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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)

A POSSIBLE MAJOR TRANSACTION - DISPOSAL OF CHENGTONG ENTERPRISES INTEREST

The Board announces that it has resolved to dispose of the Chengtong Enterprises Interest by way of a listing-for-sale through CBEX which is an approved equity exchange in accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets.

The Company will commence the Listing-for-Sale process on 30 October 2014 and has submitted to CBEX the Listing-for-Sale Notice setting out, among others, (i) the Minimum Consideration, i.e., the initial bidding price for the disposal of the Chengtong Enterprises Interest, (ii) the major terms for the disposal of the Chengtong Enterprises Interest, and (iii) qualifications required for potential bidders.

The Minimum Consideration, i.e. the initial bidding price, for the Chengtong Enterprises Interest is RMB420 million (equivalent to approximately HK\$529.2 million). Shareholders should note that the final consideration will depend on the final bid price offered by the successful bidder, but will in any event be no less than the Minimum Consideration.

As one of the relevant percentage ratios in relation to the Possible Disposal exceeds 25% but is less than 75%, the Possible Disposal, if it materialises, will constitute a major transaction for the Company and will, therefore, be subject to notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Possible Disposal, written Shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. World Gain Holdings Limited, which is a controlling shareholder, holding 2,979,456,119 issued Shares, representing approximately 61.55% of the issued share capital of the Company as at the date of this announcement, has given its written approval in respect of the Possible Disposal. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Possible Disposal.

An announcement containing, among other things, (i) the result of the Listing-for-Sale; (ii) the final bid price offered by the successful bidder; and (iii) the entering into of the sale and purchase agreement in relation to the Possible Disposal will be made by the Company as soon as practicable after the expiry of the Bidding Period.

A circular containing, among other things, (i) information on the Possible Disposal, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 19 November 2014.

I. BACKGROUND AND PROCESS OF THE POSSIBLE DISPOSAL

Reference is made to the announcements of the Company dated 25 July 2013, 30 September 2013 and 31 March 2014 in relation to the possible sale of the Chengtong Enterprises Interest to 北京九星國際礦業投資有限公司 (unofficial English translation being Beijing Nine Stars International Mining Investment Co., Ltd.) (“**Beijing Nine Stars**”).

As disclosed in the Company’s announcement dated 31 March 2014, the Company and Beijing Nine Stars had not entered into any formal sale and purchase agreement in respect of the sale of the Chengtong Enterprises Interest before 31 March 2014 (which is the latest long stop date agreed between the parties) and the Company has been exploring an appropriate way for disposing Chengtong Enterprises and/or its assets.

In accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets, the Company will dispose of the Chengtong Enterprises Interest by way of a listing-for-sale through an approved equity exchange. The Possible Disposal will be carried out through CBEX.

The Company will commence the Listing-for-Sale process on 30 October 2014 and has submitted to CBEX the Listing-for-Sale Notice setting out, among others, (i) the Minimum Consideration, i.e., the initial bidding price for the disposal of the Chengtong Enterprises Interest, (ii) the major terms for the disposal of the Chengtong Enterprises Interest, and (iii) qualifications required for potential bidders.

II. THE POSSIBLE DISPOSAL

1. Major terms of the Possible Disposal

(a) *Qualifications of the potential bidders*

The potential bidders shall satisfy, among others, the following qualifications:

- (i) a potential bidder must be an enterprise duly incorporated and validly existing;
- (ii) a potential bidder and its ultimate beneficial owner(s) must be a third party independent of the Company and connected persons of the Company; and
- (iii) joint bidders will not be accepted.

(b) *Procedures of the Listing-for-Sale*

After the Listing-for-Sale Notice is submitted to CBEX, the Publication Period will be open for 20 Business Days from the date of the Listing-for-Sale Notice and shall end on 26 November 2014. During the Publication Period, interested bidders may indicate their interest in purchasing the Chengtong Enterprises Interest by submitting an application to CBEX, which will then determine whether they can be registered as qualified bidders.

The qualified bidders may offer their bid price through the designated online system of CBEX during the Bidding Period. The Bidding Period comprises: (i) a free bidding period which will start from the commencement date of the Publication Period and will last for 25 Business Days; and (ii) a limited-time bidding period (every 5 minutes as a cycle) which will commence immediately after the end of the free bidding period. The qualified bidder who offers the highest effective bid price at the end of the limited-time bidding period will be the successful bidder and the CBEX will notify the Company the identity of the successful bidder.

Within 15 Business Days from the date when the successful bidder is identified, the Company and the successful bidder shall enter into a sale and purchase agreement in relation to the Possible Disposal.

(c) *Consideration*

The Minimum Consideration, i.e. the initial bidding price, for the Chengtong Enterprises Interest is RMB420 million (equivalent to approximately HK\$529.2 million). The Minimum Consideration is determined after having taken into account a number of factors, including, among others, the valuation results in respect of the Chengtong Enterprises Interest as at 31 May 2014 prepared by a qualified independent valuer, CAA. The Directors consider that the Minimum Consideration is fair and reasonable.

Potential bidder(s) will be required to pay an earnest money in the sum of RMB126 million at the time of making the application to take part in the Listing-for-Sale. The earnest money paid by the successful bidder will be applied towards settling part of the consideration for the Chengtong Enterprises Interest. The balance of the consideration for the Chengtong Enterprises Interest shall be paid by cash by the successful bidder within 5 Business Days after the effective date of the sale and purchase agreement to be signed between the Company and the successful bidder in relation to the Possible Disposal. The earnest money paid by the unsuccessful bidder(s) will be refunded in full to the unsuccessful bidder(s).

(d) *Other conditions*

The successful bidder will accept the transfer of the Chengtong Enterprises Interest on an as-is basis and will take up all liabilities associated with any existing operational risks and legal risks pertaining to the Chengtong Enterprises Interest.

If, without any fault on the part of the Company, (i) an interested bidder withdraws its application for taking part in the Listing-for-Sale; or (ii) no interested bidder offers any effective bid price during the Bidding Period; or (iii) an interested bidder does not perform its relevant obligations after being identified as the successful bidder, the earnest money paid by such interested bidder will not be refunded by the Company.

2. Reasons for and benefits of the Possible Disposal

As at the date of this announcement, Chengtong Enterprises is a wholly-owned subsidiary of the Company, which in turn holds the entire issued share capital of China Chengtong Enterprise Limited (a company incorporated in Hong Kong with limited liability). China Chengtong Enterprise Limited holds the entire equity interest in 誠通實業投資有限公司 (unofficial English translation being Chengtong Industrial Investment Limited) (a company incorporated in the PRC with limited liability), which owns the Land and Buildings.

The Possible Disposal is considered as a strategic and positive move of the Group. The Directors have considered various options to bring more value of the Land and Buildings to the Group, which include self-development, renting and disposal. Having considered the capital and risks involved, investment return cycle and possible return of different options, the Directors considered that the Possible Disposal would be the best option to enhance Shareholder value.

The Minimum Consideration for the Possible Disposal also represents a reasonable gain over the costs of the Group's investment in Chengtong Enterprises and in the Land and Buildings.

The Directors are of the view that the Possible Disposal will be carried out upon normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3. Financial effects of the Possible Disposal

Immediately upon completion of the Possible Disposal, the Group will cease to hold any interest in Chengtong Enterprises and hence Chengtong Enterprises and its subsidiaries will cease to be subsidiaries of the Company.

The Company intends to use the net proceeds arising from the Possible Disposal to further develop the marine travelling services and hotel business and as working capital. The gain expected to accrue to the Company from the Possible Disposal (before deducting relevant expenses payable by the Company in respect of the Possible Disposal), being the difference between the Minimum Consideration of the Chengtong Enterprises Interest and the unaudited book value of the consolidated net asset of Chengtong Enterprises and its subsidiaries as at 30 September 2014 and after deducting the estimated amount of taxes payable by the Company in respect of the Possible Disposal and release of reserve reclassified from other comprehensive income to profit or loss as at 30 September 2014, is approximately RMB35.93 million (equivalent to approximately HK\$45.27 million). The final amount of gain from the Possible Disposal is subject to audit and the final bid price offered by the successful bidder.

III. INFORMATION ON CHENGTONG ENTERPRISES AND THE GROUP

1. Information on Chengtong Enterprises

Chengtong Enterprises is a company incorporated in the British Virgin Islands on 18 March 2009. As at the date of this announcement, its issued share capital is US\$100 divided into 100 shares of US\$1 each. The principal business of Chengtong Enterprises and its subsidiaries is property investment.

The valuation of the net asset of Chengtong Enterprises as at 31 May 2014, as prepared by CAA by adopting the asset-based approach, was approximately RMB395.5 million (equivalent to approximately HK\$498.3 million). As at 30 September 2014, the unaudited book value of the consolidated net asset of Chengtong Enterprises and its subsidiaries (calculated according to the generally accepted accounting principles in Hong Kong) was approximately RMB407.09 million (equivalent to approximately HK\$512.93 million). Further unaudited consolidated financial information of Chengtong Enterprises and its subsidiaries is set out in the table below (prepared under the generally accepted accounting principles in Hong Kong):

	<i>Unit: RMB'000</i>	
	For the year ended 31 December 2013	For the year ended 31 December 2012
Net profit (before taxation)	74,772	19,015
Net profit (after taxation)	56,716	13,511

Note: During the two years ended 31 December 2013, Chengtong Enterprises indirectly held 100% interests in Zhucheng Phoenix Landmark Company Limited (“Zhucheng Phoenix”), a company incorporated in the PRC. In April 2014, the Group undertook an internal reorganisation pursuant to which Chengtong Enterprises ceased to hold any interests in Zhucheng Phoenix and 100% interests of Zhucheng Phoenix was transferred to another wholly-owned subsidiary of the Group. The unaudited profit before taxation and after taxation of Chengtong Enterprises and its subsidiaries for the two years ended 31 December 2013 disclosed above have included the financial information of Zhucheng Phoenix. The unaudited profit before taxation and after taxation of Zhucheng Phoenix are approximately RMB 9.63 million and RMB 6.92 million for the year ended 31 December 2013 and approximately RMB 19.29 million and RMB 15.14 million for the year ended 31 December 2012 respectively.

2. Information on the Group

The Group is principally engaged in bulk commodity trade, trading of coal, property development, property investment, financial leasing and hotel and marine travelling services.

IV. LISTING RULES IMPLICATIONS

As one of the relevant percentage ratios in relation to the Possible Disposal exceeds 25% but is less than 75%, the Possible Disposal, if it materialises, will constitute a major transaction for the Company and will, therefore, be subject to notification, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

The identity of the successful bidder will only be determined until after the expiry of the Bidding Period. Since it is a requirement of the Listing-for-Sale that the potential bidders must be third parties independent of the Company and connected persons of the Company, the Possible Disposal will not constitute a connected transaction of the Company.

Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Possible Disposal, written Shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. World Gain Holdings Limited, which is a controlling shareholder, holding 2,979,456,119 issued Shares, representing approximately 61.55% of the issued share capital of the Company as at the date of this announcement, has given its written approval in respect of the Possible Disposal. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Possible Disposal.

To the best of the Directors' knowledge, information and belief, no Director is required to abstain from voting on the board resolutions in relation to the approval of the Possible Disposal.

An announcement containing, among other things, (i) the result of the Listing-for-Sale; (ii) the final bid price offered by the successful bidder; and (iii) the entering into of the sale and purchase agreement in relation to the Possible Disposal will be made by the Company as soon as practicable after the expiry of the Bidding Period.

A circular containing, among other things, (i) information on the Possible Disposal, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 19 November 2014.

As the Possible Disposal may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

V. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Bidding Period”	means the period during which the qualified bidders may offer their bid price in relation to the intended purchase of the Chengtong Enterprises Interest
“Board”	means the board of directors of the Company
“Business Day(s)”	means a day on which licensed banks in the PRC are open for business
“CBEX”	means 北京產權交易所 (China Beijing Equity Exchange), an institution authorised by the State-owned Assets Supervision and Administration Commission to transact assets and equity of State-owned enterprises under the central government of the PRC
“CAA”	means 北京中同華資產評估有限公司 (China Alliance Appraisal Co., Ltd.), a qualified independent valuer
“Chengtong Enterprises”	means Chengtong Enterprises Investment Limited (誠通企業投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

“Chengtong Enterprises Interest”	means the Company’s entire equity interests in Chengtong Enterprises
“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 and the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	means the directors of the Company
“Group”	means the Company and its subsidiaries as at the date of this announcement
“HK\$”	means the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Land and Buildings”	means certain land and buildings situated in Hushitai Town, Shenbei New District, Shenyang City, Liaoning Province, the PRC
“Listing-for-Sale”	means the listing-for-sale (掛牌出讓) process carried out through CBEX for the disposal of the Chengtong Enterprises Interest
“Listing-for-Sale Notice”	means the notice (產權轉讓公告) in respect of the Listing-for-Sale
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Minimum Consideration”	means the minimum consideration of RMB420 million, i.e. the initial bidding price, for the disposal of the entire equity interest of Chengtong Enterprises under the Possible Disposal
“PRC”	means the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Possible Disposal”	means the Company’s proposed disposal of the Chengtong Enterprises Interests through CBEX
“Publication Period”	mean the period during which the information of the Possible Disposal is disclosed to the public on the website of CBEX and in the newspapers
“RMB”	means Renminbi, the lawful currency of the PRC

“Share(s)”	means the share(s) of the Company
“Shareholder(s)”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“%”	means per cent

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.26. 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.

By Order of the Board
China Chengtong Development Group Limited
Wang Hongxin
Managing Director

Hong Kong, 30 October 2014

As at the date of this announcement, the executive Directors are Mr. Yuan Shaoli, Mr. Wang Hongxin, Mr. Wang Tianlin and Mr. Zhang Bin; and the independent non-executive Directors are Mr. Chang Qing, Mr. Lee Man Chun, Tony and Mr. Chan Sheung Lai.