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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)

VERY SUBSTANTIAL ACQUISITION AND RESUMPTION OF TRADING

THE ACQUISITION

The Board is pleased to announce that on 13 August 2012 (after trading hours of the Stock Exchange), the Purchaser (being a wholly-owned subsidiary of the Company) entered into the Framework Agreement with the Vendors and the Target Companies regarding the Acquisition. Pursuant to the Framework Agreement, the Group has conditionally agreed to acquire for, and Vendor A and Vendor B have conditionally agreed to dispose of, the Sale Shares, representing their respective 50% and 32% of the entire issued share capital of Target Company A at the aggregate Consideration of RMB615 million, of which RMB375 million and RMB240 million shall be paid to Vendor A and Vendor B respectively.

The Group shall settle the Consideration partly by cash and partly by the allotment and issue of the Consideration Shares at the Issue Price of HK\$0.308 per Consideration Share.

A formal Sale and Purchase Agreement containing, among other things, the conditions precedent to Completion, further terms and conditions of the Acquisition and/or terms of the allotment and issue of the Consideration Shares, will be entered into among the Company, the Vendors and the Target Companies after the Group is satisfied with the results of the due diligence review on the Target Group.

Upon Completion, the Company will be effectively interested in 49.2% of the entire equity interest in the Coal Mine Company through the Target Companies. Given that (i) the Purchaser will be the controlling shareholder of Target Company A and Target Company A is the controlling shareholder of Target Company B; and (ii) the Purchaser is entitled to appoint majority of the board members of each of the Target Companies and the Coal Mine Company, the Coal Mine Company will become an indirect non wholly-owned subsidiary of the Company, and the financial results of Target Company B (with 40% shared by its minority interests) will be consolidated into the financial statements of Target Company A, and then the consolidated financial results of Target Company A (with 18% shared by its minority interests) will be consolidated into the financial statements of the Group upon Completion.

IMPLICATIONS UNDER THE LISTING RULES

Since one of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under the Listing Rules.

The EGM will be held to consider and, if thought fit, approve the relevant resolution(s) in respect of the Framework Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares under a specific mandate of the Company. Any Shareholder(s) who has/have material interest in the Acquisition will be required to abstain from voting in respect of the relevant resolution(s) at the EGM.

GENERAL

Further announcement in connection with the Sale and Purchase Agreement (including but not limited to the conditions precedent to Completion, further terms and conditions of the Acquisition and/or terms of the allotment and issue of the Consideration Shares) and details regarding the Target Group as well as the Coal Mines based on the results of the due diligence review to be conducted by the Group on the Target Group, will be published by the Company in due course.

Thereafter, the Company will also issue a circular in compliance with the Listing Rules containing, including but not limited to, details regarding the Acquisition, the future business plan of the Enlarged Group, the financial information of the Group as well as the Target Group, a technical report and a valuation report on the Coal Mines in compliance with Chapter 18 of the Listing Rules. The expected date of despatch of the said circular will be disclosed in the aforesaid announcement in connection with the Sale and Purchase Agreement.

As Completion is subject to the fulfillment of a number of conditions precedent, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 14 August 2012 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 22 August 2012.

INTRODUCTION

The Board is pleased to announce that on 13 August 2012 (after trading hours of the Stock Exchange), the Purchaser (being a wholly-owned subsidiary of the Company) entered into the Framework Agreement with the Vendors and the Target Companies regarding the Acquisition. Pursuant to the Framework Agreement, the Group has conditionally agreed to acquire for, and Vendor A and Vendor B have conditionally agreed to dispose of, the Sale Shares, representing their respective 50% and 32% of the entire issued share capital of Target Company A, at the aggregate Consideration of RMB615 million.

THE FRAMEWORK AGREEMENT

Set out below are the principal terms of the Framework Agreement:

Date

13 August 2012

Parties involved

- (i) the Purchaser, a wholly-owned subsidiary of the Company, as purchaser
- (ii) Vendor A, as one of the Vendors

(iii) Vendor B, as one of the Vendors

(iv) Target Company A

(v) Target Company B

Vendor A is an investment holding company incorporated in the BVI with limited liability. As at the date of the Framework Agreement, Vendor A was the legal and beneficial owner of 50% of the entire issued share capital of Target Company A and 40% of the entire issued share capital of Target Company B. As at the date of the Framework Agreement, Vendor A was equally held by Vendor B and another individual who is a Hong Kong citizen (the “**Vendor A Shareholder**”). To the best of the Directors’ knowledge and after due and careful enquiries, the Vendor A Shareholder and Vendor B are business partners through their respective shareholdings in Vendor A.

Vendor B is a Hong Kong citizen. As at the date of the Framework Agreement, Vendor B was the legal and beneficial owner of 50% of the entire issued share capital of Target Company A.

The Vendors were introduced to the Group through business referral by a customer of the Group in its coal trading business. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, (i) each of the Vendors, the Target Companies and their respective ultimate beneficial owner(s) (if applicable) and associates (a) is an Independent Third Party and (b) does not hold any Shares or other convertible securities in the Company as at the date of this announcement; and (ii) there were no previous transactions or business relationship between the Company and each of the Vendors, the Target Companies and their respective ultimate beneficial owner(s) (if applicable) and associates in the previous 12 months which would result in aggregation under Rule 14.22 of the Listing Rules.

Assets to be acquired

Pursuant to the Framework Agreement, the Group has conditionally agreed to acquire for, and Vendor A and Vendor B have conditionally agreed to dispose of, the Sale Shares, representing their respective 50% and 32% of the entire issued share capital of Target Company A, at the aggregate Consideration of RMB615 million, of which RMB375 million and RMB240 million shall be paid to Vendor A and Vendor B respectively. The Sale Shares represent 82% of the entire issued share capital of Target Company A, which holds 60% of the entire issued share capital of Target Company B. Target Company B is the sole legal and beneficial owner of 100% equity interest in the Coal Mine Company, which is in turn holding a number of subsidiaries engaging in, amongst others, exploration and mining of coal resources in the PRC.

The shareholding structure of the Target Group is included under the section headed “Shareholding charts” of this announcement.

As confirmed by the Vendors, the principal assets of the Coal Mine Company are the Coal Mines. Further information of the Target Group as well as the Coal Mines is included under the section headed “Information on the Target Group” of this announcement.

The Consideration

The aggregate Consideration of RMB615 million (equivalent to approximately HK\$750.30 million) shall be paid to the Vendors in proportion to their respective holding of the Sale Shares in the following manner:

- (i) as to RMB50 million (or the equivalent amount in HK\$) payable in cash within five business days upon signing of the Framework Agreement as earnest money (the “**Earnest Money**”);
- (ii) as to RMB215 million (or the equivalent amount in HK\$) payable in cash within five business days upon publication of the announcement containing detailed terms of the Framework Agreement (the “**Advance Payment**”);
- (iii) as to RMB153.5 million (or the equivalent amount in HK\$) payable in cash within five business days upon fulfillment of the conditions precedent as stipulated in the Sale and Purchase Agreement and the passing of the relevant resolution(s) by the Shareholders at the EGM to approve the Acquisition;
- (iv) as to RMB46.5 million (or the equivalent amount in HK\$) payable in cash within ten business days upon completion of the registration in respect of the transfer of the Sale Shares from the Vendors to the Group; and
- (v) as to RMB150 million by the issue of the Consideration Shares at the Issue Price of HK\$0.308 (equivalent to approximately RMB0.252 based on the mid-point of the intra-day exchange rate released by the People’s Bank of China as at the date of the Framework Agreement) per Consideration Share.

As at the date of this announcement, the entire Earnest Money has already been paid by the Group. The Group shall finance the remaining cash portion of the Consideration by its internal resources and/or other fund raising methods which are yet to be identified by the Company.

Basis of the Consideration

The Consideration was determined among the Group and the Vendors after arm's length negotiations and is on normal commercial terms, taking into account (i) the preliminary valuation of Target Company B of RMB1,250 million (equivalent to approximately HK\$1,525 million) as at 30 June 2012 with reference to a draft asset valuation report on the Coal Mine Company prepared by a PRC asset valuer and a draft report on the net asset value of the Coal Mine Company prepared by a PRC certified public accountant, showing the net asset value of the Coal Mine Company as at 31 December 2011 of RMB426 million; (ii) the estimated future production scale of the Coal Mine Company; and (iii) the future demand for energy and prospects of the coal industry in the PRC.

As part of the Company's due diligence review on the Target Group, the Company will appoint the Competent Person(s) to estimate the total coal resources/reserves of the Coal Mines as well as the valuation of the Coal Mine Company in compliance with Chapter 18 of the Listing Rules. Should there be (i) no material difference between the available coal reserves figures of the Coal Mines and the net asset value of the Coal Mine Company (being within 10% for available coal reserves figures and 30% for net asset value) as disclosed by the Vendors in the Framework Agreement (please refer to paragraph (8) under the sub-section headed "Major undertakings, warranties and guarantee" of this announcement) and the estimation and valuation provided by the Competent Person(s) in compliance with Chapter 18 of the Listing Rules; and (ii) no material misrepresentations by the Vendors under the Framework Agreement, the parties to the Framework Agreement have agreed that the amount of the Consideration will not be changed or adjusted.

The Consideration Shares

Pursuant to the Framework Agreement, RMB150 million out of the Consideration is to be satisfied by the issue of 595,238,095 Consideration Shares at the Issue Price by the Company. The Consideration Shares shall be issued by the Company under a specific mandate to be obtained by the Company.

Assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the date of Completion, the Consideration Shares represent:

- (i) approximately 14.30% of the entire issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 12.51% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will, upon issue and credited as fully paid, rank equally among themselves and *pari passu* in all respects with all the existing Shares then in issue.

The Issue Price

The Issue Price of HK\$0.308 (equivalent to approximately RMB0.252 based on the mid-point of the intra-day exchange rate released by the People's Bank of China as at the date of the Framework Agreement) per Consideration Share, being the average closing price of the Shares as quoted on the Stock Exchange over the last 20 trading days immediately prior to the date of the Framework Agreement, represents:

- (i) a discount of approximately 6.67% to the closing price of HK\$0.330 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 0.96% to the average of the closing prices of HK\$0.311 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 23.52% to the Company's net asset value of approximately HK\$0.4027 per Share calculated based on the Company's audited consolidated net asset value of approximately HK\$1,676.74 million as at 31 December 2011 and 4,163,452,227 Shares in issue as at the Last Trading Day.

The Board is of the view that the net asset value per Share may not truly reflect the current market value of the Shares since the net asset value of the Company does not directly take into account the profitability of the Group and the figure itself is not updated enough. Given the ever-changing stock market condition, the Board considered that the prevailing market prices of the Shares are more appropriate to reflect the current market value of the Shares and, accordingly, determined the Issue Price after arm's length negotiations with the Vendors based on the average closing price of the Shares as quoted on the Stock Exchange over the last 20 trading days immediately prior to the date of the Framework Agreement.

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

Major undertakings, warranties and guarantee

- (1) Upon payment of the Earnest Money, the Group is entitled to appoint Independent Third Party(ies) to conduct due diligence review on the assets, technological, financial and legal aspects of each member of the Target Group

and any other areas as determined by the Group as necessary. The Vendors shall use their best endeavours and shall procure that each members of the Target Group will cooperate in the due diligence review and provide all information as required.

- (2) Unless otherwise disclosed, the Vendors and the Target Companies shall warrant that all the assets owned by the Target Group are validly existing and subsisting, and that all members of the Target Group possess valid licences, certificates and permits issued by the relevant government authorities which are necessary for conducting their normal business.
- (3) The Vendors and the Target Companies shall procure that upon Completion, the Group will become the controlling shareholder of the Target Group, and is entitled to nominate such number of directors representing more than half of the board of directors of each member of the Target Group.
- (4) The Vendors undertake that they will not mutually appoint each other or any other parties to exercise voting right in its stead in respect of the investment, financing or operation decisions of the Target Group upon Completion. Moreover, the Vendors should not sell their remaining interests in the Target Companies without prior consent from all the shareholders of the relevant Target Company; while the then shareholders of the relevant Target Company shall have the pre-emptive right in acquiring such interests.
- (5) Unless otherwise disclosed, the Vendors and the Target Companies shall warrant that the entire issued share capital and assets of the Target Group shall be free from any encumbrances, limitations and/or defects of rights, and that (i) the Vendors are the beneficial owners of the entire issued share capital of Target Company A; (ii) Vendor A and Target Company A are the beneficial owners of the entire issued share capital of Target Company B; and (iii) Target Company B is the sole beneficial owner of the entire equity interest in the Coal Mine Company.
- (6) Unless otherwise disclosed, the Vendors and the Target Companies shall warrant that the existing exploration rights and exploitation rights held by the Target Group are legal and valid, and have passed the annual inspection of the preceding year. Moreover, there is no controversy on the mining boundary of the exploration rights and exploitation rights of the Target Group.

- (7) The Vendors undertake that on or before the date of signing of the Sale and Purchase Agreement, the Target Group shall not owe any borrowings or any other forms of liabilities to Vendor B, and Vendor A and its beneficial owner(s) (unless otherwise required under the Framework Agreement). On the other hand, Vendor B, Vendor A and its beneficial owner(s) shall also not owe any borrowings or any other forms of liabilities to the Target Group.
- (8) The Vendors and the Target Companies shall warrant that (i) in accordance with the applicable PRC standards, the available coal reserves controlled by the Coal Mine Company is 250 million tonnes, by reference to the existing exploitation and exploration licences held, and the coal resources and reserves geological verification reports, exploration reports, filing certificates and other such documents issued to the Coal Mine Company and its subsidiaries; (ii) the net asset value of the Coal Mine Company as at 31 December 2011 was RMB426 million by reference to a draft report on the net asset value of the Coal Mine Company prepared by a PRC certified public accountant. The Vendors and the Target Companies also warrant that the information and details of the Coal Mines as contained in the Framework Agreement are true and accurate.

Exclusivity

During the period from the signing of the Framework Agreement to Completion, the Vendors and the Target Companies shall not negotiate, discuss, or enter into agreement in relation to the disposal of any direct or indirect interest in the Target Companies and/or the Coal Mine Company, or any assets of the Coal Mine Company (including but not limited to the land use rights, exploration rights and exploitation rights) without prior written consent of the Purchaser. The Vendors and the Target Companies shall have no right to unilaterally terminate the Framework Agreement.

Termination of the Framework Agreement and refund of the Consideration

Under the Framework Agreement, it is agreed among the parties thereto that:

- (1) If the Vendors, the Target Companies or the Coal Mine Company breach the undertakings, warranties and exclusivity clauses of the Framework Agreement, the Purchaser shall have the right to terminate the Framework Agreement or renegotiate with the Vendors on the final valuation of Target Company B.
- (2) Should the Purchaser terminate the Framework Agreement in the manner as set out in paragraph (1) above, the Vendors shall repay the Purchaser the total amount of Earnest Money and/or Advance Payment received within ten business days after the termination, together with the interest calculated based on a monthly interest rate of 0.5% for the period from the date of payment made by

the Purchaser to the date on which the Vendors should repay the total amount of Earnest Money and/or Advance Payment received to the Purchaser in full. In the event that the Vendors fail to repay the said amount to the Purchaser, the said amount is subject to a penalty which is calculated at a daily rate of 0.02% until all the outstanding amounts are settled. The cost incurred by the Purchaser to realise all of the aforesaid repayment from the Vendors, including but not limited to legal fees, shall be borne by the Vendors, and Vendor A and Vendor B shall provide joint and several guarantee in respect of the same.

- (3) Should the Purchaser terminate the Framework Agreement in the manner as set out in paragraph (1) above, or the parties to the Framework Agreement are unable to enter into the Sale and Purchase Agreement on or before 8 February 2013, or the conditions precedent as stipulated under the Sale and Purchase Agreement are not fulfilled or waived in accordance with the requirements stated therein, including but not limited to passing of the relevant resolution(s) by the Shareholders at the EGM, the Purchaser shall have the right to terminate the Framework Agreement. The Vendors shall repay the Purchaser the total amount of Earnest Money, Advance Payment and/or any other amount of the Consideration (in the form of cash Consideration or Consideration Shares) received in the manner as set out in paragraph (2) above.
- (4) To secure the performance of the refund obligations of the Vendors as set out in the above paragraphs, Target Company B voluntarily and unconditionally pledges its 49% of the equity interest in the Coal Mine Company in favour of the Purchaser as security and shall enter into a separate equity pledge agreement with the Purchaser on the date of signing of the Framework Agreement. Target Company B further undertakes that it shall actively cooperate with the Purchaser in conducting any requisite registration procedure. Furthermore, Vendor B, Vendor A and its beneficial owner(s) shall voluntarily provide joint and several guarantee in favour of the Purchaser to secure the performance of the refund obligations of the Vendors as described above.
- (5) If the Purchaser unilaterally terminates the Framework Agreement apart from reasons caused by the Vendors or not in accordance with the Framework Agreement, the Vendors shall not be required to repay the Earnest Money (but have to repay the Advance Payment) to the Purchaser. If the Vendors unilaterally terminate the Framework Agreement apart from reasons caused by the Purchaser, the Vendors shall be required to repay to the Purchaser the Advance Payment and double amount of the Earnest Money.

The equity pledge agreement with regard to the pledge of 49% of the equity interest in the Coal Mine Company by Target Company B as set out in paragraph (4) above was entered into among the Company, the Purchaser and the Coal Mine Company on 13 August 2012. In addition, in order to further secure the performance of refund obligations of the Vendors under the Framework Agreement, a separate guarantee agreement was also entered into between Target Company B (as guarantor) and the Purchaser (as principal) on 13 August 2012 pursuant to which Target Company B shall provide joint and several guarantee in favour of the Purchaser.

Formal Sale and Purchase Agreement

A formal Sale and Purchase Agreement containing, among other things, the conditions precedent to Completion, further terms and conditions of the Acquisition and/or terms of the allotment and issue of the Consideration Shares, will be entered into among the Company, the Vendors and the Target Companies after the Group is satisfied with the results of the due diligence review on the Target Group.

Further announcement in connection with the Sale and Purchase Agreement will be published by the Company in due course.

INFORMATION ON THE TARGET GROUP

Target Company A

Target Company A is an investment holding company incorporated in the BVI on 7 December 2006 with limited liability and is owned as to 50% by Vendor A and Vendor B respectively. Target Company A owns 60% of the legal and beneficial interest in Target Company B.

Target Company B

Target Company B is an investment holding company incorporated in Hong Kong on 2 January 2007 with limited liability and is owned as to 40% and 60% by Vendor A and Target Company A respectively. Target Company B owns 100% of the legal and beneficial interest in the Coal Mine Company.

The Coal Mine Company

The Coal Mine Company is a company established in the PRC on 23 August 2006 with limited liability and is wholly-owned by Target Company B. The Coal Mining Company is holding a number of subsidiaries engaging in, amongst others, exploration and mining of coal resources in the PRC. As confirmed by the Vendors,

the principal assets of the Coal Mine Company are the Coal Mines and the Coal Mine Company is principally engaged in the exploration and mining of coal resources, the supply and sale of coal and the business operations ancillary to coal procurement and manufacturing in the PRC.

Upon Completion, the Company will be effectively interested in 49.2% of the entire equity interest in the Coal Mine Company through the Target Companies. Given that (i) the Purchaser will be the controlling shareholder of Target Company A and Target Company A is the controlling shareholder of Target Company B; and (ii) the Purchaser is entitled to appoint majority of the board members of each of the Target Companies and the Coal Mine Company, the Coal Mine Company will become an indirect non wholly-owned subsidiary of the Company, and the financial results of Target Company B (with 40% shared by its minority interests) will be consolidated into the financial statements of Target Company A, and then the consolidated financial results of Target Company A (with 18% shared by its minority interests) will be consolidated into the financial statements of the Group upon Completion.

Financial information on the Coal Mine Company

Set out below is a summary of the audited consolidated financial information on the Coal Mine Company for the two years ended 31 December 2011 based on the PRC accounting standards:

Consolidated statement of income	For the year ended 31 December 2011	For the year ended 31 December 2010
	<i>RMB</i>	<i>RMB</i>
Revenue	419,756,157	420,890,168
Profit before taxation and extraordinary items	37,374,628	35,975,833
Profit after taxation and extraordinary items	27,184,395	25,390,253
 Consolidated statement of financial position	 As at 31 December 2011	 As at 31 December 2010
	<i>RMB</i>	<i>RMB</i>
Net assets	512,502,154	533,332,262

The Coal Mines

The Coal Mines are located in three mining areas including (i) Heshan City, Guangxi, the PRC (中國廣西合山市); (ii) Luocheng County, Hechi City, Guangxi, the PRC (中國廣西河池市羅城仫佬族自治縣); and (iii) Xingren County, Qianxinan, Guizhou Province, the PRC (中國貴州黔西南布依族苗族自治州興仁縣). The coals from the Coal Mines are mainly coking coal for production of steel and smelting of gold, and thermal coal for generation of energy.

Based on the representations of the Vendors and subject to the due diligence review to be conducted by the Group, the Coal Mine Company, together with its subsidiaries hold certain mining licences for conducting exploitation activity at the Coal Mines.

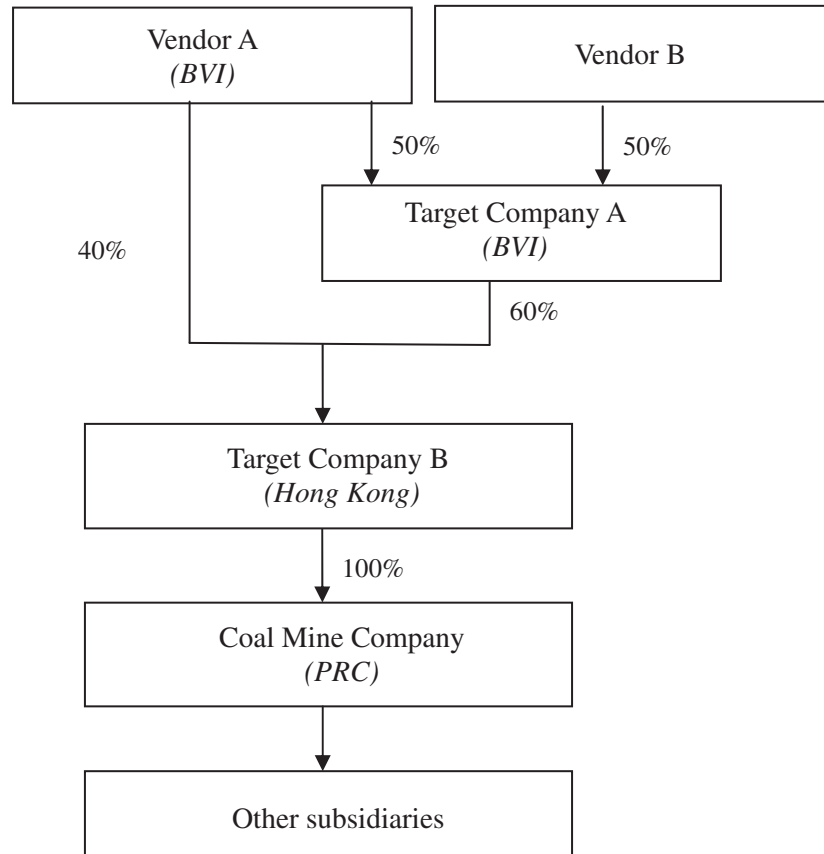
The Company will appoint a qualified PRC legal adviser to perform due diligence review and issue a legal opinion confirming, inter alia, the legality of ownership of assets and licences together with the business operations and the due incorporation of the Coal Mining Company and its subsidiaries. In addition, as mentioned under the sub-section headed “Basis of the Consideration” of this announcement, the Company will also appoint the Competent Person(s) to estimate the total coal resources/reserves of the Coal Mines in compliance with Chapter 18 of the Listing Rules. In this regard, the Company shall inform the Shareholders with additional information on the Coal Mining Company and its subsidiaries as well as the Coal Mines as and when necessary based on the results of the due diligence review to be conducted by the Group on the Target Group.

Furthermore, the Company shall formulate the future business plan (such as production plan, development strategies, capital expenditures, manpower and recruitment) for the Enlarged Group upon obtaining further information with regard to the Target Group and the Coal Mines based on the results of the relevant due diligence review.

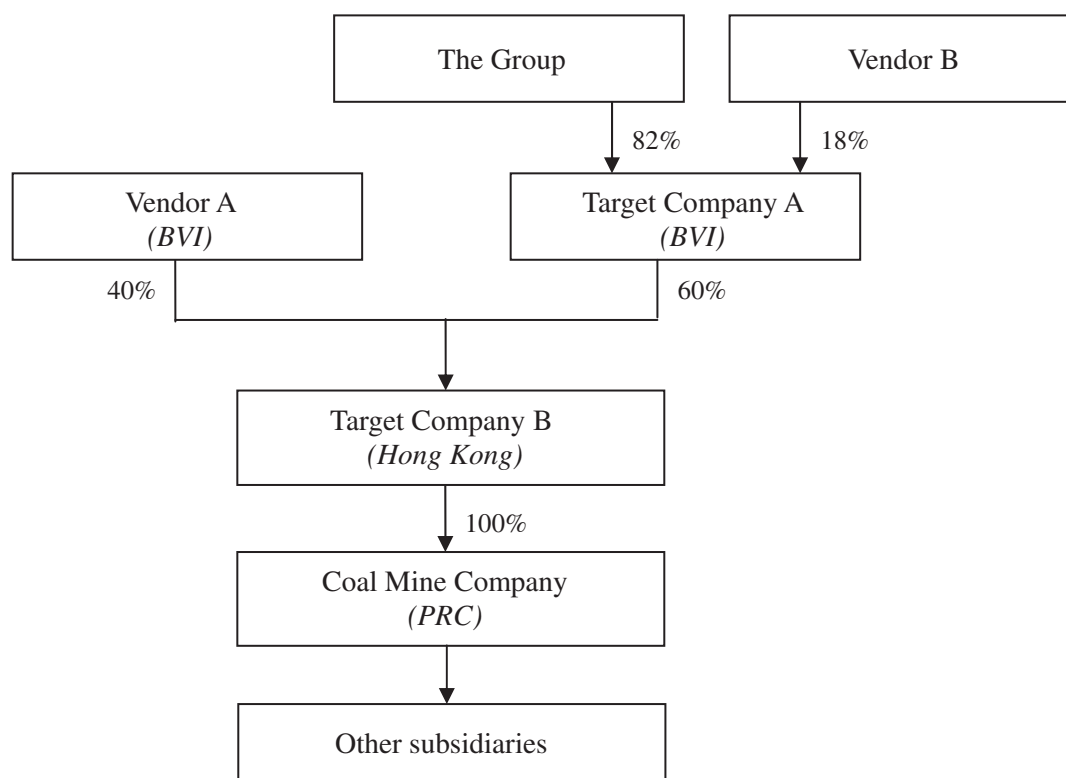
SHAREHOLDING CHARTS

The following charts show the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) immediately upon Completion:

Simplified shareholding structure as at the date of this announcement



Simplified shareholding structure immediately upon Completion



REASONS FOR THE ACQUISITION

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

Coal is a major source for power generation and for other various uses, such as steel making and cement manufacturing. The consumption of coal has been steadily increasing and for which there is a shortage of this irreplaceable form of energy. Despite the continuing global economic turmoil and uncertainties, the PRC economy is expected to maintain a steady growth given its position as the world's factory and major customer. As such, the Board is of the view that there would be substantial demand for raw materials and energy in the PRC.

As disclosed in the annual report of the Company for the year ended 31 December 2011, since the Group acquired 大豐瑞能燃料有限公司 (Dafeng Ruineng Fuel Company Limited*) in the fourth quarter of 2010, trading of coal has become one of the principal activities of the Group. This segment contributed approximately 66.4% of the turnover of the Group for the year ended 31 December 2011. During the year, the Group also put a great deal of effort in exploring upstream resources, evaluating the feasibility of a number of large-scale mineral resources investment projects and establishing a team of professionals in order to lay a foundation for the Group's transformation into a comprehensive supplier of bulk commodity and energy in addition to the trading business. With the above being the case, the Directors consider that the Acquisition represents a good investment opportunity for the Company to explore the upstream coal resources and would stabilise the Group's source of supply for the coal trading business. Moreover, the Directors are confident that the Group will have sufficient expertise to manage the expanding coal business after the Acquisition. At present, the Group does not have any intention to dispose of/ terminate/ scale-down its existing businesses after the Acquisition.

Having considered the foregoing together with the historical profit making position of the Coal Mining Company, the Directors (including the independent non-executive Directors) consider that the terms of the Framework Agreement (including the amount of the aggregate Consideration, the allotment and issue of the Consideration Shares and the Issue Price) are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. In addition, given the undertakings, warranties and guarantee provided by the Vendors together with the mechanism for refund of the Consideration paid by the Group as described under the sub-sections headed "Major undertakings, warranties and guarantee" and "Termination of the Framework Agreement and refund of the Consideration" above, respectively, the Directors are of the view that the interests of the Company and the Shareholders are safeguarded under the Framework Agreement.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the date of this announcement; and (ii) after the allotment and issue of the Consideration Shares, on the assumption that there is no change in the issued share capital of the Company from the date of this announcement and up to the date of Completion:

Shareholder	As at the date of this announcement		After the allotment and issue of the Consideration Shares	
	Number of Shares	%	Number of Shares	%
World Gain Holdings Limited (Note 1)	2,286,343,570	54.91	2,286,343,570	48.05
The Vendors (and/or their nominee(s))	—	—	595,238,095	12.51
Core Pacific-Yamaichi International (H.K.) Nominees Limited (“Core Pacific”) (Note 2)	6,630,000	0.16	6,630,000	0.14
Other public Shareholders	<u>1,870,478,657</u>	<u>44.93</u>	<u>1,870,478,657</u>	<u>39.30</u>
Total	<u>4,163,452,227</u>	<u>100</u>	<u>4,758,690,322</u>	<u>100</u>

Notes:

1. The entire issued share capital of World Gain Holdings Limited is beneficially owned by China Chengtong Hong Kong Company Limited, the entire issued share capital of which is beneficially owned by China Chengtong Holdings Group Limited.
2. Core Pacific is the trustee of share award scheme adopted by the Company on 25 April 2012 (the “*Share Award Scheme*”). As at the date of this announcement, Core Pacific holds an aggregate of 6,630,000 Shares as trustee of the Share Award Scheme, of which 1,300,000 Shares and 1,350,000 Shares (collectively, the “*Awarded Shares*”) were awarded to certain Directors and other staff of the Company. The Awarded Shares are subject to a vesting period of one year from 22 June 2012 and will be transferred and vested to those Directors and other staff of the Company upon the end of the vesting period.
3. This table does not take into account a total of 718,485,943 Shares which will be allotted and issued to China Chengtong Hong Kong Company Limited upon completion of the Acquisition Agreement (as defined in the circular of the Company dated 30 September 2011) (assuming the consideration to be payable by the Company under the Acquisition Agreement is adjusted to its maximum extent).

The Company shall comply with the public float requirements under Rule 8.08 of the Listing Rules, being that not less than 25% of the total issued share capital of the Company are held by the public at all times, and the Company shall take appropriate steps/measures to ensure sufficient minimum public float of the Shares (if necessary).

IMPLICATIONS UNDER THE LISTING RULES

Since one of the relevant percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under the Listing Rules.

The EGM will be held to consider and, if thought fit, approve the relevant resolution(s) in respect of the Framework Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares under a specific mandate of the Company. Any Shareholder(s) who has/have material interest in the Acquisition will be required to abstain from voting in respect of the relevant resolution(s) at the EGM.

GENERAL

Further announcement in connection with the Sale and Purchase Agreement (including but not limited to the conditions precedent to Completion, further terms and conditions of the Acquisition and/or terms of the allotment and issue of the Consideration Shares) and details regarding the Target Group as well as the Coal Mines based on the results of the due diligence review to be conducted by the Group on the Target Group, will be published by the Company in due course.

Thereafter, the Company will also issue a circular in compliance with the Listing Rules containing, including but not limited to, details regarding the Acquisition, the future business plan of the Enlarged Group, the financial information of the Group as well as the Target Group, a technical report and a valuation report on the Coal Mines in compliance with Chapter 18 of the Listing Rules. The expected date of despatch of the said circular will be disclosed in the aforesaid announcement in connection with the Sale and Purchase Agreement.

As Completion is subject to the fulfillment of a number of conditions precedent, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 14 August 2012 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 22 August 2012.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Framework Agreement
“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Coal Mine Company”	廣西合山煤業有限責任公司 (Guangxi Heshan Coal Company Limited*), a company established in the PRC on 23 August 2006
“Coal Mines”	coal mines situated in (i) Heshan City, Guangxi, the PRC (中國廣西合山市); (ii) Luocheng County, Hechi City, Guangxi, the PRC (中國廣西河池市羅城仫佬族自治縣); and (iii) Xingren County, Qianxinan, Guizhou Province, the PRC (中國貴州黔西南布依族苗族自治州興仁縣)
“Company”	China Chengtong Development Group Limited (中國誠通發展集團有限公司) (Stock code: 217), a company incorporated in Hong Kong and the shares of which are listed on the Stock Exchange
“Competent Person(s)”	the independent technical adviser and/or valuer pursuant to Chapter 18 of the Listing Rules
“Completion”	the completion of the Acquisition
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly

“Consideration”	the aggregate consideration of RMB615 million payable by the Purchaser to the Vendors for the Acquisition pursuant to the Framework Agreement
“Consideration Share(s)”	the new Share(s) to be allotted and issued by the Company as part of the Consideration
“controlling shareholder(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve by the Shareholders the Framework Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares under a specific mandate of the Company
“Enlarged Group”	the Group immediately after Completion
“Framework Agreement”	the framework agreement in relation to the Acquisition entered into among the Company, the Vendors and the Target Companies on 13 August 2012
“Group”	the Company and its subsidiaries
“Guangxi”	廣西壯族自治區 (Guangxi Zhuang Autonomous Region*)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Issue Price”	HK\$0.308 per Consideration Share, being the average closing price of the Shares as quoted on the Stock Exchange over the last 20 trading days immediately prior to the date of the Framework Agreement

“Last Trading Day”	13 August 2012, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	China Chengtong Coal Investment Limited (中國誠通煤業投資有限公司), a company incorporated in the BVI on 13 July 2012, and being a wholly-owned subsidiary of the Company
“Qianxinan”	黔西南布依族苗族自治州 (Qianxinan Buyi and Miao Autonomous Prefecture*)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the formal sale and purchase agreement containing, among other things, the conditions precedent, further terms and conditions of the Acquisition and/or terms of the allotment and issue of the Consideration Shares, in relation to the Acquisition to be entered into among the Company, the Vendors and the Target Companies
“Sale Shares”	41,000 shares of US\$1.0 each in the issued share capital of Target Company A, representing an aggregate of 82% of the entire issued share capital of Target Company A as at the date of the Framework Agreement
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company(ies)”	Target Company A and Target Company B
“Target Company A”	Alpha Fortune Industrial Limited, a company incorporated in the BVI on 7 December 2006 with limited liability

“Target Company B”	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 on 2 January 2007 with limited liability
“Target Group”	Target Company A, Target Company B, and the Coal Mine Company and its subsidiaries
“US\$”	US dollar(s), the lawful currency of the United States of America
“Vendor A”	Alpha Duo International Limited, a company incorporated in the BVI with limited liability
“Vendor B”	Ms. Li, Dawn (李丹丹)
“Vendors”	Vendor A and Vendor B
“%”	per cent.

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

Hong Kong, 21 August 2012

For the purpose of this announcement, all amounts denominated in RMB has been translated (for information only) into HK\$ using the exchange rates of RMB1: HK\$1.22. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

In the event of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

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

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

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange and the website of the Company for at least seven days from the date of its posting.

** For identification purpose only*