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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

DISCLOSEABLE TRANSACTION: SUBSCRIPTION OF HONGHUA SHARES

On 25 April 2017, Galactic, a wholly-owned subsidiary of the Company, applied for the subscription of 254,000,000 Honghua Shares through Shenwan as the placing agent of Honghua at the price of HK\$0.77 per Honghua Share under the Honghua Placing. The total subscription price payable by the Group is HK\$195,580,000.

As the highest applicable percentage ratio under the Listing Rules in respect of the Subscription is more than 5% and all applicable percentage ratios are less than 25%, the Subscription constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE SUBSCRIPTION

Reference is made to the Honghua Placing Announcement in respect of the Honghua Placing through Shenwan as the placing agent of up to 508,000,000 Honghua Shares at the price of HK\$0.77 per Honghua Share.

Number of Honghua Shares subscribed

On 25 April 2017, Galactic, a wholly-owned subsidiary of the Company, applied for the subscription of 254,000,000 Honghua Shares through Shenwan as the placing agent of Honghua at the price of HK\$0.77 per Honghua Share under the Honghua Placing.

As at the date of this announcement, the Group does not hold any Honghua Share. Immediately upon completion of the Honghua Placing and assuming that the maximum number of 508,000,000 Honghua Shares are allotted and issued under the Honghua Placing and that there is no other change in the issued share capital of Honghua from the date of this announcement and up to the completion of the Honghua Placing, the 254,000,000 Honghua Shares subscribed by Galactic will represent approximately 4.94% of the then total issued share capital of Honghua as enlarged.

Subscription Price

Based on the placing price of HK\$0.77 per Honghua Share, the total subscription price payable by the Group upon subscription of the 254,000,000 Honghua Shares is HK\$195,580,000 which will be payable by the Group before completion of the Honghua Placing. The Group intends to finance the payment by the Group's internal financial resources.

The placing price of HK\$0.77 per Honghua Share represents:

- (i) an approximately 4.94% discount to the closing price of HK\$0.81 per Honghua Share as quoted on the Stock Exchange on the date of this announcement;
- (ii) an approximately 6.10% discount to the closing price of HK\$0.82 per Honghua Share as quoted on the Stock Exchange on the date of the Honghua Placing Announcement;
- (iii) an approximately 5.17 % discount to the average closing price of HK\$0.812 per Honghua Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Honghua Placing Announcement;
- (iv) an approximately 7.12% discount to the average closing price of HK\$0.83 per Honghua Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Honghua Placing Announcement; and
- (v) an approximately 21.37% discount to the audited net asset value per Honghua Share of approximately HK\$0.98 on 31 December 2016 (based on the consolidated net asset value of the Honghua Group of HK\$4,533,652,000 on 31 December 2016 and 4,629,420,900 issued Honghua Shares on the date of the Honghua Placing Announcement).

Conditions

The Honghua Placing is subject to the fulfillment or waiver of the conditions as set out in the sub-paragraph headed "Conditions" in the Honghua Placing Announcement which include, but not limited to, the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Honghua Shares to be allotted and issued under the Honghua Placing (and such approval not subsequently revoked prior to completion of the Honghua Placing). The Honghua Placing is also subject to the termination events as set out in the sub-paragraph headed "Termination of agreement" in the Honghua Placing Announcement.

The Subscription will be completed within five business days upon satisfaction of the conditions or such other date as Honghua and Shenwan may agree.

GENERAL INFORMATION OF SHENWAN

Shenwan, which is a wholly-owned subsidiary of Shenwan Hongyuan (H.K.) Limited (the shares of which are listed on the Main Board of the Stock Exchange), is a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO and is mainly engaged in the business of securities brokerage and margin financing.

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

GENERAL INFORMATION OF THE HONGHUA GROUP

Honghua is a company incorporated in the Cayman Islands with limited liability and the Honghua Group is mainly engaged in the research and development, design and manufacturing of oil drilling rigs, offshore engineering and oil exploration and development equipment, manufacturing and general assembly of large-scale equipment and provision of oil drilling engineering services.

Based on the published annual results of Honghua for the year ended 31 December 2016, the audited consolidated total assets and net asset value of Honghua as at 31 December 2016 are RMB11,267,766,000 and RMB4,083,452,000 respectively.

Set out below is a summary of certain financial information of the Honghua Group for the two years ended 31 December 2015 and 31 December 2016:

	For the year ended 31 December 2015	For the year ended 31 December 2016
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Loss before taxation	301,719,000	696,161,000
Loss after taxation	265,866,000	627,249,000

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

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

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

As disclosed in the annual report of the Company for the year ended 31 December 2016, CCHG, the ultimate holding company of the Company, has officially become a pilot operating enterprise of State-owned capital and plays a more important role in the layout and structural adjustment of State-owned economy and central enterprises. The Group, as the only overseas listed platform of CCHG, is undergoing a strategic transformation and intends to put more effort in exploring opportunities in foreign investment, mergers and acquisitions and cross-border asset management and related businesses so as to upgrade its operation to international standard, create new drivers for profit growth and maximise the values for the Shareholders. The Directors are of the view that the Subscription is in line with the above objectives and business strategies of the Group.

In addition, in view of the recent subscription of Honghua Shares by a wholly-owned subsidiary of 中國航天科工集團公司 (unofficial English translation being China Aerospace Science and Industry Corporation), which is a State-owned enterprise established in the PRC and a controlling shareholder of Honghua as at the date of this announcement, the Directors are optimistic about the business prospect of the Honghua Group and the potential growth in the price of Honghua Shares. Taking into account the fact that the placing price of the Honghua Shares represented a discount to the then market price of the Honghua Shares and to the audited net asset value per Honghua Share as disclosed in the Honghua Placing Announcement, the Directors consider that the Subscription presents a good opportunity for the Group to purchase Honghua Shares in order to expand and diversify the investment portfolio of the Group.

In view of the above, the Directors consider that the terms of the Subscription are on normal commercial terms, fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under the Listing Rules in respect of the Subscription is more than 5% and all applicable percentage ratios are less than 25%, the Subscription constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Lee Man Chun, Tony, one of the independent non-executive Directors, is an executive director of Shenwan Hongyuan (H.K.) Limited, which is the holding company of Shenwan. For the sake of good corporate governance, though he was not considered as having a material interest in the Subscription, Mr. Lee Man Chun, Tony did not attend and did not vote at the Board meeting approving the Subscription.

DEFINITIONS

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

“Board”	the board of Directors
“CCHG”	中國誠通控股集團有限公司 (China Chengtong Holdings Group Limited), a State-owned enterprise established in the PRC and the ultimate holding company of the Company
“Company”	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, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Galactic”	Galactic Investment Limited (銀河投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Honghua”	Honghua Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 196)
“Honghua Group”	Honghua and its subsidiaries
“Honghua Placing”	the proposed placing of up to 508,000,000 Honghua Shares at the placing price of HK\$0.77 per Honghua Share, details of which are set out in the Honghua Placing Announcement
“Honghua Placing Announcement”	the announcement of Honghua dated 11 April 2017 in respect of the Honghua Placing
“Honghua Shares”	ordinary shares of nominal value of HK\$0.10 each in the share capital of Honghua
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (having the meaning ascribed thereto under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Shenwan”	Shenwan Hongyuan Securities (H.K.) Limited (申萬宏源證券(香港)有限公司), a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 254,000,000 Honghua Shares by Galactic through Shenwan as placing agent under the Honghua Placing
“%”	per cent.

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

Hong Kong, 25 April 2017

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 Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.