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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 IN RELATION TO ACQUISITION OF COAL MINES AND RESUMPTION OF TRADING

Financial adviser to the Company



**普頓資本有限公司
PROTON CAPITAL LIMITED**

THE ACQUISITION

References are made to the Announcements.

The Board is pleased to announce that on 18 June 2013 (after trading hours of the Stock Exchange), the Purchaser (being a wholly-owned subsidiary of the Company) (as the purchaser), the Vendors (as the vendors), Ms. Li (as the guarantor) and each of the Target Companies entered into the Sale and Purchase Agreement regarding the Acquisition. Pursuant to the Sale and Purchase Agreement, the Group has conditionally agreed to acquire for, and Alpha Duo and England Astringent have conditionally agreed to dispose of, the Sale Shares, representing their respective 50% and 35% interests in the issued share capital of Target Company A, at the aggregate Consideration of RMB448,600,000 to be settled partly in cash and partly by the issue of the Consideration Shares.

Target Company A holds 60% of the issued share capital of Target Company B, which is the sole legal and beneficial owner of 100% equity interest in the Coal Mine Company (subject only to the Equity Pledge). The Coal Mine Company holds a number of subsidiaries and branches engaging in, amongst others, exploration and mining of coal resources at the Coal Mines in the PRC.

The Coal Mines, comprising the Heshan Mines, the Luocheng Mines and the Xingren Mines, are located in three mining areas: (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), respectively. The coals from the Coal Mines are mainly thermal coal for generation of energy.

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 25% but less than 100%, the Acquisition constitutes a major transaction 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. As no Shareholder has a material interest in the Sale and Purchase Agreement, no Shareholder will be required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder. The Company will obtain an approval in writing from World Gain, which holds 2,963,626,119 Shares, representing approximately 61.22% of the issued share capital of the Company as at the date of this announcement, in lieu of an approval from the Shareholders at the general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

GENERAL

The circular containing, among other things, (i) further details of the Acquisition and the Coal Mines, including the future business plan of the Enlarged Group; (ii) the audited financial information on the Group as well as the accountants' report of the Target Group; (iii) the Technical Report; and (iv) the Valuation Report will be despatched to the Shareholders on or before 16 July 2013 in compliance with the Listing Rules.

As Completion is subject to the fulfillment (or waiver) 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 19 June 2013 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 25 June 2013.

INTRODUCTION

References are made to the Announcements. 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 Former Vendors and the Target Companies regarding the proposed acquisition of an aggregate of 82% of the issued share capital of Target Company A by the Purchaser from the Former Vendors. On 6 February 2013, the Company terminated the Framework Agreement in accordance with the termination clauses thereof and entered into further negotiations with the potential vendors regarding a new proposal for the acquisition of the Target Companies.

The Board is pleased to announce that on 18 June 2013 (after trading hours of the Stock Exchange), the Purchaser (as the purchaser), the Vendors (as the vendors), Ms. Li (as the guarantor) and each of the Target Companies entered into the Sale and Purchase Agreement regarding the Acquisition. Pursuant to the Sale and Purchase Agreement, the Group has conditionally agreed to acquire for, and Alpha Duo and England Astringent have conditionally agreed to dispose of, the Sale Shares, representing their respective 50% and 35% interests in the issued share capital of Target Company A, at the aggregate Consideration of RMB448,600,000 to be settled partly in cash and partly by the issue of the Consideration Shares.

THE SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date

18 June 2013

Parties involved

- (i) the Purchaser, a wholly-owned subsidiary of the Company, as purchaser
- (ii) Alpha Duo, as one of the vendors
- (iii) England Astringent, as one of the vendors
- (iv) Ms. Li, as guarantor
- (v) Target Company A
- (vi) Target Company B

Alpha Duo is an investment holding company incorporated in the BVI with limited liability. Alpha Duo is legally and beneficially interested in 50% of the issued share capital of Target Company A and 40% of the issued share capital of Target Company B, and is held equally by Ms. Li and another individual who is a Hong Kong citizen (the “**Alpha Duo Shareholder**”). To the best of the Directors’ knowledge and after due and careful enquiries, the Alpha Duo Shareholder and Ms. Li are business partners through their respective shareholdings in Alpha Duo.

England Astringent is an investment holding company incorporated in the BVI with limited liability, and is legally and beneficially held as to 100% by Ms. Li.

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 owners and associates (a) are Independent Third Parties and (b) does not hold any Shares or other convertible securities in the Company as at the date of this announcement; and (ii) save for the supply of coal by the Coal Mine Company to the Group in accordance with a supply agreement entered into between the Coal Mine Company and 大豐瑞能燃料有限公司 (Dafeng Ruineng Fuel Company Limited*) (“**Dafeng Ruineng**”) (being a subsidiary of the Company) dated 20 May 2013 and as supplemented by an agreement dated 29 May 2013, there were no previous transactions or business relationship between the Group and each of the Vendors, the Target Companies and their respective ultimate beneficial owners and associates in the previous 12 months.

In consideration of the Purchaser entering into the Sale and Purchase Agreement, Ms. Li unconditionally guarantees and warrants to the Purchaser on a joint and several basis with the Vendors that she and the Vendors shall, and procure the Target Group to, observe the obligations stipulated under the Sale and Purchase Agreement.

Assets to be acquired

The Sale Shares, representing an aggregate of 85% of the issued share capital of Target Company A and out of which 50% and 35% are owned by Alpha Duo and England Astringent respectively. Target Company A holds 60% of the issued share capital of Target Company B, which is the sole legal and beneficial owner of 100% of the equity interest in the Coal Mine Company (subject only to the Equity Pledge). The Coal Mine Company holds a number of subsidiaries and branches engaging in, amongst others, exploration and mining of coal resources at the Coal Mines in the PRC.

The shareholding structure of the Target Group is set out 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. Detailed information of the Target Group as well as the Coal Mines is set out under the sections headed “Information on the Target Group” and “Information on the Coal Mines” of this announcement respectively.

The Consideration

The aggregate Consideration of RMB448,600,000 shall be paid to the Vendors in proportion to their respective holdings of the Sale Shares, i.e. RMB263,882,352.942 and RMB184,717,647.058 shall be paid to Alpha Duo and England Astringent respectively.

On 17 August 2012, the Purchaser paid a total of RMB15,000,000 to Alpha Duo and Ms. Li as part of the Earnest Money under the Framework Agreement. On 20 August 2012, the remaining Earnest Money in the sum of RMB35,000,000 was paid by the Purchaser to Alpha Duo and Ms. Li under the Framework Agreement. On 29 August 2012, the Purchaser further paid to Alpha Duo and Ms. Li an aggregate of RMB215,000,000 as the Advance Payment under the Framework Agreement. Subsequently, the Purchaser issued a written notice of termination to the Former Vendors and the Target Companies on 6 February 2013 to terminate the Framework Agreement in accordance with the termination clauses thereof. In accordance with the Framework Agreement, Alpha Duo and Ms. Li shall repay to the Purchaser the Earnest Money and the Advance Payment received, and the interests and penalty (if any) accrued thereon within ten Business Days after the date of termination of the Framework Agreement. As at the date of this announcement, neither Alpha Duo nor Ms. Li has repaid their respective received portion of the Earnest Money, the Advance Payment and the interests accrued thereon to the Purchaser. In this connection, under the Sale and Purchase Agreement, Alpha Duo confirmed that it was indebted to the Group in the total amount of RMB164,440,040.66 (the “**AD’s Indebtedness**”) as at the date of the Sale and Purchase Agreement; while Ms. Li also confirmed that she was indebted to the Group in the total amount of RMB105,241,626.01 as at the date of the Sale and Purchase Agreement (the “**Ms. Li’s Indebtedness**”). As required under the Sale and Purchase Agreement, Ms. Li shall also enter into a debt transfer and set-off agreement with England Astringent and the Purchaser at Completion, pursuant to which the Purchaser shall assign the entire amount of the Ms. Li’s Indebtedness to England Astringent at a consideration of the amount being equivalent to the face value of the Ms. Li’s Indebtedness (the “**Debt Transfer Consideration**”).

Pursuant to the Sale and Purchase Agreement, the Consideration shall be satisfied in the following manner:

- (i) as to RMB155,332,557.33 (or the equivalent amount in HK\$ 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 relevant payment) paid in cash within ten Business Days after the passing of relevant resolution(s) by the Shareholders at the general meeting of the Company to approve the Sale and Purchase Agreement or the obtaining of the written approval from the relevant Shareholder in lieu of the aforementioned Shareholders' approval at the general meeting of the Company in accordance with the Listing Rules;
- (ii) as to (a) RMB164,440,040.66, which is the portion payable to Alpha Duo, by the setting-off of the AD's Indebtedness and (b) RMB105,241,626.01, which is the portion payable to England Astringent, by the setting-off of the Debt Transfer Consideration; and
- (iii) as to RMB23,585,776 (equivalent to approximately HK\$29,715,861 based on the mid-point of the intra-day exchange rate, being HK\$1: RMB0.79371, released by the People's Bank of China on the Business Day prior to the date of the Sale and Purchase Agreement) by the issue of the Consideration Shares at the Issue Price of HK\$0.36 per Consideration Share by the Company to Alpha Duo on the Completion Date.

The Group shall finance the unpaid cash portion of the Consideration by its internal resources.

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 due diligence review on the Target Group, including but not limited to the unaudited financial information of the Target Group, the total estimated coal resources/reserves of the Coal Mines as well as the preliminary valuation of the Coal Mines in compliance with Chapter 18 of the Listing Rules; (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.

The Consideration Shares

Pursuant to the Sale and Purchase Agreement, RMB23,585,776 out of the Consideration is to be satisfied by the issue of 82,544,058 Consideration Shares at the Issue Price by the Company to Alpha Duo. The Consideration Shares shall be issued by the Company under the General Mandate. The Directors were authorised to allot and issue up to 832,690,445 Shares pursuant to the General Mandate. The General Mandate has not been utilised since the date of grant.

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

- (i) approximately 1.71% of the issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 1.68% of the issued share capital of the Company as enlarged by the issue and allotment 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.

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.

The Issue Price

The Issue Price of HK\$0.36 represents:

- (i) a premium of approximately 10.77% over the closing price of HK\$0.3250 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 12.50% over the average of the closing prices of HK\$0.3200 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 14.83% over the average of the closing prices of HK\$0.3135 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 16.96% over the average of the closing prices of HK\$0.3078 as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day; and
- (v) a discount of approximately 15.89% to the Company's net asset value of approximately HK\$0.428 per Share calculated based on the Company's audited consolidated net assets of approximately HK\$2,070,973,000 as at 31 December 2012 and 4,840,734,776 Shares in issue as at the Last Trading Day.

Conditions precedent

- (1) Upon signing of the Sale and Purchase Agreement, the Group shall be entitled to and procure its advisers or agents to conduct due diligence review on the assets and liabilities, operations and business of each member of the Target Group and any other areas as determined by the Group as necessary. The Vendors shall provide and shall procure each member of the Target Group and its agent to provide all assistance as reasonably required by the Group and its advisers in connection with the due diligence review.
- (2) Completion shall be conditional upon the following conditions being fulfilled or waived:
 - (i) the Target Group, the Vendors and the Purchaser having obtained all necessary consents, approvals, waivers or authorisations in respect of the sale and purchase of the Sale Shares and the entering into and execution of the Sale and Purchase Agreement;
 - (ii) there are no situation which constitute or potentially constitute any material violation of the warranties given under the Sale and Purchase Agreement or on any situations, facts or conditions of the Vendors, Ms. Li and the Target Group, that would make any warranties given under the Sale and Purchase Agreement untrue, incomplete or misleading; and there are no occurrence of any material adverse change on the business, assets and financial position of the Target Group from 31 March 2013, and the Vendors and Ms. Li having completely fulfilled their respective obligations under the Sale and Purchase Agreement;

- (iii) the Listing Committee of the Stock Exchange having granted or agreeing to grant the approval for the listing of, and permission to deal in, the Consideration Shares on the main board of the Stock Exchange;
- (iv) the passing of relevant resolution(s) by the Shareholders at the general meeting of the Company to approve the Sale and Purchase Agreement and the transactions contemplated thereunder or the obtaining of the written approval from the relevant Shareholder in lieu of the aforementioned Shareholders' approval at the general meeting of the Company in accordance with the Listing Rules;
- (v) the Purchaser being satisfied with (a) the PRC legal opinion issued by a PRC legal adviser designated by the Purchaser. The PRC legal opinion should include, but not limited to, the confirmation of the due incorporation and valid subsistence of the Coal Mine Company and its subsidiaries and branches, the obtaining of all licenses for their business operations, the legality of the business operations of the Coal Mine Company, its subsidiaries and branches and any other areas the Purchaser considers as necessary; (b) the BVI legal opinion in relation to the due incorporation and valid subsistence of Target Company A issued by a BVI legal adviser designated by the Purchaser; and (c) the Hong Kong legal opinion in relation to the due incorporation and valid subsistence of Target Company B issued by a Hong Kong legal adviser designated by the Purchaser;
- (vi) the Purchaser being satisfied with the result of the due diligence review as mentioned in (1) above;
- (vii) the Purchaser being satisfied with the valuation report prepared by a qualified valuer designated by the Purchaser, demonstrating that the coal resources of the Coal Mines on 31 March 2013 was no less than 250 million tonnes;
- (viii) the Purchaser being satisfied with the audited consolidated financial report of Target Company A, prepared by a qualified accountant designated by the Purchaser;
- (ix) the Purchaser being satisfied with and having obtained the certificate of incumbency and the certificate of good standing of Target Company A from the Vendors; and
- (x) the Purchaser being satisfied that the Vendors and Ms. Li having completely discharged their undertakings regarding certain matters related to the operations, loans, payables and relevant pledges of the Target Group, prior to the passing of relevant resolution(s) by the Shareholders at the general meeting of the Company to approve the Sale and Purchase Agreement or the obtaining of the written approval from the relevant Shareholder in lieu of the aforementioned Shareholders' approval at the general meeting of the Company in accordance with the Listing Rules, as stipulated under the Sale and Purchase Agreement.

The Vendors and the Purchaser shall use their best endeavours to procure the fulfillment of the conditions precedent to the Sale and Purchase Agreement. The Purchaser may, at its absolute discretion, waive all or any of the conditions above (other than conditions (i), (iii) and (iv) above, which cannot be waived in any circumstances) at any time by notice in writing to the Vendors. The waivers could be granted based on the condition(s) mutually agreed among the Purchaser and the Vendors. If any of the conditions precedent to the Sale and Purchase Agreement has not been satisfied (or waived, as the case may be) on or before the Long Stop Date, the Sale and Purchase Agreement (other than the continuing provisions specified under the Sale and Purchase Agreement) shall be terminated, and the respective obligations of the Vendors and the Purchaser under the Sale and Purchase Agreement shall terminate thereafter, save for any antecedent breaches.

Completion

Completion shall take place on the Completion Date.

Board composition of the Target Group

Upon Completion, the Purchaser is entitled to appoint directors of the companies within the Target Group and shall constitute a majority of the members of the board of directors of the companies within the Target Group.

Distribution of dividend

After Completion, where (1) England Astringent holds not less than 15% of issued shares of Target Company A; and (2) subject to the conditions that the operating conditions and working capital needs of Target Company A are not affected and the laws of the BVI and the articles of association of Target Company A are being complied with, Target Company A shall distribute not less than 90% of its accumulated distributable profits for such financial year to its shareholders.

Change in authorised/issued share capital of Target Company A

After Completion, where England Astringent holds not less than 15% of the issued shares of Target Company A, the Purchaser undertakes to procure Target Company A not to increase its authorised and/or issued share capital without the prior written consent of England Astringent.

Termination of the Sale and Purchase Agreement and refund of the Consideration

Under the Sale and Purchase Agreement, it is agreed among the parties thereto that:

- (1) If any of the conditions precedent to the Sale and Purchase Agreement has not been satisfied (or waived, as the case may be) on or before the Long Stop Date, the Vendors shall (i) procure Alpha Duo and Ms. Li to repay to the Purchaser the total amounts of the AD's Indebtedness and Ms. Li's Indebtedness (as the case may be) within ten Business Days after the termination of the Sale and Purchase Agreement; and (ii) repay to the Purchaser any amount of the Consideration received within ten Business Days after the termination of the Sale and Purchase Agreement. In the event that the Vendors and/or Ms. Li fail to repay any of the aforesaid amounts to the Purchaser, the outstanding amounts are subject to a penalty which is calculated at a daily rate of 0.02% starting from the date of the Sale and Purchase Agreement and until the date when the outstanding amounts have been all settled by the Vendors and Ms. Li. The cost incurred by the Purchaser to realise all of the aforesaid repayments from the Vendors and/or Ms. Li, including but not limited to legal fees, shall be jointly and severally borne by the Vendors and/or Ms. Li.
- (2) In the event that (i) either the Vendors or Ms. Li violates or does not observe any of the terms and conditions of the Sale and Purchase Agreement or (ii) there are situations which constitute or may constitute material violation of the warranties given under the Sale and Purchase Agreement or (iii) there are situations, facts or conditions of the Vendors, Ms. Li or the Target Group that would make any warranties given under the Sale and Purchase Agreement untrue, incomplete

or misleading, the Purchaser, under the situation that its rights or other remedial measures are not being prejudiced, has the right to terminate the Sale and Purchase Agreement by written notice to the other parties to the Sale and Purchase Agreement. If the Sale and Purchase Agreement is terminated due to the above reasons, the Vendors shall (i) procure Alpha Duo and Ms. Li to repay to the Purchaser the total amounts of the AD's Indebtedness and the Ms. Li's Indebtedness (as the case may be) within ten Business Days after the termination of the Sale and Purchase Agreement; and (ii) repay to the Purchaser any amount of the Consideration received within ten Business Days after the termination of the Sale and Purchase Agreement. In the event that the Vendors and/or Ms. Li fail to repay any of the aforesaid amounts to the Purchaser, the outstanding amounts are subject to a penalty which is calculated at a daily rate of 0.02% starting from the date of the Sale and Purchase Agreement and until the date when the outstanding amounts have been all settled by the Vendors and Mr. Li. The cost incurred by the Purchaser to realise all of the aforesaid repayments from the Vendors and/or Ms. Li, including but not limited to legal fees, shall be jointly and severally borne by the Vendors and/or Ms. Li.

- (3) If the Purchaser unilaterally terminates the Sale and Purchase Agreement other than for reasons as stated in (2) above, Alpha Duo and Ms. Li shall not be required to repay the Earnest Money received (but have to repay the Advance Payment received together with the interests accrued thereon and any other amounts paid to Alpha Duo and Ms. Li in accordance with the Framework Agreement within ten Business Days after the termination of the Sale and Purchase Agreement) to the Purchaser and the Vendors shall repay to the Purchaser any amount of the Consideration received under the Sale and Purchase Agreement. In the event that the Vendors and/or Ms. Li fail to repay any of the aforesaid amounts to the Purchaser, the outstanding amounts are subject to a penalty which is calculated at a daily rate of 0.02% starting from the date of the Sale and Purchase Agreement and until the date when the outstanding amounts have been all settled by the Vendors and Ms. Li. If the Vendors unilaterally terminate the Sale and Purchase Agreement other than for reasons caused by the Purchaser, the Vendors shall be required to (i) procure Alpha Duo and Ms. Li to repay to the Purchaser the total amounts of the AD's Indebtedness and the Ms. Li's Indebtedness (as the case may be); (ii) repay to the Purchaser any amount of the Consideration received. Moreover, Alpha Duo and Ms. Li shall further pay to the Purchaser double amount of the Earnest Money received under the Framework Agreement. In the event that the Vendors and/or Ms. Li fail to repay the aforesaid amounts to the Purchaser, the outstanding amounts are subject to a penalty which is calculated at a daily rate of 0.02% starting from the date of the Sale and Purchase Agreement and until the date when the outstanding amounts have been all settled by the Vendors and Ms. Li.

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 Alpha Duo and England Astringent respectively. Target Company A owns 60% of the issued share capital of 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 Alpha Duo and Target Company A respectively. Target Company B owns 100% of the legal and beneficial interest in the Coal Mine Company (subject to the Equity Pledge).

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 Mine Company has 19 wholly or non-wholly owned subsidiaries and a number of branches engaging in, amongst others, exploration and mining of coal resources in the PRC. 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 approximately 51% of the equity interest in the Coal Mine Company through the Target Companies. The Coal Mine Company will become an indirect non wholly-owned subsidiary of the Company. The Target Group will be consolidated as subsidiaries of the Group.

Financial information on the Target Group

Set out below is the data as extracted from the unaudited financial information on Target Company A for the two years ended 31 December 2012:

Income statement	For the year ended 31 December 2012 <i>US\$'000</i>	For the year ended 31 December 2011 <i>US\$'000</i>
Turnover	–	–
Loss for the year	(5)	–
Statement of financial position	As at 31 December 2012 <i>US\$'000</i>	As at 31 December 2011 <i>US\$'000</i>
Net assets	23,716	50

Set out below is the data as extracted from the unaudited financial information on Target Company B for the two years ended 31 December 2012:

Income statement	For the year ended 31 December 2012 <i>HK\$'000</i>	For the year ended 31 December 2011 <i>HK\$'000</i>
Turnover	–	–
Loss for the year	(3,389)	(5,462)
	As at	As at
Statement of financial position	31 December 2012 <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>
Net assets/(liabilities)	136,909	(18,796)

Set out below is the data as extracted from the unaudited consolidated financial information on the Coal Mine Company for the two years ended 31 December 2012:

Consolidated income statement	For the year ended 31 December 2012 <i>RMB'000</i>	For the year ended 31 December 2011 <i>RMB'000</i>
Turnover	287,987	419,756
Profit for the year	9,881	27,184
	As at	As at
Consolidated statement of financial position	31 December 2012 <i>RMB'000</i>	31 December 2011 <i>RMB'000</i>
Net assets	500,591	512,502

INFORMATION ON THE COAL MINES

The Coal Mines, comprising three mining areas, are located in (i) Heshan City, Guangxi, the PRC (中國廣西合山市) (the “**Heshan Mines**”); (ii) Luocheng County, Hechi City, Guangxi, the PRC (中國廣西河池市羅城仫佬族自治縣) (the “**Luocheng Mines**”); 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 “**Xingren Mines**”). The coals from the Coal Mines are mainly thermal coal for generation of energy.

The mining method adopted for the Heshan Mines and the Luocheng Mines is conventional retreat long-wall mining whereas the Xingren Mines are yet to commence mining. In long-wall mining, large rectangular blocks of coal are defined during the development stage of the Coal Mines. A panel is created by driving a set of headings from main or trunk roadways at the Coal Mines. The panel of coal is removed by progressively blasting the coal at the operating face to drop the face. Once dropped, the coal is manually loaded onto a conveyor parallel to the face. When the long-wall face equipment is initially established at the end of the panel and the coal is extracted within the panel progressively towards the main headings, this configuration is known as retreat mining.

The Company has appointed the Competent Person to estimate the total coal resources/reserves of the Coal Mines in compliance with Chapter 18 of the Listing Rules. With reference to the preliminary draft of the Technical Report, the resources/reserves estimates of coal of the Coal Mines as at 31 March 2013 under the Australian Guidelines for Estimating and Reporting Inventory Coal, Coal Resources and Coal Reserves (2003 Edition) are as follows:

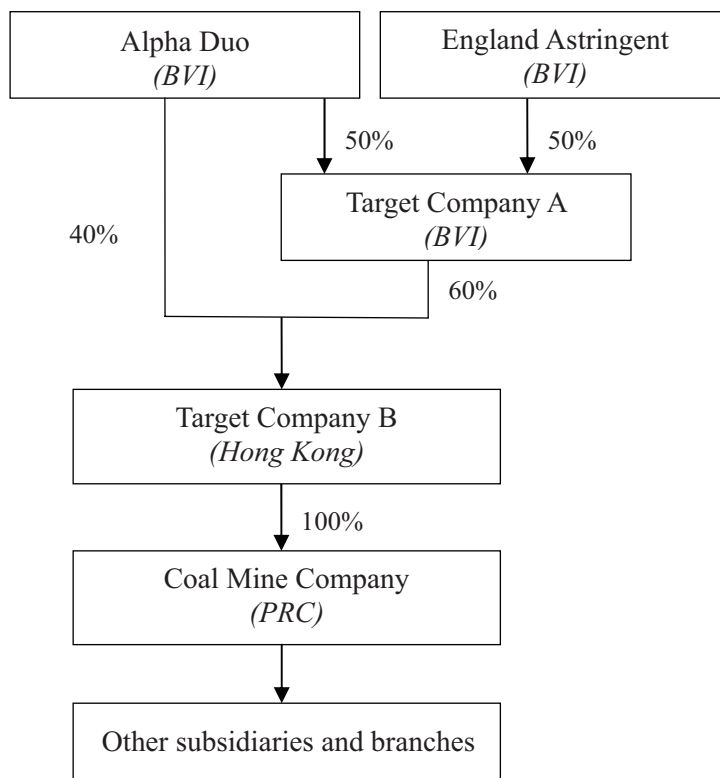
	Measured <i>(million tonnes)</i>	Indicated <i>(million tonnes)</i>	Inferred <i>(million tonnes)</i>
<i>Resources estimates of the Heshan Mines</i>			
Total	–	64	188.1
<i>Resources estimates of the Luocheng Mines</i>			
Total	–	12.87	8.8
<i>Resources estimates of the Xingren Mines</i>			
Total	128.38	45.68	20.7

In addition, according to the PRC legal opinion issued by the PRC legal advisers to the Company (the “**PRC Legal Opinion**”), the Coal Mine Company together with its subsidiaries have obtained a number of valid mining licenses for conducting mining activity at the Coal Mines while they also hold some mining licenses which have already expired. According to the Vendors, the Coal Mine Company and its subsidiaries are in the process of applying for renewal of those mining licenses which have already expired with the relevant government authority in the PRC.

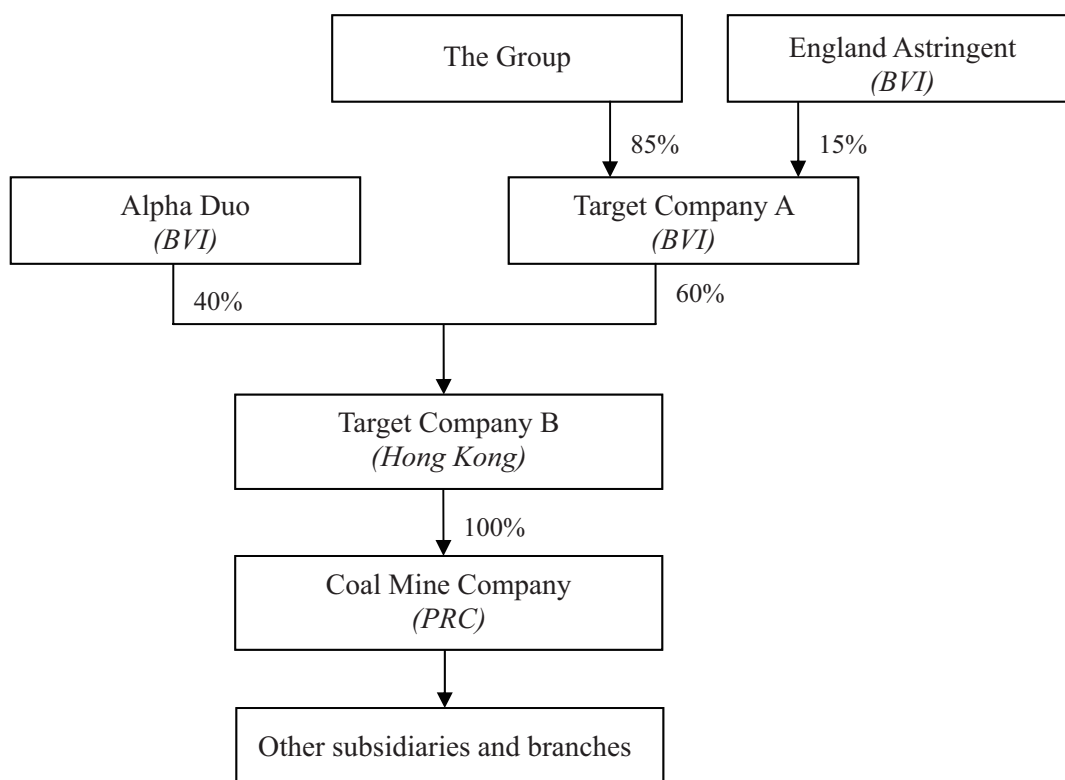
SHAREHOLDING CHARTS

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, financial leasing, and hotel and marine travelling services.

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 stable 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 2012, since the Group acquired for Dafeng Ruineng in the fourth quarter of 2010, trading of coal has become one of the principal activities of the Group. Although Dafeng Ruineng did not enter into any coal purchase transaction to avoid any pricing risk for the year ended 31 December 2012, the Directors believe that that Chinese economy will maintain rapid growth and the demand for energy and raw material will remain huge in the coming years. 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 fact that the amount of the Consideration is at discount to the preliminary valuation of the Coal Mines, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement (including the amount of the aggregate Consideration, the issue and allotment 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.

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 issue and allotment 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 Completion Date:

Shareholder	As at the date of this announcement		After the issue and allotment of the Consideration Shares	
	Number of Shares	%	Number of Shares	%
World Gain (<i>Note 1</i>)	2,963,626,119	61.22	2,963,626,119	60.20
The Vendors (and/or their nominee(s))	–	–	82,544,058	1.68
Core Pacific-Yamaichi International (H.K.) Nominees Limited (“ Core Pacific ”) (<i>Note 2</i>)	6,630,000	0.14	6,630,000	0.13
Other public Shareholders	1,870,478,657	38.64	1,870,478,657	37.99
Total	4,840,734,776	100	4,923,278,834	100

Notes:

1. The entire issued share capital of World Gain 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 1,250,000 Shares (collectively, the “**Vested Shares**”) were vested to certain Directors and other staff of the Company on 22 June 2013. As at the date of this announcement, these Vested Shares are still held by Core Pacific as trustee of the Share Award Scheme and will be transferred to those Directors and other staff of the Company as soon as possible in accordance with the terms of the Share Award Scheme.

The Company does not intend to appoint the Vendors and/or their respective ultimate beneficial owners and/or associates as Director(s) after Completion.

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).

RISK FACTORS

Set out below are the risk factors which may be associated with the Acquisition:

Fluctuation in the price and demand of coal

The price of coal in the PRC is highly influenced by the price of coal in the international market. The Directors consider that there are many factors which may influence the price and demand of coal in the international market, including but not limited to the stability of the international economic situation and the fluctuation of the global political and social condition, which are beyond the control of the Enlarged Group. Besides that, there is a possibility that the prices of commodities may fall to lower levels and the future price movement of coal (whether upward or downward) are unpredictable as at this moment.

Uncertainties in coal exploitation

The amounts of coal resources/reserves at the Coal Mines as at 31 March 2013 may be varied from the estimation in accordance with the Technical Report being based on a number of assumptions on principal factors and variables, which may prove to deviate from the actual conditions of the Coal Mines, and there is no assurance that the exploitation work to be performed by the Enlarged Group can lead to discovery of economically feasible resources/reserves.

The PRC government regulations on the coal mining industry

The coal mining industry is subject to various government policies and regulations, including but not limited to exploitation, development, production, taxation, labour standard, vocational health and safety, waste treatment, environment monitoring, protection and control, operation management and other issues. Any changes to those policies may increase the operating costs of the Coal Mine Company and hence, adversely affect the operating results of the Enlarged Group.

There is no assurance that the Coal Mine Company will be able to comply with all government policies and regulations which are adopted or amended in the future. Failure to comply with such laws and regulations could lead to punitive governmental measures, including forced suspension of operations, which may have a material adverse effect on the financial condition and results of the Enlarged Group.

Validity and renewal of the mining licenses

The Coal Mine Company together with its subsidiaries have obtained a number of valid mining licenses for conducting exploitation activity at the Coal Mines during the licensed period while they also hold some mining licenses which have already expired. The Coal Mine Company together with its subsidiaries have to renew all of their mining licenses upon expiration in order to continue with their exploitation activity at the Coal Mines. In the event that the Coal Mine Company together with its subsidiaries fail to renew their mining licenses upon expiration, the operations and financial performance of the Enlarged Group will be adversely affected.

The valuation of the Coal Mines

The valuation of the Coal Mines based on the Valuation Report involves various assumptions and therefore such valuation may or may not effectively reflect the true value of the Coal Mines.

Production safety and environmental protection

As a company engaging in mining in the PRC, production safety and environmental protection are crucial areas affecting the operations of the Coal Mine Company together with its subsidiaries. The PRC government continues to strengthen the enforcement of safety and environmental protection regulations in relation to the mining industry. No assurance can be given that more stringent laws, regulations or policies in these two respects will not be implemented or that the existing laws, regulations or policies will not be more stringently enforced. Should the Coal Mine Company together with its subsidiaries fail to comply with any production safety as well as environmental protection laws or regulations, the Coal Mine Company together with its subsidiaries would be required to rectify those problems within a limited period, failing which suspension of operations may be required. In addition to rectification or operation suspension, fines may also be imposed in accordance with the PRC laws.

Reliance on senior management and technical staff

In the event that members of the senior management or technical staff cease to serve the Target Group or fail to perform their duties as expected in the future, or the Enlarged Group is unable to recruit and train up key and management personnel and technical staff, the Target Group's operations may be materially adversely affected.

Significant and continuous capital investment

The mining business requires significant and continuous capital investment. Natural resources production projects may not be completed as originally planned or scheduled, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Thus, the actual capital investment for operations and development of the Target Group may significantly exceed the Enlarged Group's budgets because of factors beyond the Enlarged Group's control.

Operation risks

The Target Group's mining/exploration business is subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, unexpected labour shortages and compensatory claims, disputes or strikes, cost increases for contracted and/or purchased goods and services, shortages of required materials and supplies, electrical power interruptions, mechanical and electrical equipment failure, changes in the regulatory environment, natural phenomena such as inclement weather conditions, floods, earthquakes, pit wall failures, tailings dam failures and cave-ins, encountering unusual or unexpected climatic conditions which may or may not result from global warming, and encountering unusual or unexpected geological conditions.

The occurrence of the above risks and hazards may disrupt or result in suspension of operations of and liability to the Target Group, increase its production costs and/or harm its reputation. Such risks and hazards may also result in a breach of the conditions of its mining licenses and exploration rights, or any other consents, approvals or authorisations, with consequent exposure to enforcement procedures or even possible revocation of its mining licenses and/or exploration rights. Any one or a combination of the factors above may materially and adversely affect the financial condition and results of operations of the Target Group.

The Acquisition will increase the level of risk exposure of the Enlarged Group. Shareholders should be aware of the aforementioned risk factors, which may not be exhaustive, when considering the Acquisition.

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 25% but less than 100%, the Acquisition constitutes a major transaction 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. As no Shareholder has a material interest in the Sale and Purchase Agreement, no Shareholder will be required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder. The Company will obtain an approval in writing from World Gain, which holds 2,963,626,119 Shares, representing approximately 61.22% of the issued share capital of the Company as at the date of this announcement, in lieu of an approval from the Shareholders at the general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

GENERAL

The circular containing, among other things, (i) further details of the Acquisition and the Coal Mines, including the future business plan of the Enlarged Group; (ii) the audited financial information on the Group as well as the accountants' report of the Target Group; (iii) the Technical Report; and (iv) the Valuation Report will be despatched to the Shareholders on or before 16 July 2013 in compliance with the Listing Rules.

As Completion is subject to the fulfillment (or waiver) 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 19 June 2013 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 25 June 2013.

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 Sale and Purchase Agreement
“Advance Payment”	the advance payment totaling RMB215,000,000 paid by the Purchaser to Alpha Duo and Ms. Li under the Framework Agreement
“Alpha Duo”	Alpha Duo International Limited, a company incorporated in the BVI with limited liability
“Announcements”	the announcements of the Company dated 21 August 2012, 6 February 2013, 7 May 2013 and 31 May 2013 regarding the Framework Agreement and the transactions contemplated thereunder

“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, a Sunday and a public holiday) on which banks are open in Hong Kong for general banking business
“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) 中國廣西合山市 (Heshan City, Guangxi, the PRC*); (ii) 中國廣西河池市羅城仫佬族自治縣 (Luocheng County, Hechi City, Guangxi, the PRC*); and (iii) 中國貴州黔西南布依族苗族自治州興仁縣 (Xingren County, Qianxinan, Guizhou Province, the PRC*)
“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 main board of 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
“Completion Date”	the fifth Business Day after the conditions precedent to the Sale and Purchase Agreement being fulfilled or waived (as the case may be) or such other date as the Purchaser and the Vendors may agree in writing and where the context otherwise requires, the date on which Completion takes place
“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 RMB448,600,000 payable by the Purchaser to the Vendors for the Acquisition pursuant to the Sale and Purchase Agreement
“Consideration Share(s)”	the new Share(s) to be issued and allotted 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

“Earnest Money”	the earnest money totaling RMB50,000,000 paid by the Purchaser to Alpha Duo and Ms. Li under the Framework Agreement
“England Astringent”	England Astringent Investment Holdings Company Ltd., a company incorporated in the BVI with limited liability
“Enlarged Group”	the Group immediately after Completion
“Equity Pledge”	the equity pledge executed by Target Company B as pledgor, the Purchaser as pledgee, and the Coal Mine Company on 13 August 2012 in relation to the pledge of 49% of the equity interest of the Coal Mine Company by Target Company B in favour of the Purchaser
“Former Vendors”	Ms. Li and Alpha Duo
“Framework Agreement”	the framework agreement in relation to the acquisition of an aggregate of 82% of the issued share capital of Target Company A entered into among the Purchaser, Ms. Li, Alpha Duo and the Target Companies on 13 August 2012 and subsequently terminated on 6 February 2013
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 21 June 2012 to allot or otherwise deal with the unissued Shares
“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) who are independent of the Company and its connected persons
“Issue Price”	HK\$0.36 per Consideration Share
“Last Trading Day”	18 June 2013, 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
“Long Stop Date”	31 October 2013, or such later date as the Purchaser and the Vendors to the Sale and Purchase Agreement may agree in writing
“Ms. Li”	李丹丹 (Ms. Li, Dawn)

“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 Buyei and Miao Autonomous Prefecture*)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the formal sale and purchase agreement in relation to the Acquisition entered into among the Purchaser, the Vendors, Ms. Li and the Target Companies on 18 June 2013
“Sale Shares”	42,500 shares of US\$1.0 each in the issued share capital of Target Company A, representing an aggregate of 85% of the issued share capital of Target Company A as at the date of the Sale and Purchase 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 and branches
“Technical Report”	a technical report on the Coal Mines in compliance with Chapter 18 of the Listing Rules
“US\$”	US dollar(s), the lawful currency of the United States of America

“Valuation Report”	has the meaning ascribed to it under Chapter 18 of the Listing Rules
“Vendors”	Alpha Duo and England Astringent
“World Gain”	World Gain Holdings Limited, a controlling shareholder of the Company holding approximately 61.22% of the issued share capital of the Company as at the date of this announcement
“%”	per cent.

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

Hong Kong, 24 June 2013

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. Chang Qing.

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 purposes only*