

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

### **A POSSIBLE MAJOR TRANSACTION — DISPOSAL OF CT INT'L TRADING INTEREST AND HZ RUINENG INTEREST**

The Board announces that the Company will dispose of the CT Int'l Trading Interest and will, through its indirect wholly-owned subsidiary, CT Development Trading, dispose of the HZ Ruineng Interest, both by way of a listing-for-sale through CBEX which is an approved equity exchange in accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets.

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

The CT Minimum Consideration, i.e. the initial bidding price for the CT Int'l Trading Interest, is approximately RMB7.82 million (equivalent to approximately HK\$9.85 million). The HZ Minimum Consideration, i.e. the initial bidding price for the HZ Ruineng Interest, is RMB20.92 million (equivalent to approximately HK\$26.36 million).

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

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

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

Other than the revenue ratio which exceeds 100%, both the assets ratio and the profits ratio under Chapter 14 of the Listing Rules in relation to the Possible Disposals exceed 25% but are below 75%. The Company sought and obtained confirmation from the Stock Exchange that the Company may disregard the revenue ratio, as well as the profits ratio, for the Possible Disposals. Accordingly, the Possible Disposals constitute a major transaction for the Company and will, therefore, be subject to notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

An announcement containing, among other things, (i) the result of the Listing-for-Sale; (ii) the final bid price offered by the successful bidder; and (iii) the entering into of the sale and purchase agreements in relation to the Possible Disposals will be made by the Company as soon as practicable after the expiry of the Bidding Period.

A circular containing, among other things, (i) information on the Possible Disposals, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 2 December 2014.

## I. BACKGROUND AND PROCESS OF POSSIBLE DISPOSALS

In accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets, the Company will dispose of the CT Int'l Trading Interest and will, through its indirect wholly-owned subsidiary, 誠通發展貿易有限公司 (unofficial English translation being Chengtong Development Trading Company Limited) ("**CT Development Trading**"), dispose of the HZ Ruineng Interest, both by way of a listing-for-sale through an approved equity exchange. The Possible Disposals will be carried out through CBEX.

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

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

## II. THE POSSIBLE DISPOSALS

### 1. Major terms of the Possible Disposals

#### (a) *Qualifications of the potential bidders*

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

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

#### (b) *Procedures of the Listing-for-Sale*

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

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

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

**(c) Consideration**

The CT Minimum Consideration is approximately RMB7.82 million (equivalent to approximately HK\$9.85 million) and the HZ Minimum Consideration is RMB20.92 million (equivalent to approximately HK\$26.36 million).

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

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

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

Potential bidder(s) will be required to pay an earnest money in the sum of RMB0.39 million (equivalent to approximately HK\$0.49 million) and RMB1.05 million (equivalent to approximately HK\$1.32 million) at the time of making the application to take part in the Listing-for-Sale in relation to the CT Int'l Trading Interest and the HZ Ruineng Interest respectively. The earnest money paid by the successful bidder will be applied towards settling part of the consideration for the CT Int'l Trading Interest and the HZ Ruineng Interest. The balance of the consideration shall be paid by cash by the successful bidder within 5 Business Days after the effective date of the respective sale and purchase agreement to be signed between the Group and the successful bidder in relation to the CT Int'l Trading Interest and the HZ Ruineng Interest. The earnest money paid by the unsuccessful bidder(s) will be refunded in full to the unsuccessful bidder(s).

**(d) Other Conditions**

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

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

## **2. Reasons for and benefits of the Possible Disposals**

As at the date of this announcement, each of CT Int'l Trading and HZ Ruineng is a 55% owned subsidiary of the Company. They were principally engaged in the bulk commodity trading business in the past.

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

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

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

## **3. Financial effects of the Possible Disposals**

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

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

The Group intends to use the net proceeds from the Possible Disposals as working capital. The gain expected to accrue to the Company from the Possible Disposals (before deducting relevant expenses payable by the Company in respect of the Possible Disposals), being the aggregate of:

- (i) approximately RMB22.54 million (equivalent to approximately HK\$28.40 million), representing the balance of the CT Minimum Consideration after deducting (a) the unaudited net liability of CT Int'l Trading attributable to the CT Int'l Trading Interest as at 31 October 2014; and (b) the release of exchange reserve reclassified from other comprehensive income to profit or loss as at 31 October 2014; and

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

The final amount of gain or loss from the Possible Disposals is subject to audit and the final bid price offered by the successful bidder.

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

#### 1. Information on CT Int'l Trading

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

The valuation of the net asset of CT Int'l Trading as at 31 May 2014 and the valuation attributable to the CT Int'l Trading Interest, as prepared by CAA by adopting the asset-based approach, were approximately RMB14.22 million (equivalent to approximately HK\$17.92 million) and approximately RMB7.82 million (equivalent to approximately HK\$9.85 million) respectively. As at 31 October 2014, the unaudited net liability of CT Int'l Trading (calculated according to the generally accepted accounting principles in Hong Kong) was approximately RMB21.95 million (equivalent to approximately HK\$27.66 million). Further unaudited financial information of CT Int'l Trading is set out in the table below (prepared under the generally accepted accounting principles in Hong Kong):

*Unit: RMB'000*

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

#### 2. Information on HZ Ruineng

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

The valuation of the net asset of HZ Ruineng as at 31 May 2014 and the valuation attributable to the HZ Ruineng Interest, as prepared by CAA by adopting the asset-based approach, were approximately RMB38.04 million (equivalent to approximately HK\$47.93 million) and approximately RMB20.92 million (equivalent to approximately HK\$26.36 million) respectively. As at 31 October 2014, the unaudited net asset of HZ Ruineng (calculated according to the generally accepted accounting principles in Hong Kong) was approximately RMB31.56 million (equivalent to approximately HK\$39.77 million). Further unaudited financial information of HZ Ruineng is set out in the table below (prepared under the generally accepted accounting principles in Hong Kong):

*Unit: RMB'000*

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

### **3. Information on the Group**

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

## **IV. LISTING RULES IMPLICATIONS**

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

Other than the revenue ratio which exceeds 100%, both the assets ratio and the profits ratio under Chapter 14 of the Listing Rules in relation to the Possible Disposals exceed 25% but are below 75%. The Company sought and obtained confirmation from the Stock Exchange that the Company may disregard the revenue ratio, as well as the profits ratio, for the Possible Disposals. Accordingly, the Possible Disposals constitute a major transaction for the Company and will, therefore, be subject to notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The identity of the successful bidder will only be determined until after the expiry of the Bidding Period. Since it is a requirement of the Listing-for-Sale that the potential bidders must be third parties independent of the transferors (being the Company and CT Development Trading), the target companies (being CT Int'l Trading and HZ Ruineng) and their respective connected persons, the Possible Disposals will not constitute a connected transaction of the Company.

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

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

An announcement containing, among other things, (i) the result of the Listing-for-Sale; (ii) the final bid price offered by the successful bidder; and (iii) the entering into of the sale and purchase agreements in relation to the Possible Disposals will be made by the Company as soon as practicable after the expiry of the Bidding Period.

A circular containing, among other things, (i) information on the Possible Disposal, and (ii) other information required under the Listing Rules will be despatched to the Shareholders on or before 2 December 2014.

**As the Possible Disposals may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.**

## V. DEFINITIONS

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

“Bidding Period”	means the period during which the qualified bidders may offer their bid price in relation to the intended purchase of the CT Int'l Trading Interest and HZ Ruineng Interest
“Board”	means the board of directors of the Company
“Business Day(s)”	means a day on which licensed banks in the PRC are open for business
“CAA”	means 北京中同華資產評估有限公司 (China Alliance Appraisal Co., Ltd.), a qualified independent valuer in the PRC
“CBEX”	means 北京產權交易所 (China Beijing Equity Exchange), an institution authorised by the State-owned Assets Supervision and Administration Commission to transact assets and equity of State-owned enterprises under the central government of the PRC
“Company”	means China Chengtong Development Group Limited (中國誠通發展集團有限公司), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange



“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CT Int’l Trading”	means Chengtong Development International Trading Limited (誠通發展國際貿易有限公司), a company incorporated in Hong Kong with limited liability and a 55% owned subsidiary of the Company
“CT Int’l Trading Interest”	means the 55% equity interest held by the Company in CT Int’l Trading
“CT Minimum Consideration”	means the minimum consideration of approximately RMB7.82 million, i.e. the initial bidding price, for the disposal of the CT Int’l Trading Interest under the Possible Disposals
“Directors”	means the directors of the Company
“Group”	means the Company and its subsidiaries as at the date of this announcement
“HZ Minimum Consideration”	means the minimum consideration of RMB20.92 million, i.e. the initial bidding price, for the disposal of the HZ Ruineng Interest under the Possible Disposals
“HZ Ruineng”	means 杭州瑞能金屬材料有限公司 (unofficial English translation being Hangzhou Ruineng Metals Company Limited), a company incorporated in the PRC with limited liability and a 55% owned subsidiary of the Company
“HZ Ruineng Interest”	means the 55% equity interest held by the Company in HZ Ruineng
“HK\$”	means the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Listing-for-Sale”	means the listing-for-sale (掛牌出讓) process carried out through CBEX for the disposal of the CT Int’l Trading Interest and HZ Ruineng Interest
“Listing-for-Sale Notices”	means the notices (產權轉讓公告) in respect of the Listing-for-Sale
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	means the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Possible Disposals”	means the Company’s proposed disposal of the CT Int’l Trading Interest and HZ Ruineng Interest through CBEX
“Publication Period”	means the period during which the information of the Possible Disposals is disclosed to the public on the website of CBEX and in the newspapers
“RMB”	means Renminbi, the lawful currency of the PRC
“Share(s)”	means the share(s) of the Company
“Shareholder(s)”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“%”	means 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*

Hong Kong, 11 November 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.*