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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)**

### **CONNECTED TRANSACTION SALE OF COAL TO A CONNECTED PERSON**

Reference is made to the announcement of the Company dated 17 November 2017 in which the Company announced that Chengtong Energy, an indirect non-wholly owned subsidiary of the Company, entered into a sale contract with the Purchaser for the sale of certain thermal coal.

On 28 November 2017, Chengtong Energy entered into the Sale Contract with the Purchaser for the further sale of thermal coal.

As the Purchaser is a wholly-owned subsidiary of CCHG, which is the ultimate holding company of the Company, the Purchaser is a connected person of the Company for the purpose of the Listing Rules. Therefore, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As all the relevant applicable percentage ratios in respect of the Transaction alone and when aggregated with the Previous Transaction are more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements and is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 17 November 2017 in which the Company announced that Chengtong Energy, an indirect non-wholly owned subsidiary of the Company, entered into a sale contract with the Purchaser for the sale of 10,000 tons of thermal coal at the total basic price in the range from RMB6,750,000 (equivalent to approximately HK\$7,897,500) to RMB6,850,000 (equivalent to approximately HK\$8,014,500), subject to adjustment in accordance with the terms thereunder (“**Previous Transaction**”). The Previous Transaction constituted a connected transaction of the Company.

On 28 November 2017, Chengtong Energy entered into the Sale Contract with the Purchaser for the further sale of 10,000 tons of thermal coal on terms substantially similar to those of the Previous Transaction. Details of the Sale Contract are set out below.

## **SALE CONTRACT**

### **Date**

28 November 2017

### **Parties**

#### **(1) *Chengtong Energy***

Chengtong Energy, being an indirect non-wholly owned subsidiary of the Company, is owned as to 51% by 誠通發展貿易有限公司 (unofficial English translation being Chengtong Development Trading Co., Ltd.), which is a wholly-owned subsidiary of the Company.

The principal business of Chengtong Energy is trading of coal.

#### **(2) *The Purchaser***

The Purchaser is a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of CCHG. The principal business of the Purchaser is production of wood pulp paper, wholesale and retail of coal, metal materials and light chemical raw materials.

## Major terms of the Sale Contract

Chengtong Energy has agreed to sell, and the Purchaser has agreed to purchase, approximately 10,000 tons of thermal coal at the following respective basic price depending on the period of the maximum tenure of the bank acceptance draft provided by the Purchaser to Chengtong Energy on settlement (“**Maximum Tenure**”):

- (i) if the Maximum Tenure is 90 days or less, the basic price shall be RMB755 per ton; or
- (ii) if the Maximum Tenure is more than 90 days and up to 180 days (inclusive of the 180th day), the basic price shall be RMB765 per ton.

It was agreed that the final settlement price shall be adjusted in accordance with the terms of the Sale Contract with reference to, among other matters, the qualities of the coal delivered (e.g. the net calorific value, sulfur and moisture content etc.) and the amount of stones, iron and/or wood contained in the coal delivered by Chengtong Energy. The final settlement price shall be settled by bank acceptance draft by the Purchaser within 10 working days after the issuance of the invoice by Chengtong Energy. The Maximum Tenure shall not exceed 180 days.

The coal shall be delivered by Chengtong Energy to the Purchaser during the period from 1 December 2017 to 20 December 2017 (“**Delivery Period**”).

In the event that the coal delivered contains stones, iron, wood and/or other impurities which cause losses to the Purchaser, or in other certain events such as where Chengtong Energy fails to give delivery notice within the prescribed time frame, or fails to deliver the coal on time, or fails to deliver the agreed quantities of coal within the Delivery Period, Chengtong Energy shall compensate the Purchaser in accordance with the terms of the Sale Contract.

## PRICE DETERMINATION

Assuming that no adjustment is made to the final settlement price, the total price payable by the Purchaser under the Sale Contract calculated on the basic price shall be in the range from RMB7,550,000 (equivalent to approximately HK\$8,833,500) to RMB7,650,000 (equivalent to approximately HK\$8,950,500).

The respective basic price of the thermal coal stipulated in the Sale Contract was determined between the parties on an arm’s length basis with reference to the quality of the coal (including the net calorific value and the constituents of the coal) and the recent listing-for-sale price of thermal coal for 高欄港 (unofficial English Translation being Gaolan Port) and other available data published on the website of Shenhua Coal Trading Network (<https://www.e-shenhua.com/ec>) and having considered the length of the Maximum Tenure.

Since the Transaction is in the ordinary course of business of Chengtong Energy, the proceeds from the Transaction are for general working capital of the Group.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The principal activities of the Group are property investment, property development, finance leasing, bulk commodity trading (including trading of coal, steel and non-ferrous metals) and hotel and marine travelling services.

The entering into of the Sale Contract is in the ordinary and usual course of business of the Group and the terms of the Sale Contract are no less favourable to the Group than those offered by the Group to third party(ies) independent of the Company and its connected persons.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale Contract are normal commercial terms and are fair and reasonable and that the Transaction is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

None of the Directors is required to abstain from voting on the Board resolutions approving the Sale Contract as none of them has any material interests in the Transaction.

## **LISTING RULES IMPLICATIONS**

As the Purchaser is a wholly-owned subsidiary of CCHG, which is the ultimate holding company of the Company, the Purchaser is a connected person of the Company for the purpose of the Listing Rules. Therefore, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As all relevant applicable percentage ratios in respect of the Transaction alone and when aggregated with the Previous Transaction are more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements and is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Board”	means the board of Directors
“CCHG”	means China Chengtong Holdings Group Limited, a company incorporated in the PRC and the ultimate holding company of the Company
“Chengtong Energy”	means 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“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, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	means the director(s) of the Company
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	means the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	means 中國紙業投資有限公司 (unofficial English translation being China Paper Industry Investment Company Limited), a company incorporated in the PRC with limited liability
“RMB”	means Renminbi, the lawful currency of the PRC

“Sale Contract”	means the coal sale and purchase contract dated 28 November 2017 entered into between Chengtong Energy and the Purchaser
“Shareholder(s)”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Transaction”	means the sale of coal by Chengtong Energy to the Purchaser as contemplated under the Sale Contract
“%”	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\$1.17. 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**  
**Zhang Bin**  
*Managing Director*

Hong Kong, 28 November 2017

*As at the date of this announcement, the executive Directors are Mr. Yuan Shaoli, Mr. Zhang Bin and Mr. Wang Tianlin; and the independent non-executive Directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.*