which is a qualified independent valuer in the PRC, using the income approach.

The Consideration shall be paid by the Purchaser to the Vendor in cash in the following manner:

(1) RMB2,466,400 (equivalent to approximately HK$2,738,000), representing approximately 10% of the Consideration, shall be payable within five (5) Working Days after the fulfilment of all conditions precedent as set out in the Equity Transfer Agreement; and

(2) RMB22,197,700 (equivalent to approximately HK$24,639,000), representing approximately 90% of the Consideration, shall be payable on the Completion Date.

Conditions precedent and completion of the Equity Transfer

The Equity Transfer shall be conditional upon the fulfilment of all of the following conditions:

(1) the Equity Transfer having been approved by the Independent Shareholders by way of ordinary resolution(s) at the EGM of the Company in accordance with the Listing Rules;

(2) all necessary authorisations, consents and approvals as may be required for the Vendor to perform and complete the Equity Transfer having been obtained; and

(3) all necessary authorisations, consents and approvals as may be required for the Purchaser to perform and complete the Equity Transfer having been obtained.

If any of the above conditions precedent are not fulfilled before 9:00 a.m. on the Long Stop Date, the Equity Transfer Agreement (save and except for certain clauses such as confidentiality, notices and dispute resolution) shall terminate immediately.

Upon fulfilment of the above conditions precedent in full, the Vendor shall pay the first instalment of the Consideration in the amount of RMB2,466,400 within five (5) Working Days thereafter and the parties to the Equity Transfer Agreement should proceed with completion of the Equity Transfer accordingly. The date on which the Equity Transfer is registered at the relevant PRC registration authority shall be the Completion Date.

Transition Period

It was detailed in the Letter from the Board that pursuant to the Equity Transfer Agreement, any profit or loss incurred by the Target Company for the Transition Period shall be borne by the original shareholders of the Target Company in accordance with their respective equity interest before completion of the Equity Transfer. The amount of profit or loss of the Target Company for the Transition Period shall be determined based on the audited financial information of the Target Company ("**Target Company's Audited Financial Information**") made up to and including the Completion Date. It was further elaborated in the Letter from the Board that within ten (10) Working Days from the date of issue of the Target Company's Audited Financial Information, if the Target Company incurs a profit for the Transition Period ("**Transition Period Profit**"), the Purchaser shall pay to the Vendor an amount equivalent to 41% of the Transition Period Profit whereas if the Target Company incurs a loss during the Transition Period ("**Transition Period Loss**"), the Vendor shall pay to the Purchaser an amount equivalent to 41% of the Transition Period Loss.

As set out in the 2019 IR and duplicated above, the coal trading business of the Group recorded an unaudited loss before tax of approximately HK$0.85 million, which, as confirmed by the Directors, was also the unaudited loss before tax of the Target Company during 1H 2019. It was also disclosed in the Letter from the Board that according to the unaudited management accounts of the Target Company for the period from 1 January 2019 to 31 October 2019, the Target Company has recorded an unaudited loss of approximately RMB2.05 million (equivalent to approximately HK$2.28 million) for the ten months ended 31 October 2019. In addition, as it is expected that the completion of the Equity Transfer will soon take place in December 2019 or early January 2020, the Board expects that there will be no material adverse change to the financial performance of the Target Company since 31 October 2019 up to the Completion Date. We have discussed with the Company and have been confirmed by the Directors that they consider the arrangement with regard to the Transition Period Profit or Transition Period Loss, which has been part of the terms of the Equity Transfer Agreement being determined after arm's length negotiation between the parties, are normal commercial terms, given the Consideration has been determined after making reference to the Valuation as at the Valuation Reference Date on 31 December 2018, which was conducted by the Valuer by adopting income approach after taking into account, amongst others, the then forecasted financial performance of the Target Company for the year ending 31 December 2019 (it was set out in the Letter from the Board that the Valuation constitutes a "profit forecast" pursuant to the Listing Rules and a letter from the Reporting Accountants in relation to the Valuation Report and a letter of confirmation in relation to profit forecast from the Board have been issued and respectively contained in Appendices II and III to the Circular), and such arrangement was determined to compensate the Purchaser (in case the Transition Period Loss is recorded) or the Vendor (in case the Transition Period Profit is made) given the reference date of the Valuation is 31 December 2018 and the completion of the Equity Transfer is expected to take place in December 2019 or early January 2020. On that basis, we concur with such view of the Directors with regard to the arrangement relating to the Transition Period Profit or Transition Period Loss.

The Valuation

Based on the Valuation, the appraised value of the entire equity interest of the Target Company was approximately RMB60.16 million (equivalent to approximately HK$66.78 million) as at 31 December 2018, 41% of which representing value of the Relevant Equity was approximately RMB24.67 million (equivalent to approximately HK$27.38 million), which approximates to the amount of Consideration.

In order to assess the fairness and reasonableness of the Consideration, we have reviewed the Valuation Report prepared by the Valuer.

We have reviewed the Valuation Report and discussed with the Valuer with regard to the methodologies, basis and assumptions adopted by the Valuer in valuing the Target Company. We understood from the Valuer that it had considered three generally accepted approaches to assess the market value of the Target Company, namely the market approach, asset approach and income approach, and was of the view that the income approach was more appropriate compared to the other two approaches as (i) under the income approach which adopted the methodology of discounting future estimated cash flows of the Target Company, the value of the Target Company derived therefrom would better reflect the overall growth and profit-making capability of the Target Company as compared with the asset approach; and (ii) there was a lack of market comparable for the purpose of adopting market approach.

For our due diligence purpose, we have reviewed and enquired into the terms of engagement of the Valuer entered into with the Company and the Valuer's qualification, experience and independence in relation to the preparation of the Valuation Report. From the engagement letter of the Valuer and other relevant information provided by the Valuer and based on our discussion with the Valuer, we are not aware of any matters that would cause us to question the Valuer's qualification, expertise and independence in conducting the Valuation.

Further details of the basis and assumptions of the Valuation are set out in the extract of the Valuation Report as contained in Appendix I to the Circular. We have reviewed those basis and assumptions and noticed that they are generally with regard to the Target Company's business environment (for examples, there is no material change to the relevant laws and regulations, policies and macroeconomic conditions of the PRC; there is no material change to the political, economic and social conditions of the respective regions in which the parties to the Equity Transfer Agreement are located; and there is no other unforeseeable factor or force majeure that may cause any material adverse impact; there is no material change to the interest rates, exchange rates, tax base and tax rates as well as policy-based levies) and the Target Company (for examples, the Target Company will operate on a going concern basis; unless otherwise stated, the Target Company is in full compliance of all relevant laws and regulations; based on the present management model and standard of the Target Company, the business scope and model of the Target Company will remain consistent; there is no force majeure or unforeseeable factor that will cause any material adverse impact to the Target Company). We further discussed with the Valuer with regard to the basis and assumptions of the Valuation and were advised that those basis and assumptions were made based on market and industry practices, and have been in line with other similar valuations previously and recently conducted by them which adopted income approach; on that basis, we are of the view that the principal basis and assumptions adopted for the purpose of conducing the Valuation are fair and reasonable. Nevertheless, the Shareholders should note that as the Valuation has involved assumptions and therefore it may or may not reflect the true market value of the Target Company accurately.

In addition, as set out in Appendix III to the Circular, the Directors have confirmed that the discounted future estimated cash flows of the Target Company on which the Valuation was based had been made after due and careful enquiry, after taking into account, among others, the letter from the Reporting Accountants as set out in Appendix II to the Circular regarding the arithmetical accuracy and compilation of such discounted future estimated cash flows.

We notice that the Valuation Reference Date of the Valuation is 31 December 2018 and the date of the Valuation Report is 29 August 2019. According to our discussion with the Valuer, the Valuation of approximately RMB60.16 million remained valid as at the date of the Valuation Report on 29 August 2019. As set out in the Letter from the Board and/or the paragraph headed "Transition Period" above, (i) the Valuation as at 31 December 2018 has been derived by the Valuer by adopting income approach after taking into account, amongst others, the then forecasted financial performance of the Target Company for the year ending 31 December 2019; (ii) the Target Company has recorded an unaudited loss of approximately RMB2.05 million (equivalent to approximately HK$2.28 million) for the ten-month period from 1 January 2019 (being the date immediately after the Valuation Reference Date) up to and including 31 October 2019; (iii) as it is expected that the completion of the Equity Transfer will soon take place in December 2019 or early January 2020, the Board expects that there will be no material adverse change to the financial performance of the Target Company since 31 October 2019 up to the Completion Date. In addition, the Directors have confirmed that subsequent to the date of the Valuation Report on 29 August 2019, there have been no other factor which would lead to a significant improvement in the financial performance of the Target Company before the completion of the Equity Transfer which in turn would result in, and they are of the view that there would be no significant increase in the value of the Target Company from the Valuation of approximately RMB60.16 million after the date of the Valuation Report. We concur with such view of the Directors after taking into account (i) the advice from the Valuer that Valuation of approximately RMB60.16 million remained valid as at the date of the Valuation Report on 29 August 2019, (ii) the unaudited loss of the Target Company of approximately RMB2.05 million during the ten-month period ended 31 October 2019 based on its unaudited management account, (iii) the confirmation from the Directors that there have been no other factor which would lead to a significant improvement in the financial performance of the Target Company before the completion of the Equity Transfer.

Market comparable analysis with regard to the Consideration

Price-to-earnings ratio and price-to-book ratio are the most widely adopted benchmarks for evaluating the value of a company and for comparing the values of comparable companies. For the purpose of assessing the fairness and reasonableness of the Consideration, a company which (i) is listed on the Stock Exchange; and (ii) is principally engaged in the coal trading business in the PRC (being the principal business and market of the Target Company) is considered to be comparable to the Target Company. To the best of our knowledge and endeavor, we have identified an exhaustive list of one company, namely Ares Asia Limited (stock code: 645) ("**Comparable Company**"), securities of which are listed on the Stock Exchange and which principally engages in the same business of the Target Company. According to the latest published annual report of the Comparable Company and the audited consolidated financial information of the group company of the Comparable Company ("**Comparable Group**") for the year ended 31 March 2019, (i) the Comparable Group is principally engaged in the business of coal trading, entailing the selling of coals purchased from various countries to the PRC (note: the suppliers and customers of the Target Company are both from the PRC); (ii) revenue of the Comparable Group mainly represents income from the sale of coal and amounted to approximately US$198.34 million (equivalent to approximately HK$1,553.00 million at the exchange rate of US$1 to HK$7.83 ("**Exchange Rate**", which is applied in this letter 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 at all) during the year ended 31 March 2019; (iii) the Comparable Group recorded a loss before taxation and a net loss, both amounted to approximately US$1.48 million (equivalent to approximately HK$11.59 million at the Exchange Rate), for the year ended 31 March 2019; and (iv) its net asset value was approximately US$7.30 million (equivalent to approximately HK$57.16 million at the Exchange Rate) as at 31 March 2019.

Given the Comparable Group recorded a loss before taxation and a net loss for its latest financial year ended 31 March 2019, price-to-earnings ratio is not applicable for its case. As both the Target Company and the Comparable Group are principally engaged in the trading of coal in the PRC and generated their turnovers therefrom, the respective price-to-revenue ratios of the Target Company and the Comparable Company are compared for the purpose of the assessing the fairness and reasonableness of the Consideration.

Based on the abovementioned financial figures of the Comparable Company, we set out below the price-to-revenue ratio and price-to-book ratio of each of the Comparable Company and the Target Company:

Company	**Market Cap**	**Revenue**	**Net asset value**	**Price-to-revenue ratio**	**Price-to-book ratio**
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*
	(approximately HK$ million)	*(approximately HK$ million)*	*(approximately HK$ million)*	*(approximately times)*	*(approximately times)*
Comparable Company	150.53	1,553.00	57.16	0.097	2.63
Target Company	66.77	614.72	52.46	0.109	1.27

Notes:

1 (a) Market cap of the Comparable Company is derived based on the closing price of HK$0.44 per share of the Comparable Company on 12 November 2019, being the date of the Equity Transfer Agreement, and a total of 342,116,934 shares of the Comparable Company in issue as at 12 November 2019 up to the date hereof.

(b) Market cap of the Target Company is derived based on the Consideration of approximately HK$27,377,000 for a total of 41% equity interest of the Target Company.

2 Revenues with regard to the Comparable Company and the Target Company are for the year ended 31 March 2019 and the year ended 31 December 2018 respectively.

3 Net asset values of the Comparable Company and the Target Company are as at 31 March 2019 and as at 30 June 2019 respectively.

4 Price-to-revenue ratio is derived by dividing the market cap of a company by its revenue as set out in the above table.

5 Price-to-book ratio is derived by dividing the market cap of a company by its net asset value as set out in the above table.

With regard to the price-to-book ratios of the two companies, the price-to-book ratio of the Target Company of approximately 1.27 times is lower than that of the Comparable Company of approximately 2.64 times. We noticed from the audited consolidated statement of financial position as at 31 March 2019 of the Comparable Company as set out in its latest published annual report that almost all of its assets were trade and other receivables, and cash and bank balances. We have also been confirmed by the Company that (i) as at 30 June 2019, the Target Company's assets mainly consisted of trade and other receivables, prepayments, and cash and bank balances; (ii) given the nature of the Target Company's bulk coal trading business, the Target Company does not heavily rely on fixed assets and other kinds of current assets in running its business. On the basis of the aforesaid, it is considered not appropriate to rely on the price-to-book ratio analysis for the purpose of evaluating the Consideration.

On the other hand, given both the Target Company and the Comparable Company generate their revenues by selling coal products in the PRC, the comparison of the price-to-revenue ratios of the two companies is considered to be more appropriate in assessing the fairness and reasonableness of the Consideration. As shown in the above table, the price-to-revenue ratio of the Target Company of approximately 0.109 times is higher than that of the Comparable Company of approximately 0.097 times by approximately 12.37%.

As there is only one Comparable Company available, we further assess the fairness and reasonableness of the Consideration by comparing the Consideration to the net asset value of the Target Company. Based on the unaudited net asset value of the Target Company of approximately HK$52.46 million as at 30 June 2019, the Consideration of approximately RMB24.67 million (equivalent to approximately HK$27.38 million) represents a premium of approximately 27.29% over 41% of the unaudited net asset value of the Target Company as at 30 June 2019, being approximately HK$21.51 million.

After taking into consideration the above factors and analysis, in particular (i) the terms of the Equity Transfer Agreement, including but not limited to the Consideration, were determined after arm's length negotiations between the Vendor and the Purchaser; (ii) the fact that the Consideration was approximately the appraised value of the Relevant Equity based on the Valuation conducted by the Valuer which is a qualified independent valuer in the PRC, (iii) the higher price-to-revenue ratio of the Target Company compared to that of the Comparable Company; (iv) the Consideration of approximately RMB24.67 million (equivalent to approximately HK$27.38 million) represents a premium of approximately 27.29% over 41% of the unaudited net asset value of the Target Company as at 30 June 2019, being approximately HK$21.51 million; and (v) the arrangement with regard to the Transition Period Profit and the Transition Period Loss given the Consideration has been determined after making reference to the Valuation, being derived by adopting income approach (which have taken into account, amongst others, the then forecasted financial performance of the Target Company for the year ending 31 December 2019), as at the Valuation Reference Date on 31 December 2018, we concur with the view of the Directors that the terms of the Equity Transfer Agreement, including but not limited to the Consideration, are fair and reasonable.

(3) Possible financial effects of the Equity Transfer on the earnings and assets and liabilities of the Group

Immediately upon completion of the Equity Transfer, the shareholding of the Vendor in the Target Company will decrease from 51% to 10%. The Target Company will then cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the Group's consolidated financial statements. As stated in Appendix IV to the Circular, the Company's investment in the Target Company will be shown as other financial assets measured at fair value through other comprehensive income under non-current assets. As detailed in the sub-section headed "Financial performance of the Group's coal trading business carried out through the Target Company" of the section headed "(1) Background of and reasons for entering into of the Equity Transfer Agreement" above, segment revenue of the coal trading business represented a substantial portion (ranging from approximately 43.03% to approximately 60.21%) of the total revenue of the Group for YR2017, YR2018 and 1H2019, but contribution from the coal trading business only represented 9.17% of the total segment results of the Group in 2017 and further dropped to approximately 2.61% for YR2018, and there was even a turnaround from segment profit before tax of approximately HK$4.93 million in 1H 2018 to segment loss before tax of approximately HK$0.85 million in 1H 2019 for the coal trading business.

It was further stated in the Letter from the Board that based on preliminary assessment, a gain of approximately RMB3.13 million (equivalent to approximately HK$3.47 million) (which, as detailed in the Letter from the Board, is the difference between the Consideration and the unaudited net asset value of the Target Company as at 31 October 2019 attributable to the Relevant Equity and after taking into account the adjustments relating to the Transition Period, the release of exchange reserve, the fair value of the 10% equity interest retained by the Group in the Target Company as calculated with reference to the Valuation and the direct expenses in relation to the Equity Transfer. According to the unaudited management accounts of the Target Company for the period from 1 January 2019 to 31 October 2019, the Target Company has recorded a loss in the amount of approximately RMB2.05 million (equivalent to approximately HK$2.28 million) for the ten months ended 31 October 2019. As it is expected that the completion of the Equity Transfer will soon take place in December 2019 or early January 2020, the Board expects that there will be no material adverse change to the financial performance of the Target Company since 31 October 2019 up to the Completion Date. The actual gain or loss to be recorded by the Group as a result of the Equity Transfer subject to the final Completion Date and the final audit to be performed by the auditors of the Company. In addition, the proceeds from the Equity Transfer shall be applied by the Company as general working capital of the Group.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, particularly with regard to the following:

(i) the declining performance of the coal trading business operated through the Target Company for YR2018 compared to YR2017 and 1H2019 compared to 1H2018 (in particular, (i) although segment revenue of the coal trading business represented a substantial portion (ranging from approximately 43.03% to approximately 60.21%) of the total revenue of the Group for YR2017, YR2018 and 1H2019, contribution from the coal trading business only represented 9.17% of the total segment results of the Group in 2017 and further drop to 2.61% in 2018, and there was even a turnaround from segment profit before tax of approximately HK$4.93 million in 1H 2018 to a segment loss before tax of approximately HK$0.85 million in 1H 2019 for the coal trading business carried out by the Target Company), as well as the relatively underperformance of the coal trading business in terms of segment margin when compared with those of the other Reportable Segments recording segment profits in YR2017 and YR2018;

(ii) the challenges faced by the coal industry in the PRC in terms of coal price and consumption level ((a) the national CTCI in the PRC in October 2019 dropped by approximately 6.01% as compared with that in October 2018, and (b) the PRC government's policy set out in the Thirteenth Five-year Plan to have less reliance on traditional energy (including coal) and its target to lower coal consumption in terms of proportion of the total energy consumption to approximately 58% in 2020 from approximately 64% in 2015);

(iii) the business strategy of the Group to divert its investment from coal trading business to bulk commodity trading of steel and non-ferrous metals and, as confirmed by the Directors, the businesses of all other Reportable Segments, including those which recorded historical segment profit(s), would not be affected by the Equity Transfer and would be continued by the Group after completion of the Equity Transfer, upon which time the Group will concentrate its resources to the business development of those other Reportable Segments for the purpose of achieving improvement in the financial performance thereof;

(iv) the terms of the Equity Transfer Agreement, including but not limited to the Consideration, were determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the Valuation conducted by the Valuer;

(v) the price-to-revenue ratio of the Target Company, which is derived based on the Consideration, is higher than that of the Comparable Company;

(vi) the Consideration of approximately RMB24.67 million (equivalent to approximately HK$27.38 million) represents a premium of approximately 27.29% over 41% of the unaudited net asset value of the Target Company as at 30 June 2019, being approximately HK$21.51 million; and

(vii) the arrangement with regard to the Transition Period Profit and the Transition Period Loss given the Consideration has been determined after making reference to the Valuation as at the Valuation Reference Date on 31 December 2018, which was conducted by the Valuer by adopting income approach after taking into account, amongst others, the then forecasted financial performance of the Target Company for the year ending 31 December 2019 and such arrangement was determined to compensate the Purchaser (in case loss is recorded by the Target Company during the Transition Period) or the Vendor (in case profit is made by the Target Company during the Transition Period),

we are of the opinion that although the entering into of the Equity Transfer Agreement is not in the ordinary and usual course of business of the Group, we concur with the view of the Directors the terms of the Equity Transfer Agreement (including but not limited to the Consideration) are on normal commercial terms and fair and reasonable and the Equity Transfer is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolution approving the Equity Transfer Agreement and the Equity Transfer.

Yours faithfully,
For and on behalf of
Celestial Capital Limited

Daphne Ng
Managing Director

Ms. Daphne Ng is a licensed person and responsible officer of Celestial Capital Limited registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over 20 years of experience in the corporate finance industry.

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

Asset Valuation Report in relation to the Value of the Entire Equity Interest in Chengtong Energy Guangdong Company Limited involved in the Proposed Disposal of 41% Equity Interest by Chengtong Development Trading Co., Limited

I. PURPOSE OF VALUATION

Chengtong Development Trading Co., Limited proposes to transfer the 41% of the equity interest held by it in Chengtong Energy Guangdong Company Limited ("**Target Company**") by entering into an equity transfer agreement with China Chengtong International Co. Ltd. An appraisal on the value of the entire equity interest held by the shareholders of the Target Company is conducted to provide a reference for the value of the proposed equity transfer.

II. SUBJECT AND SCOPE OF VALUATION

(1) Subject of valuation

The subject of valuation is the entire equity interest held by the shareholders of the Target Company.

(2) Scope of valuation

The scope of valuation covers the entire assets and liabilities of the Target Company as at the valuation reference date.

III. TYPE OF VALUE AND ITS DEFINITION

The type of value to be determined for the valuation is market value. In this report, market value refers to the estimated value of the subject of valuation in an arm's length transaction between a voluntary buyer and a voluntary seller who has each acted rationally and with free will on the valuation reference date.

IV. VALUATION REFERENCE DATE

The valuation reference date is 31 December 2018.

V. VALUATION METHODOLOGY

The asset-based approach and the income approach have been adopted for this valuation.

VI. ASSUMPTIONS OF VALUATION

A. General assumptions

(1) all assets of the Target Company are being transacted in the market and were appraised in accordance with the terms of the prevailing market;

(2) all assets of the Target Company are to be transacted in a competitive market with voluntary buyers and sellers in which the parties therein are of equal status, with sufficient time and opportunities for the parties to obtain market information, and transactions are conducted freely and reasonably without any undue influence and restrictions on the parties;

(3) all assets of the Target Company are currently in use and will continue to be used on an on-going basis and the existing use of the assets will remain unchanged and continue to be used for the same purpose. Under such assumption, the change of use of the assets or the best use condition is disregarded; and

(4) the Target Company will continue to operate in accordance with its business objectives in the external environment; the management of the Target Company is responsible and is capable of taking up responsibilities; and the Target Company is in legal operation and is capable of making profits to maintain sustainability.

B. Assumptions under the income approach

(1) there is no material change to the relevant laws, regulations, policies and the macroeconomic condition of the PRC; there is no material change to the political, economic and social conditions of the respective regions in which the parties to the Equity Transfer Agreement are located; and there is no other unforeseeable factor or force majeure that may cause any material adverse impact;

(2) the Target Company will operate on a going concern basis;

(3) the management of the Target Company is responsible and capable of performing its duties;

(4) unless otherwise stated, the Target Company is in full compliance of all relevant laws and regulations;

(5) the accounting policies that the Target Company will adopt in the future will remain unchanged and consistent in all material aspects with the accounting policies adopted at the time when the Valuation Report was prepared;

(6) based on the present management model and standard of the Target Company, the business scope and model of the Target Company will remain consistent;

(7) there is no material change to the interest rates, exchange rates, tax base and tax rates as well as policy-based levies;

(8) there is no force majeure or unforeseeable factor that will cause any material adverse impact to the Target Company;

(9) the forecasted annual cash flow of the Target Company represents an even annual cash flow of the Target Company;

(10) the market competitiveness of the Target Company will remain unchanged after the valuation reference date; and

(11) the Target Company will operate in accordance with its business plan and will cease to carry on business in bulk commodity trading of non-ferrous metals and sale of electricity after the valuation reference date.

VII. VALUATION CONCLUSION

(a) Valuation results based on asset-based approach

Based on the asset-based approach, the book value of the total assets of the Target Company was RMB75,698,200, which was appraised at RMB75,655,900, representing a depreciation of RMB42,300 or by 0.06%; the book value of its total liabilities was RMB22,150,900, which was appraised at RMB22,150,900 without appreciation or depreciation, and the book value of its net assets was RMB53,547,300, which was appraised at RMB53,505,000, representing a depreciation of RMB42,300 or by 0.08%.

(b) Valuation results based on income approach

Based on the income approach, the value of the entire equity interest of the Target Company was appraised at RMB60,156,400, representing an appreciation of RMB6,609,100 or by 12.34%.

(c) Final determination of valuation conclusion

In this valuation, the appraised values of the entire equity interest of the Target Company based on the asset-based approach and the income approach differ by RMB6,651,400. Valuation results based on the income approach is adopted as a conclusion of this valuation for the following reasons:

The asset-based approach, which determines the fair market value of the assets from the asset replacement perspective, can only reflect the intrinsic value of the assets of the entity without fully and reasonably demonstrating the profitability of each asset and the growth factors of an enterprise. It also cannot reflect the value of the intangible assets, such as contract performance, customer base, patents, goodwill and human resources. The asset-based approach cannot fully reflect the value of the Target Company as a profit making entity.

The income approach, which determines the value of an enterprise by discounting the expected income, takes into account not only the assets of the entity measured under accounting principles, but also the resources owned or controlled by the entity which cannot be reflected in the balance sheet, such as the value brought to the entity by contract performance, customer base, sales network, potential projects, corporate qualifications and human resources. The valuation conclusion based on the income approach can better demonstrate the overall growth factors and profitability of the entity. Accordingly, the valuation results using the income approach is taken as the conclusion of this valuation.

(d) Valuation conclusion

The market value of the entire equity interest of the Target Company as at 31 December 2018 was RMB60,156,400.

Premiums arising from controlling interest or discounts arising from minority interest have not been taken into consideration in the valuation results, nor has the effect of equity liquidity on the value of the equity interest been taken into consideration.

VIII. STATEMENT OF RESTRICTIONS ON THE USE OF THE ASSET VALUATION REPORT

The valuation conclusions shown herein shall only be valid for the aforesaid proposed equity transfer. The validity period of the valuation conclusion is one year commencing from the valuation reference date, which is from 31 December 2018 to 30 December 2019. The valuation conclusions may serve as a basis for determining the value of the valuation purpose as stated herein if it takes place during the validity period (subject to the adjustment made after taking into account any subsequent events after the valuation reference date). The assets shall be subject to re-valuation after the one-year validity period.

IX. DATE OF ASSET VALUATION REPORT

The date of the valuation report is 29 August 2019.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

INDEPENDENT ASSURANCE REPORT ON THE ARITHMETICAL ACCURACY OF THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE TARGET COMPANY

To the Board of Directors of China Chengtong Development Group Limited

We refer to the discounted future estimated cash flows on which the valuation ("**Valuation**") dated 29 August 2019 prepared by Beijing Zhonglin Assets Appraisal Co., Ltd. with respect to the valuation of the fair value of equity interest in Chengtong Energy Guangdong Co. Limited (the "**Target Company**") as at 31 December 2018 is based. The Valuation is prepared based in part on discounted future estimated cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of China Chengtong Development Group Limited (the "**Directors**") are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements", and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

It is our responsibility to report, as required by paragraph 29(2) of Appendix 1B of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based.

We conducted our work in accordance with the terms of our engagement and Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the discounted future estimated cash flows in accordance with the bases and assumptions as set out in the Valuation. We performed procedures on the arithmetical accuracy and compilation of the discounted future estimated cash flows in accordance with the bases and assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the arithmetical accuracy of the calculations is concerned, the discounted future estimated cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other Matters

Without modifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The preparation of the discounted future estimated cash flows on which the Valuation is based does not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

BDO Limited
Certified Public Accountants
Hong Kong, 12 November 2019

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)

Date: 12 November 2019

The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

Company:	China Chengtong Development Group Limited (中國誠通發展集團有限公司) ("**Company**")
Stock code:	217
Transaction:	Major and Connected Transaction in relation to the disposal of 41% of the equity interest ("**Equity Transfer**") in 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited) ("**Target Company**")
Subject:	Confirmation in relation to profit forecast pursuant to Rule 14.62(3) of the Listing Rules

We refer to the valuation report dated 29 August 2019 prepared by Beijing Zhonglin Assets Appraisal Co., Ltd. with respect to the valuation of the fair value of the equity interest in the Target Company as at 31 December 2018 ("**Valuation**").

We have reviewed and discussed among ourselves about the Valuation, which forms the basis for determining the consideration for the Equity Transfer. We note that the income approach applied in the Valuation constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). We have also considered the letter from BDO Limited, the reporting accountants of the Company, dated 12 November 2019 regarding the arithmetical accuracy and compilation of the discounted future estimated cash flows of the Target Company, upon which the Valuation is based.

On the basis of the above, in compliance with Rule 14.62(3) of the Listing Rules, we confirm that the discounted future estimated cash flows of the Target Company on which the Valuation was based has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board of
China Chengtong Development Group Limited

Li Shufang
Executive director

1. FINANCIAL INFORMATION OF THE COMPANY

Details of the financial information of the Group for the three financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 and for the six months ended 30 June 2019 have been set out in the Company's annual reports for the three financial years ended 31 December 2016 (from pages 70 to 172), 31 December 2017 (from pages 80 to 180), and 31 December 2018 (from pages 90 to 224) and in the interim report for the six months ended 30 June 2019 (from pages 6 to 45) respectively.

The annual reports of the Company for each of the three financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019 have been posted on the website of the Company at http://www.hk217.com and of the Stock Exchange at http://www.hkexnews.hk.

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 October 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had (i) short-term bank loans of HK$277,000,000, (ii) other loan of HK$600,000 and (iii) lease liabilities of approximately HK$4,480,000, all of which were unsecured and unguaranteed.

As at 31 October 2019, the Group had contingent liabilities in relation to guarantees of approximately HK$209,853,000 given to banks in respect of mortgage loans granted to purchasers of certain property units. These are corporate guarantees provided by the Group in relation to two property development projects of the Group in the PRC, namely the CCT-Champs-Elysees project in Zhucheng City, Shandong Province and the Chengtong International City project in Dafeng City, Jiangsu Province. Pursuant to the terms of the guarantees, upon default in mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties.

Save as disclosed above, apart from intra-group liabilities, as at the close of business on 31 October 2019, the Group did not have any other borrowings, mortgages, charges, debentures or debt securities issued and outstanding, or authorised or otherwise created but unissued, or other indebtedness, liabilities under acceptances or acceptance credits or hire purchase commitments, contingent liabilities or guarantees.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

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

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in (i) finance leasing; (ii) property development and property investment; (iii) bulk commodity trade; and (iv) hotel and marine travelling services.

For finance leasing, the Group will endeavour to further expand the finance leasing business as part of the transformation and upgrading of the Group's businesses. The Group will expand the current professional team. Whilst growing the scale of the finance leasing business, the Group will strengthen its business cooperation with banks and financial institutions in mainland and in Hong Kong for more bank credit facilities. The Group will fully utilise the advantages of the background of its ultimate controlling shareholder and will, under the premise of stringent control of operating risk, consolidate the existing resources to further strengthen and expand the scale of the finance leasing business, and to improve profitability.

For property development and property investment, the overall strategy of the Group is to exit the investment in some projects selectively and recover cash flow to serve the strategic transformation of the Group.

For bulk commodity trade, as disclosed in the announcement of the Company dated 25 October 2019, the Group has formed a strategic alliance with a wholly-owned subsidiary of the Purchaser and formed a joint venture in World Asia, which will focus on the development of international bulk commodity trade businesses by leveraging the Purchaser's operational expertise and international procurement and sales network.

For hotel and marine travelling services, the renovation work of 海南寰島海底世界酒店 (unofficial English translation being Hainan Huandao Underwater World Hotel) has been completed and the hotel has resumed its business operation in August 2019.

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 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EFFECTS OF THE EQUITY TRANSFER ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

As at 30 June 2019, the unaudited consolidated total assets of the Group amounted to approximately HK$3,557.94 million and the unaudited consolidated total liabilities of the Group amounted to approximately HK$572.88 million.

As at 30 June 2019, the unaudited total assets and total liabilities of the Target Company amounted to approximately HK$79.18 million and approximately HK$26.72 million respectively as extracted from the Group's unaudited consolidated financial statements. Immediately upon completion of the Equity Transfer, the Company will remain indirectly interested in 10% of the equity interest of the Target Company. The Target Company will then cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the Group's consolidated financial statements. Upon completion of the Equity Transfer, the Company's investment in the Target Company will be shown as other financial assets measured at fair value through other comprehensive income under non-current assets.

As regards earnings of the Group as a result of the Equity Transfer, based on the preliminary assessment, it is expected that the Group will record a gain of approximately RMB3.13 million (equivalent to approximately HK$3.47 million). The final financial impact on the Group as a result of the Equity Transfer will be subject to the financial position of the Target Company as at the Completion Date and the final audit to be performed by the auditors of the Company.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

Long position

Name of Director	Interests in the Company or its associated corporation	Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
Mr. Zhang Bin	The Company	Beneficial owner	300,000	0.0052%
Mr. Wang Tianlin	The Company	Beneficial owner	400,000	0.0069%
Mr. Li Shufang	The Company	Beneficial owner	200,000	0.0034%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(ii) Interests of substantial Shareholders

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

Long position

Name of Shareholder	Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
World Gain	Beneficial owner *(Note 1)*	3,022,154,119	52.03%
CCHK	Interest in controlled corporation *(Note 1)*	3,022,154,119	52.03%
CCHG	Interest in controlled corporation *(Note 1)*	3,022,154,119	52.03%

Note:

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

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

As at the Latest Practicable Date, Mr. Zhang Bin is a director of CCHK and World Gain and each of Mr. Yang Tianzhou and Mr. Li Shufang is a deputy general manager of CCHK. Save as disclosed herein, no Director was a director or an employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. MATERIAL CONTRACTS

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

(a) a set of subscription documents dated 19 December 2017 signed by 海南寰島國際旅行社有限公司 (unofficial English translation being Hainan Huandao International Travel Agency Co. Ltd.), an indirect wholly-owned subsidiary of the Company, in relation to the subscription for an investment product issued by the Bank of China Limited in the principal amount of RMB50 million, details of which are set out in the announcement of the Company dated 19 December 2017;

(b) the financial services agreement dated 29 December 2017 entered into between the Company and China Chengtong Finance Corporation Ltd. (誠通財務有限責任公司) ("**Chengtong Finance**"), a subsidiary of CCHG, pursuant to which Chengtong Finance agreed to provide the Group with a range of financial services (including certain deposit services, loan services and other financial services) for a term from 1 January 2018 to 31 December 2020, details of which are set out in the announcement of the Company dated 29 December 2017;

(c) the property rights transaction contract dated 29 October 2018 entered into between 諸城鳳凰置地有限公司 (unofficial English translation being Zhucheng Phoenix Landmark Company Limited) ("**Zhucheng Phoenix**"), an indirect wholly-owned subsidiary of the Company, as transferor and 海南創佳置業有限公司 (unofficial English translation being Hainan Chuangjia Real Estate Co., Ltd.) as transferee in relation to the disposal of (i) 100% equity interest in 海口翠島溫泉度假酒店有限公司 (unofficial English translation being Haikou Cuidao Hotspring Resort Hotel Company Limited) ("**Cuidao Hotspring Hotel**") by Zhucheng Phoenix; (ii) all debts owed by Cuidao Hotspring Hotel to Zhucheng Phoenix in the sum of approximately RMB22 million; and (iii) all debts owed by Cuidao Hotspring Hotel to the Vendor in the sum of approximately RMB8 million, at a total consideration of RMB226 million, details of which are set out in the announcement of the Company dated 29 October 2018;

(d) the trust agreement dated 4 December 2018 entered into between the Vendor as subscriber and 陸家嘴國際信託有限公司 (Lujiazui International Trust Co., Ltd) ("**Lujiazui Trust Co.**"), a PRC trust company approved by the China Banking and Insurance Regulatory Commission of the PRC, as trustee, pursuant to which the Vendor proposed to subscribe for 100 million non-redeemable trust units of ordinary class B-I under the trust named 陸家嘴信託 – 潤和83號集合資金信託計劃 (unofficial English translation being Lujiazui Trust – Runhe No. 83 Collective Investment Trust Scheme) set up by Lujiazui Trust Co. at a consideration of RMB100 million, details of which are set out in the announcement of the Company dated 4 December 2018;

(e) the loan agreement dated 8 August 2019 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), a wholly-owned subsidiary of the Company, as lender and 中國寰島集團有限公司 (unofficial English translation being China Huandao Group Limited), a wholly-owned subsidiary of CCHG, as borrower in relation to the provision of a loan in the principal amount of RMB30 million to 中國寰島集團有限公司 for a term of one year at an interest rate of 9% per annum, details of which are set out in the announcement of the Company dated 8 August 2019;

(f) the finance lease assets transfer agreement dated 15 October 2019 entered into between 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited) ("**Chengtong Financial Leasing**"), an indirect wholly-owned subsidiary of the Company, as transferee and 浙江匯金融資租賃有限公司 (unofficial English translation being Zhejiang Hui Jin Financial Leasing Company Limited) ("**Zhejiang Hui Jin**") as transferor, pursuant to which Zhejiang Hui Jin transferred and assigned to Chengtong Financial Leasing (i) the ownership in relation to the facilities and equipment leased to six lessees ("**Lessees**") under eight finance lease agreements signed by Zhejiang Hui Jin with each of the Lessees ("**Finance Lease Agreements**"); (ii) all the rights and interests of Zhejiang Hui Jin as lessor against the Lessees under the respective Finance Lease Agreements; and (iii) the rights and interests in relation to the security provided in respect of the Finance Lease Agreements (collectively as "**Assigned Properties**") at an aggregate consideration of approximately RMB243 million, details of which are set out in the announcement of the Company dated 15 October 2019;

(g) the leased assets repurchase agreement dated 15 October 2019 entered into between Zhejiang Hui Jin and Chengtong Financial Leasing in respect of the repurchase of the Assigned Properties by Zhejiang Hui Jin, details of which are set out in the announcement of the Company dated 15 October 2019;

(h) the receivables pledge agreement dated 15 October 2019 entered into between Zhejiang Hui Jin and Chengtong Financial Leasing in relation to the pledge of certain receivables of Zhejiang Hui Jin in favour of Chengtong Financial Leasing, details of which are set out in the announcement of the Company dated 15 October 2019;

(i) the investment agreement dated 25 October 2019 entered into among World Asia, Chengtong International Limited (an indirect non-wholly owned subsidiary of CCHG) and Galactic Investment Limited (a wholly-owned subsidiary of the Company) in relation to (i) the transfer of 49 ordinary shares of World Asia by Galactic Investment Limited to Chengtong International Limited at a cash consideration of HK$49; (ii) the subscription of 5,099,949 new shares of World Asia by Galactic Investment Limited at an aggregate subscription price of HK$5,099,949; and (iii) the subscription of 4,899,951 new shares of World Asia by Chengtong International Limited at an aggregate subscription price of HK$4,899,951, details of which are set out in the announcement of the Company dated 25 October 2019; and

(j) the Equity Transfer Agreement.

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. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have been named in this circular or have given opinion and/or advice contained in this circular:

Name	Qualifications
BDO Limited	certified public accountants of Hong Kong
Beijing Zhonglin Assets Appraisal Co., Ltd.	qualified independent valuer in the PRC
Celestial Capital Limited	a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Reporting Accountants, the Valuer and the Independent Financial Advisor is an Independent Third Party.

Each of the Reporting Accountants, the Valuer and the Independent Financial Advisor has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of the Reporting Accountants, the Valuer and the Independent Financial Advisor did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the Reporting Accountants, the Valuer and the Independent Financial Advisor did not have any interest, direct or indirect, in any assets which have been, since 31 December 2018, 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 or leased to any member of the Group.

6. 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.

7. COMPETING INTERESTS

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

8. 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 2018, 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 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 to the business of the Group.

9. GENERAL

(a) The registered office and the principal place of business of the Company is at Suite 6406, 64/F., 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, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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 AVAILABLE FOR INSPECTION

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

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019;

(c) the "Letter from the Board", the text of which is set out on pages 5 to 12 of this circular;

(d) the "Letter from the Independent Board Committee", the text of which is set out on page 13 of this circular;

(e) the "Letter from the Independent Financial Adviser", the text of which is set out on pages 14 to 33 of this circular;

(f) the Valuation Report, the extract of which is set out in Appendix I to this circular;

(g) the "Letter from the Reporting Accountants in relation to the Valuation Report", the text of which is set out in Appendix II to this circular;

(h) the "Letter of Confirmation from the Board in relation to profit forecast", the text of which is set out in Appendix III to this circular;

(i) the written consents referred to in the section headed "Qualifications and consents of experts" in this appendix;

(j) the material contracts referred to in the section headed "Material contracts" in this appendix; and

(k) this circular.

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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**Meeting**") of China Chengtong Development Group Limited ("**Company**") will be held at 10:00 a.m. on Monday, 23 December 2019 at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong to consider and, if thought fit, pass, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the equity transfer agreement dated 12 November 2019 ("**Equity Transfer Agreement**") entered into between 誠通發展貿易有限公司 (unofficial English translation being Chengtong Development Trading Co. Limited), a wholly-owned subsidiary of the Company, as vendor, and 中國誠通國際貿易有限公司 (unofficial English translation being China Chengtong International Co. Ltd.) as purchaser in respect of the transfer of 41% of the equity interest of 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited), the details of which are set out in the circular of the Company dated 6 December 2019 ("**Circular**") (a copy of which is marked "A" and signed by the chairman of the Meeting for identification purpose and has been tabled at the Meeting), be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved;

(b) any one of the directors of the Company ("**Directors**") be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Equity Transfer Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Equity Transfer Agreement) as are, in the opinion of such Director, in the interest of the Company and its shareholders as a whole."

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

Hong Kong, 6 December 2019

Registered office and principal place of business of the Company:
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 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) 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 10:00 a.m. on Friday, 20 December 2019 or not later than 48 hours before the time appointed for holding any adjournment 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 thereof should they so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

(3) For determining the entitlement of the shareholders of the Company to attend and vote at the Meeting, shareholders of the Company whose names appear on the register of members of the Company at 4:30 p.m. on Tuesday, 17 December 2019 shall be entitled to attend and vote at the Meeting. 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 Tuesday, 17 December 2019.

(4) The above resolution 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.

(5) References to time and dates in this notice are to Hong Kong time and dates.

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