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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 –
DISPOSAL OF CT INT’L TRADING INTEREST AND
HZ RUINENG INTEREST**

A letter from the board of directors of the Company is set out from pages 1 to 11 of this circular.

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DEFINITIONS

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

“Bidding Period”	the period during which the qualified bidders might offer their bid price in relation to the intended purchase of the CT Int'l Trading Interest and HZ Ruineng Interest
“Board”	the board of Directors of the Company
“Business Day(s)”	a day on which licensed banks in the PRC are open for business
“CAA”	北京中同華資產評估有限公司 (China Alliance Appraisal Co., Ltd.), a qualified independent valuer in the PRC
“CBEX”	北京產權交易所 (China Beijing Equity Exchange), an institution authorised by the State-owned Assets Supervision and Administration Commission to transact assets and equity of State-owned enterprises under the central government of the PRC
“CCHG”	China Chengtong Holdings Group Limited, a company incorporated in the PRC and the holding company of China Chengtong Hong Kong Company Limited, which in turn is the holding company of World Gain Holdings Limited, a controlling shareholder of the Company
“Chengtong Coal”	China Chengtong Coal Investment Limited (中國誠通煤業投資有限公司), a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“Coal Mine Company”	廣西合山煤業有限責任公司 (unofficial English translation being Guangxi Heshan Coal Company Limited), a company established in the PRC
“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 and the Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CT Asset Transaction Agreement”	the asset transaction agreement (產權交易合同) dated 18 December 2014 entered into between the Company and Mr. Zhu in relation to the disposal of the CT Int’l Trading Interest
“CT Completion”	the completion of the disposal of the CT Int’l Trading Interest by the Company to Mr. Zhu pursuant to the CT Asset Transaction Agreement
“CT Consideration”	RMB7,821,000 (equivalent to approximately HK\$9,854,460) out of the Final Consideration which is allocated in respect of the disposal of the CT Int’l Trading Interest
“CT Development Trading”	誠通發展貿易有限公司 (unofficial English translation being Chengtong Development Trading Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“CT Int’l Trading”	Chengtong Development International Trading Limited (誠通發展國際貿易有限公司), a company incorporated in Hong Kong with limited liability and a 55% owned subsidiary of the Company before the CT Completion
“CT Int’l Trading Interest”	the 55% equity interest held by the Company in CT Int’l Trading before the CT Completion
“CT Minimum Consideration”	the minimum consideration of RMB7,821,000 (equivalent to approximately HK\$9,854,460), i.e. the initial bidding price, for the disposal of the CT Int’l Trading Interest as stated in the Listing-for-Sale Notices
“Director(s)”	the director(s) of the Company
“Disposals”	the disposals of the CT Int’l Trading Interest and the HZ Ruineng Interest, directly or indirectly, by the Company to Mr. Zhu pursuant to the CT Asset Transaction Agreement and the HZ Asset Transaction Agreement respectively
“Final Consideration”	RMB28,741,000 (equivalent to approximately HK\$36,213,660), being the final combined bid price offered by Mr. Zhu as the successful bidder of the Listing-for-Sale

DEFINITIONS

“Group”	the Company and its subsidiaries as at the Latest Practicable Date
“HK\$”	the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HZ Asset Transaction Agreement”	the asset transaction agreement (產權交易合同) dated 18 December 2014 entered into between CT Development Trading and Mr. Zhu in relation to the disposal of the HZ Ruineng Interest
“HZ Completion”	the completion of the disposal of the HZ Ruineng Interest by CT Development Trading to Mr. Zhu pursuant to the HZ Asset Transaction Agreement
“HZ Consideration”	RMB20,920,000 (equivalent to approximately HK\$26,359,200) out of the Final Consideration which is allocated in respect of the disposal of the HZ Ruineng Interest
“HZ Minimum Consideration”	the minimum consideration of RMB20,920,000 (equivalent to approximately HK\$26,359,200), i.e. the initial bidding price, for the disposal of the HZ Ruineng Interest as stated in the Listing-for-Sale Notices
“HZ Ruineng”	杭州瑞能金屬材料有限公司 (unofficial English translation being Hangzhou Ruineng Metals Company Limited), a company incorporated in the PRC with limited liability and a 55% owned indirect subsidiary of the Company before the HZ Completion
“HZ Ruineng Interest”	the 55% equity interest indirectly held by CT Development Trading in HZ Ruineng before the HZ Completion
“International Southwest”	International Southwest Coal Investment Holdings Company Limited (國際西南煤業投資控股有限公司), a company incorporated in Hong Kong with limited liability
“Independent Third Party”	third party independent of the Company and connected persons of the Company
“Latest Practicable Date”	18 December 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“Listing-for-Sale”	the listing-for-sale (掛牌出讓) process carried out through CBEX for the disposal of the CT Int’l Trading Interest and the HZ Ruineng Interest
“Listing-for-Sale Notices”	the notices (產權轉讓公告) in respect of the Listing-for-Sale
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mosway”	Mosway Group Limited, a limited liability company incorporated in the British Virgin Islands and a wholly owned subsidiary of CCHG
“Mr. Zhu”	朱偉平 (Zhu Weiping), who is a PRC citizen
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Publication Period”	the period during which the information of the Disposals was disclosed to the public on the website of CBEX and in the newspapers
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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.

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.26. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.



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:

Yuan Shaoli (*Chairman*)

Wang Hongxin (*Managing Director*)

Wang Tianlin

Zhang Bin

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

Suite 6406, 64th Floor

Central Plaza

18 Harbour Road

Wanchai, Hong Kong

Independent non-executive Directors:

Chang Qing

Lee Man Chun, Tony

Chan Sheung Lai

23 December 2014

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION –
DISPOSAL OF CT INT’L TRADING INTEREST AND
HZ RUINENG INTEREST**

INTRODUCTION

Reference is made to the announcement of the Company dated 11 November 2014 in which the Board announced that the Company would dispose of the CT Int’l Trading Interest and would, through its indirect wholly-owned subsidiary, CT Development Trading, dispose of the HZ Ruineng Interest, both by way of a listing-for-sale through CBEX which is an approved equity exchange in accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets. Reference is also made to the announcement of the Company dated 18 December 2014 in which the Board announced, (i) the result of the Listing-for-Sale; (ii) the Final Consideration; and (iii) the entering into of the CT Asset Transaction Agreement and the HZ Asset Transaction Agreement.

The purpose of this circular is to provide you with, among other things, (i) information on the Disposals; and (ii) other information required under the Listing Rules.

LETTER FROM THE BOARD

BACKGROUND AND PROCESS OF THE DISPOSALS

In accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets, subject to the completion of the Disposals taking place, the Company has disposed of the CT Int'l Trading Interest and has, through its indirect wholly-owned subsidiary, CT Development Trading, disposed of the HZ Ruineng Interest, both by way of a listing-for-sale through an approved equity exchange. The Disposals were carried out through CBEX.

The minority shareholder of each of CT Int'l Trading and HZ Ruineng has given up its pre-emptive right in relation to the CT Int'l Trading Interest and the HZ Ruineng Interest.

The Listing-for-Sale process commenced on 12 November 2014 and the Group had submitted to CBEX the Listing-for-Sale Notices setting out, among others, (i) the initial bidding price for the disposal of the CT Int'l Trading Interest and the HZ Ruineng Interest, (ii) the major terms for the disposal of the CT Int'l Trading Interest and the HZ Ruineng Interest, and (iii) qualifications required for potential bidders.

MAJOR TERMS AND PROCEDURES OF THE LISTING-FOR-SALE

(a) Qualifications of the potential bidders:

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

- (i) a potential bidder must be an enterprise duly incorporated and validly existing or a natural person with full capacity for civil conduct;
- (ii) a potential bidder and its ultimate beneficial owner(s) must be a third party independent of the transferors (being the Company and CT Development Trading), the target companies (being CT Int'l Trading and HZ Ruineng) and their respective connected persons;
- (iii) a potential bidder, once identified as the successful bidder, shall accept the transfer of both the CT Int'l Trading Interest and the HZ Ruineng Interest simultaneously;
- (iv) a potential bidder shall be in a good financial condition and shall have the ability to repay its debts; it shall have commercial reputation and shall pay the final consideration in one go in the event that it is identified as the successful bidder; and
- (v) joint bidders will not be accepted.

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

After the Listing-for-Sale Notices are submitted to CBEX, the Publication Period is open for 20 Business Days from the date of the Listing-for-Sale Notices and shall end on 9 December 2014. During the Publication Period, interested bidders may indicate their interest in purchasing the CT Int'l Trading Interest and the HZ Ruineng Interest by submitting an application to CBEX, which will then determine whether they can be registered as qualified bidders.

LETTER FROM THE BOARD

The qualified bidders may offer their bid price through the designated online system of CBEX during the Bidding Period. The Bidding Period comprises: (i) a free bidding period which starts from the commencement date of the Publication Period and will last for 25 Business Days; and (ii) a limited-time bidding period (every 5 minutes as a cycle which will start afresh when a higher effective bid price is offered) which will commence immediately after the end of the free bidding period. The free bidding period should end on 16 December 2014 while the limited-time bidding period should end at the conclusion of the cycle in which a qualified bidder offers the highest effective bid price. The qualified bidder who offers the highest effective bid price at the end of the limited-time bidding period will be the successful bidder and the CBEX will notify the Group the identity of the successful bidder.

Within 10 Business Days from the date when the successful bidder is identified, the successful bidder shall enter into (i) a sale and purchase agreement with the Company in relation to the disposal of the CT Int'l Trading Interest and (ii) a sale and purchase agreement with CT Development Trading in relation to the disposal of the HZ Ruineng Interest.

(c) Consideration:

The CT Minimum Consideration is RMB7,821,000 (equivalent to approximately HK\$9,854,460) and the HZ Minimum Consideration is RMB20,920,000 (equivalent to approximately HK\$26,359,200).

It is a term in the Listing-for-Sale Notices that the potential bidder, once identified as the successful bidder, shall accept the transfer of both the CT Int'l Trading Interest and the HZ Ruineng Interest simultaneously. As the CT Int'l Trading Interest and the HZ Ruineng Interest will be transferred to one single successful bidder eventually, the potential bidders shall offer a combined bid price for both the CT Int'l Trading Interest and the HZ Ruineng Interest during the Bidding Period. The final combined consideration will then be allocated to the respective transferor in the same proportion as each of the CT Minimum Consideration and the HZ Minimum Consideration bears to the total minimum consideration for the Disposals.

The final consideration for the CT Int'l Trading Interest and HZ Ruineng Interest will depend on the final bid price offered by the successful bidder, but will in any event be no less than the aggregate sum of the CT Minimum Consideration and HZ Minimum Consideration.

The CT Minimum Consideration and the HZ Minimum Consideration are determined after having taken into account a number of factors, including, among others, the respective valuation results in respect of the CT Int'l Trading Interest and the HZ Ruineng Interest as at 31 May 2014 prepared by a qualified independent valuer, CAA. The Directors consider that each of the CT Minimum Consideration and the HZ Minimum Consideration is fair and reasonable.

LETTER FROM THE BOARD

Potential bidder(s) are required to pay an earnest money in the sum of RMB390,000 (equivalent to approximately HK\$491,400) and RMB1,050,000 (equivalent to approximately HK\$1,323,000) at the time of making the application to take part in the Listing-for-Sale in relation to the CT Int'l Trading Interest and the HZ Ruineng Interest respectively. The earnest money paid by the successful bidder will be applied towards settling part of the consideration for the CT Int'l Trading Interest and the HZ Ruineng Interest. The balance of the consideration shall be paid by cash by the successful bidder within 5 Business Days after the effective date of the respective sale and purchase agreement to be signed between the Group and the successful bidder in relation to the CT Int'l Trading Interest and the HZ Ruineng Interest. The earnest money paid by the unsuccessful bidder(s) will be refunded in full to the unsuccessful bidder(s).

(d) Other conditions:

The successful bidder will accept the transfer of the CT Int'l Trading Interest and the HZ Ruineng Interest on an as-is basis and will take up all liabilities associated with any existing operational risks and legal risks pertaining to the CT Int'l Trading Interest and the HZ Ruineng Interest.

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

RESULTS OF THE LISTING-FOR-SALE

The Bidding Period of the Listing-for-Sale ended on 17 December 2014 and CBEX has notified the Group that Mr. Zhu is the successful bidder for both the CT Int'l Trading Interest and the HZ Ruineng Interest.

On 18 December 2014, (i) the Company and Mr. Zhu entered into the CT Asset Transaction Agreement in relation to the disposal of the CT Int'l Trading Interest, and (ii) CT Development Trading and Mr. Zhu entered into the HZ Asset Transaction Agreement in relation to the disposal of the HZ Ruineng Interest.

(a) CT Asset Transaction Agreement

The major terms of the CT Asset Transaction Agreement are summarised below:

Parties:

Vendor: the Company

Purchaser: Mr. Zhu

LETTER FROM THE BOARD

Mr. Zhu is a PRC citizen. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Mr. Zhu is a third party independent of the Company, CT Int'l Trading and their respective connected persons.

Subject matter:

The Company has agreed to sell and Mr. Zhu has agreed to purchase the CT Int'l Trading Interest for the CT Consideration. Immediately upon the CT Completion, the Company will cease to hold any interest in CT Int'l Trading and hence CT Int'l Trading will cease to be a subsidiary of the Company.

Consideration:

The CT Consideration is RMB7,821,000 (equivalent to approximately HK\$9,854,460), which is the same as the CT Minimum Consideration.

The earnest money in the sum of RMB390,000 (equivalent to approximately HK\$491,400) in relation to the CT Int'l Trading Interest paid by Mr. Zhu at the time of making the application to take part in the Listing-for-Sale will be applied towards settling part of the CT Consideration. The balance of the CT Consideration will be paid by Mr. Zhu in cash within 5 Business Days after the signing of the CT Asset Transaction Agreement.

Completion:

Within 10 Business Days from the date when CBEX issues the evidence of property transaction (產權交易憑證), the Company and Mr. Zhu will sign the relevant instrument of transfer and the bought and sold notes (collectively the "**Transfer Instruments**") and the Company will procure CT Int'l Trading to convene a meeting of its board of directors to approve, subject to the Transfer Instruments being properly stamped and presented to the board of directors, the share transfer and other related matters.

The CT Completion will be regarded as taking place on the date when the Transfer Instruments are signed and when the board of directors of CT Int'l Trading approves the share transfer.

Others:

The profit or loss of CT Int'l Trading during the period from the valuation date (being 31 May 2014) up to the date of the CT Completion will be borne by the Company in proportion to its shareholding percentage in CT Int'l Trading before the CT Completion.

LETTER FROM THE BOARD

(b) HZ Asset Transaction Agreement

The major terms of the HZ Asset Transaction Agreement are summarised below:

Parties:

Vendor: CT Development Trading

Purchaser: Mr. Zhu

Mr. Zhu is a PRC citizen. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Mr. Zhu is a third party independent of the Company, CT Development Trading, HZ Ruineng and their respective connected persons.

Subject matter:

CT Development Trading has agreed to sell and Mr. Zhu has agreed to purchase the HZ Ruineng Interest for the HZ Consideration. Immediately upon the HZ Completion, CT Development Trading will cease to hold any interest in HZ Ruineng and hence HZ Ruineng will cease to be an indirect subsidiary of the Company.

Consideration:

The HZ Consideration is RMB20,920,000 (equivalent to approximately HK\$26,359,200), which is the same as the HZ Minimum Consideration.

The earnest money in the sum of RMB1,050,000 (equivalent to approximately HK\$1,323,000) in relation to the HZ Ruineng Interest paid by Mr. Zhu at the time of making the application to take part in the Listing-for-Sale will be applied towards settling part of the HZ Consideration. The balance of the HZ Consideration will be paid by Mr. Zhu in cash within 5 Business Days after the signing of the HZ Asset Transaction Agreement.

Completion:

Within 10 Business Days from the date when CBEX issues the evidence of property transaction (產權交易憑證), CT Development Trading will procure HZ Ruineng (i) to convene a meeting of its board of directors and/or shareholders' meeting to approve the equity transfer and amend its articles of association; and (ii) to carry out the registration procedures of the change of shareholding at the relevant PRC registration authority.

The HZ Completion will be regarded as taking place on the date when the relevant PRC registration authority has completed the registration of the change of shareholding in HZ Ruineng and issued a new business license to HZ Ruineng.

LETTER FROM THE BOARD

Others:

The profit or loss of HZ Ruineng during the period from the valuation date (being 31 May 2014) up to the date of the HZ Completion will be borne by CT Development Trading in proportion to its shareholding percentage in HZ Ruineng before the HZ Completion.

REASONS FOR AND BENEFITS OF THE DISPOSALS

Immediately before completion of the Disposals, each of CT Int'l Trading and HZ Ruineng was a 55% owned subsidiary of the Company. They were principally engaged in the bulk commodity trading business in the past.

As disclosed in the announcement of the Company dated 11 February 2014, the Group and the joint venture partners of CT Int'l Trading and HZ Ruineng have agreed to cease to carry out new bulk commodity trade business through CT Int'l Trading and HZ Ruineng because the Group could not reach a consensus with the joint venture partners on the operation model and risk control measures of the bulk commodity trade business.

Since the Group will no longer carry out new bulk commodity trade business through CT Int'l Trading and HZ Ruineng and with a view to streamlining the group structure, the Group has decided to dispose of its entire equity interest in both CT Int'l Trading and HZ Ruineng by way of the Listing-for-Sale in the PRC.

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

FINANCIAL EFFECTS OF THE DISPOSALS

Immediately upon completion of the Disposals, the Group will cease to hold any interest in CT Int'l Trading and HZ Ruineng. Both CT Int'l Trading and HZ Ruineng will then cease to be subsidiaries of the Company.

Both CT Int'l Trading and HZ Ruineng have ceased to carry out bulk commodity trade business in early 2014. Due to the cessation of new bulk commodity trade business of CT Int'l Trading and HZ Ruineng in 2014, the Group has recorded a substantial decrease of 94% in external sales of its bulk commodity trade business for the six months ended 30 June 2014 as compared with that for the same period of 2013. In this regard, CT Int'l Trading and HZ Ruineng no longer account for a considerable part of the Group's principal business and as such, the Disposals would not have substantial impact on the Group.

LETTER FROM THE BOARD

The Group intends to use the net proceeds from the Disposals as working capital. The gain expected to accrue to the Company from the Disposals (before deducting relevant expenses payable by the Company in respect of the Disposals) is approximately RMB25.05 million (equivalent to approximately HK\$31.56 million), being the aggregate of:

- (i) approximately RMB22.54 million (equivalent to approximately HK\$28.40 million), representing the balance of the CT Consideration after deducting (a) the unaudited net liability of CT Int'l Trading attributable to the CT Int'l Trading Interest as at 31 October 2014; and (b) the release of exchange reserve reclassified from other comprehensive income to profit or loss as at 31 October 2014; and
- (ii) approximately RMB2.51 million (equivalent to approximately HK\$3.16 million), representing the balance of the HZ Consideration after deducting (a) the unaudited net asset of HZ Ruineng attributable to the HZ Ruineng Interest as at 31 October 2014; (b) the estimated amount of taxes payable by the Company in respect of the disposal of the HZ Ruineng Interest; and (c) the release of exchange deficit reclassified from other comprehensive income to profit or loss as at 31 October 2014.

The final amount of gain or loss from the Disposals is subject to audit.

INFORMATION ON CT INT'L TRADING, HZ RUINENG AND THE GROUP

Information on CT Int'l Trading

CT Int'l Trading is a company incorporated in Hong Kong on 21 September 2011. Immediately before the CT Completion, its issued share capital is HK\$500 which is held as to 55% by the Company and as to 45% by Sky Land Enterprises Limited, a limited liability company incorporated in the British Virgin Islands. CT Int'l Trading was previously principally engaged in the business of bulk commodity trade.

The valuation of the net asset of CT Int'l Trading as at 31 May 2014 and the valuation attributable to the CT Int'l Trading Interest, as prepared by CAA by adopting the asset-based approach, were approximately RMB14.22 million (equivalent to approximately HK\$17.92 million) and approximately RMB7.82 million (equivalent to approximately HK\$9.85 million) respectively. A summary of the valuation report prepared by CAA on CT Int'l Trading is set out in Appendix II to this circular.

As at 31 October 2014, the unaudited net liability of CT Int'l Trading (calculated according to the generally accepted accounting principles in Hong Kong) and the unaudited net liability of CT Int'l Trading attributable to the CT Int'l Trading Interest were approximately RMB21.95 million (equivalent to approximately HK\$27.66 million) and approximately RMB12.07 million (equivalent to approximately HK\$15.21 million) respectively.

LETTER FROM THE BOARD

The difference of RMB19.89 million (equivalent to approximately HK\$25.06 million) between the valuation of the net assets attributable to the CT Int'l Trading Interest as at 31 May 2014 of RMB7.82 million (equivalent to approximately HK\$9.85 million) and the unaudited net liability of CT Int'l Trading attributable to the CT Int'l Trading Interest as at 31 October 2014 of RMB12.07 million (equivalent to approximately HK\$15.21 million) was mainly attributable to the decrease in assets due to the administrative expenses and finance costs incurred during the period from June 2014 to October 2014.

Further unaudited financial information of CT Int'l Trading is set out in the table below (prepared under the generally accepted accounting principles in Hong Kong):

Unit: RMB'000

	For the year ended 31 December 2013	For the year ended 31 December 2012
Net profit (before taxation)	37,586	72,770
Net profit (after taxation)	32,033	60,762

Information on HZ Ruineng

HZ Ruineng is a company incorporated in the PRC on 21 December 2011. Immediately before the HZ Completion, its registered capital is RMB50 million which is held as to 55% by CT Development Trading, an indirect wholly-owned subsidiary of the Company, and as to 45% by 杭州善翔金屬材料有限公司 (unofficial English translation being Hangzhou Shan Xiang Metals Company Limited), a company incorporated in the PRC. HZ Ruineng was previously principally engaged in the business of bulk commodity trade.

The valuation of the net asset of HZ Ruineng as at 31 May 2014 and the valuation attributable to the HZ Ruineng Interest, as prepared by CAA by adopting the asset-based approach, were approximately RMB38.04 million (equivalent to approximately HK\$47.93 million) and approximately RMB20.92 million (equivalent to approximately HK\$26.36 million) respectively. A summary of the valuation report prepared by CAA on HZ Ruineng is set out in Appendix II to this circular.

As at 31 October 2014, the unaudited net asset of HZ Ruineng (calculated according to the generally accepted accounting principles in Hong Kong) and the unaudited net asset of HZ Ruineng attributable to the HZ Ruineng Interest were approximately RMB31.56 million (equivalent to approximately HK\$39.77 million) and approximately RMB17.36 million (equivalent to approximately HK\$21.87 million) respectively.

The difference of RMB3.56 million (equivalent to approximately HK\$4.49 million) between the valuation of the net assets attributable to the HZ Ruineng Interest as at 31 May 2014 of RMB20.92 million (equivalent to approximately HK\$26.36 million) and the unaudited net assets of HZ Ruineng attributable to the HZ Ruineng Interest as at 31 October 2014 of RMB17.36 million (equivalent to approximately HK\$21.87 million) was mainly attributable to the decrease in assets due to the administrative expenses and PRC Enterprise Income Tax incurred during the period from June 2014 to October 2014.

LETTER FROM THE BOARD

Further unaudited financial information of HZ Ruineng is set out in the table below (prepared under the generally accepted accounting principles in Hong Kong):

Unit: RMB'000

	For the year ended 31 December 2013	For the year ended 31 December 2012
Net profit (before taxation)	14,787	1,286
Net (loss)/profit (after taxation)	(2,750)	955

Information on the Group

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

LISTING RULES IMPLICATIONS

Given that the successful bidder will acquire both the CT Int'l Trading Interest and the HZ Ruineng Interest simultaneously, the disposal of the CT Int'l Trading Interest and the disposal of the HZ Ruineng Interest are aggregated as if they were one transaction for the purpose of the Listing Rules.

Other than the revenue ratio which exceeds 100%, both the assets ratio and the profits ratio under Chapter 14 of the Listing Rules in relation to the Disposals exceed 25% but are below 75%. The Company sought and obtained confirmation from the Stock Exchange that the Company may disregard the revenue ratio, as well as the profits ratio, for the Disposals as the figures used in calculating the profits ratio and the revenue ratio are those of the financial year ended 31 December 2013 which do not truly reflect the current financial and operational status of CT Int'l Trading and HZ Ruineng and the impact to the Group as a result of the Disposals since both CT Int'l Trading and HZ Ruineng had ceased to carry out bulk commodity trade business in early 2014. Accordingly, the Disposals constitute a major transaction for the Company and are, therefore, subject to notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Mr. Zhu is a third party independent of the Company, CT Development Trading, CT Int'l Trading, HZ Ruineng and their respective connected persons. Therefore, the Disposals do not constitute a connected transaction of the Company.

LETTER FROM THE BOARD

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

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

RECOMMENDATION

The Directors are of the view that the major terms of the Disposals 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 Disposals, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Disposals at such general meeting.

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 2013 have been set out in page 26 to 85 in the Company's annual report for the year ended 31 December 2011, page 25 to 96 in the Company's annual report for the year ended 31 December 2012 and page 28 to 100 in the Company's annual report for the year ended 31 December 2013.

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

2. INDEBTEDNESS

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding borrowings and guarantees as follows:

Borrowings:

	<i>Notes</i>	<i>HK\$'000</i>
Discounted bills with recourse	(a)	1,965,832
Other loan	(b)	600
Corporate bonds	(c)	719,354
		2,685,786
		2,685,786

Notes:

- (a) Short-term bank borrowings in relation to discounted bills with recourse of approximately HK\$1,965,832,000, which were secured by the accepted letters of credit discounted to banks.
- (b) Unsecured other loan of HK\$600,000, which was interest-free and repayable on demand.
- (c) Corporate bonds at carrying amount of approximately HK\$719,354,000, which were interest bearing at 4.0% per annum, will mature on 9 May 2017 and guaranteed by an irrevocable standby letter of credit denominated in RMB issued by Agricultural Bank of China Limited, Beijing Branch.

Guarantees:

As at 31 October 2014, the Group had contingent liabilities in relation to guarantees of approximately HK\$131,209,000 given to banks in respect of mortgage loans granted to buyers of certain property units.

As at 31 October 2014, the Company provided corporate guarantees amounted to HK\$4,242,494,000 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 2014.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables and bills arising in the ordinary course of business, the Group did not have outstanding at the close of business on 31 October 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances 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, 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

It is expected that in 2014, the world economy will remain in a period of adjustment and the economic growth in emerging markets will slow down, while China is expected to sustain fast economic growth, thus bringing moderate room of expansion for various businesses of the Group. However, the management still anticipates the year 2014 to be a year full of challenges for the Group.

Bulk Commodity Trade

In 2014, the Group has fine-tuned the operation mode and improved the risk management system of bulk commodity trade carried out through the wholly-owned subsidiaries of the Group. In view of the slim profit margin contributed from bulk commodity trade, the Group has commenced to reduce the transactions of bulk commodity trade in the fourth quarter of 2014.

Hospitality and Marine Travel Services

As for marine travelling services and hotel business in Huandao Yalongwan (寰島亞龍灣), the Group will actively seek new shoreline resources in Hainan and other coastal areas while maintaining a good level of profitability, and strive to replicate the existing business model, cultivate new profit growth point and build up sustainable development model. In respect of the existing hotels in Sanya, the Group investigated the feasibility of reconstructing and repositioning of such hotels to bring into full play the value and profitability of the scarce land resources where those hotels are located, and thus achieve the linkage between land and water projects and create even greater value.

Property Investment and Property Development

In the aspect of property investment, the Group's overall strategy is to speed up its disposal and realise gains from land appreciation, so as to enrich the Company's cash reserves and reduce the administrative radius. For land assets in Shenyang and Dafeng of Jiangsu, it is expected the Company will complete the disposal of certain industrial and business lands in Dafeng and the disposal of all lands in Shenyang in 2014. In the aspect of property development, the Company will continue to carry forward and complete the development of CCT-Champs-Elysees project in Zhucheng of Shandong. As regards the project of "Chengtong International City" in Dafeng of Jiangsu, the Company will continue to promote its development in a prudent manner considering the immature nature of the local regional markets.

Financial Leasing

The Group restarted the finance leasing business and enhanced the business development efforts in the first half of 2014. The restart of the business was mainly due to the consideration that financial leasing business has good development prospects in China and that the large logistics infrastructure and equipment within the system of the Group has created stable internal demand for leasing market. The business is expected to achieve rapid development if the Group can give full play to the capital advantages of Hong Kong's financial markets and seize both the internal and external market opportunities.

Trading of coal

In the aspect of trading of coal, since the trend of coal price is still in a downward situation, the Group did not enter into new business contracts in the first half of 2014 so as to further observe the changes in the market. Meanwhile, the Group plans to turn its center of coal trading business from east China to the south China with a hope to bring into better play the market exploration capability and experience of the Group's coal trading teams. In October 2014, the Group resumed the coal trading business and it is expected that the coal trading business will continue in the future.

As for the mergers and acquisitions of coal mine resources, the Group has been proactively exploring opportunities for entering the field of upstream coal resources in recent years. However, given the material change in the macroeconomic environment in 2014, the Board decided to terminate the acquisition of coal resources in Guangxi (“**Terminated Acquisition**”) and would reorganise the relevant assets of the coal mine resources acquisition instead. On 20 August 2014, the Company as vendor entered into a sale and purchase agreement with Mosway, a wholly owned subsidiary of CCHG, pursuant to which the Company has conditionally agreed to sell and Mosway has conditionally agreed to purchase the entire issued share capital of Chengtong Coal (the intended purchaser of the Terminated Acquisition) and total indebtedness owing or incurred by Chengtong Coal to the rest of the Group at a total consideration of RMB339,932,904. Upon completion of the above transaction, the Company will cease to have any interest in Chengtong Coal. It is the intention of the Company that the proceeds arising from the disposal of Chengtong Coal shall be used by the Company as a replenishment of general working capital for marine travelling services sector in particular.

5. EFFECT OF THE DISPOSALS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Immediately upon completion of the Disposals, the Group will cease to hold any interest in CT Int’l Trading and HZ Ruineng. Both CT Int’l Trading and HZ Ruineng will then cease to be subsidiaries of the Company. Both CT Int’l Trading and HZ Ruineng have ceased to carry out bulk commodity trade business in early 2014. Due to the cessation of new bulk commodity trade business of CT Int’l Trading and HZ Ruineng in 2014, the Group has recorded a substantial decrease of 94% in external sales of its bulk commodity trade business for the six months ended 30 June 2014 as compared with that for the same period of 2013. In this regard, CT Int’l Trading and HZ Ruineng no longer account for a considerable part of the Group’s principal business and as such, the Disposals would not have substantial impact on the Group.

It is expected that the assets and liabilities of the Company will decrease by approximately RMB57.01 million (equivalent to approximately HK\$71.83 million) and RMB50.11 million (equivalent to approximately HK\$63.14 million) respectively as a result of the disposal of CT Int’l Trading and HZ Ruineng before taking into account the net proceeds to be received from the Disposals. It is expected that the net asset value of the Group will be increased by the balance of the net proceeds to be received from the Disposals after deducting the net liability of CT Int’l Trading attributable to the CT Int’l Trading Interest and the net asset value of HZ Ruineng attributable to the HZ Ruineng Interest following the completion of the Disposals.

The gain expected to accrue to the Company from the Disposals (before deducting relevant expenses payable by the Company in respect of the Disposals) is approximately RMB25.05 million (equivalent to approximately HK\$31.56 million), being the aggregate of:

- (i) approximately RMB22.54 million (equivalent to approximately HK\$28.40 million), representing the balance of the CT Consideration after deducting (a) the unaudited net liability of CT Int'l Trading attributable to the CT Int'l Trading Interest as at 31 October 2014; and (b) the release of exchange reserve reclassified from other comprehensive income to profit or loss as at 31 October 2014; and
- (ii) approximately RMB2.51 million (equivalent to approximately HK\$3.16 million), representing the balance of the HZ Consideration after deducting (a) the unaudited net asset of HZ Ruineng attributable to the HZ Ruineng Interest as at 31 October 2014; (b) the estimated amount of taxes payable by the Company in respect of the disposal of the HZ Ruineng Interest; and (c) the release of exchange deficit reclassified from other comprehensive income to profit or loss as at 31 October 2014.

The following are the summaries of the two valuation reports dated 8 August 2014 received from CAA in connection with its opinion of the valuation of the CT Int'l Trading Interest and the HZ Ruineng Interest.

**Valuation report in relation to the proposed disposal of 55% equity interest
held by China Chengtong Development Group Limited
in Chengtong Development International Trading Limited
(Zhong Tong Hua Ping Bao Zi (2014) No. 326)
("CT Valuation Report")**

VALUATION METHODOLOGY

The asset-based approach was adopted as the major approach in the CT Valuation Report.

The asset-based approach adopted to appraise the value of a company refers to the reasonable valuation on the value of all on-balance-sheet and off-balance-sheet assets and liabilities based on the balance sheet of the valued company as of the valuation benchmark date to determine the value of the appraised subject.

Formula of Calculation: The value of all equity interests held by shareholders = Appraised value of assets – Appraised value of liabilities

VALUATION ASSUMPTIONS

1. In the CT Valuation Report, basic assumptions were made to the specific purpose as clearly stated in the CT Valuation Report.
2. In the CT Valuation Report, CAA assumed that there would be no unforeseeable material changes on the external economic environment after the valuation benchmark date.
3. In the CT Valuation Report, CAA assumed that the business carried out by the valued party was legal and there was no unforeseeable factor that would lead to a cessation of its business.
4. The relevant basic details and financial information provided by the valued party and the commissioning party is true, accurate and complete.
5. In the CT Valuation Report, save for exceptionally stated therein, CAA did not consider the potential effect of any pledge and guarantee over the equity interests and relevant assets of the valued party on the appraised value nor the effect on the value of assets of any changes on micro-economic policy of the country, occasional natural disasters and other force majeure events.

Where there are events that are not in line with the said assumptions, the valuation outcome shall lapse generally.

VALUATION CONCLUSION

In the CT Valuation Report, the asset-based approach was adopted for the valuation on all equity interests held by the shareholders of CT Int'l Trading. The audited book value of the assets of CT Int'l Trading amounted to RMB5,196,240,800, with liabilities of RMB5,182,010,100 and net assets of RMB14,230,700 (*note 1*).

The appraised value of all equity interests held by the shareholders of CT Int'l Trading as determined by using the asset-based approach amounted to RMB14,219,900, representing a decrease of RMB10,800 or 0.08% as compared with the audited net assets at book value. The outcome of the asset-based approach is set out as follows:

Summary of Asset Valuation Outcome (Asset-Based Approach)

Unit: RMB ('0000)

Item		Net Book Value A	Appraised Value B	Increase/ Decrease C=B-A	Growth Rate % D=C/Ax100
Current assets	1	519,572.48	519,572.48	0.00	0.00
Non-current assets	2	51.60	50.52	-1.08	-2.09
Fixed assets	3	7.44	6.36	-1.08	-14.52
Intangible assets	4	0.16	0.16	0.00	0.00
Other non-current assets	5	44.00	44.00	0.00	0.00
Total assets	6	519,624.08	519,623.00	-1.08	0.00
Current liabilities	7	518,201.01	518,201.01	0.00	0.00
Total liabilities	8	518,201.01	518,201.01	0.00	0.00
Net assets (equity interests held by owners)	9	1,423.07	1,421.99	-1.08	-0.08

Note 1: The audit on CT Int'l Trading was carried out by a PRC qualified accountant firm.

**Valuation report in relation to the proposed disposal of 55% equity interest
held by China Chengtong Development Group Limited
in Hangzhou Ruineng Metals Company Limited
(Zhong Tong Hua Ping Bao Zi (2014) No. 379)
("HZ Valuation Report")**

VALUATION METHODOLOGY

The asset-based approach was adopted as the major approach in the HZ Valuation Report.

The asset-based approach adopted to appraise the value of a company refers to the reasonable valuation on the value of all on-balance-sheet and off-balance-sheet assets and liabilities based on the balance sheet of the valued company as of the valuation benchmark date to determine the value of the appraised subject.

Formula of Calculation: The value of all equity interests held by shareholders = Appraised value of assets – Appraised value of liabilities

VALUATION ASSUMPTIONS

1. In the HZ Valuation Report, basic assumptions were made to the specific purpose as clearly stated in the HZ Valuation Report.
2. In the HZ Valuation Report, CAA assumed that there would be no unforeseeable material changes on the external economic environment after the valuation benchmark date.
3. In the HZ Valuation Report, CAA assumed that the business carried out by the valued party was legal and there was no unforeseeable factor that would lead to a cessation of its business.
4. The relevant basic details and financial information provided by the valued party and the commissioning party is true, accurate and complete.
5. In the HZ Valuation Report, save for exceptionally stated therein, CAA did not consider the potential effect of any pledge and guarantee over the equity interests and relevant assets of the valued party on the appraised value nor the effect on the value of assets of any changes on micro-economic policy of the country, occasional natural disasters and other force majeure events.

Where there are events that are not in line with the said assumptions, the valuation outcome shall lapse generally.

VALUATION CONCLUSION

In the HZ Valuation Report, the asset-based approach was adopted for the valuation on all equity interests held by the shareholders of HZ Ruineng. The audited book value of the assets of HZ Ruineng amounted to RMB1,322,544,500, with liabilities of RMB1,284,549,300 and net assets of RMB37,995,200 (note 2).

The appraised value of all equity interests held by the shareholders of HZ Ruineng as determined by using the asset-based approach amounted to RMB38,035,500, representing an increase of RMB40,300 or 0.11% as compared with the audited net assets at book value. The outcome of the asset-based approach is set out as follows:

Summary of Asset Valuation Outcome (Asset-Based Approach)

Unit: RMB ('0000)

Item		Net Book Value A	Appraised Value B	Increase/ Decrease C=B-A	Growth Rate % D=C/Ax100
Current assets	1	132,219.94	132,219.94	0.00	0.00
Non-current assets	2	34.51	38.54	4.03	11.68
Fixed assets	3	33.67	37.69	4.02	11.94
Intangible assets	4	0.84	0.85	0.01	1.19
Total assets	5	132,254.45	132,258.48	4.03	0.00
Current liabilities	6	128,454.93	128,454.93	0.00	0.00
Total liabilities	7	128,454.93	128,454.93	0.00	0.00
Net assets (Equity interests held by owners)	8	3,799.52	3,803.55	4.03	0.11

Note 2: The audit on HZ Ruineng was carried out by a PRC qualified accountant firm.

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 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%
Zhang Bin	Beneficial owner	300,000	0.0062%

- (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. Yuan Shaoli is a director of World Gain Holdings Limited, being the controlling Shareholder which has 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) Mr. Yuan Shaoli, Mr. Wang Hongxin and Mr. Zhang Bin are also directors of China Chengtong Hong Kong Company Limited, which is the holding company of World Gain Holdings Limited and has 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.
- (e) As at the Latest Practicable Date,
 - (i) save for the fact that Mr. Yuan Shaoli and Mr. Wang Hongxin, being also the directors of Mosway, had a material interest in the disposal of Chengtong Coal by the Company to Mosway as outlined in paragraph (oo) of the section headed “Material Contracts”, 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 2013, 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

None of the Directors has a service contract with the Company which is not determinable by the Company 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) a subscription agreement entered into between HZ Ruineng as the subscriber and Bank of Ningbo Company Limited, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 14 January 2013 at a price of RMB300,000,000;

- (b) a subscription agreement entered into between HZ Ruineng as the subscriber and Bank of Ningbo Company Limited, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 16 January 2013 at a price of RMB350,000,000;
- (c) the multi-currency note deed poll dated 22 February 2013 executed by CT Int'l Trading in favour of Overseas-Chinese Banking Corporation Limited, which was an Independent Third Party, in connection with the issue of multi-currency loan notes of up to an aggregate amount of RMB1,000,000,000;
- (d) the subscription agreement dated 22 February 2013 entered into between HZ Ruineng and OCBC Bank (China) Ltd., which was an Independent Third Party, 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;
- (e) the cancellation agreement dated 28 February 2013 entered into between the Company and Wantong Enterprise Investment Co. Ltd., which was an Independent Third Party, 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;
- (f) the subscription agreement dated 11 March 2013 entered into between HZ Ruineng and OCBC Bank (China) Ltd., which was an Independent Third Party, 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;
- (g) a subscription agreement entered into between HZ Ruineng as the subscriber and Nanyang Commercial Bank (China) Limited, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 27 March 2013 at a price of RMB185,500,000;
- (h) a subscription agreement entered into between HZ Ruineng as the subscriber and PingAn Bank Co., Ltd ("**PingAn**"), which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 8 April 2013 at a price of RMB180,000,000;
- (i) a subscription agreement entered into between HZ Ruineng as the subscriber and PingAn, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 11 April 2013 at a price of RMB61,000,000;
- (j) a subscription agreement entered into between HZ Ruineng as the subscriber and PingAn, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 15 April 2013 at a price of RMB200,000,000;

- (k) a subscription agreement entered into between HZ Ruineng as the subscriber and China Guangfa Bank Company Limited, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 16 April 2013 at a price of RMB100,000,000;
- (l) the entrusted loan agreement dated 23 April 2013 entered into between 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited) (“**Chengtong Financial Leasing**”), a wholly-owned subsidiary of the Company, as lender, Bank of Communications Co., Ltd. (“**BOCOM**”), which was an Independent Third Party, as agent and Beijing New Century, which was an Independent Third Party, 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;
- (m) a subscription agreement entered into between HZ Ruineng as the subscriber and China Guangfa Bank Company Limited, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 25 April 2013 at a price of RMB189,010,000;
- (n) the loan agreement dated 8 May 2013 (“**China Huandao Loan Agreement**”) entered into between 誠通實業投資有限公司 (unofficial English translation being Chengtong Industrial Investment Limited), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company (“**Chengtong Industrial**”), as lender, and 中國寰島(集團)公司 (unofficial English translation being China Huandao Group Co.) (“**China Huandao**”), 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;
- (o) the subscription agreement dated 14 May 2013 entered into between HZ Ruineng and BOCOM, which was an Independent Third Party, 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;
- (p) the wealth management product agreement dated 20 May 2013 and entered into between the Agricultural Bank of China Limited, which was an Independent Third Party, as the custody bank and Chengtong Industrial as the subscriber in relation to the subscription by Chengtong Industrial of the wealth management product at a price of RMB250,000,000, details of which are set out in the Company’s announcement dated 23 May 2013;
- (q) the wealth management product agreement dated 30 May 2013 and entered into between the Agricultural Bank of China Limited, which was an Independent Third Party, as the custody bank and Chengtong Industrial as the subscriber in relation to the subscription by Chengtong Industrial of the wealth management product at a price of RMB250,000,000, details of which are set out in the Company’s announcement dated 30 May 2013;

- (r) a subscription agreement entered into between 海南寰島酒店旅遊投資有限公司 (unofficial English translation as Hainan Huandao Hotel and Travel Investment Co., Ltd.) (“**Hainan Huandao**”), a wholly-owned subsidiary of the Company, as the subscriber and Bank of China Limited (“**BOC**”), which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 9 June 2013 at a price of RMB75,000,000;
- (s) the entrusted loan agreement dated 14 June 2013 entered into between CT Development Trading 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.), which was an Independent Third Party, 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;
- (t) the sale and purchase agreement dated 18 June 2013 (“**Coal SP Agreement**”) entered into between Chengtong Coal as purchaser, 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 International Southwest as target companies (all such parties being Independent Third Parties), 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;
- (u) a subscription agreement entered into between Hainan Huandao as the subscriber and BOC, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 20 June 2013 at a price of RMB19,000,000;
- (v) the entrusted loan agreement dated 24 June 2013 (“**Yalongwan Entrusted Loan Agreement**”) entered into between 海南亞龍灣海底世界旅遊有限公司 (unofficial English translation as Hainan Yalongwan Underwater World Travel Co., Ltd.), a limited liability company incorporated in the PRC and a wholly owned subsidiary of the Company (“**Hainan Yalongwan**”), as lender, Industrial Bank Co., Ltd. (興業銀行股份有限公司), Cangzhou branch (“**Industrial Bank**”), which was an Independent Third Party, as the lending agent, and 天行九州控股有限公司 (unofficial English translation being Tianxing Jiuzhou Holding Co., Ltd.) (“**Tianxing Jiuzhou**”), which was an Independent Third Party, in relation to an entrusted loan in the amount of RMB55,000,000;
- (w) a subscription agreement entered into between Hainan Huandao as the subscriber and BOC, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 10 July 2013 at a price of RMB19,000,000;

- (x) a memorandum dated 25 July 2013 entered into between the Company and 北京九星國際礦業投資有限公司 (unofficial English translation being Beijing Nine Stars International Mining Investment Co., Ltd.) (“**Beijing Nine Stars**”), which was an Independent Third Party, setting out the broad terms of the possible sale of the entire issued share capital of Chengtong Enterprises Investment Limited (誠通企業投資有限公司), a wholly-owned subsidiary of the Company, by the Company to Beijing Nine Stars at a preliminary purchase price of RMB150 million, subject to the terms of the formal agreement to be entered into by the Company and Beijing Nine Stars (the “**Disposal Memorandum**”);
- (y) the wealth management agreement dated 30 July 2013 entered into between CT Development Trading as subscriber and Woori Bank (China) Limited, which was an Independent Third Party, 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;
- (z) the wealth management agreement dated 10 September 2013 entered into between CT Development Trading as subscriber and Woori Bank (China) Limited, which was an Independent Third Party, 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;
- (aa) a supplemental memorandum dated 30 September 2013 entered into between the parties to the Disposal Memorandum to extend the long stop date of the relevant disposal from 30 September 2013 to 31 March 2014;
- (bb) the investment agreement dated 22 October 2013 entered into between CT Development Trading as subscriber and China CITIC Bank Corporation Limited, which was an Independent Third Party, 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;
- (cc) 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;
- (dd) a subscription agreement entered into between Hainan Huandao as the subscriber and BOC, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 10 December 2013 at a price of RMB5,000,000;
- (ee) the extension agreement dated 24 December 2013 entered into between Hainan Yalongwan, Industrial Bank which was an Independent Third Party, and Tianxing Jiuzhou which was an Independent Third Party, in relation to the extension of the term of the Yalongwan Entrusted Loan Agreement, details of which are set out in the Company’s announcement dated 24 December 2013;

- (ff) the loan agreement dated 9 January 2014 (“**Coal Loan Agreement**”) entered into between Chengtong Coal as lender and Coal Mine Company, which was an Independent Third Party, as borrower in relation to the provision of a loan in the principal amount of RMB50,000,000 at an interest rate of 5.60% per annum for a term ended on 30 June 2014;
- (gg) the equity pledge dated 9 January 2014 and entered into between International Southwest, which was an Independent Third Party, as pledger, Chengtong Coal as pledgee and the Coal Mine Company, which was an Independent Third Party, in relation to the pledge of 15% of the equity interest in the Coal Mine Company by International Southwest in favour of Chengtong Coal to secure the performance of the Coal Loan Agreement by Coal Mine Company;
- (hh) the subscription agreement dated 30 April 2014 entered into between the Company and the Joint Lead Managers (as defined in the Company’s announcement dated 30 April 2014), each of which being an Independent Third Party, in relation to the issue by the Company of the RMB600,000,000 4.00% bonds due 2017, details of which are set out in the Company’s announcement dated 30 April 2014;
- (ii) the loan extension agreement dated 9 May 2014 entered into between Chengtong Industrial and China Huandao, which was a wholly-owned subsidiary of CCHG, to extend the term of the loan granted under the China Huandao Loan Agreement for 5 months until 9 October 2014, details of which are set out in the Company’s announcement dated 9 May 2014;
- (jj) the financial services agreement dated 21 May 2014 entered into between the Company and 誠通財務有限責任公司(China Chengtong Finance Corporation Ltd.) (“**Chengtong Finance**”), which was a company incorporated in the PRC and a subsidiary of CCHG, pursuant to which Chengtong Finance has agreed to provide the Group with a scope of financial services, details of which are set out in the Company’s announcement dated 21 May 2014;
- (kk) two resumption agreements dated 3 July 2014 entered into between 大豐市土地儲備中心 (unofficial English translation being Dafeng Land Reserve Center) (“**Dafeng Land Reserve Center**”), which was an Independent Third Party, 江蘇大豐港經濟開發區管理委員會 (unofficial English translation being the Management Committee of the Jiangsu Dafeng Harbour Economic Development Zone) (“**Dafeng Harbour Committee**”), which was an Independent Third Party, and 誠通大豐海港開發有限公司 (unofficial English translation being Chengtong Dafeng Harbour Development Limited) (“**Dafeng Harbour Development**”), which was a 66.67%-owned subsidiary of the Company, in relation to the resumption of two pieces of land located at Dafeng City, Jiangsu Province, the PRC by Dafeng Land Reserve Center from Dafeng Harbour Development at the compensation amount of RMB87,800,000 and RMB132,120,000 respectively (“**Resumption of Lands**”), details of which are set out in the Company’s announcement dated 3 July 2014;

- (ll) two compensation agreements dated 3 July 2014 entered into between Dafeng Harbour Committee, which was an Independent Third Party, Dafeng Harbour Development, which was a 66.67%-owned subsidiary of the Company, and 江蘇大豐海港控股集團有限公司 (unofficial English translation being Jiangsu Dafeng Harbour Holdings Group Limited), which owns 33.33% equity interest in Dafeng Harbour Development, in relation to the Resumption of Lands, details of which are set out in the Company's announcement dated 3 July 2014;
- (mm) the settlement agreement dated 8 July 2014 entered into among Chengtong Coal, 大豐瑞能燃料有限公司 (unofficial English translation being Dafeng Ruineng Fuel Company Limited)(currently known as 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited)), which was an indirect non-wholly owned subsidiary of the Company, Coal Mine Company, International Southwest and 廣西合山合煤銷售有限責任公司 (Guangxi Heshan Hemei Sales Company Limited), all of which were Independent Third Parties, pursuant to which the parties have agreed on the repayment schedule of certain amounts due from Coal Mine Company to the Group under the Coal Loan Agreement and the Coal SP agreement and the provision of additional guarantees to the Group, details of which are set out in the Company's announcement dated 8 July 2014;
- (nn) the entrusted loan agreement dated 23 July 2014 entered into between Chengtong Financial Leasing as the lender, the Bank of Nanjing Co., Ltd. (南京銀行股份有限公司), Beijing branch ("**Bank of Nanjing**"), which was an Independent Third Party, as the lending agent and 浙江雲廈集團有限公司 (unofficial English translation being Zhejiang Yunxia Group Co., Ltd.), which was an Independent Third Party, as the borrower in relation to the entrusted loan in the amount of RMB55,000,000, details of which are set out in the Company's announcement dated 23 July 2014;
- (oo) the sale and purchase agreement dated 20 August 2014 entered into between the Company as vendor and Mosway, which was a wholly-owned subsidiary of CCHG, as purchaser in respect of, among other things, the sale and purchase of the entire issued share capital in Chengtong Coal and the total indebtedness owing or incurred by Chengtong Coal to the Company and some of its wholly owned subsidiaries on or at any time prior to completion of such sale and purchase agreement, for a total consideration of RMB339,932,904, details of which are set out in the Company's announcement dated 20 August 2014;
- (pp) the subscription agreement dated 29 August 2014 entered into between CT Development Trading as subscriber and Shanghai Pudong Development Bank Co., Ltd., Beijing Century City Branch (上海浦東發展銀行股份有限公司北京世紀城支行) ("**SPD Bank**"), which was an Independent Third Party, as issuer for investment products at the principal amount of RMB50 million;

- (qq) the subscription agreement dated 4 September 2014 entered into between CT Development Trading as subscriber and Bank of Nanjing, which was an Independent Third Party, as issuer for investment products at the principal amount of RMB60 million;
- (rr) the subscription agreement dated 16 September 2014 entered into between CT Development Trading as subscriber and SPD Bank, which was an Independent Third Party, as issuer for investment products at the principal amount of RMB160 million, the details of which are set out in the Company's announcement dated 16 September 2014;
- (ss) the subscription agreement dated 22 September 2014 entered into between CT Development Trading as subscriber and Bank of Nanjing, which was an Independent Third Party, as issuer for investment products at the principal amount of RMB280 million, the details of which are set out in the Company's announcement dated 22 September 2014;
- (tt) the loan extension agreement dated 9 October 2014 entered into between Hainan Huandao as lender and China Huandao, which was a wholly-owned subsidiary of CCHG, as borrower to further extend the term of the loan granted under the China Huandao Loan Agreement for one year until 9 October 2015, details of which are set out in the Company's announcement dated 9 October 2014;
- (uu) the subscription agreement dated 27 November 2014 entered into between CT Development Trading as subscriber and SPD Bank, which was an Independent Third Party, as issuer for investment products at the principal amount of RMB177 million, the details of which are set out in the Company's announcement dated 27 November 2014;
- (vv) the subscription agreement dated 10 December 2014 entered into between CT Development Trading as subscriber and SPD Bank, which was an Independent Third Party, as issuer for investment products at the principal amount of RMB120 million, the details of which are set out in the Company's announcement dated 10 December 2014;
- (ww) CT Asset Transaction Agreement; and
- (xx) HZ Asset Transaction Agreement.

5. LITIGATION

On 4 March 2014, CT Development Trading commenced a legal proceeding against 西安經發經貿實業有限責任公司 (unofficial English translation being Xi'an Jing Fa Jing Mao Industrial Co., Ltd.) (“**Defendant**”) at the People’s Court of Haidian District, Beijing (北京市海澱區人民法院) (“**Haidian Court**”) for a breach of contract by the Defendant under a mining products sale and purchase agreement (No. 025 of 2013) dated 17 October 2013 (“**No. 025 Agreement**”). CT Development Trading requested the Haidian Court to (i) confirm that the No. 025 Agreement was terminated on 26 February 2014; (ii) order the Defendant to refund the security money paid to the Defendant in the sum of RMB3,144,600; (iii) order the Defendant to pay liquidated damages of RMB3,144,600; and (iv) order the Defendant to pay costs and other expenses related to the litigation incurred by CT Development Trading.

Also on 4 March 2014, CT Development Trading commenced another legal proceeding against the Defendant at the Haidian Court for a breach of contract under a mining products sale and purchase agreement (No. 392 of 2013) dated 11 October 2013 (“**No. 392 Agreement**”). CT Development Trading requested the Haidian Court to (i) confirm that the No. 392 Agreement was terminated on 26 February 2014; (ii) order the Defendant to refund the purchase price paid by CT Development Trading in the sum of RMB10,448,000; (iii) order the Defendant to pay liquidated damages of RMB2,089,600; and (iv) order the Defendant to pay costs and other expenses related to the litigation incurred by CT Development Trading.

Save for the above, 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 close associates (as defined in the Listing Rules) 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. EXPERT

The following is the qualification of the expert who has been named in this circular or has given opinion, letter or advice contained in this circular:

Name	Qualification
CAA	a qualified independent valuer in the PRC

CAA has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, CAA was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally beneficially enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. 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 Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (3) The company secretary of the Company is Ms. Tse Ching Wah. Ms. Tse is a member of both Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. She is also an associate member of both The Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators.

9. 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 6 January 2015:

- (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;
- (c) the two valuation reports from CAA, the summary of which is set out in Appendix II to this circular;
- (d) the written consent of the expert referred to in the paragraph headed "Expert" in this appendix;
- (e) the annual reports of the Company for the two years ended 31 December 2013;
- (f) the circular of the Company dated 25 August 2014 regarding the continuing connected transaction and major transaction in relation to financial services agreement;
- (g) the circular of the Company dated 23 September 2014 regarding the discloseable and connected transaction in respect of the proposed disposal of 100% interest in Chengtong Coal; and
- (h) the circular of the Company dated 8 December 2014 regarding the possible major transaction in relation to the proposed disposal of the Company's entire equity interest in Chengtong Enterprises Investment Limited (誠通企業投資有限公司).