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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)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent

CMS  **招商证券**

PLACING AND SUBSCRIPTION

On 13 June 2015, (1) the Vendor, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Vendor agreed to appoint and the Placing Agent, as the Placing Agent of the Vendor, agreed to act as the agents for the Vendor to procure Placees on a best efforts basis for a maximum of 968,000,000 Placing Shares at the Placing Price of HK\$1.01 per Placing Share; and (2) the Vendor and the Company entered into the Subscription Agreement pursuant to which the Vendor conditionally agreed to subscribe for Subscription Shares at the Subscription Price of HK\$1.01 per Subscription Share which is equivalent to the Placing Price. The Placing Shares will be placed to not less than six Placees (being professional institutional and other investors, each of which and their respective ultimate beneficial owner(s) is an Independent Third Party).

The total number of the Placing Shares (or the total number of Subscription Shares) represent (i) approximately 20.00% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.66% of the issued share capital of the Company as enlarged by the Subscription, assuming there is no change in the issued share capital of the Company before the completion of the Subscription.

The Placing is unconditional

The number of Subscription Shares will be equal to the number of Placing Shares. The Subscription is conditional upon (i) completion of the Placing; and (ii) the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares. Assuming that the maximum number of 968,000,000 Placing Shares are placed to the Placees in full, the maximum gross proceeds from the Subscription will be approximately HK\$978 million and the maximum net proceeds will be approximately HK\$962 million. The Company intends to use such net proceeds for general working capital.

ISSUE OF SUBSCRIPTION SHARES UNDER GENERAL MANDATE

The Subscription Shares will be issued under the General Mandate granted to the Directors by a resolution passed at the annual general meeting of the Company held on 25 June 2014. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate. Accordingly, the allotment and issue of the Subscription Shares are not subject to any additional Shareholders' approval.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of each of the Placing and the Subscription is subject to the terms of the Placing Agreement and the Subscription Agreement respectively. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that on 13 June 2015, (1) the Vendor, the Company and the Placing Agent entered into the Placing Agreement and (2) the Vendor and the Company entered into the Subscription Agreement, the principal terms of each of which are summarised below.

PLACING AGREEMENT

Date:

13 June 2015

Parties

- (1) the Vendor;
- (2) the Company; and
- (3) the Placing Agent.

The Vendor, World Gain Holdings Limited, is a controlling shareholder of the Company holding 2,979,456,119 Shares as at the date of this announcement, representing approximately 61.55% of the existing issued share capital of the Company. The Vendor is wholly owned by China Chengtong Hong Kong Company Limited, which is wholly owned by China Chengtong Holdings Group Limited.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owners is an Independent Third Party.

Number of Placing Shares

The Placing Agent has agreed to act as the agent for the Vendor to procure Placees, on a best effort basis, for a maximum of 968,000,000 Placing Shares at HK\$1.01 per Placing Share.

The total number of the Placing Shares represents (i) approximately 20.00% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.66% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares assuming there is no change in the issued share capital of the Company before completion of the Subscription.

Placing Price

The Placing Price is HK\$1.01 per Placing Share, representing:

- (i) a discount of approximately 19.84% to the closing price of HK\$1.26 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 16.94% to the average closing price of HK\$1.216 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day; and
- (iii) a premium of approximately 5.43% to the average closing price of HK\$0.958 per Share as quoted on the Stock Exchange for the twenty consecutive trading days immediately prior to the Last Trading Day.

The Placing Price (or the Subscription Price) was arrived at after arm's length negotiations between the Vendor, the Company and the Placing Agent with reference to the recent market price of the Shares. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement (including the Placing Price) are fair and reasonable under the current market conditions and are in the interests of the Company and the Shareholders as a whole.

Placees

The Placing Shares will be placed to not less than six Placees (being professional institutional and other investors, each of which and their respective ultimate beneficial owner(s) is an Independent Third Party). It is expected that none of the Placees will become substantial Shareholders immediately following completion of the Placing and the Subscription.

Ranking of the Placing Shares

The Placing Shares rank pari passu in all respects with the other Shares in issue as of the date of the Placing Agreement.

Conditions of the Placing

The Placing is unconditional.

Completion of the Placing

Completion of the Placing is expected to take place on 17 June 2015 or such other date as the Vendor and the Placing Agent may agree in writing (“**Closing Date**”).

Termination of the Placing

Under the Placing Agreement, if at any time at or prior to 4:00 p.m. (Hong Kong time) on the Closing Date:

- (1) there develops, occurs or comes into force:
 - (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations in Hong Kong, the PRC, Japan, Singapore, the United States, the United Kingdom or any other member of the European Economic Area (“**Relevant Jurisdictions**”) which in the opinion of the Placing Agent has or is likely to have a material adverse effect on the financial position of the Company and/or of the Group as a whole; or
 - (ii) any significant change (whether or not permanent) in local, national or international monetary, economic, financial, political or military conditions which in the opinion of the Placing Agent is or would be materially adverse to the success of the Placing; or
 - (iii) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or foreign exchange rates or foreign exchange controls which in the sole judgement of the Placing Agent is or would be materially adverse to the success of the Placing; or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
 - (iv) a general moratorium on commercial banking activities in the Relevant Jurisdictions declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in any of the Relevant Jurisdictions; or
 - (v) a change or development involving a prospective change in Taxation which constitutes a material adverse effect on the Group as a whole or the Placing Shares or the transfer thereof; or

- (vi) any outbreak or escalation of hostilities or act of terrorism involving the Relevant Jurisdictions or the declaration by the Relevant Jurisdictions of a national emergency or war; or
 - (vii) any suspension of dealings in the Shares on the Stock Exchange for a consecutive period of 10 days (other than as a result of the Placing or the transactions contemplated under the Subscription Agreement); or
 - (viii) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the Tokyo Stock Exchange, the Singapore Stock Exchange or the London Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Closing Date; or
- (2) any breach of any of the representations, warranties and undertakings by the Company and/or the Vendor set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Closing Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respect and any such breach or failure is material or (in the opinion of the Placing Agent) is or would materially and adversely affect the financial position or business of the Company and/or of the Group as a whole or is or would be materially adverse to the success of the Placing, or there has been a breach of, or failure to perform, any other provision of the Placing Agreement on the part of any of the Company and/or the Vendor;
- (3) any breach of any of the representations, warranties and undertakings by the Company and/or the Vendor set out in the Subscription Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Closing Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respect and any such breach or failure is material or (in the opinion of the Placing Agent) is or would materially and adversely affect the financial position or business of the Company and/or of the Group as a whole or is or would be materially adverse to the success of the transaction contemplated by the Subscription Agreement, or there has been a breach of, or failure to perform, any other provision of the Subscription Agreement on the part of either the Company and/or the Vendor; or
- (4) there is any such adverse change, or development involving a prospective adverse change in the general affairs, condition, results of operations or prospects, management, business, stockholders' equity or in the financial or trading position of the Company and/or of the Group as a whole which in the opinion of the Placing Agent is adverse to the success of the Placing;

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to any of the Company and/or the Vendor by giving notice in writing to the Company and/or the Vendor, which notice may be given at any time prior to 4:00 p.m. (Hong Kong time) on the Closing Date.

Without prejudice to any other provisions of the Placing Agreement, the Placing Agent shall have the right exercisable at any time by notice in writing to the Company and/or the Vendor to terminate the Placing Agreement if any of the Placing Shares are not delivered by or on behalf of the Vendor in accordance with the Placing Agreement.

In the event that the Placing Agent terminates the Placing Agreement in accordance with the terms mentioned above, all obligations of each of the parties thereto shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for:

- (1) any antecedent breach of any obligation under the Placing Agreement; and
- (2) liabilities under the clauses relating to indemnities and payment of expenses in the Placing Agreement.

Undertakings by the Vendor and the Company

1. Under the Placing Agreement, the Vendor undertakes to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and for a period of 3 calendar months from the Closing Date, it will not and will procure that none of its/his nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will:

- (1) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests therein beneficially owned or held by the Vendor or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests; or
- (2) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of Shares;

whether any such transaction described in sub-paragraphs (1) or (2) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or

- (3) announce any intention to enter into or effect any such transaction described in sub-paragraphs (1) or (2) above,

unless with the prior written consent of the Placing Agent.

2. Under the Placing Agreement, the Company undertakes to the Placing Agent that from the date of the Placing Agreement and for a period of 3 calendar months from the Closing Date, the Company will not, except for the Subscription Shares and save pursuant to (a) the terms of any employee share option scheme of the Company or (b) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares of the Company in accordance with its articles of association:

- (1) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Share(s) or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to Shares or interest in Shares; or
- (2) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in sub-paragraph (1) above; or
- (3) announce any intention to enter into or effect any such transaction described in sub-paragraphs (1) or (2) above,

without first having obtained the written consent of the Placing Agent.

SUBSCRIPTION AGREEMENT

Date:

13 June 2015

Parties

- (1) the Vendor; and
- (2) the Company.

Number of Subscription Shares

The number of Subscription Shares is equal to the number of Placing Shares, being a maximum of 968,000,000 new Shares. The maximum number of the Subscription Shares represent (i) approximately 20.00% of the existing issued share capital of the Company; and (ii) approximately 16.66% of the issued share capital of the Company as enlarged by the Subscription, assuming there is no change in the issued share capital of the Company before the completion of the Subscription.

Subscription Price

The Subscription Price is HK\$1.01 per Subscription Share, which is equivalent to the Placing Price. A comparison of the Subscription Price with the prevailing market prices of the Shares is set out in the paragraph headed “Placing Agreement – Placing Price” above.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue by the Company at the time of issue and allotment of the Subscription Shares including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

Conditions of the Subscription

The Subscription is condition upon:

- (1) completion of the Placing having occurred pursuant to the terms of the Placing Agreement; and
- (2) listing of and permission to deal in all the Subscription Shares being granted by the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares).

The Subscription Agreement has not provided for the right of the parties to waive any of the above conditions.

Completion of the Subscription

Subject to the fulfilment of the above conditions, completion of the Subscription shall take place on the business day immediately after the last of the conditions referred to above are fulfilled or such later date as the Vendor and the Company may agree in writing, in any event, not later than 14 days after the date of the Subscription Agreement.

If the conditions referred to above are not fulfilled on or prior to 25 June 2015, the Subscription Agreement shall be terminated and neither the Company nor the Vendor shall have any claim against the other save for antecedent breaches.

ISSUE OF SUBSCRIPTION SHARES UNDER GENERAL MANDATE

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 25 June 2014. Under the General Mandate, the Directors are allowed to allot and issue up to 968,146,955 Shares. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate.

Accordingly, the allotment and issue of the Subscription Shares are not subject to any additional Shareholders' approval.

APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

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

The Directors have considered various ways of raising funds and consider that the Placing and the Subscription represent a good opportunity to raise capital for the Company while broadening the Shareholder base and strengthening the capital base of the Company. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of each of the Placing Agreement (including the Placing Price) and the Subscription

Agreement (including the Subscription Price) are fair and reasonable under the current market conditions and are in the interests of the Company and the Shareholders as a whole.

Assuming that the maximum number of 968,000,000 Placing Shares are placed under the Placing and the equivalent number of Subscription Shares are subscribed for under the Subscription, the gross proceeds and net proceeds from the Subscription will be approximately HK\$978 million and approximately HK\$962 million respectively. On such basis, the net price to the Company of each Subscription Share is approximately HK\$0.99. The Group intends to utilise the net proceeds from the Subscription for general working capital.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has not carried out any fund raising activities during the 12 months immediately preceding date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The following table illustrates (i) the shareholding structure of the Company as at the date of this announcement; and (ii) the shareholding structure of the Company immediately after completion of the Placing and the Subscription (assuming there will not be any change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the allotment and issue of the Subscription Shares):

Shareholder	(1) As at date of this announcement		(2) Immediate after completion of the Placing (assuming the Placing Shares are placed in full) but before the Subscription		(3) Immediate after completion of the Subscription (assuming the Subscription Shares are subscribed in full)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Vendor (<i>Note 1</i>)	2,979,456,119	61.55	2,011,456,119	41.55	2,979,456,119	51.29
Yuan Shaoli (<i>Note 2</i>)	300,000	0.01	300,000	0.01	300,000	0.01
Wang Hongxin (<i>Note 2</i>)	600,000	0.01	600,000	0.01	600,000	0.01
Wang Tianlin (<i>Note 2</i>)	400,000	0.01	400,000	0.01	400,000	0.01
Zhang Bin (<i>Note 2</i>)	300,000	0.01	300,000	0.01	300,000	0.01
<i>Public Shareholders:</i>						
Placees	–	–	968,000,000	20.00	968,000,000	16.66
Other public shareholders	1,859,678,657	38.41	1,859,678,657	38.41	1,859,678,657	32.01
Total:	<u>4,840,734,776</u>	<u>100.00</u>	<u>4,840,734,776</u>	<u>100.00</u>	<u>5,808,734,776</u>	<u>100.00</u>

Notes:

- The Vendor is wholly owned by China Chengtong Hong Kong Company Limited, which is wholly owned by China Chengtong Holdings Group Limited. The Vendor and parties acting in concert (as defined in the Code on Takeovers and Mergers) with it have continuously held more than 50% of the voting rights of the Company in the 12 months immediately before the Placing and the Subscription.
- Each of Mr. Yuan Shaoli, Mr. Wang Hongxin, Mr. Wang Tianlin and Mr. Zhang Bin is an executive Director.

Completion of each of the Placing and the Subscription is subject to the terms of the Placing Agreement and the Subscription Agreement respectively. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“business day”	means any day (excluding a Saturday) on which licensed banks generally are open for business during normal working hours
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by a resolution passed at the annual general meeting of the Company held on 25 June 2014 to allot, issue or otherwise deal with Shares up to a maximum of 20% of the total number of Shares in issue as at 25 June 2014, being the date of such annual general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and the connected persons (as defined in the Listing Rules) of the Company
“Last Trading Day”	12 June 2015, being the last trading day immediately before the date of the Placing Agreement and the Subscription Agreement
“Placee(s)”	the placee(s) to be procured by the Placing Agent under the Placing
“Placing”	the placing, on a best effort basis, of a maximum of 968,000,000 existing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	China Merchants Securities (HK) Co., Limited, a licensed corporation to carry on business in Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the Placing Agreement dated 13 June 2015 entered into between the Vendor, the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$1.01 per Placing Share

“Placing Shares”	a maximum of 968,000,000 existing Shares and each, a “Placing Share”
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Vendor for the Subscription Shares pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 13 June 2015 entered into between the Vendor and the Company in relation to the Subscription
“Subscription Price”	HK\$1.01 per Subscription Share
“Subscription Shares”	a number of new Shares to be subscribed by the Vendor pursuant to the Subscription Agreement, which number shall be equal to the number of Placing Shares actually placed under the Placing Agreement and each, a “Subscription Share”
“Taxation” or “Tax”	all forms of taxation whether of Hong Kong or elsewhere in the world whenever imposed and all statutory, governmental, state, provincial, local governmental or municipal impositions, duties and levies and all penalties, charges, costs and interests relating thereto
“Vendor”	World Gain Holdings Limited, a company incorporated in the British Virgin Islands, wholly owned by China Chengtong Hong Kong Company Limited, which is wholly owned by China Chengtong Holdings Group Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 13 June 2015

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.