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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

DISCLOSEABLE TRANSACTION RESUMPTION OF LANDS

After trading hours on 3 July 2014, Dafeng Harbour Development, a non wholly-owned subsidiary of the Company, entered into two Resumption Agreements with Dafeng Land Reserve Center and Dafeng Harbour Committee and two Compensation Agreements with Dafeng Harbour Committee and Jiangsu Dafeng in relation to the Resumption of the Lands at the total compensation amount of RMB219,920,000 (equivalent to HK\$277,099,200).

As the relevant applicable percentage ratios (as defined in the Listing Rules) for the Resumption of Lands exceed 5% but are less than 25%, the Resumption of Lands constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

THE RESUMPTION AGREEMENTS

After trading hours on 3 July 2014, Dafeng Harbour Development, a non wholly-owned subsidiary of the Company, entered into the Resumption Agreements with Dafeng Land Reserve Center and Dafeng Harbour Committee and the Compensation Agreements with Dafeng Harbour Committee and Jiangsu Dafeng in relation to the Resumption of Lands at the total compensation amount of RMB219,920,000 (equivalent to HK\$277,099,200).

Major terms of the Resumption Agreements are substantially the same which are summarised as follows.

Date:

3 July 2014

Parties:

(i) Dafeng Land Reserve Center;

- (ii) Dafeng Harbour Committee; and
- (iii) Dafeng Harbour Development.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Dafeng Land Reserve Center and Dafeng Harbour Committee and their ultimate beneficial owners is a third party independent of the Company and its connected persons.

Subject matters:

Dafeng Land Reserve Center shall resume Land A and Land B from Dafeng Harbour Development at the compensation amount of RMB87,800,000 (equivalent to HK\$110,628,000) and RMB132,120,000 (equivalent to HK\$166,471,200) respectively.

The compensation amount payable to Dafeng Harbour Development shall be settled by Dafeng Harbour Committee. The land use rights of the Lands shall be deemed to have passed to Dafeng Land Reserve Center upon receipt of the compensation amount in full by Dafeng Harbour Development. Dafeng Harbour Committee shall procure Dafeng Harbour Development to deliver the Lands to Dafeng Land Reserve Centre within 60 days from the date on which the Resumption Agreements become effective.

Effectiveness of the Resumption Agreements:

The Resumption Agreements will become effective when each party has signed the Resumption Agreements and obtained approval from its governing body, including the approval from the People's Government of Dafeng City, the approval from the Board and the ultimate holding company of the Company.

THE COMPENSATION AGREEMENTS

Major terms of the Compensation Agreements in relation to the Resumption of Lands are substantially the same which are summarised as follows.

Date:

3 July 2014

Parties:

- (i) Dafeng Harbour Committee;
- (ii) Dafeng Harbour Development; and
- (iii) Jiangsu Dafeng.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Dafeng Harbour Committee and its ultimate beneficial owners is a third party independent of the Company and its connected persons. Since Jiangsu Dafeng holds 33.33% equity interests of Dafeng Harbour Development, it is a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules. Jiangsu Dafeng is a state-owned company wholly-owned by the State-owned Assets Supervision and Administration Commission of Dafeng City (大豐市國有資產監督管理委員會). There is no legal or commercial relationship among Jiangsu Dafeng, Dafeng Land Reserve Center and Dafeng Harbour Committee.

Major duties and obligations of the parties:

Pursuant to the Compensation Agreements:

- (i) Dafeng Harbour Committee shall, among other things, (a) return the land use tax of the Lands paid by Dafeng Harbour Development within 30 working days from the date the respective Compensation Agreement becomes effective, (b) coordinate with the relevant tax authority to reduce or exempt the value-added tax and the business tax payable in respect of the Resumption of Lands and (c) coordinate with the relevant tax authority to return 30% of the Enterprise Income Tax paid by Dafeng Harbour Development for the year 2014 (collectively, the “**Tax Arrangement**”);
- (ii) Dafeng Harbour Development shall, among other things, deliver the Lands to Dafeng Land Reserve Center; and
- (iii) Jiangsu Dafeng shall guarantee the payment obligations of Dafeng Harbour Committee under the Compensation Agreements and shall indemnify Dafeng Harbour Development in case Dafeng Harbour Committee fails to perform its payment obligations in accordance with the Compensation Agreements.

Compensation amount:

Pursuant to the Compensation Agreements, the compensation amount for each of Land A and Land B shall be RMB87,800,000 (equivalent to HK\$110,628,000) and RMB132,120,000 (equivalent to HK\$166,471,200) respectively which shall be settled in two stages:

- (i) 30% of the compensation amount (being RMB26,340,000 (equivalent to HK\$33,188,400) in case of Land A and RMB39,636,000 (equivalent to HK\$49,941,360) in case of Land B) shall be paid within three working days after delivery of the respective land use right certificate by Dafeng Harbour Development to Dafeng Land Reserve Center (which shall be delivered within three working days after the Tax Arrangement is fully satisfied); and
- (ii) the remaining balance of the compensation amount (being RMB61,460,000 (equivalent to HK\$77,439,600) in case of Land A and RMB92,484,000 (equivalent to HK\$116,529,840) in case of Land B) shall be paid within 60 days after delivery of the respective land use right certificate by Dafeng Harbour Development to Dafeng Land Reserve Center.

If Dafeng Harbour Committee fails to perform its duty to pay in accordance with the stipulation under the Compensation Agreements as disclosed above, it shall pay interest to Dafeng Harbour Development at the interest rate of 0.05% per day for any payment overdue.

The compensation amount for the Resumption of Lands was arrived at by the parties after arm’s length negotiation with reference to the market price of other similar lands in the vicinity of the Lands.

INFORMATION ON THE LANDS

Land A is an industrial land situated at south of Shugang Highway, Dafeng City, Jiangsu Province, the PRC with site area of approximately 400,020 sq. m..

The carrying value of Land A as at 31 December 2012 and 31 December 2013 was approximately RMB64.80 million (equivalent to approximately HK\$81.65 million). Land A is vacant and has not generated any revenue or profits for the two years ended 31 December 2013.

Land B is a commercial and residential land situated at Lot No.3, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC with site area of approximately 244,248 sq.m..

The carrying value of Land B as at 31 December 2012 and 31 December 2013 was approximately RMB110.0 million (equivalent to approximately HK\$138.6 million). Land B is vacant and has not generated any revenue or profits for the two years ended 31 December 2013.

REASONS FOR AND BENEFITS OF THE RESUMPTION OF LANDS

The Group holds the Lands as properties held for development. The Directors (including the independent non-executive Directors) consider that the terms of the Resumption Agreements and the Compensation Agreements are fair and reasonable. Taking into account the expected gain to be realised from the Resumption of Lands, the Directors (including the independent non-executive Directors) consider that the Resumption of Lands is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE RESUMPTION OF LANDS

Based on the aggregate carrying value of the Lands of approximately RMB174,800,000 (equivalent to approximately HK\$220,248,000) as at 31 December 2013, it is estimated that, subject to audit, the Group will realise a book gain from the Resumption of Lands of approximately RMB45,120,000 (equivalent to approximately HK\$56,851,200) (without giving consideration to the tax returned from the Tax Arrangement), being the difference between the total compensation amount for the Resumption of Lands and the aggregate carrying value of the Lands as at 31 December 2013. The amount of final gain from the Resumption of Lands will be based on the carrying value of the Lands at completion and subject to audit and the amount of tax actually returned from the Tax Arrangement.

USE OF PROCEEDS

The Group intends to apply the proceeds from the Resumption of Lands, after deduction of expenses directly attributable thereto, towards the Group's general working capital.

IMPLICATION UNDER THE LISTING RULES

Dafeng Land Reserve Center and Dafeng Harbour Committee fall within the definition of PRC Governmental Body under Rule 19A.04 of the Listing Rules and accordingly are not connected persons of the Company.

Given that (i) Jiangsu Dafeng is not a principal party in the Resumption of Lands; (ii) the arrangement of Jiangsu Dafeng joining as a party to the Compensation Agreements is in essence the provision of financial assistance by Jiangsu Dafeng to Dafeng Harbour Committee (but not to the Group); and (iii) even Jiangsu Dafeng has to bear the payment obligations of the monetary compensation under the Compensation Agreements, Jiangsu Dafeng will not take up the Lands and the Lands will still be taken up by Dafeng Land Reserve Center, the arrangement that Jiangsu Dafeng will indemnify Dafeng Harbour Development will not render the Resumption of Lands as a connected transaction of the Company.

As the relevant applicable percentage ratios (as defined in the Listing Rules) for the Resumption of Lands exceed 5% but are less than 25%, the Resumption of Lands constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

INFORMATION OF THE COMPANY

The principal activities of the Group are bulk commodity trade, property development, property investment, hospitality and marine travel services, financial leasing and trading of coal.

DEFINITIONS

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

“Board”	the board of Directors
“Dafeng Land Reserve Center”	大豐市土地儲備中心 (unofficial English translation being Dafeng Land Reserve Center), a department (直屬部門) of the Bureau of Land and Resources of Dafeng City (大豐市國土資源局) and responsible for the land expropriation and reserve of Dafeng City
“Company”	China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Compensation Agreements”	collectively the two compensation agreements in relation to the Resumption of Lands entered into between Dafeng Harbour Committee, Dafeng Harbour Development and Jiangsu Dafeng on 3 July 2014
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Dafeng Harbour Committee”	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), the management body in charge of the overall development and management of the Jiangsu Dafeng Harbour Economic Development Zone (江蘇大豐港經濟開發區) on behalf of Dafeng City
“Dafeng Harbour Development”	誠通大豐海港開發有限公司 (unofficial English translation being Chengtong Dafeng Harbour Development Limited), a limited liability company incorporated in the PRC and is a 66.67%-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiangsu Dafeng”	江蘇大豐海港控股集團有限公司 (unofficial English translation being Jiangsu Dafeng Harbour Holdings Group Limited), a limited liability company incorporated in the PRC which owns 33.33% equity interest in Dafeng Harbour Development

“Land A”	the land situated at south of Shugang Highway, Dafeng City, Jiangsu Province, the PRC with site area of approximately 400,020 sq. m.
“Land B”	the land situated at Lot No.3, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC with site area of approximately 244,248 sq. m.
“Lands”	collectively Land A and Land B
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Resumption of Lands”	the arrangements in respect of the resumption of the Lands pursuant to the Resumption Agreements and the Compensation Agreements
“Resumption Agreements”	collectively the two resumption agreements in relation to the Resumption of Lands entered into between Dafeng Land Reserve Center, Dafeng Harbour Committee and Dafeng Harbour Development on 3 July 2014
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“Shareholders”	shareholder(s) of the Company
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.26. 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.

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

3 July 2014

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