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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 —

SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCT

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DEFINITIONS

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

“ABC”	Agricultural Bank of China Limited, a bank licensed and incorporated under the laws of the PRC
“Announcement”	the announcement of the Company dated 30 May 2013 in relation to the Subscription
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chengtong Industrial”	誠通實業投資有限公司 (unofficial English translation as Chengtong Industrial Investment Limited), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“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
“Controlling Shareholder”	World Gain Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which owned approximately 61.22% of the issued share capital of the Company as at the date of the Wealth Management Agreement and approximately 61.53% of the issued share capital of the Company as at the Latest Practicable Date
“Director(s)”	director(s) of the Company
“First Subscription”	the subscription by Chengtong Industrial of the wealth management product of the same type as the Wealth Management Product on 23 May 2013, details of which are set out in the Company’s announcement dated 23 May 2013
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its connected persons
“Latest Practicable Date”	19 December 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Wealth Management Product pursuant to the Wealth Management Agreement
“Wealth Management Agreement”	the wealth management product agreement entered into between Chengtong Industrial and ABC dated 30 May 2013, the principal terms of which are summarised in this circular
“Wealth Management Product”	the RMB wealth management product subscribed by Chengtong Industrial pursuant to the Wealth Management Agreement
“%”	per cent

In this circular (except for Appendix I), for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.256. 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.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.



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 Guotong (*Chairman*)

Yuan Shaoli (*Vice Chairman*)

Wang Hongxin (*Managing Director*)

Wang Tianlin

*Registered office and principal place of the
business in Hong Kong:*

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Central Plaza

18 Harbour Road

Wanchai, Hong Kong

Independent non-executive Directors:

Chang Qing

Lee Man Chun Tony

Chan Sheung Lai

24 December 2013

To the Shareholders

Dear Sir or Madam

MAJOR TRANSACTION —

SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCT

1. INTRODUCTION

Reference is made to the announcement of the Company dated 23 May 2013 in relation to the First Subscription and the Announcement.

On 30 May 2013, Chengtong Industrial, a wholly-owned subsidiary of the Company, subscribed for the Wealth Management Product at a price of RMB250 million (equivalent to HK\$314 million) pursuant to the Wealth Management Agreement by cash.

LETTER FROM THE BOARD

The Subscription will be aggregated with the First Subscription pursuant to Rule 14.22 of the Listing Rules, and will be treated as one transaction under Chapter 14 of the Listing Rules. As the relevant percentage ratios in respect of the Subscription, though calculated alone only exceed 5% but are less than 25%, when aggregated with the First Subscription, exceed 25% but are less than 100%, the Subscription constitutes a major transaction for the Company and is subject to the notification, announcement and the Shareholders' approval requirements under 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 Subscription, written Shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Controlling Shareholder, holding 2,963,626,119 issued Shares of, representing approximately 61.22% of the issued share capital of, the Company as at the date of the Wealth Management Agreement, has given its written approval in respect of the Subscription. Accordingly, no extraordinary general meeting of the Company will be convened for the purposes of approving the Subscription.

This circular is despatched to the Shareholders for information purposes only and contains, among other things, details of the Subscription and other financial information of the Group.

2. THE WEALTH MANAGEMENT AGREEMENT

The major terms and conditions of the Wealth Management Agreement are set out below:

Dates:

Date of the Wealth Management Agreement: 30 May 2013

Date of the Subscription: 30 May 2013

Parties:

- (1) ABC as the custody bank
- (2) Chengtong Industrial as the subscriber

ABC is a bank licensed and incorporated under the laws of the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, ABC and its ultimate beneficial owners are Independent Third Parties. The principal business of ABC is to provide corporate and personal, treasury operations, investment banking, asset management, trust and financial leasing and other financial services.

LETTER FROM THE BOARD

Principal amount:

RMB250 million (equivalent to HK\$314 million). The investment is made based on the face value of the principal amount.

Investment period:

From 30 May 2013 to 30 May 2014

Anticipated rate of net return:

Up to 4.5% per annum.

Anticipated investment profit:

The anticipated investment profit of the Wealth Management Product shall be calculated as follows:

Anticipated investment profit = principal amount x anticipated net rate of return x actual dates of investment / 365. The investment profit, if any, will be paid by ABC to Chengtong Industrial on a quarterly basis.

Custody fee:

The custody fee of the Wealth Management Product shall be calculated as follows:

Custody fee = principal amount x 0.02% x actual dates of investment / 365. The custody fee will be paid by Chengtong Industrial to ABC on a quarterly basis.

Wealth management consulting fee:

If the actual investment return of the Wealth Management Product does not reach 4.5% per annum, no wealth management consulting fee will be charged by ABC. However, if the investment return of the Wealth Management Product exceeds 4.5% per annum, the portion of the investment profit which exceeds the maximum rate of return will be charged as wealth management consulting fee by ABC.

LETTER FROM THE BOARD

Early termination of investment:

ABC may early terminate the investment in the Wealth Management Product in one of the following circumstances:

- (1) force majeure rendering the Wealth Management Product unable to continue to exist;
- (2) encountering volatile market conditions, abnormal risk events rendering net value of the Wealth Management Product substantially fluctuated or the safety of the Wealth Management Product severely affected;
- (3) dissolution, bankruptcy, withdrawal or revocation of business qualification of the investment management institution which causes it unable to perform relevant duties, rendering the Wealth Management Product unable to continue to exist;
- (4) the early termination of the Wealth Management Product as a result of the performance of any commitment by the relevant investment management institution or any third party using the investment in the Wealth Management Product in accordance with the relevant laws or agreement;
- (5) the enactment or change of laws, policies or regulations rendering the Wealth Management Product unable to continue to operate properly;
- (6) other circumstances as required by laws or regulatory bodies.

ABC shall notify Chengtong Industrial at least five working days prior to its early termination of the investment.

3. REASONS FOR AND BENEFITS OF THE WEALTH MANAGEMENT AGREEMENT

The Directors are of the view that the Subscription, which will be funded by the internal resources of Chengtong Industrial, provides Chengtong Industrial with a good investment opportunity to expand the investment portfolio with satisfactory return to the Group.

4. LISTING RULES IMPLICATIONS

The Subscription will be aggregated with the First Subscription pursuant to Rule 14.22 of the Listing Rules, and will be treated as one transaction under Chapter 14 of the Listing Rules. As the relevant percentage ratios in respect of the Subscription, though calculated alone only exceed 5% but are less than 25%, when aggregated with the First Subscription, exceed 25% but are less than 100%, the Subscription constitutes a major transaction for the Company and is subject to the notification, announcement and the Shareholders' approval requirements under 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 Subscription, written Shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Controlling Shareholder, holding 2,963,626,119 issued Shares of, representing approximately 61.22% of the issued share capital of, the Company as at the date of the Wealth Management Agreement, has given its written approval in respect of the Subscription. Accordingly, no extraordinary general meeting of the Company will be convened for the purposes of approving the Subscription.

5. INVESTMENT POLICY OF THE GROUP

The Group adopts a stringent investment policy in relation to the subscription of investment products and will consider the following factors before making subscription.

(1) Investment aim and purpose

The intention of the Group's subscribing for investment products is to maximise the use of its funds with the aim of obtaining satisfactory return. In the case of certain of the Company's subsidiaries that are principally engaged in bulk commodity trade, the subscription of investment products provides an additional function, that is to use the investment products as a collateral security for such subsidiaries to obtain letter of credit ("L/C") facilities from banks to assist their bulk commodity trade. As such, the Group puts the highest emphasis on the importance of investment safety and for that reason it mainly invests in investment products which are principal-guaranteed or with low risk exposures.

LETTER FROM THE BOARD

(2) Scope of investment products

Generally, the Group will only subscribe for investment products from reputable and sizeable banks in China, such as stated-owned banks and other joint-stock commercial banks, in order to minimise the exposure of investment risk. In addition, the Group will only subscribe for investment products, preferably of principal-guaranteed, with expected interest returns higher than that of ordinary bank deposits. The investment period is normally restricted to not more than one year in order to keep the Group with adequate cash flow for flexibility. Such selection criteria of investment products are in line with the Group's overall investment aim and purpose of emphasising on the investment safety.

(3) Risk assessment and internal control

The Group assesses investment products for subscription in the following aspects: the credibility of the issuing bank, its previous issuing records, the anticipated return etc. The relevant personnel who are in charge of the investment are required to follow certain internal assessment and approval procedure before executing the transactions. For each of the proposed subscription, they shall prepare a detailed investment proposal and report it to the internal control department of the Group and also to external legal advisers for evaluation and then to the relevant head of departments of the Group for approval.

The Group will continue to subscribe for new investment products if such investment products can provide good return to the Group and meet the Group's investment policy.

LETTER FROM THE BOARD

6. FURTHER INFORMATION OF THE INVESTMENT PRODUCTS OF THE GROUP

Below is the summary of the investment products (including the Wealth Management Product) subscribed by the Group from January 2013 and up to the Latest Practicable Date.

Category 1: Subscriptions of investment products that have been published by the Company (in chronological order)

	Date of subscription	Date of expiration	Issuing/agency bank	Principal amount	Anticipated rate of net return	Other terms
1.	25 February 2013	26 November 2013	OCBC Bank (China) Ltd.	RMB110 million	3.48%	Please refer to the announcement of the Company dated 22 February 2013 for details.
2.	11 March 2013	12 December 2013	OCBC Bank (China) Ltd.	RMB110 million	3.70%	Please refer to the announcement of the Company dated 12 March 2013 for details.
3.	15 May 2013	15 May 2014	Bank of Communications Co., Ltd.	RMB142 million	4.60%	Please refer to the announcement of the Company dated 14 May 2013 for details.
4.	23 May 2013	23 May 2014	ABC	RMB250 million	4.50%	Please refer to the announcement of the Company dated 23 May 2013 for details.
5.	30 May 2013	30 May 2014	ABC	RMB250 million	4.50%	Please refer to this circular for details.
6.	24 June 2013	26 July 2013	Woori Bank (China) Limited	RMB50 million	5.20%	Please refer to the announcement of the Company dated 30 July 2013 for details.
7.	30 July 2013	3 September 2013	Woori Bank (China) Limited	RMB100 million	5.70%	Please refer to the announcement of the Company dated 30 July 2013 for details.
8.	10 September 2013	11 October 2013	Woori Bank (China) Limited	RMB80 million	4.30%	Please refer to the announcement of the Company dated 10 September 2013 for details.
9.	23 October 2013	27 November 2013	China CITIC Bank Corporation Limited	RMB170 million	4.20%	Please refer to the announcement of the Company dated 22 October 2013 for details.

LETTER FROM THE BOARD

Category 2: Subscriptions of investment products that were not published by the Company (in chronological order)

Date of transaction	Date of expiration	Issuing/agency/ deposit bank	Subscription amount	Anticipated rate of net return	Composition of underlying assets	Fees charged by bank	Other terms	Type of transaction
1. 14 January 2013	9 January 2014	Bank of Ningbo Co., Ltd.	RMB300 million	4.70%	— debt instrument and cash (0-30%) — interbank assets, money market instruments and other debt instrument assets in compliance with regulatory requirements (70-100%)	If the investment return of the investment product exceeds the anticipated rate of net return, the portion of the investment return which exceeds the anticipated rate of net return will be charged as management fee by the bank	— Subscription amount and investment return to be paid upon expiry — no early redemption — the bank may choose to early terminate the investment product	The subscription on 14 January 2013 alone constituted a major transaction of the Company.
2. 16 January 2013	16 January 2014	Bank of Ningbo Co., Ltd.	RMB350 million	4.70%	Same as above	Same as above	Same as above	The subscription on 16 January 2013 alone constituted a major transaction of the Company. The subscriptions on 14 January 2013 and 16 January 2013 in aggregate still constituted a major transaction of the Company.
3. 27 March 2013	27 March 2014	Nanyang Commercial Bank (China) Limited.	RMB185.5 million	4.40%	— Foreign exchange derivatives	N/A	— Subscription amount and investment return to be paid upon expiry — no early redemption — neither party may early terminate the investment product	The subscription on 27 March 2013 alone constituted a discloseable transaction of the Company.
4. 8 April 2013	8 April 2014	PingAn Bank Co., Ltd.	RMB180 million	4.35%	— cash (0-20%) — money market instruments (20-100%) — debt instrument assets (0- 80%)	— sales commission 0-0.5% per annum — assets custodian fee 0-0.2% per annum — assets management fee 0-0.5% per annum — the portion of the investment return which exceeds the anticipated rate of net return (after deduction of relevant tax and fees) will be charged by the bank	— Subscription amount and investment return to be paid upon expiry — no early redemption — the bank may choose to early terminate the investment product	The subscription on 8 April 2013 alone constituted a discloseable transaction of the Company.

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	Date of transaction	Date of expiration	Issuing/agency/ deposit bank	Subscription amount	Anticipated rate of net return	Composition of underlying assets	Fees charged by bank	Other terms	Type of transaction
5.	11 April 2013	11 April 2014	PingAn Bank Co., Ltd.	RMB61 million	4.35%	Same as above	Same as above	Same as above	The subscription on 11 April 2013 alone constituted a discloseable transaction of the Company. The subscriptions on 8 April 2013 and 11 April 2013 in aggregate constituted a major transaction of the Company.
6.	15 April 2013	15 April 2014	PingAn Bank Co., Ltd.	RMB200 million	4.35%	Same as above	Same as above	Same as above	The subscription on 15 April 2013 alone constituted a discloseable transaction of the Company. The subscriptions on 8 April 2013, 11 April 2013 and 15 April 2013 in aggregate still constituted a major transaction of the Company.
7.	16 April 2013	14 April 2014	China Guangfa Bank Co., Ltd.	RMB100 million	4.40%	— linked with gold price	N/A	— Subscription amount and investment return to be paid upon expiry — no early redemption	The subscription on 16 April 2013 alone constituted a discloseable transaction of the Company.
8.	25 April 2013	23 April 2014	China Guangfa Bank Co., Ltd.	RMB189.01 million	4.40%	Same as above	Same as above	Same as above	The subscription on 25 April 2013 alone constituted a discloseable transaction of the Company. The subscriptions on 16 April 2013 and 25 April 2013 in aggregate constituted a major transaction of the Company.
9.	9 June 2013	20 June 2013	Bank of China Limited	RMB75 million	3.70%	— treasury bonds, central bank bills and other financial products that have "invest" or higher public rating (0-60%) — debt financing instruments of non-financial enterprises (0-60%) — interbank borrowing, bonds repurchase and other money market instruments (10-90%)	N/A	— Subscription amount and investment return to be paid upon expiry — no early redemption — the bank may choose to early terminate the investment product	The subscription on 9 June 2013 alone constituted a discloseable transaction of the Company.

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	Date of transaction	Date of expiration	Issuing/agency/ deposit bank	Subscription amount	Anticipated rate of net return	Composition of underlying assets	Fees charged by bank	Other terms	Type of transaction
10.	20 June 2013	10 July 2013	Bank of China Limited	RMB19 million	3.60%	Same as above	Same as above	Same as above	The subscription on 20 June 2013 alone did not constitute a notifiable transaction of the Company. The subscriptions on 9 June 2013 and 20 June 2013 in aggregate still constituted a discloseable transaction of the Company.
11.	26 June 2013	11 July 2013	PingAn Bank Co., Ltd.	RMB50 million	4.55%	— cash (0-20%) — money market instruments (30-100%) — debt assets (0-80%)	— sales commission 0-0.5% per annum — assets management fee 0-0.5% per annum — the portion of the investment return which exceeds the anticipated rate of net return (after deduction of relevant tax and fees) will be charged by the bank	— Subscription amount and investment return to be paid upon expiry — no early redemption — the bank may choose to early terminate the investment product	The subscription on 26 June 2013 did not constitute a notifiable transaction of the Company.
12.	10 July 2013	12 August 2013	Bank of China Limited	RMB19 million	3.30%	Same as the subscription on 9 June 2013	Same as the subscription on 9 June 2013	Same as the subscription on 9 June 2013	The subscription on 10 July 2013 alone did not constitute a notifiable transaction of the Company. The subscriptions on 9 June 2013, 20 June 2013 and 10 July 2013 in aggregate still constituted a discloseable transaction of the Company.
13.	29 November 2013	27 December 2013	ABC	RMB50 million	4.30% or 2.60% depending on the market condition	— principal part invested in interbank deposit and borrowing; interest part invested in foreign currency option (100%)	— management fee 0.3% per annum	— Subscription amount and investment return to be paid upon expiry — no early redemption — the bank may choose to early terminate the investment product	The subscription on 29 November 2013 alone did not constitute a notifiable transaction of the Company.

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	Date of transaction	Date of expiration	Issuing/agency/ deposit bank	Subscription amount	Anticipated rate of net return	Composition of underlying assets	Fees charged by bank	Other terms	Type of transaction
14.	10 December 2013	12 March 2014	Bank of China Limited	RMB5 million	4.30%	Same as the subscription on 9 June 2013	Same as the subscription on 9 June 2013	Same as the subscription on 9 June 2013	The subscription on 10 December 2013 alone did not constitute a notifiable transaction of the Company. The subscriptions on 9 June 2013, 20 June 2013, 10 July 2013 and 10 December 2013 in aggregate still constituted a discloseable transaction of the Company.
15.	13 December 2013	20 December 2013	Bank of Communications Co., Ltd.	RMB20million	2.10%	— fixed income instruments (0-50%) — money market instruments (40-100%) — other (up to 30%)	— assets custodian fee 0.05% per annum — the portion of the investment return which exceeds the anticipated rate of net return (after deduction of relevant fees) will be charged as management fee by the bank	— the bank may choose to early terminate the investment product	The subscription on 13 December 2013 alone did not constitute a notifiable transaction of the Company.

The anticipated rate of net return of each of the investment products is advised by the respective banks. As at the Latest Practicable Date, all the above investment products are yet to expire, except (in chronological order) (i) the one subscribed from OCBC Bank (China) Ltd on 25 February 2013 which recorded a realised rate of net return at 3.48%; (ii) the one subscribed from OCBC Bank (China) Ltd on 11 March 2013 which recorded a realised rate of net return at 3.70%; (iii) the one subscribed from Bank of China Limited on 9 June 2013 which recorded a realised rate of net return at 3.70%; (iv) the one subscribed from Bank of China Limited on 20 June 2013 which recorded a realised rate of net return at 3.60%; (v) the one subscribed from Woori Bank (China) Limited on 24 June 2013 which recorded a realised rate of net return at 5.20%; (vi) the one subscribed from PingAn Bank Co., Ltd. on 26 June 2013 which recorded a realised rate of net return at 4.55%; (vii) the one subscribed from Bank of China Limited on 10 July 2013 which recorded a realised rate of net return at 3.30%; (viii) the one subscribed from Woori Bank (China) Limited on 30 July 2013 which recorded a realised rate of net return at 5.70%; (ix) the one subscribed from Woori Bank (China) Limited on 10 September 2013 which recorded a realised rate of net return at 4.30%; and (x) the one subscribed from China CITIC Bank Corporation Limited on 23 October 2013 which recorded a realised rate of net return at 4.20%.

All the subscriptions of the investment products were funded by internal resources of the Group.

The Board admits that the Company failed to comply with the relevant disclosure requirements under the Listing Rules in relation to the subscriptions under category 2 above (save for (i) the ones subscribed from Bank of China Limited on 20 June, 10 July and 10 December 2013; and (ii) the one subscribed from Bank of Communications Co., Ltd. on 13 December 2013 which are not subject to the relevant disclosure requirements under the Listing Rules). Please refer to the announcement of the Company dated 22 December 2013 for details.

LETTER FROM THE BOARD

7. FURTHER INFORMATION OF THE GROUP'S ENTRUSTED LOANS

(A) Current portfolio

Below is a summary of the Group's current portfolio of entrusted loans as at the Latest Practicable Date.

Borrower	Lending agent	Principal amount	Term	Interest rate	Security
黃氏控股集團有限公司 (unofficial English translation being Huang Holding Group Co., Ltd.)	Bank of Communications Co., Ltd. (交通銀行股份有限公司), Qingdao branch, the lending agent of the Entrusted Loan	RMB170 million	From 18 June 2013 to 30 June 2014	14%	(i) two joint liability personal guarantees from two individuals who are spouse and who are collectively the ultimate controllers of the borrower; (ii) a joint liability guarantee from a subsidiary of the borrower; and (iii) a charge over a piece of land located in Taizhou City, Zhejiang Province owned by one of the shareholders of the borrower
長興萬山世瓏置業有限公司 (unofficial English translation being Changxing Wanshan Shi Hu Properties Co., Ltd.)	Bank of Communications Co., Ltd. (交通銀行股份有限公司), Qingdao branch	RMB30 million	From 8 July 2013 to 6 March 2014	13%	(i) a joint liability personal guarantee from an individual shareholder and a corporate shareholder of the borrower and (ii) a charge over certain land and buildings
長興萬山世瓏置業有限公司 (unofficial English translation being Changxing Wanshan Shi Hu Properties Co., Ltd.)	Bank of Communications Co., Ltd. (交通銀行股份有限公司), Qingdao branch	RMB20 million	From 18 June 2013 to 30 June 2014	13%	(i) a joint liability personal guarantee from an individual shareholder and a corporate shareholder of the borrower and (ii) a charge over certain land and buildings
北京新世紀金悅酒店管理 有限公司 (unofficial English translation being Beijing New Century Jin Yue Hotel Management Co., Ltd.)	Bank of Communications Co., Ltd. (交通銀行股份有限公司), Qingdao branch	RMB195 million (of which RMB100 million has been early repaid on 4 November 2013)	From 23 April 2013 to 31 May 2014	14%	(i) a joint liability personal guarantee from an individual who is the controlling shareholder of the borrower; (ii) a joint liability guarantee from a company owned by the relatives of the controlling shareholder of the borrower; (iii) charges over certain residential and commercial units located in Beijing and Hainan and a piece of land located in Beijing; and (iv) a pledge over the entire equity interest in a company which owns part of the aforesaid land and buildings

LETTER FROM THE BOARD

Borrower	Lending agent	Principal amount	Term	Interest rate	Security
天行九州控股有限公司 (unofficial translation being Tianxing Jiuzhou Holdings Limited)	Industrial Bank Co., Ltd. (興業銀行), Cangzhou branch	RMB55 million	From 26 June 2013 to 25 December 2013	12%	(i) a joint liability personal guarantee from an individual shareholder (ii) a charge over certain land and buildings
湖北正誠裝飾工程有限公司 (unofficial translation being Hubei Zhengcheng Ornamental Engineering Limited)	Industrial Bank Co., Ltd. (興業銀行), Cangzhou branch	RMB10 million	From 27 September 2013 to 26 September 2014	12%	(i) a joint liability personal guarantee from an individual shareholder (ii) two charges over certain buildings

(B) Analysis of risks in association with entrusted loans

i) Risk on changes in policy

Some of the borrowers or guarantors of the loans and/or the source of repayment of the loan are from or related to PRC real estate industry. The PRC real estate industry has the characteristics of capital-intensive and high-risk. In the event that the PRC real estate industry is adversely affected by the macroeconomic control by PRC government on the real estate industry, the repayment ability of the borrowers or the guarantors may be adversely affected.

ii) Risk on decrease in value of the collaterals

All of the entrusted loans are secured by charge over land or buildings in the PRC. In the event that the PRC real estate industry is adversely affected by the macroeconomic control by PRC government on the real estate industry, the value of the collaterals obtained by the Group may not be able to cover the full amount of the loan.

iii) Risk on foreclosing mortgaged properties which are subject to some special foreclosure procedures under the PRC laws

There is no assurance that the Group is able to foreclose the mortgaged properties when the borrower is in default of its obligations under the relevant loan arrangement as there are special foreclosure procedures under the PRC laws.

LETTER FROM THE BOARD

(C) Risk management

The management of the Group and the Board have considered and evaluated the following factors before entering into an entrusted loan arrangement:

i) Value of the charged assets

The Group usually appoints independent valuer to assess the value of the properties that will be the subject of the collateral security. The maximum principal amount of the loan will normally be not more than 50% of the appraised value of the charged assets.

ii) Choice of charged assets

The Group will only accept real properties and/or shares of companies holding real properties as security for the entrusted loan. The Group will also undertake business due diligence on the assets to be subject to charge so as to ascertain the liquidity of the assets.

iii) Source of funding of repayment

The Group will evaluate whether the borrower or the guarantor will have adequate and stable source of income for the repayment of the entrusted loan.

iv) Financial strength of the borrowers and the guarantors

The Group will review the financial information of the borrower and the corporate guarantors so as to assess:

- whether their business operation is healthy;
- whether the cashflow is strong;
- whether the income source is stable; and
- whether there is any prior record of default in repayment of bank loan.

v) Risks in association with the realisation of the charged assets when default

The Group will conduct legal due diligence on the title of the charged assets so as to ascertain whether there is any legal restriction on the realisation of the charged assets when default.

LETTER FROM THE BOARD

(D) Continuing monitoring measures

The Group has established a series of measures to monitor the credit risk and interest risk associated with the entrusted loans:

i) Before the entrusted loan arrangement

- Before entering into any entrusted loan arrangement, the management of the Group and the Board will consider and evaluate the credit risks, details of which are set out in the paragraph headed “Risk management” above.
- The manager-in-charge of the entrusted loan business will then conduct a thorough due diligence on potential entrusted loan projects. Such due diligence work includes the obtaining of the detailed materials and information on the borrower (business licence, constitutional documents, audited accounts, corporate structure etc.), the assets to be subject to charge (certificates of legal title, valuation report (if available) etc.) and the guarantor (in case of individuals, copy of identity card, resume, authorisation letter authorising the Group to conduct credit check etc.; in case of corporations, business licence, constitutional documents, audited accounts etc.).
- The manager-in-charge will also conduct on-site due diligence in order to check the truthfulness of the documents provided by the borrower, in particular, the actual conditions of the assets to be subject to charge.
- Thereafter, the management will prepare a detailed proposal setting out the proposed terms of the entrusted loan, the background of the borrowers and guarantors, the financial performance of the borrowers and the corporate guarantors in the past three years and the details of (including the preliminary valuation of) the properties to be subject to charge. The proposal, together with the draft agreements, will be submitted to the Board for approval.
- After the project together with the relevant draft agreements is approved by the Board, the Group will arrange signing of the relevant agreements, registering of the charge at the relevant authority and obtaining of the documents pertaining to the charge.

LETTER FROM THE BOARD

ii) *After the entrusted loan arrangement*

- File management: The manager-in-charge shall establish a file for each entrusted loan project, containing all related agreements. The manager-in-charge shall create an electronic ledger for the project, so as to monitor the date of payment of interest and repayment of loan.
- Principal and interest collections and prior notification: 10 days before the due date for payment, the manager-in-charge will notify the entrusted bank and the finance department of the borrower. 3 days before the due date for payment, the manager-in-charge will check with the entrusted bank whether the balance of the borrower in the entrusted bank is sufficient for the payment. If it is not sufficient, the manager-in-charge will notify the head of the finance department of the borrower and report to the management of the Group. On the due day for payment, the finance department and the operation department of the Group will check whether payment has been made by the borrower.
- Client management: In order to monitor the solvency of the borrower, the manager-in-charge and the staff of the entrusted bank shall periodically visit the borrower and the charged properties and check the financial information of the borrower at least quarterly. If there is any abnormal change, the manager-in-charge shall report to the management of the Group.
- Abnormal situations: When there is any abnormal change occurs, the risk management department and the legal department of the Group and the manager-in-charge will form an emergency team. The emergency team will work with the entrusted bank to design an appropriate solution, such as issuing written demand letter and legal letter to the borrower.

(E) Future intention

After considering the cashflow and funding requirements of the Group's ordinary business, if the Group has idle funds, the Group will consider making further entrusted loan arrangement.

As at the Latest Practicable Date, there had not occurred any default of payment in any of the Group's entrusted loans.

8. FURTHER INFORMATION OF THE GROUP'S BULK COMMODITY TRADE BUSINESS

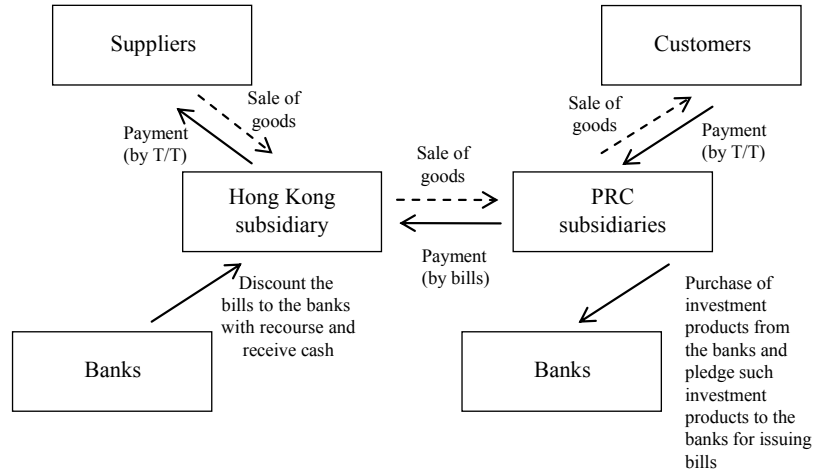
Bulk commodity trade has become one of the Group's principal businesses since November 2011. The Group sources commodity in bulk volume from suppliers and sell to customers.

When the Group purchases commodity from its suppliers, it will negotiate with the suppliers on the price and payment terms. Usually, the purchase price of commodity is fixed by making references to prices of the commodity quoted on commodity exchange. In some cases, the suppliers will charge a higher price than the quoted price if the payment is made by long term L/C (say 360 days L/C). Similarly, when the Group sells commodity to its customers, it will also negotiate with the customers on the price and payment terms. Usually, the selling price of commodity is also fixed by making references to prices of the commodity quoted on commodity exchange. To control the credit risk of the Group, the Group usually requests payment from its customers by L/C from major PRC banks or by T/T against delivery or only allows a short credit period for its customers.

On the other hand, the Group's payment terms with its suppliers vary from case to case, depending on the Group's cashflow requirements, handling charges and interest rates of banks. In general, the Group will pay its suppliers by way of T/T against delivery, D/P or long term L/C (say 360 days or 365 days L/C). For the banks issuing L/C for the Group, the banks will require pledge of deposits or investment products of the Group. The Group will consider a number of factors (including the interests rate of placing deposits at bank, the return rates offered by the banks for the investment products) when determining the collaterals to be given in connection with issuing L/C.

LETTER FROM THE BOARD

In some cases (see the chart below), the Group's Hong Kong subsidiary will purchase bulk commodities from suppliers and sell these to the Group's PRC subsidiaries. Then the PRC subsidiaries of the Group will resell the commodities to the customers. For these transactions, the PRC subsidiaries of the Group (which the bank has granted with facility for issuing L/C) will settle the intra-group trade debts to the Hong Kong subsidiary of the Group by issuing 365 days L/C from PRC banks and the Hong Kong subsidiary of the Group will then discount the L/C with the banks in Hong Kong to obtain financing to make payment to the suppliers, which in most cases, by way of T/T.



9. FURTHER INFORMATION OF THE GROUP'S OUTSTANDING BORROWINGS

Most of the Group's bank borrowings as at 31 October 2013 are discounted bills with recourse which arose in connection with the bulk commodity trade business of the Group when the Group discounted the bills (mostly L/C) for making payments to its suppliers. According to the interim report of the Company for the six months ended 30 June 2013, discounted bills with recourse are interest bearing at fixed rate with a range from 0.90% to 3.80% per annum. Comparing to such interest rate, the anticipated net return of the investment products, ranging from 3.48% to 5.20%, is higher. Therefore, the Group has utilised the funds received from its customers during the commodity trade business to purchase the investment products which could generate a higher return. The Directors considered that the above arrangement would be a better utilisation of funds and could create a higher return to the Group as a whole. Therefore, the Directors consider that it is in the best interest of the Company and the Shareholders.

LETTER FROM THE BOARD

10. GENERAL

The principal activities of the Group are bulk commodity trading, trading of coal, hotel and marine travelling services, property development, property investment in industrial and logistic land resources development and financial leasing.

11. RECOMMENDATION

The Directors are of the view that the terms of the Wealth Management Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. If a general meeting were to be convened for the approval of the Wealth Management Agreement, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Wealth Management Agreement at such general meeting.

12. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
China Chengtong Development Group Limited
Wang Hongxin
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three financial years ended 31 December 2010, 2011 and 2012 have been set out in the Company's annual reports for the three financial years ended 31 December 2010, 2011 and 2012.

All annual reports of the Company have been posted on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.irasia.com/listco/hk/chengtong).

2. INDEBTEDNESS

As at the close of business on 31 October 2013, being the latest practicable date for the purpose of this indebtedness statement, the Group had indebtedness as follows:

Borrowings:

	<i>Notes</i>	<i>HK\$'000</i>
Discounted bills with recourse	(a)	9,658,985
Short-term bank loans	(b)	1,688,048
Other loan	(c)	600
Loan notes	(d)	276,320
Corporate bonds	(e)	751,198
		12,375,151
		12,375,151

- (a) short-term bank borrowings in relation to discounted bills with recourse of approximately HK\$9,658,985,000, which were secured by the accepted L/C discounted to banks;
- (b) short-term bank loans of approximately HK\$1,688,048,000, which were secured by bank deposits;
- (c) unsecured other loan of HK\$600,000, which was interest-free and repayable on demand;
- (d) unsecured loan notes of approximately HK\$276,320,000, which comprised interest bearing loan notes of approximately HK\$138,160,000 at 2.65% per annum with maturity on 26 November 2013 and interest bearing loan notes of approximately HK\$138,160,000 at 2.90% per annum with maturity on 12 December 2013; and
- (e) corporate bonds at carrying amount of approximately HK\$751,198,000, which were interest bearing at 4.5% per annum and will mature on 19 May 2014.

Guarantees:

As at 31 October 2013, the Group had contingent liabilities in relation to guarantees of approximately HK\$86,777,000 given to banks in respect of mortgage loans granted to buyers of certain property units.

As at 31 October 2013, the Company provided corporate guarantees amounted to HK\$5,767,017,000 to the banks in respect of the banking facilities granted to a subsidiary of the Group in relation to the discounted bills with recourse and loan notes.

For the purpose of compiling this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange at the close of business on 31 October 2013.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 October 2013 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

Taking into account the financial resources available to the Group and in the absence of unforeseen circumstances, and also taking into account the effect of the Subscription, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for at least twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**Bulk Commodity Trade and Trading of Coal**

The United States, as the biggest export destination of China, continues a slow economic recovery while China's economy has bottomed out. However, the market is still haunted by uncertainties from Europe, Japan, etc. 2013 is a hopeful year for the global economy to shrug off the financial crisis, although it is also a year full of uncertainties. Such macroeconomic factors have mixed impact on the bulk commodity trading business of the Group. The liberalisation of interest rates in the PRC will be accelerated, and the ups and downs of the exchange rate will be frequently seen. As such, the entire bulk commodity market, including the nonferrous metal market, will continue to decline before edging up and stabilizing. In 2013, the Group will shape a profitmaking model with its own features which will focus more on risk control, and continue to expand its bulk commodity trading business. The further expansion of bulk commodity trading business will also enlarge and consolidate the Group's client base in mining field, which will help the Group to further expand into the upstream field of mineral resources.

In 2013, the Group will continue to press ahead its expansion into the upstream field of mineral resources, mainly through merger and acquisition of the established enterprises with appropriate size as well as strategic investment in world-class mining projects. Base metals such as copper, aluminum, lead, zinc, nickel and tin as well as coal will be our major investment targets. The mining industry has been struggling amidst the turbulent and uncertain market conditions in recent years. However, the current stagnant trend in the industry has offered favourable opportunities and more choices for the Group to access the mineral resources field. In the long run, the fundamentals of the resources industry are still optimistic as huge demand for mineral resources is still expected from the developing countries. Only those companies that invest today will reap huge rewards in the future.

Bulk commodity trading and mining development and investment will become the major drivers of the Group to develop into a comprehensive trader of bulk commodity and energy. The synergy effect from these two businesses will enhance the Group's ability to withstand risks in the commodity fields, level the intense cyclical nature of the commodity sector and enhance its comprehensive profitability in the commodity realm.

In line with the above strategies, on 18 June 2013, the Group through China Chengtong Coal Investment Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Alpha Duo International Limited and England Astringent Investment Holdings Company Ltd as vendors, 李丹丹 (Ms. Li, Dawn) as guarantor and Alpha Fortune Industrial Limited (“**Alpha Fortune**”) and 國際西南煤業投資控股有限公司 (unofficial translation as International Southwest Coal Investment Holdings Company Limited) (“**International Southwest**”) as target companies, in relation to the acquisition of a total of 85% of the entire issued share capital of Alpha Fortune at the aggregate consideration RMB448,600,000. Alpha Fortune holds 60% of the issued share capital of International Southwest, which is the sole legal and beneficial owner of 100% equity interest in 廣西合山煤業有限責任公司 (unofficial translation as Guangxi Heshan Coal Company Limited) (“**Heshan Coal**”). Heshan Coal holds a number of subsidiaries and branches engaging in, amongst others, exploration and mining of coal resources at certain coal mines in the PRC. Further details of the acquisition are set out in the Company's announcement dated 24 June 2013.

Property Development and Property Investment

The Group currently has two property development projects. The project of CCT-Champs-Elysees Phase I is located in Zhucheng City, Shandong Province, the PRC which has been fully completed. The Group is now undergoing the construction work in respect of the three buildings in section II of CCT-Champs-Elysees Phase II.

The Group's other property development project is “Chengtong International City” which is located in Dafeng City, Jiangsu Province, the PRC. In December 2012, the Group obtained the planning permit for section II of the initial development area of “Chengtong International City” and the construction work has been officially commenced in 2013.

Financial Leasing

In the first half of 2013, the Group recorded both turnover and gross profit in respect of its financial leasing business both of approximately HK\$0.77 million. The Group will consider entering into new financial leasing transactions if there are suitable opportunities.

Land Resources Development

In December 2012, the Group entered into an agreement with Changzhou Land Reserve Centre to dispose of the land in Changzhou, together with the buildings erected thereon, for a consideration of RMB149.99 million. The completion of such disposal has taken place on 30 November 2013.

Hospitality and Marine Travel Services

In December 2012, the Group completed the acquisition of travel business in Hainan Island which will become one of the major business areas of the Group in the future. Hainan International Tourism Island, as a major strategic deployment of the State Council, has been a tourist honeypot in China in recent years, and its tourism market has maintained sustainable growth. Compared with other world-class island leisure and holiday resorts, great development potential could be expected of the tourism projects and service functions in Hainan Island. The Group boasts its unique competitive advantages in respect of maritime tourism in Hainan Island. The Group will continuously expand its business in Hainan through investment in new projects and merger and acquisition of enterprises, aiming to make it an important profit generator of the Group.

5. MATERIAL ADVERSE CHANGE

As disclosed in the interim results announcement of the Company dated 30 August 2013, the Group recorded loss attributable to the Shareholders of approximately HK\$58.26 million for the six months ended 30 June 2013, as compared with profit attributable to the Shareholders of approximately HK\$19.32 million for the same period last year, which was mainly attributable to the segment loss from bulk commodity trade business.

Save as disclosed above, the Directors were not aware of any other material adverse change in the financial or trading position of the Group since 31 December 2012 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

6. EFFECT OF THE SUBSCRIPTION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The Wealth Management Product is recorded as short-term investments under current assets of the Group. The Subscription will increase the short-term investments of the Group and will decrease the bank balances and cash of the Group. The investment return of the Wealth Management Product will be recorded as other income of the Group.

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. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director in the Shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required 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 in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of the Directors	Nature of interest	Number of Shares	Approximate percentage of interest
Yuan Shaoli	Beneficial owner	300,000	0.0062%
Wang Hongxin	Beneficial owner	600,000	0.0124%
Wang Tianlin	Beneficial owner	400,000	0.0083%

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

- (c) Mr. Zhang Guotong and Mr. Yuan Shaoli are directors of World Gain Holdings Limited, being the Controlling Shareholder, and Mr. Yuan Shaoli and Mr. Wang Hongxin are directors of China Chengtong Hong Kong Company Limited, which is the controlling shareholder of World Gain Holdings Limited. World Gain Holdings Limited and China Chengtong Hong Kong Company Limited have an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (d) As at the Latest Practicable Date,
- (i) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited accounts of the Group were made up; and
 - (ii) none of the Directors was materially interested in contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

3. DIRECTORS' SERVICE CONTRACTS

Each of the Directors has a service contract with the Company which is to expire or terminate within one year without payment of compensation other than statutory compensation.

4. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Company or its subsidiaries during the period commencing two years preceding the date of this circular and are or may be material:

- (a) the entrusted loan agreement dated 8 December 2011 entered into between 誠通融資租賃有限公司 (unofficial English translation as Chengtong Financial Leasing Company Limited) (“**Chengtong Financial Leasing**”), a wholly-owned subsidiary of the Company as lender, China Minsheng Banking Corp., Ltd. as agent and 北京銀信興業房地產開發有限公司 (unofficial English translation as Beijing Yinxin Xingye Real Estates Development Co., Ltd.) (“**Beijing Yinxin**”) as borrower related to an entrusted loan in the amount of RMB100,000,000, details of which are set out in the Company’s announcement dated 8 December 2011;
- (b) the conditional sale and purchase agreement dated 19 December 2011 entered into between the Company and Wantong Enterprise Investment Co. Ltd. in relation to the disposal of 12 issued shares of US\$1 of Chengtong Enterprises Investment Limited (“**Chengtong Enterprises**”) and 12% of the shareholder’s loan owed by Chengtong Enterprises at the consideration of RMB51,542,923.63, details of which are set out in the Company’s announcement dated 20 December 2011;

- (c) the termination agreement dated 19 January 2012 entered into between Chengtong Financial Leasing and Beijing Yinxin in relation to the termination of the entrusted loan agreement dated 8 December 2011 as disclosed in item (a) above, details of which are set out in the Company's announcement dated 19 January 2012;
- (d) the entrusted loan master agreement dated 30 March 2012 entered into between Chengtong Financial Leasing and 交通銀行股份有限公司 (unofficial English translation as Bank of Communications Co., Ltd.) ("**BOCOM**"); and the single entrusted loan agreement dated 30 March 2012 entered into between Chengtong Financial Leasing, BOCOM and 桂林誠通置業管理有限公司 (unofficial English translation as Guilin Chengtong Estates Management Limited) ("**Guilin Chengtong**"), all related to the provision of an entrusted loan in the amount of RMB40,000,000 by Chengtong Financial Leasing, through BOCOM, to Guilin Chengtong, details of which are set out in the Company's announcement dated 1 April 2012;
- (e) the finance lease agreement dated 30 March 2012 entered into between Chengtong Financial Leasing and 河南省中聯玻璃有限責任公司 (unofficial English translation as Henan Province Zhong Lian Glass Company Limited) related to certain glass making equipment for a term of five years at the lease price of approximately RMB110.8 million; and the factoring agreement as well as the mortgage agreement both dated 30 March 2012 entered into between Chengtong Financial Leasing and BOCOM, related to the same glass making equipment under the finance lease agreement at the consideration of approximately RMB95.6 million, details of which are set out in the Company's announcement dated 1 April 2012;
- (f) the entrusted loan agreement dated 23 April 2012 entered into between Chengtong Financial Leasing as lender, BOCOM as agent and 北京西海龍湖置業有限公司 (unofficial English translation as Beijing West Sea Dragon Lake Properties Limited) ("**Beijing West Sea**") as borrower related to an entrusted loan in the amount of RMB70,000,000, details of which are set out in the Company's announcement dated 23 April 2012;
- (g) the entrusted loan agreement dated 23 April 2012 entered into between 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 ("**Chengtong DT**") and 深圳發展銀行股份有限公司 (unofficial English translation as Shenzhen Development Bank Co., Ltd.) ("**SZ Development Bank**"); and the loan agreement dated 23 April 2012 entered into between SZ Development Bank and 北京新世紀金悅酒店管理有限公司 (unofficial English translation as Beijing New Century Jin Yue Hotel Management Co., Ltd.) ("**Beijing New Century**"), both related to an entrusted loan in the amount of RMB200,000,000, details of which are set out in the Company's circular dated 29 June 2012;
- (h) the RMB entrusted loan agreement dated 10 May 2012 and its supplemental agreement dated 10 May 2012 entered into between Chengtong DT, 上海銀行股份有限公司 (unofficial English translation as Bank of Shanghai Co., Ltd.) and 好一家(上海)投資發展有限公司 (unofficial English translation as Hao Yi Jia (Shanghai) Investment Development Co., Ltd.) in relation to an entrusted loan in the amount of RMB200,000,000, details of which are set out in the Company's circular dated 29 June 2012;

- (i) the second supplemental agreement dated 29 June 2012 entered into between the Company, CCHK and CCHG to extend the long stop date of the Original Acquisition Agreement from 30 June 2012 to 30 September 2012 (or such later date as the parties to this supplemental agreement may agree in writing), details of which are set out in the Company's announcement dated 29 June 2012;
- (j) the framework agreement ("**Framework Agreement**") dated 13 August 2012 entered into between China Chengtong Coal Investment Limited ("**Chengtong Coal**"), a wholly-owned subsidiary of the Company, as purchaser, Alpha Duo International Limited ("**Alpha Duo**") and 李丹丹 (Ms. Li, Dawn) ("**Ms. Li**") as vendors, Alpha Fortune Industrial Limited ("**Alpha Fortune**") and 國際西南煤業投資控股有限公司 (unofficial translation as International Southwest Coal Investment Holdings Company Limited) ("**International Southwest**") as target companies, in relation to the acquisition of a total of 82% of the entire issued share capital of Alpha Fortune at the aggregate consideration RMB615,000,000, details of which are set out in the Company's announcement dated 21 August 2012;
- (k) the equity pledge agreement dated 13 August 2012 entered into between International Southwest as pledgor, Chengtong Coal as pledgee, and 廣西合山煤業有限責任公司 (Guangxi Heshan Coal Company Limited) ("**Coal Mine Company**") in relation to the pledge of 49% of the equity interest of the Coal Mine Company by International Southwest in favour of Chengtong Coal;
- (l) the guarantee dated 13 August 2012 given by International Southwest as guarantor in favour of Chengtong Coal pursuant to which International Southwest has agreed to provide a joint and several guarantee in favour of Chengtong Coal in relation to the obligations under the Framework Agreement and all other related documents regarding the transfer of interest in Alpha Fortune;
- (m) the third supplemental agreement to the Original Acquisition Agreement dated 28 September 2012 entered into between the Company, CCHK and CCHG to extend the long stop date from 30 September 2012 to 31 December 2012 (or such later date as the parties to this supplemental agreement may agree in writing), details of which are set out in the Company's announcement dated 28 September 2012;
- (n) the entrusted loan agreement dated 31 October 2012 entered into between Chengtong Financial Leasing as lender, BOCOM as agent and 北京億城房地產開發有限公司 (unofficial English translation as Beijing Yeland Real Estate Development Co., Ltd.) as borrower in relation to the entrusted loan in the amount of RMB70,000,000, details of which are set out in the Company's announcement dated 31 October 2012;
- (o) the agreement dated 6 December 2012 entered into between Chengtong Industrial and 中國物資儲運總公司瀋陽虎石台一庫 (unofficial English translation as China National Materials Storage and Transportation Corporation - Shenyang Hushitai 1st Storage) ("**CMST**") in relation to the return of a piece of land and the buildings and fixtures constructed thereon and certain other assets and the payment of RMB2,400,000 as compensation fee by CMST to Chengtong Industrial on or before 31 December, details of which are set out in the Company's announcement dated 6 December 2012;

- (p) the disposal agreement dated 10 December 2012 entered into between Chengtong Industrial and 常州市土地收購儲備中心 (unofficial English translation as Changzhou Land Reserve Centre) in relation to the disposal of a piece of land together with the buildings and other immovable fixed assets attached thereto located in Changzhou City, Jiangsu Province, the PRC for a consideration of RMB149,993,000, details of which are set out in the Company's announcement dated 10 December 2012;
- (q) the multi-currency note deed poll dated 22 February 2013 executed by Chengtong Development International Trading Limited in favour of Overseas-Chinese Banking Corporation Limited in connection with the issue of multi-currency loan notes of up to an aggregate amount of RMB1,000,000,000;
- (r) the subscription agreement dated 22 February 2013 entered into between 杭州瑞能金屬材料有限公司 (unofficial English translation as Hangzhou Regal Metal Material Co., Ltd.), a 55% indirectly owned subsidiary of the Company ("**Hangzhou Regal**") and OCBC Bank (China) Ltd. in relation to the subscription of the investment product at a price of RMB110,000,000, details of which are set out in the Company's announcement dated 22 February 2013;
- (s) the cancellation agreement dated 28 February 2013 entered into between the Company and Wantong Enterprise Investment Co. Ltd. in relation to the termination of the conditional sale and purchase agreement dated 19 December 2011 made between the parties, details of which are set out in the Company's announcement dated 28 February 2013;
- (t) the subscription agreement dated 11 March 2013 entered into between Hangzhou Regal and OCBC Bank (China) Ltd. in relation to the subscription of the investment product at a price of RMB110,000,000, details of which are set out in the Company's announcement dated 12 March 2013;
- (u) the entrusted loan agreement dated 23 April 2013 entered into between Chengtong Financial Leasing as lender, BOCOM as agent and Beijing New Century as borrower in relation to the entrusted loan in the amount of RMB195,000,000, details of which are set out in the Company's announcement dated 23 April 2013;
- (v) the loan agreement dated 8 May 2013 entered into between Chengtong Industrial as lender, and 中國寰島(集團)公司 (unofficial English translation as China Huandao Group Co.), a wholly-owned subsidiary of CCHG as borrower in relation to the loan in the amount of RMB40,000,000, details of which are set out in the Company's announcement dated 8 May 2013;
- (w) the subscription agreement dated 14 May 2013 entered into between Hangzhou Regal and BOCOM in relation to the subscription of investment product issued by BOCOM at a price of RMB142,000,000, details of which are set out in the Company's announcement dated 14 May 2013;

- (x) the wealth management agreement dated 20 May 2013 in relation to the First Subscription, details of which are set out in the Company's announcement dated 23 May 2013;
- (y) the Wealth Management Agreement;
- (z) the entrusted loan agreement dated 14 June 2013 entered into between Chengtong DT as lender, BOCOM as agent and 黃氏控股集團有限公司 (unofficial English translation as Huang Holding Group Co., Ltd.) as borrower in relation to the entrusted loan in the amount of RMB170,000,000, details of which are set out in the Company's announcement dated 14 June 2013;
- (aa) the sale and purchase agreement dated 18 June 2013 ("**Coal SP Agreement**") entered into between Chengtong Coal as purchaser, Alpha Duo and England Astringent Investment Holdings Company Ltd. as vendors, Ms. Li as guarantor and Alpha Fortune and International Southwest as target companies, in relation to the acquisition of a total of 85% of the entire issued share capital of Alpha Fortune at the aggregate consideration RMB448,600,000, details of which are set out in the Company's announcement dated 24 June 2013;
- (bb) the wealth management agreement dated 30 July 2013 entered into between Chengtong DT as subscriber and Woori Bank (China) Limited as issuer in relation to the subscription of the wealth management product at a price of RMB100 million, details of which are set out in the Company's announcement dated 30 July 2013;
- (cc) the wealth management agreement dated 10 September 2013 entered into between Chengtong DT as subscriber and Woori Bank (China) Limited as issuer in relation to the subscription of the wealth management product at a price of RMB80 million, details of which are set out in the Company's announcement dated 10 September 2013;
- (dd) the investment agreement dated 22 October 2013 entered into between Chengtong DT as subscriber and China CITIC Bank Corporation Limited as custody bank in relation to the subscription of the investment product at a price of RMB170 million, details of which are set out in the Company's announcement dated 22 October 2013; and
- (ee) the supplemental agreement to the Coal SP Agreement dated 31 October 2013 entered into between the parties to the Coal SP Agreement, details of which are set out in the Company's announcement dated 31 October 2013.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. MISCELLANEOUS

- (1) The registered and head office of the Company is located at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (2) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (3) The company secretary of the Company is Ms. Cheng Ka Wai, a practising solicitor in Hong Kong.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 17 January 2014:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and
- (c) the annual reports of the Company for the two years ended 31 December 2011 and 2012.