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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF CUIDAO HOTSPRING HOTEL

Reference is made to the announcement of the Company dated 11 September 2018 in relation to the possible disposal of Cuidao Hotspring Hotel.

The Publication Period of the Listing-for-Sale ended and TPRE notified Zhucheng Phoenix that the Purchaser was confirmed as the successful bidder.

The Board is pleased to announce that on 29 October 2018, Zhucheng Phoenix and the Purchaser entered into the Property Rights Transaction Contract in relation to the Disposal. The Transfer Price was fixed at RMB226 million (equivalent to approximately HK\$255 million).

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 11 September 2018 in relation to the possible disposal of Cuidao Hotspring Hotel (“**First Announcement**”).

The Publication Period of the Listing-for-Sale ended on 12 October 2018. On 22 October 2018, TPRE notified Zhucheng Phoenix that the Purchaser was confirmed as the successful bidder.

The Board is pleased to announce that on 29 October 2018, Zhucheng Phoenix and the Purchaser entered into the Property Rights Transaction Contract in relation to the Disposal.

THE PROPERTY RIGHTS TRANSACTION CONTRACT

The major terms of the Property Rights Transaction Contract are summarised below:

Date:

29 October 2018

Parties:

Vendor: Zhucheng Phoenix

Purchaser: 海南創佳置業有限公司 (unofficial English translation being Hainan Chuangjia Real Estate Co., Ltd.)

Subject matter:

The Cuidao Interests and the Debt Receivables

Consideration:

According to the relevant trading rules of TPRE, if there is only one eligible bidder, the consideration for the Cuidao Interests and the Debt Receivables shall be the Minimum Consideration or the price offered by the eligible bidder, whichever is higher. As the Purchaser was the only one eligible bidder and it did not offer a price higher than the Minimum Consideration, the Transfer Price was fixed at the Minimum Consideration, being RMB226 million (equivalent to approximately HK\$255 million) comprising approximately RMB196 million (equivalent to approximately HK\$221 million) as the consideration for the Cuidao Interests and approximately RMB30 million (equivalent to approximately HK\$34 million) as the consideration for the Debt Receivables. The Minimum Consideration was determined after having taken into account a number of factors, including the valuation report prepared by a qualified independent valuer in the PRC in relation to the Cuidao Interests, further details of which are set out in the paragraph headed “Information on Cuidao Hotspring Hotel, the Group and the Purchaser” below.

A security money in the sum of RMB67.8 million (equivalent to approximately HK\$76.6 million) has been paid by the Purchaser and will be applied towards settling part of the Transfer Price. The balance of the Transfer Price shall be paid by the Purchaser in cash to the settlement account of TPRE within 5 Business Days after the execution of the Property Rights Transaction Contract. Within 3 Business Days from the date when TPRE issues the evidence of transaction (交易憑證), TPRE will deposit the Transfer Price to the designated bank account of Zhucheng Phoenix.

Completion:

Zhucheng Phoenix shall complete, and the Purchaser shall assist in the completion of, the transfer of the Cuidao Interests and the Debt Receivables and the registration of the change of shareholding in Cuidao Hotspring Hotel at the relevant PRC registration authority during the period from the date on which Zhucheng Phoenix has received the Transfer Price in full to 31 December 2018.

Breach and termination:

If Zhucheng Phoenix breaches its obligations which causes the non-performance of the Property Rights Transaction Contract, Zhucheng Phoenix shall refund the security money to the Purchaser with an additional sum equivalent to the security money. On the other hand, if the Purchaser violates the trading rules and/or any conditions of the Listing-for-Sale or breaches its obligations which causes the non-performance of the Property Rights Transaction Contract, the security money will be forfeited.

If Zhucheng Phoenix fails to achieve Completion within the period as agreed under the Property Rights Transaction Contract, Zhucheng Phoenix shall pay a sum equivalent to 0.035% of the total amount of the Transfer Price as liquidated damages to the Purchaser for each delay of 1 day. If the Purchaser fails to pay the Transfer Price in accordance with the payment schedule, the Purchaser shall pay a sum equivalent to 0.035% of the due but unpaid amount of the Transfer Price as liquidated damages to Zhucheng Phoenix for each delay of 1 day.

If Zhucheng Phoenix is in breach of the undertakings relating to the title in Cuidao Interests and Debt Receivables or other material matters, the Purchaser is entitled to terminate the Property Rights Transaction Contract and Zhucheng Phoenix shall return to the Purchaser the amount of the Transfer Price that it had received from the Purchaser.

Zhucheng Phoenix and the Purchaser can terminate the Property Rights Transaction Contract by mutual agreement upon which the security money will be refunded to the Purchaser.

Others:

There are no provisions restricting the subsequent sale of the Cuidao Interests by the Purchaser under the Property Rights Transaction Contract.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the First Announcement, the Group is in the process of strategic transformation. The Board is of the view that it is desirable for the Group to dispose of the Cuidao Interests and the Debt Receivables through Listing-for-Sale which can achieve the highest price in the open market and to have the proceeds to fund the development of the Group's other principal businesses.

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

FINANCIAL EFFECTS OF THE DISPOSAL

Immediately upon the Completion, the Group will cease to hold any equity interest in Cuidao Hotspring Hotel. Cuidao Hotspring Hotel will cease to be a subsidiary of the Company.

As the assets of Cuidao Hotspring Hotel do not represent a major proportion in the total assets of the Group, the Disposal would not have substantive adverse impact on the Group.

The Group intends to use the net proceeds from the Disposal as working capital for the development of the Group's principal businesses. Based on a preliminary assessment, it is expected that the Group will record a book gain of approximately HK\$82 million from the Disposal (before deducting relevant expenses payable by the Group in respect of the Disposal), being the difference mainly between (i) the Transfer Price in respect of the Cuidao Interests and (ii) the aggregate of (a) the unaudited net asset value of Cuidao Hotspring Hotel as at 30 June 2018; and (b) the estimated amount of tax which may be payable by the Group as a result of the Disposal. The final amount of gain or loss from the Disposal is subject to audit.

INFORMATION ON CUIDAO HOTSPRING HOTEL, THE GROUP AND THE PURCHASER

(a) Cuidao Hotspring Hotel

Cuidao Hotspring Hotel is a limited liability company incorporated in the PRC on 14 August 2003. As at the date of this announcement, its registered capital is RMB12,000,000. Cuidao Hotspring Hotel was originally planned for operating hotspring hotel or elderly business.

The major assets held by Cuidao Hotspring Hotel include properties located in Huandao Garden, Haikou, the PRC with a gross floor area of 28,071.17 square metres and the corresponding land with an area of 44,108.77 square metres (among which properties of an area of 3,775.38 square metres, and the corresponding land of an area of 6,497.06 square metres were sold).

As at 30 June 2018, the unaudited total assets and unaudited total liabilities of Cuidao Hotspring Hotel (prepared based on the Hong Kong Financial Reporting Standards) were approximately RMB154 million (equivalent to approximately HK\$174.02 million) and approximately RMB50 million (equivalent to approximately HK\$56.50 million) respectively. The face value of Zhucheng Debt Receivables and CT Debt Receivables were approximately RMB22 million (equivalent to approximately HK\$24.86 million) and RMB8.4 million (equivalent to approximately HK\$9.5 million) respectively. Further financial information of Cuidao Hotspring Hotel is set out in the table below (prepared based on the Hong Kong Financial Reporting Standards):

	For the six months ended 30 June 2018 (unaudited) RMB'000	For the year ended 31 December 2017 (audited) RMB'000	For the year ended 31 December 2016 (audited) RMB'000
Net loss before and after tax	(3,150)	(6,356)	(5,734)

The valuation of the total assets, total liabilities and net assets of Cuidao Hotpsring Hotel as at 30 June 2018, as appraised by the PRC qualified independent valuer by adopting asset-based approach, were approximately RMB223,357,400, RMB31,880,400 and RMB191,477,000 respectively.

(b) The Group, Zhucheng Phoenix and CT Development Trading

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

Zhucheng Phoenix is a limited liability company incorporated in the PRC. Its principal business includes property development and it is directly wholly-owned by CT Development Trading. CT Development Trading is a limited liability company incorporated in the PRC and its principal activity is investment holding. Both Zhucheng Phoenix and CT Development Trading are indirect wholly-owned subsidiaries of the Company.

(c) The Purchaser

The Purchaser is a limited liability company incorporated in the PRC and is principally engaged in property development, tourism projects development and agricultural projects development.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners is a third party independent of the Company, Zhucheng Phoenix, CT Development Trading and their respective connected persons (as defined in the Listing Rules).

LISTING RULES IMPLICATIONS

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in the PRC are open for business

“Company”	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”	the completion of the Disposal pursuant to the Property Rights Transaction Contract
“CT Debt Receivables”	all debts owed by Cuidao Hotspring Hotel to CT Development Trading in the sum of RMB8,439,190.15 (equivalent to approximately HK\$9,536,285)
“CT Development Trading”	誠通發展貿易有限公司 (unofficial English translation being Chengtong Development Trading Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Cuidao Hotspring Hotel”	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), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of Zhucheng Phoenix immediately prior to Completion
“Cuidao Interests”	the 100% equity interest in Cuidao Hotspring Hotel held by Zhucheng Phoenix
“Debt Receivables”	collectively the Zhucheng Debt Receivables and the CT Debt Receivables
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Cuidao Interests and the Debt Receivables by the Group pursuant to the Property Rights Transaction Contract
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing-for-Sale”	the listing-for-sale (掛牌出讓) process carried out through TPPE for the Disposal

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Consideration”	the initial bidding price for the Cuidao Interests and the Debt Receivables
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Rights Transaction Contract”	the property rights transaction contract (產權交易合同) dated 29 October 2018 entered into between Zhucheng Phoenix and the Purchaser in relation to the Disposal
“Publication Period”	the period during which the information of the proposed Disposal is disclosed by way of an announcement published at the TPRE in respect of the Listing-for-Sale
“Purchaser”	the successful bidder in the Listing-for-Sale, namely 海南創佳置業有限公司 (unofficial English translation being Hainan Chuangjia Real Estate Co., Ltd.), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TPRE”	天津產權交易中心 (Tianjin Property Rights Exchange)
“Transfer Price”	RMB226 million (equivalent to approximately HK\$255 million), being the consideration payable by the Purchaser for the Cuidao Interests and the Debt Receivables
“Zhucheng Debt Receivables”	all debts owed by Cuidao Hotspring Hotel to Zhucheng Phoenix in the sum of RMB21,696,411.98 (equivalent to approximately HK\$24,516,946)
“Zhucheng Phoenix”	諸城鳳凰置地有限公司 (unofficial English translation being Zhucheng Phoenix Landmark Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	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\$1.13. 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
Zhang Bin
Managing Director

Hong Kong, 29 October 2018

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