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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 ACQUISITION AND CONNECTED TRANSACTION**

### **THE ACQUISITION**

On 27 July 2011, the Company entered into the Acquisition Agreement with CCHG and CCHK, details of which are set out below.

### **REQUIREMENTS OF THE LISTING RULES**

The transactions contemplated under the Acquisition Agreement constitute a major acquisition for the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement and independent shareholders' approval requirements. The Acquisition will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

## **GENERAL**

An independent board committee, comprising all independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Ba Shusong, who have no direct or indirect interest in the Acquisition, has been formed to advise the Independent Shareholders on the terms of the Acquisition. CIMB Securities (HK) Limited has been appointed as the independent financial adviser to advise the independent board committee on the terms of the Acquisition. Such appointment has been approved by the independent board committee.

A circular containing, among other things, information relating to the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder, a letter of advice from the independent financial adviser to advise the independent board committee and the Independent Shareholders, the recommendation of the independent board committee to the Independent Shareholders, together with a notice convening the EGM will be despatched to the Shareholders not later than 30 September 2011.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 27 July 2011 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 28 July 2011.

## **INTRODUCTION**

On 27 July 2011, the Company entered into the Acquisition Agreement with CCHK and CCHG. Details of the Acquisition Agreement are set out below.

## **THE ACQUISITION AGREEMENT**

**Date:** 27 July 2011 (date of the Acquisition Agreement)

**Parties:**

- (1) The Company, as purchaser;
- (2) CCHK, as vendor; and
- (3) CCHG, as warrantor.

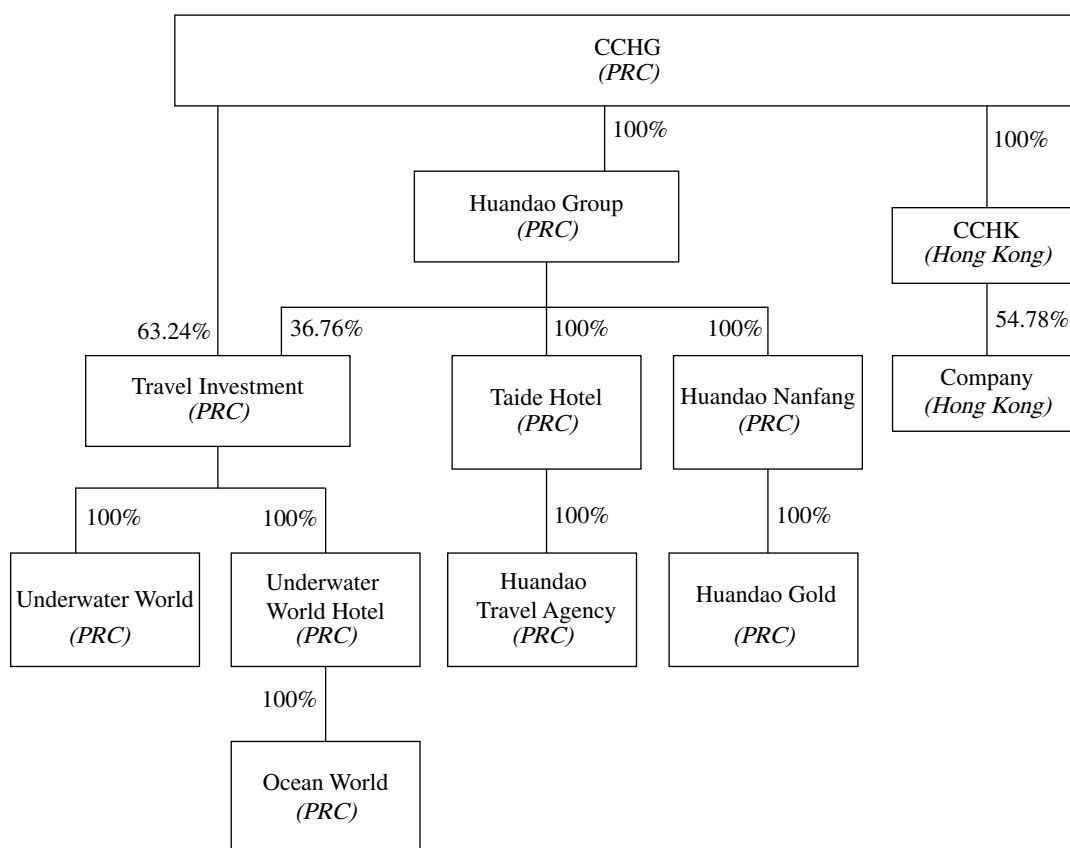
CCHK is an investment holding company and is the holding company of World Gain, a controlling Shareholder (as defined in the Listing Rules) of the Company, and is therefore a connected person of the Company. CCHG beneficially owns the entire issued share capital of CCHK, and is therefore a connected person of the Company. CCHG is principally engaged in operation of state-owned assets and investment holding.

### Companies to be acquired:

The Company has agreed to purchase, and CCHK has agreed to sell, the entire issued share capital of BVI Company.

CCHK and CCHG have agreed to undertake a series of reorganisation involving BVI Company, HK Company and the Travel Investment Companies prior to the completion of the Acquisition Agreement (“**Pre-completion Reorganisation**”). Among the Pre-completion Reorganisation, certain restructuring steps are required to be completed before the Acquisition Agreement shall become unconditional (“**Conditions Precedent Reorganisation**”). The following corporate charts set out the simplified corporate structure of the target companies to be acquired under the Acquisition Agreement (i) as at the date of the Acquisition Agreement; (ii) after the completion of the Conditions Precedent Reorganisation but prior to the completion of the Pre-completion Reorganisation; and (iii) after the completion of the Pre-completion Reorganisation but prior to the completion of the Acquisition Agreement.

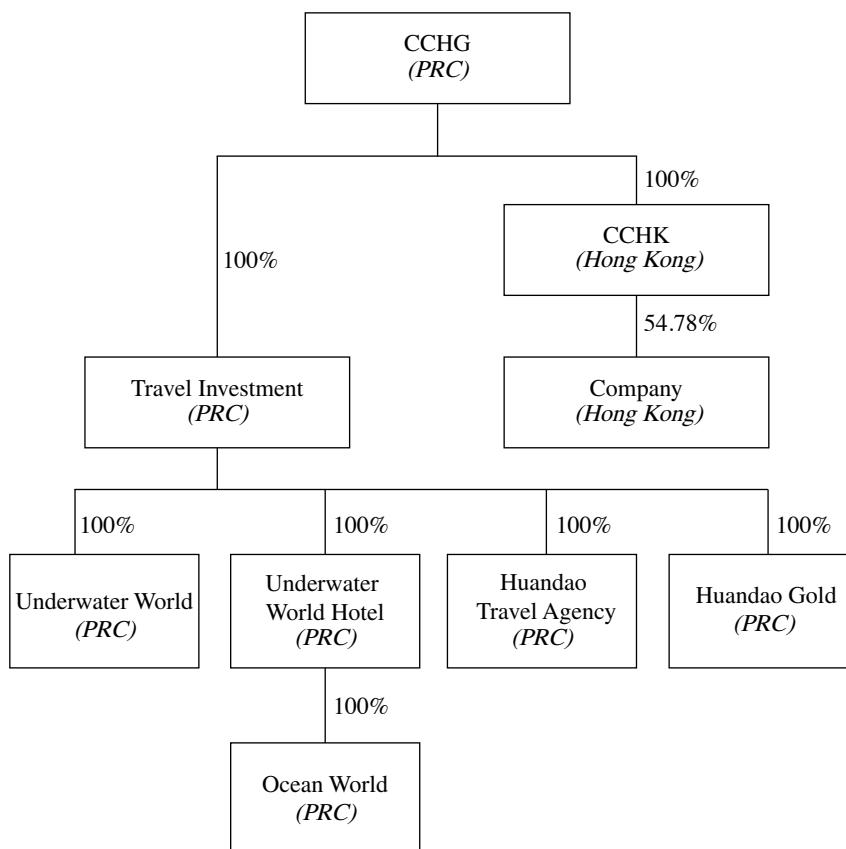
### Chart A — Corporate structure as at the date of the Acquisition Agreement



Under the Conditions Precedent Reorganisation to be undertaken by CCHK and CCHG, among others:

- Huandao Group will transfer its entire interest in Travel Investment to CCHG (which will then hold 100% of Travel Investment); and
- The entire equity interest in Huandao Travel Agency and Huandao Gold will be transferred to Travel Investment.

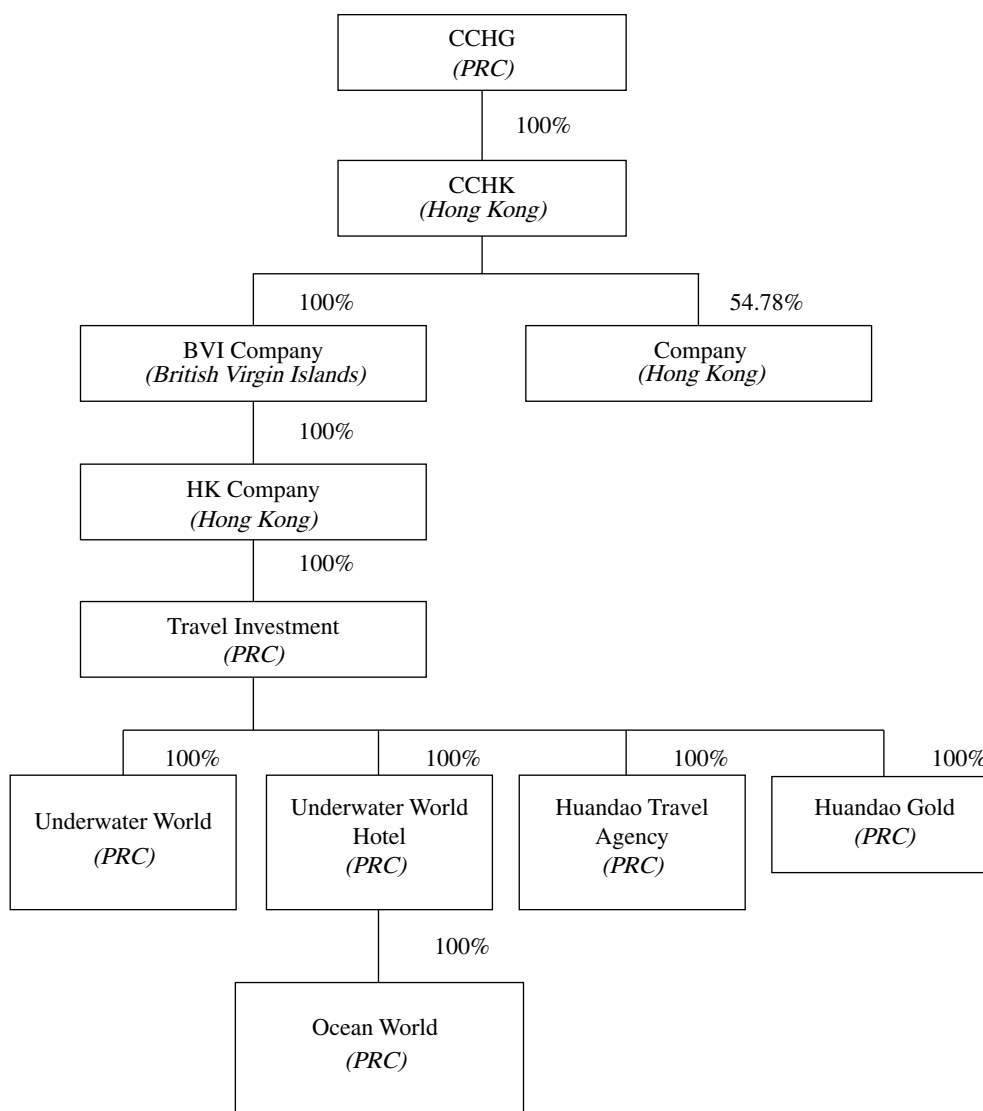
**Chart B — Corporate structure after completion of the Conditions Precedent Reorganisation but prior to completion of the Pre-completion Reorganisation**



Under the Pre-completion Reorganisation to be undertaken by CCHK and CCHG, among others:

- BVI Company will be incorporated in the British Virgin Islands by CCHK to act as the holding company of HK Company;
- HK Company will be incorporated in Hong Kong as a wholly-owned subsidiary of BVI Company to act as the holding company of Travel Investment; and
- CCHG will transfer its entire interest in Travel Investment (which will then hold the rest of the Travel Investment Companies) to HK Company.

**Chart C — Corporate structure after completion of the Pre-completion Reorganisation but prior to completion of the Acquisition Agreement**



The Pre-completion Reorganisation (which includes the Conditions Precedent Reorganisation) is subject to PRC governmental approvals.

The original acquisition costs of BVI Company (including all companies to be transferred to BVI Company pursuant to the Pre-completion Reorganisation) to CCHK are approximately RMB262,000,000 (subject to adjustment according to the Filed and Confirmed Price and other relevant adjustment).

Further details of the target companies to be acquired pursuant to the Acquisition Agreement are set out in the paragraph headed “Further details of the companies to be acquired under the Acquisition Agreement” below.

## **Consideration:**

For the purpose of this paragraph, the following expressions shall have the following meanings:

“**Filed and Confirmed Price**” shall mean the value of 100% of the equity attributable to shareholder of Travel Investment based on the PRC Valuation and filed with and confirmed by the State-owned Assets Supervision and Administration Commission of the State Council.

“**PRC Valuation**” shall mean the valuation report on 100% interests of Travel Investment after completion of the Pre-completion Reorganisation prepared in accordance with the requirements of the State-owned Assets Supervision and Administration Commission of the State Council.

Subject to adjustments as set out below, the Consideration to be payable by the Company pursuant to the Acquisition Agreement shall be RMB262,000,000 (equivalent to approximately HK\$314,400,000) which is determined with reference to the net assets value of the Travel Investment Companies (on the basis that the Pre-completion Reorganisation has been completed) as at 31 May 2011, after taking into account the property value of the hotels held by the Travel Investment Companies, and the future prospects of the businesses operated by the Travel Investment Companies.

The Consideration shall be adjusted in accordance with the Filed and Confirmed Price as follows:

- (1) if the Filed and Confirmed Price is higher or lower than the Consideration by not more than 10%, the Consideration shall be adjusted to an amount which equals the Filed and Confirmed Price;
- (2) if the Filed and Confirmed Price shall be an amount equal to the Consideration, the Consideration will not be adjusted;
- (3) if the Filed and Confirmed Price shall be an amount higher or lower than the Consideration by more than 10%, the Company, CCHK and CCHG agreed that they will negotiate on the revised Consideration to be payable by the Company pursuant to the Acquisition Agreement. The negotiation on the revised Consideration, if required, will be based on fresh negotiation among the parties taking into account the Filed and Confirmed Price.

Shareholders should note that the parties may or may not be able to reach an agreement on the revised Consideration. If the revised Consideration is not agreed by the parties, the Acquisition Agreement will lapse. If the revised Consideration is agreed by the parties, the parties will enter into supplemental agreement in respect of the revised Consideration which shall be subject to Independent Shareholders' approval at another general meeting to be convened by the Company (if the EGM has been held by that time). If approval from the Independent Shareholders on such supplemental agreement on the revised Consideration cannot be obtained on or before 30 June 2012 (or such other date as agreed by the parties), the Acquisition Agreement will lapse immediately.

Further announcement will be made by the Company on whether a supplemental agreement on the revised Consideration is signed by the parties in case of occurrence of scenario (3) above.

The Consideration may also be reduced if:

- (i) any of the Travel Investment Companies cannot be transferred to BVI Company pursuant to the Pre-completion Reorganisation, the Consideration shall be adjusted downward by an amount equivalent to the value of such company(ies) as assessed by a qualified PRC valuer who is approved by the parties to the Acquisition Agreement and in any event the amount to be deducted shall not be less than the net assets value of such company(ies) as shown in the unaudited management accounts of such company(ies) as at 31 May 2011; and
- (ii) the receivables of the Travel Investment Companies cannot be settled in full as at the date of completion of the Acquisition Agreement and the Company shall, at its discretion, waive the condition precedent set out in paragraph (7) of the section headed "Conditions precedent" below of this announcement, the Consideration shall be adjusted downward by an amount equivalent to such unsettled receivables of the Travel Investment Companies as at the date of completion of the Acquisition Agreement.

The Directors (excluding the independent non-executive Directors whose view will be formed after taking into account the advice of the independent financial adviser) confirm that the Consideration payable by the Company pursuant to the Acquisition Agreement was arrived at after arm's length negotiations between the Company, CCHK and CCHG. The adjustment mechanism to the Consideration is incorporated to the Acquisition Agreement because it is a requirement under the PRC laws that the price for the transfer of interest in Travel Investment Companies shall be filed and confirmed by the State-owned Assets Supervision and Administration Commission of the State Council. Application to the State-owned Assets Supervision and Administration Commission of the State Council for filing and confirmation of the Filed and Confirmed Price will be made by CCHK and CCHG.

## **Consideration Shares**

The Consideration payable by the Company pursuant to the Acquisition Agreement shall be settled by the issue of the Consideration Shares to CCHK at an issue price of HK\$0.47 per Consideration Share. There is no restriction on the subsequent disposal of the Consideration Shares by CCHK.

The issue price of HK\$0.47 represents:

- a discount of approximately 2.08% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 0.63% over the average closing price of HK\$0.473 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- a discount of approximately 0.63% over the average closing price of HK\$0.473 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

### **Conditions precedent:**

Completion of the Acquisition Agreement is conditional on the satisfaction (or, where applicable, waiver by the Company) of the following conditions:

- (1) the Independent Shareholders have passed an ordinary resolution to approve the transactions contemplated by the Acquisition Agreement and the issue of the Consideration Shares at the EGM;
- (2) if a supplemental agreement to the Acquisition Agreement in relation to the revised Consideration is entered into by the parties, such supplemental agreement has been approved by the Independent Shareholders at an extraordinary general meeting to be convened by the Company;
- (3) the Stock Exchange have granted the listing of and permission to deal in the Consideration Shares to be issued under the Acquisition Agreement on the Stock Exchange;
- (4) the Conditions Precedent Reorganisation has been completed in accordance with the terms of the Acquisition Agreement;



- (5) the certificate for renewal of validity period of Marine Use Right has been obtained by the relevant Travel Investment Companies;
- (6) the issue of legal opinions by a firm of PRC lawyers approved by the Company, confirming, among other matters, the Conditions Precedent Reorganisation has been completed in accordance with the PRC laws and regulations, all necessary PRC government approvals relevant to the Conditions Precedent Reorganisation and the Acquisition have been obtained, the businesses of the Travel Investment Companies have been operated in accordance with the PRC laws and regulations, and other matters which the Company considers necessary, contents of which must be accepted by the Company; and
- (7) settlement in full of the receivables then due to the Travel Investment Companies.

None of the above conditions (other than conditions (4), (6) and (7)) can be waived by the parties. The Company may at its absolute discretion waive conditions (4), (6) and (7) above at any time on or before 30 June 2012 (or such other date as agreed by the parties).

If the conditions precedents set out above have not been satisfied (or, where applicable, waived by the Company) on or before 30 June 2012 (or such other date as agreed by the parties), the Acquisition Agreement shall cease and determine and none of the parties shall have any obligations and liabilities under the Acquisition Agreement, save for any prior breaches of the terms of the Acquisition Agreement.

### **Completion of the Acquisition Agreement**

Completion of the Acquisition Agreement shall take place on the fifth business day after the fulfillment or waiver (as the case may be) of all conditions referred to above (or such other date as agreed by the parties).

After completion of the Acquisition, each of BVI Company, HK Company and the Travel Investment Companies will become wholly-owned subsidiaries of the Company.

### **Undertakings by CCHG**

Pursuant to the Acquisition Agreement, CCHG has undertaken, among other matters:

1. to indemnify the Company for any loss and costs incurred in connection with any breaches or non-compliance of any terms of the Acquisition Agreement by CCHK;

2. to indemnify the Company in cash for any loss suffered after completion of the Acquisition Agreement as a result of the failure of any of the Travel Investment Companies to obtain and/or renew any approval, licence, permit, right or qualification (including but not limited to Marine Use Right) necessary, as at or prior to the date of completion of the Acquisition Agreement, for the operation of the businesses currently engaged by the Travel Investment Companies, the amount of indemnity to be assessed based on the average monthly net profits from the relevant business of the relevant company during the preceding financial year; and
3. to indemnify the Company for any liabilities, payment obligations, fines or penalties imposed by any relevant regulatory authorities (regardless of whether such obligations or penalties are incurred by the business operation of the Travel Investment Companies prior to or after the completion of the Acquisition) which might be incurred as a result of the failure of any of the Travel Investment Companies to obtain and/or renew, prior to completion of the Acquisition Agreement, any approval, licence, permit, right or qualification (including but not limited to Marine Use Right) necessary, as at or prior to the date of completion of the Acquisition Agreement, for the operation of the businesses engaged by the Travel Investment Companies.

### **Further details of the companies to be acquired under the Acquisition Agreement**

As at the date of Acquisition Agreement, each of BVI Company and HK Company has not been incorporated. A pro forma consolidated statement of assets and liabilities of the Group combined with the assets and liabilities of the Travel Investment Companies and, if already incorporated, the BVI Company and HK Company will be included in the circular to be dispatched to the Shareholders regarding the Acquisition.

### ***Travel Investment***

Travel Investment is a limited liability company established in the PRC on 28 June 2007 with a registered capital of RMB136,000,000 (all of which has been paid up) as at the date hereof. The approved business scope of Travel Investment includes investment and development in tourism and hotel business; protection and development of ecological environment; and investment, development in and provision of services for public facilities.

Based on financial information of Travel Investment prepared in accordance with accounting principles generally accepted in the PRC, the audited net profits/losses (both before and after taxation and extraordinary items) of Travel Investment for the two financial years ended 31 December 2010 are as follows:

	<b>Year ended 31 December 2009 RMB'000</b>	<b>Year ended 31 December 2010 RMB'000</b>
Net profits/(losses) before taxation and extraordinary items	(1,463)	23,266
Net profits/(losses) after taxation and extraordinary items	(1,463)	23,266

The unaudited net assets value and total assets value of Travel Investment as at 31 May 2011 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB136,993,000 and RMB210,910,000 respectively.

### ***Underwater World***

Underwater World is a limited liability company established in the PRC on 28 November 1995 with a registered capital of RMB96,000,000 (all of which has been paid up) as at the date hereof. The approved business scope of Underwater World includes underwater sightseeing, water sports, ocean fishing, boat trips, cultural entertainment, coral reefs and biological cultivation, and import and export trade.

Based on financial information of Underwater World prepared in accordance with accounting principles generally accepted in the PRC, the audited net profits (both before and after taxation and extraordinary items) of Underwater World for the two financial years ended 31 December 2010 are as follows:

	<b>Year ended 31 December 2009 RMB'000</b>	<b>Year ended 31 December 2010 RMB'000</b>
Net profits/(losses) before taxation and extraordinary items	11,791	15,367
Net profits/(losses) after taxation and extraordinary items	9,406	11,949

The unaudited net assets value and total assets value of Underwater World as at 31 May 2011 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB122,183,000 and RMB140,083,000 respectively.

### ***Underwater World Hotel***

Underwater World Hotel is a limited liability company established in the PRC on 27 January 1997 with a registered capital of RMB8,000,000 (all of which has been paid up) as at the date hereof. The approved business scope of Underwater World Hotel includes accommodation, restaurants, cultural and recreational services, fitness and other sports facilities services, department stores, arts and crafts sales, typing and photocopying services and sales of cigarettes and alcohol.

Based on financial information of Underwater World Hotel prepared in accordance with accounting principles generally accepted in the PRC, the audited net profits (both before and after taxation and extraordinary items) of Underwater World Hotel for the two financial years ended 31 December 2010 are as follows:

	<b>Year ended 31 December 2009 <i>RMB'000</i></b>	<b>Year ended 31 December 2010 <i>RMB'000</i></b>
Net profits/(losses) before taxation and extraordinary items	840	379
Net profits/(losses) after taxation and extraordinary items	840	379

The unaudited net assets value and total assets value of Underwater World Hotel as at 31 May 2011 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB34,145,000 and RMB37,229,000 respectively.

### **Ocean World**

Ocean World is a limited liability company established in the PRC on 23 June 2009 with a registered capital of RMB500,000 (all of which has been paid up) as at the date hereof. The approved business scope of Ocean World includes underwater sightseeing, water sports, ocean fishing, boat trips, cultural and recreational services and department store sales.

Based on financial information of Ocean World prepared in accordance with accounting principles generally accepted in the PRC, the audited net profits/losses (both before and after taxation and extraordinary items) of Ocean World for the period from 23 June 2009 (date of establishment) to 31 December 2010 are as follows:

	<b>From 23 June 2009 (date of establishment) to 31 December 2009 RMB'000</b>	<b>Year ended 31 December 2010 RMB'000</b>
Net profits/(losses) before taxation and extraordinary items	(9)	26
Net profits/(losses) after taxation and extraordinary items	(9)	20

The unaudited net assets value and total assets value of Ocean World as at 31 May 2011 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB502,000 and RMB828,000 respectively.

### ***Huandao Travel Agency***

Huandao Travel Agency is a limited liability company established in the PRC on 15 January 1996 with a registered capital of RMB5,750,000 (all of which has been paid up) as at the date hereof. The approved business scope of Huandao Travel Agency includes agency in transport, sightseeing, accommodation, food and beverage, shopping and entertainment; provision of guided tours, luggage and other related services; and handling immigration procedures on behalf of foreign tourists.

Based on financial information of Huandao Travel Agency prepared in accordance with accounting principles generally accepted in the PRC, the audited net profits/losses (both before and after taxation and extraordinary items) of Huandao Travel Agency for the two financial years ended 31 December 2010 are as follows:

	<b>Year ended 31 December 2009 RMB'000</b>	<b>Year ended 31 December 2010 RMB'000</b>
Net profits/(losses) before taxation and extraordinary items	(21)	246
Net profits/(losses) after taxation and extraordinary items	(21)	245

The unaudited net assets value and total assets value of Huandao Travel Agency as at 31 May 2011 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB7,763,000 and RMB10,857,000 respectively.

## *Huandao Gold*

Huandao Gold is a state-owned enterprise (全民所有制企業) established in the PRC on 13 March 1989 with a registered capital of RMB5,000,000 (all of which has been paid up) as at the date hereof. The approved business scope of Huandao Gold includes processing, retail, purchasing consignment of gold and silver jewellery, other jewellery, arts and crafts.

Based on financial information of Huandao Gold prepared in accordance with accounting principles generally accepted in the PRC, the audited net losses (both before and after taxation and extraordinary items) of Huandao Gold for the two financial years ended 31 December 2010 are as follows:

	<b>Year ended 31 December 2009 RMB'000</b>	<b>Year ended 31 December 2010 RMB'000</b>
Net profits/(losses) before taxation and extraordinary items	(124)	(127)
Net profits/(losses) after taxation and extraordinary items	(124)	(127)

The unaudited net assets value and total assets value of Huandao Gold as at 31 May 2011 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB1,400,000 and RMB1,878,000 respectively.

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

The principal activities of the Group are property development, property investment in industrial and logistic land resources development, coal trading and financial leasing.

Pursuant to the document “Certain Opinion of the State Council of the PRC on Promoting the Construction and Development of Hainan International Tourism Island” (國務院關於推進海南國際旅遊島建設發展的若干意見) issued in January 2010 by the State Council of the PRC, it has become a national strategy of the PRC government to develop Hainan Province into an international tourist attraction. The Directors expect that there will be enormous development opportunities in Hainan tourism. Under the leadership of Huandao Group and CCHG, the Travel Investment Companies have operated marine tourism business in Hainan Province for many years with extensive experience, established brand and network and abundant resources. With the above advantages, the Directors believe that the Acquisition would provide a new area for growth in the Group’s business and bring better returns to the Company and the Shareholders. In addition, the cashflow of the Group will not be adversely affected by issuing the Consideration Shares to CCHK pursuant to the Acquisition.

The Directors (excluding the independent non-executive Directors whose view will be formed after taking into account the advice of the independent financial adviser) believe that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

## **CHANGES IN SHAREHOLDING STRUCTURE**

The following table sets out (i) the existing shareholding structure of the Company; (ii) the shareholding structure of the Company immediately after the issue of the consideration Shares under the Second SP Agreement, details of which are disclosed in the circular of the Company dated 29 November 2008 (assuming the consideration payable by the Company under the Second SP Agreement is adjusted to its maximum extent); (iii) the shareholding structure of the Company immediately after the issue of the Consideration Shares (assuming there is no adjustment to the Consideration); (iv) the shareholding structure of the Company immediately after the issue of the Consideration Shares (assuming the Consideration is adjusted to its maximum extent (i.e. RMB288,200,000) in accordance with the Filed and Confirmed Price); and (v) the shareholding structure of the Company immediately after the issue of (aa) the consideration Shares under the Second SP Agreement (assuming the consideration under the Second SP Agreement is adjusted to its maximum extent) and (bb) the Consideration Shares (assuming the Consideration is adjusted to its maximum extent):

	(i)		(ii)		(iii)		(iv)		(v)	
	Existing shareholding		Immediately after issue of the consideration Shares under the Second SP Agreement (assuming the consideration under the Second SP Agreement is adjusted to its maximum extent)		Immediately after issue of the Consideration Shares under the Acquisition Agreement (assuming no adjustment of the Consideration)		Immediately after issue of the Consideration Shares under the Acquisition Agreement (assuming the Consideration is adjusted to its maximum extent)		Immediately after issue of (aa) the consideration Shares under the Second SP Agreement (assuming the consideration is adjusted to its maximum extent) and (bb) the Consideration Shares under the Acquisition Agreement (assuming the Consideration is adjusted to its maximum extent)	
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
<b>Substantial Shareholders</b>										
World Gain (Note 1)	2,286,343,570	54.78%	2,286,343,570	46.86%	2,286,343,570	47.17%	2,286,343,570	46.52%	2,286,343,570	40.68%
CCHK	0	0.00%	705,539,557	14.46%	673,741,293	13.90%	741,115,422	15.08%	1,446,654,979	25.74%
<b>Sub-total</b>	<b>2,286,343,570</b>	<b>54.78%</b>	<b>2,991,883,127</b>	<b>61.32%</b>	<b>2,960,084,863</b>	<b>61.07%</b>	<b>3,027,458,992</b>	<b>61.60%</b>	<b>3,732,998,549</b>	<b>66.42%</b>
<b>Directors</b>										
Zhang Guotong (Note 2)	365	0.00%	365	0.00%	365	0.00%	365	0.00%	365	0.00%
<b>Public</b>	<b>1,887,090,292</b>	<b>45.22%</b>	<b>1,887,090,292</b>	<b>38.68%</b>	<b>1,887,090,292</b>	<b>38.93%</b>	<b>1,887,090,292</b>	<b>38.40%</b>	<b>1,887,090,292</b>	<b>33.58%</b>
<b>Total</b>	<b>4,173,434,227</b>	<b>100.00%</b>	<b>4,878,973,784</b>	<b>100.00%</b>	<b>4,847,175,520</b>	<b>100.00%</b>	<b>4,914,549,649</b>	<b>100.00%</b>	<b>5,620,089,206</b>	<b>100.00%</b>

*Notes:*

1. The entire issued share capital of World Gain is beneficially owned by CCHK.
2. Mr. Zhang Guotong is an executive Director.
3. These Shares represent the consideration Shares which may be allotted and issued to CCHK, upon completion of the Second SP Agreement (as defined in the circular of the Company dated 29 November 2008, and assuming the consideration to be payable by the Company under the Second SP Agreement is adjusted to its maximum extent).



## **REQUIREMENTS OF THE LISTING RULES**

The transactions contemplated under the Acquisition Agreement constitutes a major acquisition for the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement and independent shareholders' approval requirements. The Acquisition will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

As at the date of this announcement, World Gain, a wholly-owned subsidiary of CCHK, owns approximately 54.78% of the entire issued share capital of the Company. World Gain, its associates and those who are involved or interested in the Acquisition are required to abstain from voting on the resolutions to approve the Acquisition Agreement.

## **GENERAL**

An independent board committee, comprising all independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Ba Shusong, who have no direct or indirect interest in the Acquisition, has been formed to advise the Independent Shareholders on the terms of the Acquisition. CIMB Securities (HK) Limited has been appointed as the independent financial adviser to advise the independent board committee on the terms of the Acquisition. Such appointment has been approved by the independent board committee.

A circular containing, among other things, information relating to the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder, a letter of advice from the independent financial adviser to advise the independent board committee and the Independent Shareholders, the recommendation of the independent board committee to the Independent Shareholders, together with a notice convening the EGM will be despatched to the Shareholders not later than 30 September 2011. The reason for requiring such period of time to despatch the circular is that it will allow sufficient time for, among others, finalisation of the accountants report on the Travel Investment Companies, preparation of the letter of advice from the independent financial adviser to the Independent Shareholders, preparation of the indebtedness statement and working capital forecast and other necessary financial information of the Group for inclusion in the circular, and further due diligence on the Travel Investment Companies. The Directors believe that this will ensure sufficient information to be provided to the Shareholders in relation to the Acquisition.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 27 July 2011 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 28 July 2011.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless otherwise as defined above or as the case may be, unless the context otherwise requires:

“Acquisition”	the transactions contemplated under the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 27 July 2011 and entered into between the Company, CCHK and CCHG in relation to the Acquisition by the Company of the entire issued share capital of BVI Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI Company”	a company to be incorporated in the British Virgin Islands prior to the completion of the Acquisition Agreement and to act as the holding company of HK Company
“CCHG”	China Chengtong Holdings Group Limited, the holding company of CCHK, is a state-owned enterprise established in the PRC and directly supervised and owned by the State-owned Assets Supervision and Administration Commission of the State Council on behalf of the Central People’s Government of the PRC
“CCHK”	China Chengtong Hong Kong Company Limited, the holding company of World Gain, a controlling Shareholder (as defined in the Listing Rules) of the Company
“Company”	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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration to be payable by the Company pursuant to the Acquisition Agreement (subject to adjustment)
“Consideration Shares”	the Shares to be allotted and issued, credited as fully paid, to CCHK upon completion of the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for the purposes of considering and, if thought fit, approving the Acquisition
“Group”	the Company and its subsidiaries from time to time
“HK Company”	a company to be incorporated in Hong Kong prior to the completion of the Acquisition Agreement and to act as the holding company of Travel Investment
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huandao Gold”	海南寰島金行 (unofficial translation as Hainan Huandao Gold Co.), a state-owned enterprise established in the PRC and is wholly-owned by Huandao Nanfang as at the date of this announcement
“Huandao Group”	中國寰島(集團)公司(unofficial translation as China Huandao (Group) Co.), a company established in the PRC and is wholly-owned by CCHG as at the date of this announcement
“Huandao Nanfang”	寰島南方實業發展有限公司 (unofficial translation as Huandao Nanfang Industrial Development Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Huandao Group as at the date of this announcement

“Huandao Travel Agency”	海南寰島國際旅行社有限公司 (unofficial translation as Hainan Huandao International Travel Agency Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Taide Hotel as at the date of this announcement
“Independent Shareholders”	Shareholders who are not involved or interested in the Acquisition
“Last Trading Day”	26 July 2011, being the last full trading day before the release of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Marine Use Right”	the marine use right (海域使用權) granted by relevant regulatory authority to Underwater World for use of the underwater district of 三亞珊瑚礁國家級保護區 (Sanya Coral Reefs National Reserve*), the validity period of which is to be renewed by Underwater World
“Ocean World”	陵水清水灣寰島海洋世界旅遊有限公司 (unofficial translation as Lingshui Clearwater Bay Huandao Ocean World Travel Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Underwater World Hotel as at the date of this announcement
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Second SP Agreement”	has the meaning as defined in the circular of the Company dated 29 November 2008
“Share(s)”	the share(s) of par value of HK\$0.10 each in the capital of the Company

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taide Hotel”	海南寰島泰得酒店物業管理有限公司 (unofficial translation as Hainan Huandao Taide Hotel Property Management Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Huandao Group as at the date of this announcement
“Travel Investment”	海南寰島酒店旅遊投資有限公司 (unofficial translation as Hainan Huandao Hotel Travel Investment Co., Ltd.), a limited liability company established in the PRC and is owned as to approximately 63.24% by CCHG and as to approximately 36.76% by Huandao Group (which is in turn wholly-owned by CCHG) as at the date of this announcement
“Travel Investment Companies”	collectively, Travel Investment, Huandao Travel Agency, Huandao Gold, Underwater World, Underwater World Hotel and Ocean World
“Underwater World”	海南亞龍灣海底世界旅遊有限公司 (unofficial translation as Hainan Yalong Bay Underwater World Travel Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Travel Investment as at the date of this announcement
“Underwater World Hotel”	海南寰島海底世界酒店有限公司 (unofficial translation as Hainan Huandao Underwater World Hotel Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Travel Investment as at the date of this announcement
“World Gain”	World Gain Holdings Limited, a controlling Shareholder (as defined in the Listing Rules) of the Company and a wholly-owned subsidiary of CCHK

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*Unless the context requires otherwise, translation of RMB into HK\$ are made, for illustration purpose only, at the rate of RMB1 = HK\$1.20. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at the above rate or at any rates or at all.*

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

Hong Kong, 27 July 2011

*As at the date of this announcement, the executive Directors are Mr. Zhang Guotong, Mr. Yuan Shaoli, Mr. Wang Hongxin and Mr. Wang Tianlin; and the independent non-executive Directors are Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Ba Shusong.*