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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

**MAJOR TRANSACTION –
SALE AND LEASEBACK ARRANGEMENT**

A letter from the Board is set out from pages 4 to 11 of this circular.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Appendix I — Financial Information of the Group	12
Appendix II — General Information	15

DEFINITIONS

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

“Board”	means the board of Directors
“CCHG”	means China Chengtong Holdings Group Limited, a state-owned enterprise established in the PRC with limited liability and the ultimate holding company of the Company
“CCHK”	means China Chengtong Hong Kong Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company as at the Latest Practicable Date
“Chengtong Financial Leasing”	means Chengtong Financial Leasing Company Limited, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	means China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the director(s) of the Company
“Group”	means the Company and its subsidiaries as at the date of this circular
“Guarantor”	means Chongqing Yulong Asset Management (Group) Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Third Party(ies)”	means third party(ies) independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Latest Practicable Date”	means 4 August 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lease Term”	means the lease term under the Sale and Leaseback Agreements
“Leased Assets”	means certain water supply and drainage equipment, monitoring equipment, etc.
“Lessee”	means Chongqing Aluminum Industry Development and Investment Group Co., Ltd., a state-owned enterprise established in the PRC with limited liability
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LPR”	means the five (5)-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China
“PRC”	means the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Leased Assets from the Lessee
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the following agreements in respect of the Leased Assets dated 29 June 2023 and signed between Chengtong Financial Leasing and the Lessee: (1) leaseback assets transfer agreement; and (2) finance lease agreement (sale and leaseback)

DEFINITIONS

“Sale and Leaseback Arrangement”	means the sale and leaseback arrangement contemplated under the Sale and Leaseback Agreements
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“%”	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\$1.08. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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



CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

Executive Directors:

Zhang Bin (*Chairman*)
Yang Tianzhou (*Managing Director*)
Gu Honglin

Independent Non-Executive Directors:

Chang Qing
Lee Man Chun, Tony
He Jia

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

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

9 August 2023

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION –
SALE AND LEASEBACK ARRANGEMENT**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 29 June 2023 in respect of the Sale and Leaseback Arrangement.

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

LETTER FROM THE BOARD

2. MAJOR TRANSACTION

(A) The Sale and Leaseback Arrangement

On 29 June 2023, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the Lessee in respect of the Sale and Leaseback Arrangement, the major terms of which are set out below.

Subject matter

Subject to the fulfilment of the conditions as set out in the Sale and Leaseback Agreements (including but not limited to the provision of all necessary documents or information by the Lessee evidencing its ownership in the Leased Assets, the obtaining of all necessary approvals by the Lessee in relation to the Sale and Leaseback Arrangement, the payment of the security money (as set out below) by the Lessee, and the signing and the coming into effect of the relevant security agreements), Chengtong Financial Leasing will purchase the Leased Assets from the Lessee at a total Purchase Price of RMB150 million (equivalent to HK\$162 million), and the Leased Assets will be leased back to the Lessee for a Lease Term of four (4) years from the respective date on which the relevant Purchase Price is paid by Chengtong Financial Leasing in respect of the Leased Assets, subject to early termination in accordance with the terms and conditions of the Sale and Leaseback Agreements.

If any of the conditions under the Sale and Leaseback Agreements is not satisfied on or before 1 August 2023, Chengtong Financial Leasing shall have the right to unilaterally terminate the relevant Sale and Leaseback Agreements.

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

Purchase Price

The Purchase Price of the Leased Assets was agreed between Chengtong Financial Leasing and the Lessee with reference to the appraised value of the Leased Assets as at 8 May 2023 which amounted to approximately RMB150.71 million (equivalent to approximately HK\$162.77 million) as assessed by way of cost method by an independent PRC valuer (the “Valuer”).

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

LETTER FROM THE BOARD

The cost method, being adopted by the Valuer for the valuation of the Leased Assets, is a method determining the value of an appraised asset by multiplying the replacement cost of the appraised asset by its newness rate. The value of the appraised asset is first to be obtained by estimating the replacement cost of the appraised asset, following by deducting various estimated depreciation factors that currently exist in the appraised asset. The replacement cost is determined on the basis of the current market value of the appraised asset being purchased by a hypothetical asset purchaser on the premise of continuous use on the appraisal date, while the newness rate is determined through on-site inspection and comprehensive technical analysis.

Based on the relevant valuation, the appraised replacement cost of the Leased Assets is approximately RMB193.21 million (equivalent to approximately HK\$208.67 million).

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

The appraised newness rate of the Leased Assets is 78%.

Based on the relevant valuation, the total appraised value of the Leased Assets is approximately RMB150.71 million (equivalent to approximately HK\$162.76 million), which is calculated by multiplying the individual replacement cost of the Leased Assets by the newness rate of the Leased Assets.

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

- (i) the appraised assets are in the process of transactions and the Valuer conducts the valuation by simulating the market according to the trading conditions of the appraised assets;
- (ii) the market is competitive, open and are not exclusive. All individuals or entities in the market can participate in the transactions equally and freely, and each party in the transactions has obtained the necessary market information with sufficient time and necessary expertise in assets trading;
- (iii) there is no material change in the national macroeconomic policies and the social economic environment in which the assets are located; no material change in the policy, the management system and relevant regulations in respect of the industry; and no material change in the tax policies, credit interest rates, etc. in respect of the business operation;

LETTER FROM THE BOARD

- (iv) the appraised entities or assets will continue to be operated and utilised as a production factor according to its current conditions or on a changed basis. The valuation emphasises that the functions and profitability of the appraised assets under their current usage and mode of use, usage environment, scale, frequency and utilisation condition will continue normally in the foreseeable future;
- (v) the documents regarding economic activities and the ownership of the assets as provided by the instructing client are true, complete and legally valid;
- (vi) the appraised assets are permitted to be traded in an open market and its title is complete and legal;
- (vii) the conditions of the appraised assets as shown during the on-site inspections conducted by the Valuer conform with the actual conditions of the assets. The physical parameters of the appraised assets conform with the data in the title documents, the technical information, the engineering drawings and the schedules of the appraised assets as provided by the instructing client and relevant parties, and the quality of the assets conforms to the permitted usage; and
- (viii) the appraised assets are not subject to seizure or otherwise prohibited from transfer or mortgage by the judiciary or the administrative authorities in accordance with the laws.

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

The Leased Assets form part of the facilities or equipment used for the water supply and drainage systems and the monitoring systems in the Lessee's factories. None of the Leased Assets is revenue generating asset with an identifiable income stream.

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

Legal title

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

LETTER FROM THE BOARD

Lease payments

The total amount of lease payment over the Lease Term is estimated to be approximately RMB165.16 million (equivalent to approximately HK\$178.37 million) which shall be paid by the Lessee to Chengtong Financial Leasing in sixteen (16) instalments payable quarterly during the Lease Term.

The total amount of lease payment represents the sum of the lease principal amount (being the total amount of the Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest which is calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over the LPR from time to time.

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

The interest rate (including the applicable LPR and the premium) applicable to the Sale and Leaseback Arrangement has been agreed between the parties after arm's length negotiation taking into account a number of factors, such as the amount of lease principal, the lease term, the overall return rate attained by the Group taking into account the amount of lease interests, the prevailing market conditions and the movement of the LPR.

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

Lessee's right to repurchase the Leased Assets

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

Credit enhancement measures

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

LETTER FROM THE BOARD

conditions of the lessee(s) and the security provider(s) from time to time and may request the lessee(s) to provide further security as and when Chengtong Financial Leasing considers necessary.

Security money

The Lessee has agreed to pay a total of RMB7.5 million (equivalent to HK\$8.1 million) as security money for the performance of its obligations under the Sale and Leaseback Agreements. The amount of the security money was determined after evaluating the background and creditability, etc. of the Lessee.

If the Lessee fails to fully perform any obligation under the Sale and Leaseback Arrangement, Chengtong Financial Leasing has the right to apply the security money to set off against any amount owed to it in the following order: liquidated damages, other payables including but not limited to damages (if any), outstanding and prospective lease payments and repurchase price. If the Lessee has fully performed all its obligations under the Sale and Leaseback Arrangement, Chengtong Financial Leasing shall return the security money to it upon its presentation of the receipt(s) of the security money.

Guarantee

The Guarantor has provided a guarantee in favour of Chengtong Financial Leasing as security for all amounts payable by the Lessee under the Sale and Leaseback Agreements including but not limited to liquidated damages, outstanding and prospective lease payments, and other payables. The guarantee is irrevocable and continuing in nature.

Pledges

In order to guarantee the performance of the Sale and Leaseback Agreements by the Lessee, the Lessee has agreed to pledge its receivables, including but not limited to the rental income from a property lease agreement dated 4 January 2022, to Chengtong Financial Leasing as security for all amounts payable under the Sale and Leaseback Agreements.

The Board considers that the existing credit enhancement measures are sufficient to safeguard the interest of the Company and the Shareholders.

LETTER FROM THE BOARD

(B) Information of the Parties

Lessee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) 67% of the equity interest of the Lessee is owned by Chongqing State-owned Assets Supervision and Administration Commission and 33% of the equity interest of the Lessee is ultimately controlled by Chongqing Jiulongpo District State-owned Assets Supervision and Administration Commission, the sole shareholder of the Guarantor; (ii) the Lessee and its ultimate beneficial owners are Independent Third Parties; and (iii) the Lessee is principally engaged in the businesses such as construction and design, construction labour subcontracting, real estate leasing, investments in warehousing and logistics, sales of non-ferrous metals with high-performance and alloy materials, etc.

Guarantor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Guarantor is wholly owned by Chongqing Jiulongpo District State-owned Assets Supervision and Administration Commission; (ii) the Guarantor and its ultimate beneficial owner(s) are Independent Third Parties; and (iii) the Guarantor is principally engaged in the businesses such as infrastructure construction, public affairs investment and management, state-owned asset management, land-use planning and management under the authorization of the government of Jiulongpo District.

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

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

The entering into the Sale and Leaseback Arrangement is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn an income of approximately RMB15.16 million (equivalent to approximately HK\$16.37 million), being the difference between the estimated amount of total lease payment under the Sale and Leaseback Arrangement and the Purchase Price of the Leased Assets.

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

LETTER FROM THE BOARD

(D) Implications under the Listing Rules

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

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

3. RECOMMENDATION

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

Accordingly, if a general meeting were to be convened for the approval of the Sale and Leaseback Arrangement, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the same at such general meeting.

4. ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

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

- (a) the annual report of the Company for the year ended 31 December 2020 from pages 72 to 180 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0318/2021031800684.pdf>);
- (b) the annual report of the Company for the year ended 31 December 2021 from pages 70 to 188 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0323/2022032300436.pdf>); and
- (c) the annual report of the Company for the year ended 31 December 2022 from pages 79 to 224 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400489.pdf>).

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 June 2023, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this circular, the Group had (i) secured and/or guaranteed bank borrowings of approximately HK\$3,539.87 million which are secured by charges over loans receivable of the Group and/or guaranteed by the Company; (ii) unsecured and unguaranteed bank borrowings of HK\$500.00 million; (iii) secured and guaranteed asset-backed securities of approximately HK\$3,123.45 million which are secured by charges over loans receivable and finance lease receivables of the Group and/or guaranteed by the ultimate holding company; (iv) unsecured and unguaranteed loans from related parties of approximately HK\$167.40 million; (v) unsecured and unguaranteed other loan of HK\$0.60 million; and (vi) unsecured and unguaranteed lease liabilities of approximately HK\$4.55 million.

As at the close of business on 30 June 2023, the Group had contingent liabilities in relation to guarantees of approximately HK\$146.99 million given to banks in respect of mortgage loans granted to purchasers of certain property units.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing, mortgages or charges, contingent liabilities or guarantees as at 30 June 2023.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

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

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

In respect of financial leasing, Chengtong Financial Leasing will continue to enhance its cooperation with other state-owned enterprises, promote its development in business areas such as energy conservation and environmental protection, transportation and logistics, internet data centre, new energy, and highlight its industry characteristics in these market segments. Chengtong Financial Leasing will further expand its financing channels, explore to develop independent rating to strengthen self-financing capability, and seek low-cost funds for business investment. Moreover, it will strengthen risk prevention and control, as well as build and improve the risk management system comprehensively.

In respect of bulk commodity trade, the Group will carefully examine the market condition to determine the next step of development.

In respect of property investment, all the construction works of the CCT-Champs-Elysees project have been completed. The CCT-Champs-Elysees project is wholly owned by the Group and is located in the Zhucheng City of Shandong Province of the PRC. The project had a total site area of approximately 146,006 square metres and was developed in three phases. The next step in respect of property investment will be to speed up the sales of the property units in section 3 of Phase III of the CCT-Champs-Elysees project, and utilise the recovered funds for the main business of financial leasing.

In respect of the marine recreation services and hotel business, the Group will continue to optimize the project operation and management model and accelerate the cultivation of internal impetus for market sales on one hand, and will actively explore and promote subsequent asset restructuring on the other hand.

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. FINANCIAL EFFECTS OF THE TRANSACTIONS

As at 31 December 2022, the audited consolidated total assets of the Group amounted to approximately HK\$10,009.74 million and the audited consolidated total liabilities of the Group amounted to approximately HK\$7,074.49 million.

The Directors consider that there is no significant immediate change to the Group's net asset value upon implementation of the Sale and Leaseback Arrangement, as the Sale and Leaseback Arrangement will be accounted for as secured loans and recognised as loans receivable of the Group which will offset the decrease in the amount of bank balances and cash as a result of the payment of the Purchase Price by Chengtong Financial Leasing.

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

Long position

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under

such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(ii) Interests of substantial Shareholders

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

Long position

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

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

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

As at the Latest Practicable Date, Mr. Zhang Bin, an executive Director and the Chairman of the Board, was the chairman of CCHK; Mr. Yang Tianzhou, an executive Director and the Managing Director of the Company, was a deputy general manager of CCHK; and Mr. Gu Honglin, an executive Director, was the chief accountant of CCHK. Mr. Zhang Bin, Mr. Yang Tianzhou and Mr. Gu Honglin were members of the executive committee of CCHK as at the Latest Practicable Date. Save as disclosed herein, no Director was a director or an employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock

Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. MATERIAL CONTRACT

Hainan Huandao Hotel and Travel Investment Co., Limited (currently known as Hainan Huandao Travel Investment Group Limited), a wholly-owned subsidiary of the Company, as lender and China Huandao Group Limited, a wholly-owned subsidiary of CCHG, as borrower entered into the extension agreement dated 2 September 2021 in relation to the extension of the term of a loan in the principal amount of RMB30 million granted under a loan agreement dated 3 September 2020 (details of which are set out in the announcement of the Company dated 3 September 2020) for two (2) years to 2 September 2023 upon expiry of the original term of the loan on 2 September 2021. Further details of the extension agreement are set out in the announcement of the Company dated 2 September 2021.

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

4. DIRECTORS' SERVICE CONTRACTS

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

5. LITIGATION

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

6. COMPETING INTERESTS

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

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

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

8. GENERAL

- (a) The registered office and the principal place of business of the Company is at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (b) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Poon Tsz Kin, who is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

9. DOCUMENTS ON DISPLAY

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

- (a) the Sale and Leaseback Agreements;
- (b) the security money agreement dated 29 June 2023 signed between Chengtong Financial Leasing and the Lessee;
- (c) the guarantee agreement dated 29 June 2023 signed between Chengtong Financial Leasing and the Guarantor in respect of the Leased Assets under the Sale and Leaseback Agreements; and
- (d) the accounts receivable pledge agreement dated 29 June 2023 signed between Chengtong Financial Leasing and the Lessee.