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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)

CONNECTED TRANSACTION: FORMATION OF JOINT VENTURE

On 25 October 2019, Galactic Investment, a wholly-owned subsidiary of the Company, and Chengtong International entered into the Investment Agreement with World Asia, pursuant to which Galactic Investment transferred 49 ordinary shares of World Asia, representing 49% of its then total issued share capital, to Chengtong International and, at the same time, Galactic Investment and Chengtong International subscribed for 5,099,949 new shares and 4,899,951 new shares in World Asia respectively. Upon completion of the Share Transfer and the Subscription, World Asia becomes a joint venture which is owned as to 51% by Galactic Investment and 49% by Chengtong International and therefore becomes a non-wholly owned subsidiary of the Company.

Chengtong International is indirectly owned as to 70% by CCHG, the ultimate holding company of the Company, and is therefore a connected person of the Company and the Joint Venture Arrangement constitutes a connected transaction of the Company.

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Joint Venture Arrangement exceeds 0.1% but is less than 5%, the Joint Venture Arrangement is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 25 October 2019, Galactic Investment, a wholly-owned subsidiary of the Company, and Chengtong International entered into the Investment Agreement with World Asia. The major terms of the Investment Agreement are set out below.

INVESTMENT AGREEMENT

Date

25 October 2019

Parties

- (1) World Asia;
- (2) Chengtong International; and
- (3) Galactic Investment.

Joint Venture Arrangement

Immediately before the signing of the Investment Agreement, Galactic Investment beneficially held 100 ordinary shares in World Asia, representing the then entire issued share capital of World Asia.

Pursuant to the Investment Agreement, Galactic Investment transferred 49 ordinary shares of World Asia, representing 49% of its then total issued share capital, to Chengtong International at a cash consideration of HK\$49 and, at the same time, Galactic Investment subscribed for 5,099,949 new shares in World Asia at an aggregate subscription price of HK\$5,099,949 and Chengtong International subscribed for 4,899,951 new shares in World Asia at an aggregate subscription price of HK\$4,899,951.

Completion of the Share Transfer and the Subscription has taken place upon the signing of the Investment Agreement. Upon completion of the Share Transfer and the Subscription, World Asia becomes a joint venture which is owned as to 51% by Galactic Investment and 49% by Chengtong International and therefore becomes a non-wholly owned subsidiary of the Company.

Consideration for the Share Transfer

The consideration for the Share Transfer was determined based on the amount of paid-up capital attributable to the underlying shares being transferred. The consideration has been paid by Chengtong International to Galactic Investment in cash upon completion of the Share Transfer.

Subscription Price

The subscription price was determined after arm's length negotiations among World Asia, Galactic Investment and Chengtong International with reference to the estimated initial capital requirements of World Asia and the respective shareholding percentage to be held by Galactic Investment and Chengtong International in World Asia. It is expected that future funding requirements of World Asia will be met by further capital contribution by its shareholders and/or bank financing.

The subscription price has been paid by Galactic Investment and Chengtong International to World Asia in cash upon completion of the Subscription. The subscription price for the 5,099,949 new shares in World Asia subscribed by Galactic Investment is satisfied by the internal resources of the Group.

INFORMATION OF THE PARTIES

Each of World Asia, Galactic Investment and Chengtong International is a company incorporated in Hong Kong with limited liability.

World Asia was incorporated in 1994. Immediately before completion of the Share Transfer and the Subscription, World Asia is 100% beneficially owned by Galactic Investment, which is a wholly-owned subsidiary of the Company. World Asia is currently inactive and is not engaged in any business activities. World Asia recorded audited net liabilities of approximately HK\$9,500 for the year ended 31 December 2018. It recorded an audited loss before and after tax of approximately HK\$2,000 for the year ended 31 December 2017 and an audited profit before and after tax of approximately HK\$37,000 for the year ended 31 December 2018.

Galactic Investment is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Chengtong International is principally engaged in the international trade of bulk commodity (including trading of steel products, coal, paper and medical equipment) in Asian, European and African countries. Chengtong International is wholly-owned by CCI, which is owned as to 70% by CCHG, a state-owned enterprise established in the PRC and the ultimate holding company of the Company, and 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. The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiry, other than CCHG, each of the other ultimate beneficial owners of Chengtong International is a third party independent of the Company and its connected person.

As Chengtong International is an indirect non-wholly owned subsidiary of CCHG, it is therefore a connected person of the Company. The major businesses of CCHG and its subsidiaries include equity operation, financial service, assets management, integrated logistics, as well as development and utilization of forestry pulp paper.

REASONS FOR AND BENEFITS OF THE JOINT VENTURE ARRANGEMENT

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.

CCI, the sole shareholder of Chengtong International, is an enterprise principally engaged in bulk commodity trade. As a subsidiary of the state-owned enterprise, CCHG, CCI has established long-term strategic cooperation with reputable PRC enterprises in various industries such as steel, coal, chemicals, non-ferrous metals and logistics and has also developed established procurement networks, logistics systems and sales networks.

The Group intends to further develop its bulk commodity trade businesses through World Asia. By entering into the Joint Venture Arrangement with Chengtong International, which is the overseas trading arm of CCI, the Directors are of the view that the Group can leverage CCI's operational expertise and benefit from its international procurement and sales networks and established customer base. These will facilitate the continuous development of the international bulk commodity trade businesses of the Group abroad.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Investment Agreement are normal commercial terms and are fair and reasonable and that although the Joint Venture Arrangement is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and its shareholders as a whole.

None of the Directors has any material interests in the Joint Venture Arrangement and therefore none of the Directors is required to abstain from voting on the Board resolutions approving the Investment Agreement and the Joint Venture Arrangement.

IMPLICATION UNDER THE LISTING RULES

Given the relationship between Chengtong International and the Company as stated above, the Joint Venture Arrangement constitutes a connected transaction of the Company. As the highest percentage ratio (as defined under the Listing Rules) in respect of the Joint Venture Arrangement exceeds 0.1% but is less than 5%, the Joint Venture Arrangement is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

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| “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 |
| “CCI” | 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 |
| “Chengtong International” | means Chentong International Limited (誠通國際貿易有限公司), a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of CCHG |
| “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 |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Director(s)” | means the director(s) of the Company |
| “Galactic Investment” | means Galactic Investment Limited (銀河投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company |
| “Group” | means the Company and its subsidiaries as at the date of this announcement |
| “HK\$” | means Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | means the Hong Kong Special Administrative Region of the PRC |

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| “Investment Agreement” | means the investment agreement dated 25 October 2019 and signed among World Asia, Chengtong International and Galactic Investment in relation to the Joint Venture Arrangement |
| “Joint Venture Arrangement” | means the formation of the joint venture through World Asia between Galactic Investment and Chengtong International pursuant to the Investment Agreement |
| “Listing Rules” | means the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | means the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Share Transfer” | means the transfer of 49 ordinary shares of World Asia by Galactic Investment to Chengtong International pursuant to the Investment Agreement |
| “Stock Exchange” | means The Stock Exchange of Hong Kong Limited |
| “Subscription” | means the subscription of 5,099,949 new shares in World Asia by Galactic Investment and the subscription of 4,899,951 new shares in World Asia by Chengtong International pursuant to the Investment Agreement |
| “World Asia” | means World Asia Properties Limited (世亞置業有限公司), a company incorporated in Hong Kong with limited liability, which was an indirect wholly-owned subsidiary of the Company immediately before completion of the Share Transfer and the Subscription |
| “%” | means per cent. |

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

Hong Kong, 25 October 2019

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