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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 AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED DISPOSAL OF 100% INTEREST IN A WHOLLY OWNED SUBSIDIARY

THE DISPOSAL

The Board wishes to announce that, on 20 August 2014, the Company as vendor entered into the SP Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interest at a Consideration of RMB339,932,904 subject to the terms and conditions of the SP Agreement. Upon Completion, the Company will cease to have any interest in the Target.

LISTING RULES IMPLICATION

For the purpose of Chapter 14 of the Listing Rules, as one or more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% and is less than 25%, the Disposal constitutes a discloseable transaction for the Company.

As at the date of this announcement, the Purchaser is a wholly owned subsidiary of CCHG being a controlling Shareholder. Thus, the Purchaser is a connected person of the Company pursuant to the Rule 14A.07(1) of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to, among other things, the Independent Shareholders' approval at the EGM. CCHG and its associate(s) are required to abstain from voting on the resolution(s) to be proposed for approving the Disposal contemplated under the SP Agreement at the EGM.

GENERAL

A circular containing, among other things, (i) details of the SP Agreement and the Disposal contemplated thereunder; (ii) the recommendation of the Independent Board Committee in relation to the SP Agreement and the Disposal contemplated thereunder; (iii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM to be convened at which ordinary resolutions will be proposed to consider and, if thought fit, to approve the SP Agreement and the Disposal contemplated thereunder and all matters contemplated thereunder are expected to be despatched to the Shareholders on or before 11 September 2014.

INTRODUCTION

The Board wishes to announce that, on 20 August 2014, the Company as vendor entered into the SP Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interest at a Consideration of RMB339,932,904 subject to the terms and conditions of the SP Agreement.

THE SP AGREEMENT

Date

20 August 2014

Parties

(1) the Company as vendor; and

(2) the Purchaser as purchaser

As at the date of this announcement, the Purchaser is a wholly owned subsidiary of CCHG being a controlling Shareholder, and thus a connected person of the Company under Rule 14A.07(1) of the Listing Rules.

Assets to be disposed of

Pursuant to the SP Agreement, the assets to be disposed of would be the Sale Interest which consists of (i) the Sale Share being the entire issued share capital in the Target; and (ii) the Sale Loan being the total indebtedness owing or incurred by the Target to the Company and some of its wholly owned subsidiaries on or at any time prior to completion of the SP Agreement.

As disclosed in the announcements of the Company (collectively, the "**Acquisition Announcements**") dated 21 August 2012, 6 February 2013, 7 May 2013, 31 May 2013, 24 June 2013, 31 October 2013, 1 April 2014 and 8 July 2014 ("**8 July Announcement**") in relation to a proposed acquisition ("**Coal Mines Acquisition**") of 廣西合山煤業有限責任公司 (Guangxi Heshan Coal Company Limited*) ("**Guangxi Heshan**"), the Target as purchaser entered into a framework agreement and a sale and purchase agreement (both lapsed as at the date of this announcement) for such acquisition, pursuant to which the Target paid an earnest money of RMB50 million and an advance payment of RMB215 million to Alpha Duo International Limited ("**Alpha Duo**") (one of the vendors of the said acquisition) and Ms. Li Dawn ("**Ms. Li**") (guarantor to the said sale and purchase agreement). International Southwest Coal Investment Holdings Company Limited ("**International Southwest**"), being the immediate sole shareholder of Guangxi Heshan, (i) pledged 49% equity interest in Guangxi Heshan to the Target; and (ii) executed a guarantee contract in favour of the Target, for securing the obligations of the vendors in the Coal Mines Acquisition.

On 9 January 2014, the Target as lender also granted a loan ("**Heshan Loan**") of RMB50 million with an interest of 5.6% per annum and a maturity date of 30 June 2014 to Guangxi Heshan as borrower. On the same date, International Southwest (i) pledged its further 15% equity interest in Guangxi Heshan to the Target; and (ii) executed another guarantee contract in favour of the Target, for securing the repayment of the Heshan Loan and the interest thereon and other obligations under loan agreement in relation to the Heshan Loan.

As disclosed in the 8 July Announcement, the Target has taken certain steps to recover (among others) (i) the receivable from Alpha Duo and Ms. Li of the abovementioned earnest money of RMB50 million and the advance payment of RMB215 million (together with the interest and compensation thereon under the aforesaid framework agreement and sale and purchase agreement); and (ii) the receivable from Guangxi Heshan of the repayment of the Heshan Loan and the interest thereon (together with (i), the "**Receivables**"), by way of (among others) applying to the relevant court for freezing certain assets of Guangxi Heshan, filing an arbitration claim, obtaining additional corporate guarantee from Guangxi Heshan and two of its subsidiaries and entering into a settlement agreement with the relevant parties. On 17 July 2014, the Target obtained the arbitral awards against Guangxi Heshan and International Southwest, which (among others) confirms the terms and conditions and the enforceability of the settlement agreement.

As at 31 May 2014, the total indebtedness (including all interest and compensation) owed to the Target by (i) Alpha Duo and Ms. Li under the framework agreement and the sale and purchase agreement in relation to the Coal Mines Acquisition amounts to approximately RMB288.4 million in aggregate; and (ii) Guangxi Heshan under the Heshan Loan agreement (and its ancillary documents) amounts to approximately RMB51.5 million.

Consideration

Consideration of the Sale Interest being RMB339,932,904 shall be payable by the Purchaser to the Company (or its nominee) in the following manner:

(i) 50% of the Consideration being RMB169,966,452 on the Completion Date in cash or in other manner as agreed between the parties to the SP Agreement; and

(ii) the remaining balance of the Consideration within one year after the Completion Date in cash or in other manner as agreed between the parties to the SP Agreement, together with an interest at 4% annually on the outstanding amount of the Consideration from the Completion Date to the date of full payment of the Consideration and interest thereon.

Basis of consideration

The Consideration was determined after arm's length negotiations between the Company and the Purchaser taking into consideration of (i) the unaudited net asset value of the Target as at 31 May 2014; and (ii) the carrying amount of the Sale Loan.

The Directors (excluding the independent non-executive Directors who will give their opinion after receiving the advice from the IFA) consider that the Consideration is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

Conditions precedent

Completion of the SP Agreement and the transactions contemplated thereunder is conditional upon, among other things, the fulfillment of the following conditions:

(a) the Company having complied with the relevant Listing Rules' requirements including but not limited to the obtaining of the Independent Shareholders' approval in respect of the SP Agreement and the Disposal contemplated thereunder;

(b) the Purchaser having obtained all the consents, approvals, waivers or authorisations necessary for the SP Agreement and the Disposal contemplated thereunder approval(s) (where necessary); and

(c) all the representations, warranties and undertakings made by the Company and the Purchaser as at the date of the SP Agreement and the Completion Date are true, accurate and complete and not misleading in any material aspects.

If any of the conditions precedent set out above cannot be fulfilled or (only for item (c) above) waived on or before 31 December 2014 (or such later date as may be agreed by the parties in writing), the obligations of the parties to proceed with Completion shall cease and terminate and no party shall have any claim against or liability to the other party with respect to any matter referred to in the SP Agreement save for any antecedent breaches of the SP Agreement.

Completion

Completion shall take place on the tenth Business Day following the fulfillment of the conditions precedent set out in the SP Agreement or any other date as mutually agreed by the Company and the Purchaser in writing.

Upon Completion, the Company would cease to have any interest in the Target which would accordingly cease to be a subsidiary of the Company.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the BVI with limited liability. The Purchaser is principally engaged in investment holding. The Purchaser is a wholly owned subsidiary of CCHG being a controlling Shareholder. CCHG is a PRC company and together with its subsidiaries is an enterprise group under the supervision of State-owned Assets Supervisions & Administration Commission of the State Council. The main businesses of CCHG include assets management, integrated logistic service, capital goods trade, production and exploitation of forestry-pulp papers.

INFORMATION ON THE TARGET

The Target is a limited liability company incorporated in the BVI. It is wholly owned by the Company and has an issued and paid-up share capital of US$1 comprising one ordinary share of US$1. It is principally engaged in investment holding. Please refer to the paragraph headed "Assets to be disposed of" above for further details of the assets of the Target and the previous contracts entered into by the Target.

The unaudited net asset value of the Target as at 31 May 2014 was approximately RMB24.9 million. The unaudited net profit before and after taxation of the Target were both approximately RMB1.2 million for the financial year ended 31 December 2012 and approximately RMB7.2 million for the financial year ended 31 December 2013, which arose from the translation of the Receivables and Sale Loan, denominated in RMB to Hong Kong dollar.

REASONS FOR AND BENEFITS FROM THE DISPOSAL

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.

As disclosed in the announcement of the Company dated 24 June 2013, given the Board's previous view that there would be substantial demand for coal in the PRC, the Directors considered that the Coal Mines Acquisition would allow the Group to explore the upstream coal resources and thus stabilise the Group's source of supply for the coal trading business. However, after conducting due diligence on Guangxi Heshan as well as the relevant industry, the Directors consider that there are uncertainties to develop such new business through acquisition of entity and thus intend not to further invest in the upstream coal resources. The Directors also consider that at this stage the Group should focus more on areas which it is more familiar with and has better competitive advantage in, e.g. the marine travel services sector. As such, following the lapse of the sale and purchase agreement in relation to the Coal Mines Acquisition in March 2014, the Directors decide not to proceed with the Coal Mines Acquisition.

In around mid-May 2014, the Board was informed by CCHG of its intention to develop its coal exploration and mining business. In such connection, the parties entered into the SP Agreement so that upon Completion, CCHG (through the Purchaser and Target) may explore any cooperation opportunities with the vendors of the Coal Mines Acquisition.

The Directors consider that the Disposal will facilitate the Group to consolidate its resources in developing its other principal businesses and as the Consideration is determined on a dollar-to-dollar basis, the financial condition of the Group can be maintained after the Disposal. The Directors (excluding the independent non-executive Directors who will give their opinion after receiving the advice from the IFA) believe that the terms of the SP Agreement and the Disposal contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interest of the Company and Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Yuan Shaoli and Mr. Wang Hongxin, being the executive Directors, are also the Directors of the Purchaser. As such, Mr. Yuan Shaoli and Mr. Wang Hongxin will have material interest in the Disposal and have abstained from voting on the resolutions passed by the Board approving the Disposal contemplated under the SP Agreement. Further, Mr. Zhang Bin, another executive Director, is one of the directors of China Chengtong Hong Kong Company Limited being also a controlling Shareholder of the Company and a wholly owned subsidiary of CCHG. For the purpose of good corporate governance, Mr. Zhang has also abstained from voting on the relevant Board resolutions approving the Disposal contemplated under the SP Agreement.

USE OF PROCEEDS

It is the intention of the Company that the proceeds arising from the Disposal shall be used by the Company as a replenishment of general working capital.

FINANCIAL EFFECTS OF THE DISPOSAL ARRANGEMENT

Upon Completion, the Target will cease to be a subsidiary of the Company.

The Group expects that the Consideration is approximate to the carrying amount of the assets to be disposed of and therefore no significant gain or loss to be recognised as a result of the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit and will be assessed after Completion.

LISTING RULES IMPLICATION

For the purpose of Chapter 14 of the Listing Rules, as one or more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% and is less than 25%, the Disposal constitutes a discloseable transaction for the Company.

As at the date of this announcement, the Purchaser is a wholly owned subsidiary of CCHG being a controlling Shareholder. Thus, the Purchaser is a connected person of the Company pursuant to the Rule 14A.07(1) of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to, among other things, the Independent Shareholders' approval at the EGM. CCHG and its associate(s) are required to abstain from voting on the resolution(s) to be proposed for approving the Disposal contemplated under the SP Agreement at the EGM.

GENERAL

A circular containing, among other things, (i) details of the SP Agreement and the Disposal contemplated thereunder; (ii) the recommendation of the Independent Board Committee in relation to the SP Agreement and the Disposal contemplated thereunder; (iii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM to be convened at which ordinary resolutions will be proposed to consider and, if thought fit, to approve the SP Agreement and the Disposal contemplated thereunder and all matters contemplated thereunder are expected to be despatched to the Shareholders on or before 11 September 2014.

DEFINITIONS

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

"associates"	has the same meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day other than a Saturday or Sunday on which banks are generally open for business in Hong Kong
"BVI"	British Virgin Islands
"CCHG"	China Chengtong Holdings Group Limited, a company established in the PRC and the controlling Shareholder
"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
"Completion"	completion of the Disposal pursuant to the terms and conditions under the SP Agreement
"Completion Date"	the date which Completion takes place
"connected person"	has the same meaning ascribed thereto under the Listing Rules

"Consideration"	consideration of the Disposal, being RMB339,932,904
"Directors"	the directors of the Company
"Disposal"	the disposal of the Sale Interest pursuant to the terms and conditions of the SP Agreement
"EGM"	the extraordinary general meeting of the Company to be convened for, among others, considering and if thought fit, approving the Disposal, the SP Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"IFA"	Messis Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee in relation to, among others, the SP Agreement and the Disposal contemplated thereunder
"Independent Board Committee"	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. Chang Qing, Mr. Lee Man Chun, Tony and Mr. Chan Sheung Lai, to consider and advise the Independent Shareholders with regard to the Disposal
"Independent Shareholder(s)"	Shareholders(s) other than CCHG and its associates
"Independent Third Party(ies)"	parties independent of the Group and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Purchaser"	Mosway Group Limited, a limited liability company incorporated in the BVI and a wholly owned subsidiary of CCHG
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	collectively, the Sale Share and Sale Loan
"Sale Loan"	the total indebtedness owing or incurred by the Target to the Company and some of its wholly owned subsidiaries on or at any time prior to completion of the SP Agreement. As at the date of this announcement, the Sale Loan amounted to RMB311,935,862
"Sale Share"	the one ordinary share with a nominal value of US$1, being the entire issued share capital in the Target

"Shareholders"	shareholders of the Company
"SP Agreement"	the sale and purchase agreement dated 20 August 2014 entered into between the Company and the Purchaser in respect of, among other things, the sale and purchase of the Sale Interest in the Target
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	China Chengtong Coal Investment Limited, a limited liability company incorporated in the BVI and a direct wholly owned subsidiary of the Company as at the date of this announcement
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

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

20 August 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.