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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **China Chengtong Development Group Limited**, you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND CONNECTED TRANSACTION  
IN RESPECT OF THE PROPOSED DISPOSAL OF 100% INTEREST  
IN A WHOLLY OWNED SUBSIDIARY  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser  
to the Independent Board Committee and the Independent Shareholders**



**大有融資有限公司  
MESSIS CAPITAL LIMITED**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 1 to 10 of this circular. A letter from the Independent Board Committee is set out on page 11 of this circular. A letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 24 of this circular.

A notice convening the EGM to be held at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 17 October 2014 at 10:00 a.m. is set out on pages 30 to 31 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same as soon as possible and in any event not later than 48 hours before the time of the EGM or any adjournment thereof to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

23 September 2014

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## DEFINITIONS

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

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day other than a Saturday or Sunday on which banks are generally open for business in Hong Kong
“BVI”	British Virgin Islands
“CCHG”	China Chengtong Holdings Group Limited, a company established in the PRC and the controlling Shareholder
“Company”	China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal pursuant to the terms and conditions under the SP Agreement
“Completion Date”	the date which Completion takes place
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	consideration of the Disposal, being RMB339,932,904
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest pursuant to the terms and conditions of the SP Agreement
“EGM”	the extraordinary general meeting of the Company convened to be held on Friday, 17 October 2014 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, the Disposal contemplated under the SP Agreement
“Group”	the Company and its subsidiaries from time to time, and “Group company(ies)” shall be construed accordingly

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## DEFINITIONS

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“Guangxi Heshan”	廣西合山煤業有限責任公司 (unofficial English translation being Guangxi Heshan Coal Company Limited), a company established in the PRC which was the subject matter of the Coal Mines Acquisition and is the borrower of the Heshan Loan advanced by the Target as lender
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA”	Messis Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee in relation to, among others, the SP Agreement and the Disposal contemplated thereunder
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. Chang Qing, Mr. Lee Man Chun, Tony and Mr. Chan Sheung Lai, to consider and advise the Independent Shareholders with regard to the Disposal
“Independent Shareholder(s)”	Shareholders(s) other than CCHG and its associates
“Independent Third Party(ies)”	parties independent of the Group and its connected persons
“International Southwest”	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 with limited liability and the immediate sole shareholder of Guangxi Heshan
“Latest Practicable Date”	17 September 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

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## DEFINITIONS

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“Purchaser”	Mosway Group Limited, a limited liability company incorporated in the BVI and a wholly owned subsidiary of CCHG
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	collectively, the Sale Share and Sale Loan
“Sale Loan”	the total indebtedness owing or incurred by the Target to the Company and some of its wholly owned subsidiaries on or at any time prior to completion of the SP Agreement. As at the Latest Practicable Date, the Sale Loan amounted to RMB311,935,862
“Sale Share”	the one ordinary share with a nominal value of US\$1, being the entire issued share capital in the Target
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of the Company
“SP Agreement”	the sale and purchase agreement dated 20 August 2014 entered into between the Company and the Purchaser in respect of, among other things, the sale and purchase of the Sale Interest
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	China Chengtong Coal Investment Limited, a limited liability company incorporated in the BVI and a direct wholly owned subsidiary of the Company as at the Latest Practicable Date
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Yuan Shaoli (*Chairman*)

Wang Hongxin (*Managing Director*)

Wang Tianlin

Zhang Bin

*Registered address and principal place of  
business in Hong Kong:*

Suite 6406, 64th Floor

Central Plaza

18 Harbour Road

Wanchai, Hong Kong

*Independent non-executive Directors:*

Chang Qing

Lee Man Chun, Tony

Chan Sheung Lai

23 September 2014

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RESPECT OF THE PROPOSED DISPOSAL OF 100% INTEREST  
IN A WHOLLY OWNED SUBSIDIARY**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 20 August 2014 in which the Company announced that after trading hours on 20 August 2014, the Company as vendor entered into the SP Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interest at a Consideration of RMB339,932,904 subject to the terms and conditions of the SP Agreement. Upon Completion, the Company will cease to have any interest in the Target.

The Disposal contemplated under the SP Agreement constitutes a connected transaction and a discloseable transaction under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further information on the Disposal contemplated under the SP Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter from the IFA; and (iv) the notice convening the EGM.

### THE SP AGREEMENT

#### Date

20 August 2014

#### Parties

- (1) the Company as vendor; and
- (2) the Purchaser as purchaser

As at the Latest Practicable Date, the Purchaser is a wholly owned subsidiary of CCHG being a controlling Shareholder, and thus a connected person of the Company under Rule 14A.07(1) of the Listing Rules.

#### Assets to be disposed of

Pursuant to the SP Agreement, the assets to be disposed of would be the Sale Interest which consists of (i) the Sale Share being the entire issued share capital in the Target; and (ii) the Sale Loan being the total indebtedness owing or incurred by the Target to the Company and some of its wholly owned subsidiaries on or at any time prior to Completion.

As disclosed in the announcements of the Company (collectively, the “**Acquisition Announcements**”) dated 21 August 2012, 6 February 2013, 7 May 2013, 31 May 2013, 24 June 2013, 31 October 2013, 1 April 2014 and 8 July 2014 (“**8 July Announcement**”) in relation to a proposed acquisition of Guangxi Heshan (“**Coal Mines Acquisition**”), the Target as purchaser entered into a framework agreement (“**Coal Framework Agreement**”) and a sale and purchase agreement (“**Coal SP Agreement**”) (both lapsed as at the Latest Practicable Date) for such acquisition with (among others) Alpha Duo International Limited (“**Alpha Duo**”) and England Astringent Investment Holdings Company Ltd. as vendors and Ms. Li Dawn (“**Ms. Li**”) as guarantor to the Coal SP Agreement, pursuant to which the Target paid an earnest money of RMB50 million and an advance payment of RMB215 million to Alpha Duo and Ms. Li. International Southwest, being the immediate sole shareholder of Guangxi Heshan, (i) pledged 49% equity interest in Guangxi Heshan to the Target; and (ii) executed a guarantee contract in favour of the Target, for securing the obligations of the vendors in the Coal Mines Acquisition.

On 9 January 2014, the Target as lender also granted a loan (“**Heshan Loan**”) of RMB50 million with an interest rate of 5.6% per annum and a maturity date as of 30 June 2014 to Guangxi Heshan as borrower. On the same date, International Southwest (i) pledged its further 15% equity interest in Guangxi Heshan to the Target; and (ii) executed another guarantee contract in favour of the Target, for securing the repayment of the Heshan Loan and the interest thereon and other obligations under loan agreement in relation to the Heshan Loan.

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## LETTER FROM THE BOARD

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As disclosed in the 8 July Announcement, the Target has taken certain steps (among others) by way of (a) for the Coal SP Receivables, obtaining additional corporate guarantee from Guangxi Heshan and two of its subsidiaries; (b) for the Loan Receivables, applying to the relevant court for freezing certain assets of Guangxi Heshan, filing an arbitration claim and entering into a settlement agreement (“**Settlement Agreement**”) with the relevant parties on 8 July 2014, to recover (among others) (i) the receivable from Alpha Duo and Ms. Li of the abovementioned earnest money of RMB50 million and the advance payment of RMB215 million (together with the interest and compensation thereon under the Coal Framework Agreement and Coal SP Agreement) (“**Coal SP Receivables**”); and (ii) the receivable from Guangxi Heshan of the repayment of the Heshan Loan and the interest thereon (“**Loan Receivables**”, together with the Coal SP Receivables, the “**Receivables**”). On 17 July 2014, the Target obtained the arbitral awards against Guangxi Heshan and International Southwest, which (among others) confirms the terms and conditions and the enforceability of the Settlement Agreement.

### **Consideration**

Consideration of the Sale Interest being RMB339,932,904 shall be payable by the Purchaser to the Company (or its nominee) in the following manner:

- (i) 50% of the Consideration being RMB169,966,452 on the Completion Date in cash or in other manner as agreed between the parties to the SP Agreement; and
- (ii) the remaining balance of the Consideration within one year after the Completion Date in cash or in other manner as agreed between the parties to the SP Agreement, together with an interest at 4% per annum on the outstanding amount of the Consideration from the Completion Date to the date of full payment of the Consideration.

As at the Latest Practicable Date, the Company did not intend to accept any settlement method other than cash, notwithstanding that the relevant term under SP Agreement provides that the parties may mutually agree other settlement method(s).

### **Basis of consideration**

The Consideration was determined after arm’s length negotiations between the Company and the Purchaser taking into consideration of (i) the unaudited net asset value of the Target as at 31 May 2014; and (ii) the carrying amount of the Sale Loan.



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## LETTER FROM THE BOARD

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As disclosed in the paragraph headed “Progress on recovery of earnest money, advance payment and other receivables” of the 8 July Announcement, the Settlement Agreement requires (among others) Guangxi Heshan to repay the Loan Receivables to the Target in 13 monthly instalments starting from 14 July 2014. In respect of the Coal SP Receivables, as disclosed in the 8 July Announcement, the only further security obtained was the additional corporate guarantees from Guangxi Heshan and two of its subsidiaries. That said, the Target can only collect the repayments of the Loan Receivables in full by instalments by August 2015 (provided that Guangxi Heshan will comply with such payment schedule under the Settlement Agreement), whereas for the Coal SP Receivables there is no fixed repayment schedule and the Target can only rely on the corporate guarantees. On the other hand, under the SP Agreement, the Company will receive 50% of the Consideration at Completion and 50% within one year thereafter and the Directors consider that the risk of default in payment by the Purchaser (being a subsidiary of the Company’s controlling Shareholder) is much less likely than that of Guangxi Heshan. In such connection, the payment method of the Consideration (with the remaining balance to be paid within one year after the Completion Date), comparing with the abovementioned recovery progress of the Receivables by the Target, can speed up the recovery of the Receivables by the Group (and thus consolidate its resources in developing its other principal businesses). In addition to such benefit of speeding up of the recovery of the Receivables, an interest at 4% per annum will be charged on the remaining balance of the Consideration until full payment. As such, the Directors (including the independent non-executive Directors after having received the advice from the IFA) consider the payment schedule of the Consideration is acceptable.

In light of the above, the Directors (including the independent non-executive Directors who provide their recommendation taking into account the advice from the IFA) consider that the Consideration (together with its settlement method) is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

### **Conditions precedent**

Completion of the SP Agreement and the transactions contemplated thereunder is conditional upon, among other things, the fulfillment of the following conditions:

- (a) the Company having complied with the relevant Listing Rules’ requirements including but not limited to the obtaining of the Independent Shareholders’ approval in respect of the SP Agreement and the Disposal contemplated thereunder;
- (b) the Purchaser having obtained all the consents, approvals, waivers or authorisations necessary for the SP Agreement and the Disposal contemplated thereunder (where necessary); and
- (c) all the representations, warranties and undertakings made by the Company and the Purchaser as at the date of the SP Agreement and the Completion Date are true, accurate and complete and not misleading in any material respect.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, none of the conditions precedent has been fulfilled or waived.

If any of the conditions precedent set out above cannot be fulfilled or (only for item (c) above) waived on or before 31 December 2014 (or such later date as may be agreed by the parties in writing), the obligations of the parties to proceed with Completion shall cease and terminate and no party shall have any claim against or liability to the other party with respect to any matter referred to in the SP Agreement save for any antecedent breaches of the SP Agreement.

### **Completion**

Completion shall take place on the tenth Business Day following the fulfillment of the conditions precedent set out in the SP Agreement or any later date as mutually agreed by the Company and the Purchaser in writing.

Upon Completion, the Company would cease to have any interest in the Target which would accordingly cease to be a subsidiary of the Company.

### **INFORMATION ON THE PURCHASER**

The Purchaser is a company incorporated in the BVI with limited liability. The Purchaser is principally engaged in investment holding. The Purchaser is a wholly owned subsidiary of CCHG, being a controlling Shareholder. CCHG is a PRC company and together with its subsidiaries is an enterprise group under the supervision of State-owned Assets Supervisions & Administration Commission of the State Council. The main businesses of CCHG and its subsidiaries include assets management, integrated logistic service, capital goods trade, production and exploitation of forestry-pulp papers.

### **INFORMATION ON THE TARGET**

The Target is a limited liability company incorporated in the BVI. It is wholly owned by the Company and has an issued and paid-up share capital of US\$1 comprising one ordinary share of US\$1. It is principally engaged in investment holding. Please refer to the paragraph headed “Assets to be disposed of” above for further details of the assets of the Target and the previous contracts entered into by the Target.

The unaudited net asset value of the Target as at 31 May 2014 was approximately RMB24.9 million. The unaudited net profit before and after taxation of the Target were both approximately RMB1.2 million for the financial year ended 31 December 2012 and approximately RMB7.2 million for the financial year ended 31 December 2013, which arose from the translation of the Receivables and Sale Loan denominated in RMB to Hong Kong dollar.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS FROM THE DISPOSAL

The principal activities of the Group are bulk commodity trade, property development, property investment, hotel and marine travelling services, financial leasing and trading of coal.

As disclosed in the announcement of the Company dated 24 June 2013, given the Board's previous view that there would be substantial demand for coal in the PRC, the Directors considered that the Coal Mines Acquisition would allow the Group to explore the upstream coal resources and thus stabilise the Group's source of supply for the coal trading business. However, after conducting due diligence on Guangxi Heshan as well as the relevant industry, the Directors considered that there were uncertainties to develop such new business through acquisition of entity and thus intended not to further invest in the upstream coal resources. The Directors also considered that at this stage the Group should focus more on areas which it is more familiar with and has better competitive advantage in, e.g. the marine travelling services sector. As such, following the lapse of the sale and purchase agreement in relation to the Coal Mines Acquisition in March 2014, the Directors decided not to proceed with the Coal Mines Acquisition.

In around mid-May 2014, the Board was informed by CCHG of its intention to develop its coal exploration and mining business. In such connection, the parties entered into the SP Agreement so that upon Completion, CCHG (through the Purchaser and Target) may explore any cooperation opportunities with the vendors of the Coal Mines Acquisition.

The Directors consider that the Disposal will facilitate the Group to consolidate its resources in developing its other principal businesses and as the Consideration is determined on a dollar-to-dollar basis, the financial condition of the Group can be maintained after the Disposal. The Directors (including the independent non-executive Directors who provide their recommendation taking into account the advice from the IFA) believe that the terms of the SP Agreement and the Disposal contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interest of the Company and Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Yuan Shaoli and Mr. Wang Hongxin, being the executive Directors, are also the directors of the Purchaser. As such, Mr. Yuan Shaoli and Mr. Wang Hongxin will have material interest in the Disposal and have abstained from voting on the resolutions passed by the Board approving the Disposal contemplated under the SP Agreement. Further, Mr. Zhang Bin, another executive Director, is one of the directors of China Chengtong Hong Kong Company Limited, being also a controlling Shareholder of the Company and a wholly owned subsidiary of CCHG. For the purpose of good corporate governance, Mr. Zhang has also abstained from voting on the relevant Board resolutions approving the Disposal contemplated under the SP Agreement.

### USE OF PROCEEDS

It is the intention of the Company that the proceeds arising from the Disposal shall be used by the Company as a replenishment of general working capital for marine travelling services sector in particular.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE DISPOSAL ARRANGEMENT

Upon Completion, the Target will cease to be a subsidiary of the Company.

The Group expects that the Consideration is approximate to the carrying amount of the assets to be disposed of and therefore no significant gain or loss to be recognised as a result of the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit and will be assessed after Completion.

### FUTURE DEVELOPMENT PLAN OF THE GROUP'S BUSINESSES

As disclosed in the interim results announcement of the Company dated 26 August 2014, in early 2014, the Directors considered that the risks concerning the global bulk commodity trade business increased, and thus modified the operation mode and risk monitoring measures of the Company's business in this sector. In such connection, the Group suspended the operations of Chengtong Development International Trading Limited and 杭州瑞能金屬材料有限公司, both being subsidiaries of the Group. The Group will develop new platforms for bulk commodity trade and continue to carry out this business through other wholly-owned subsidiaries subject to the market conditions.

In respect of the coal trading business, as mentioned in the paragraph headed "Reasons for and benefits from the Disposal" in this circular above, there are uncertainties to develop such new business and given the current decreasing trend of the coal price, the Group did not enter into new contracts in this business sector in the first half of 2014 and will continue to observe the coal market conditions. The Group also plans to relocate its coal trading centre from the market of East China to that of South China with a hope to bring into better play the market exploration capability and experience of the Group's coal trading teams.

As for the marine travelling services and hotel business in Huandao Yalongwan (寰島亞龍灣), the Group will actively seek for new shoreline resources in Hainan and other coastal areas while maintaining a good level of profitability, and strive to replicate the existing business model, cultivate new profit growth point and build up sustainable development model. In respect of the existing hotels in Sanya, the Group investigated the feasibility of reconstructing and repositioning of such hotels to a new multimedia centre under the theme of marine which will include shopping mall, cinema, etc. and be equipped with high technology facilities, in order to bring into full play the value and profitability of the scarce land resources where those hotels are currently located, and thus achieve the linkage between land and water projects and create even greater value. The proceeds from the Disposal will first be used as the cost for research and feasibility study of such project at this preliminary stage, and the remaining amount (if any) is planned to be applied to the cost of reconstruction of the hotels into the new multimedia centre in the future.

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## LETTER FROM THE BOARD

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In respect of property investment, the Group's overall strategy is to speed up its disposal and realise gains from land appreciation, so as to enrich the Company's cash reserves and reduce the administrative radius. For land assets in Shenyang and Dafeng of Jiangsu, it is expected the Company will complete the disposal of all lands in Shenyang and that of certain industrial and business lands in Dafeng within 2014. In respect of property development, the Company will continue to carry forward and complete the development of "CCT-Champs-Elysees" project in Zhucheng of Shandong. As regards the project "Chengtong International City" in Dafeng of Juangsu, the Group will continue to promote its development in a prudent manner considering the immature nature of the local regional markets.

For the finance leasing sector, the Group recommenced this business and enhanced the business development efforts in the first half of 2014. The restart of the business was mainly due to the consideration that financial leasing business has a good development prospects in China and that the large logistics infrastructure and equipment within the system of the Group has created stable internal demand for leasing market. The business is expected to achieve rapid development if the Group can give full play to the capital advantages of Hong Kong's financial markets and seize both the internal and external market opportunities.

### LISTING RULES IMPLICATION

For the purpose of Chapter 14 of the Listing Rules, as one or more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% and is less than 25%, the Disposal constitutes a discloseable transaction for the Company.

As at the Latest Practicable Date, the Purchaser is a wholly owned subsidiary of CCHG, being a controlling Shareholder. Thus, the Purchaser is a connected person of the Company pursuant to the Rule 14A.07(1) of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to, among other things, the Independent Shareholders' approval at the EGM. CCHG and its associate(s) are required to abstain from voting on the resolution(s) to be proposed for approving the Disposal contemplated under the SP Agreement at the EGM.

### EGM

The Company will convene the EGM to be held at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 17 October 2014 at 10:00 a.m. for the purpose of considering, and if thought fit, approving the Disposal contemplated under the SP Agreement. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM will be taken by poll. A notice of the EGM is set out on pages 30 to 31 of this circular. The resolution in relation to the Disposal contemplated under the SP Agreement will be put to vote by the Independent Shareholders at the EGM by way of poll.

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## LETTER FROM THE BOARD

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A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you intend to attend the EGM (or any adjournment thereof), you are requested to complete the accompanying form of proxy and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

Any shareholder with a material interest in the Disposal will not vote at the EGM. As the Purchaser is an associate of World Gain Holdings Limited, World Gain Holdings Limited has a material interest in the Disposal contemplated under the SP Agreement. Therefore, World Gain Holdings Limited will abstain from voting on the resolution to approve the Disposal at the EGM. As at the Latest Practicable Date, World Gain Holdings Limited was holding 2,979,456,119 Shares, representing approximately 61.55% of the total issued share capital of the Company.

Further, as disclosed in the paragraph headed "Reasons for and benefits from the Disposal" in this circular above, (i) Mr. Yuan Shaoli and Mr. Wang Hongxin, being the executive Directors, will have material interest in the Disposal; and (ii) Mr. Zhang Bin, being another executive Director, also abstained from voting on the relevant Board resolutions approving the Disposal for the purpose of good corporate governance. As disclosed in the paragraph headed "2. Directors' interests" in the Appendix to this circular, as at the Latest Practicable Date, Mr. Yuan Shaoli, Mr. Wang Hongxin and Mr. Zhang Bin were holding 300,000, 600,000 and 300,000 Shares respectively, representing approximately 0.0062%, 0.0124% and 0.0062% of the total issued share capital of the Company. Therefore, Mr. Yuan Shaoli, Mr. Wang Hongxin and Mr. Zhang Bin will abstain from voting on the resolution to approve the Disposal at the EGM.

Save those Shareholders as disclosed above, to the best of the Directors' knowledge, there is no Shareholder who has material interest in the Disposal and shall abstain from voting at the EGM.

### **RECOMMENDATION**

An Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Disposal contemplated under the SP Agreement. Your attention is drawn to the advice of the Independent Board Committee set out in its letter on page 11 of this circular. Your attention is also drawn to the letter of advice from IFA to the Independent Board Committee and the Independent Shareholders in respect of the same set out on page 12 to page 24 in this circular.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taking into account the advice of the IFA, considers that although the entering into of the Disposal contemplated under the SP Agreement is not in the ordinary and usual course of business of the Company, it is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Disposal at the EGM.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,  
By order of the Board  
**China Chengtong Development Group Limited**  
**Wang Hongxin**  
*Managing Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:*



### 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)**

23 September 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RESPECT OF THE PROPOSED DISPOSAL OF 100% INTEREST  
IN A WHOLLY OWNED SUBSIDIARY**

We refer to the circular issued by the Company to its shareholders and dated 23 September 2014 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the Disposal contemplated under the SP Agreement will constitute a discloseable and connected transaction for the Company and is subject to the approval of the Independent Shareholders at the EGM.

We have been appointed by the Board to consider the Disposal contemplated under the SP Agreement and to advise the Independent Shareholders in connection therewith. Messis Capital Limited has been appointed as the IFA to advise us in this respect. We wish to draw your attention to the letter from the Board and the letter from the IFA as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the IFA as set out in its letter of advice, we consider that although the entering into of the Disposal contemplated under the SP Agreement is not in the ordinary and usual course of business of the Company, it is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Disposal contemplated under the SP Agreement at the EGM.

Yours faithfully,

For and on behalf of

*Independent Board Committee*

**Chang Qing**

**Lee Man Chun, Tony**

**Chan Sheung Lai**



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## LETTER FROM THE IFA

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



23 September 2014

*To: The Independent Board Committee and the Independent Shareholders of  
China Chengtong Development Group Limited*

Dear Sir/Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED DISPOSAL OF 100% INTEREST IN A WHOLLY OWNED SUBSIDIARY**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the SP Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 23 September 2014 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 20 August 2014, the Company entered into the SP Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interest at a Consideration of RMB339,932,904 subject to the terms and conditions of the SP Agreement. Upon the Completion, the Company will cease to have any interest in the Target.

As one or more than one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company. As the Purchaser is a wholly owned subsidiary of CCHG, being a controlling Shareholder of the Company, the Purchaser is hence a connected person of the Company pursuant to the Rule 14A.07(1) of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to, among others, the Independent Shareholders’ approval at the EGM. CCHG and its associate(s) (including World Gain Holdings Limited) are required to abstain from voting on the resolution(s) to be proposed for approving the Disposal contemplated there under the SP Agreement at the EGM. As at the Latest Practicable Date, World Gain Holdings Limited was holding 2,979,456,119 Shares, representing approximately 61.55% the total issued share capital of the Company.

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## LETTER FROM THE IFA

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To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, Mr. Yuan Shaoli and Mr. Wang Hongxin, being the executive Directors, are also the directors of the Purchaser. As such, Mr. Yuan Shaoli and Mr. Wang Hongxin will have material interest in the Disposal and have abstained from voting on the resolutions passed by the Board approving the Disposal contemplated under the SP Agreement. Further, Mr. Zhang Bin, another executive Director, is one of the directors of China Chengtong Hong Kong Company Limited being also a controlling Shareholder of the Company and a wholly owned subsidiary of CCHG. For the purpose of good corporate governance, Mr. Zhang has also abstained from voting on the relevant Board resolutions approving the Disposal contemplated under the SP Agreement. As at the Latest Practicable Date, Mr. Yuan Shaoli, Mr. Wang Hongxin and Mr. Zhang Bin were holding 300,000, 600,000 and 300,000 Shares respectively, representing approximately 0.0062%, 0.0124% and 0.0062% of the total issued share capital of the Company. Therefore, Mr. Yuan Shaoli, Mr. Wang Hongxin and Mr. Zhang Bin will also abstain from voting on the resolution to approve the Disposal at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chang Qing, Mr. Lee Man Chun, Tony and Mr. Chan Sheung Lai, has been established to give recommendation to the Independent Shareholders on the SP Agreement and the transactions contemplated thereunder. We, Messis Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion in relation to the Disposal.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

Other than this appointment as the independent financial adviser of the Company in connection with the SP Agreement and the transactions contemplated thereunder, we have no other relationships or interests with the Company and any other parties that could reasonably be regarded as relevant to our independence. We are hence independent from the Company pursuant to Rule 13.84 of the Listing Rules.

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company are true and accurate at the time when they were made and will continue to be accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

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## LETTER FROM THE IFA

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The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, the Target, the Purchaser or any of their respective associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with the Disposal. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS TAKEN INTO CONSIDERATION**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### **1. Information of the Company**

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

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## LETTER FROM THE IFA

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The table below sets out the audited key financial information of the Group for the two years ended 31 December 2013 and the unaudited financial information of the Group for the six months ended 30 June 2014 as extracted from the Company's annual report for the year ended 31 December 2013 (the "Annual Report") and the interim results for the six months ended 30 June 2014 (the "Interim Results Announcement"), respectively:

	<b>For the six months</b>		<b>For the year ended 31</b>	
	<b>ended 30 June</b>		<b>December</b>	
	<b>2014</b>	2013	<b>2013</b>	2012
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Revenue	<b>547,556</b>	8,231,871	<b>15,500,313</b>	8,626,661
(Loss)/profit before income tax	<b>(468)</b>	(60,122)	<b>146,473</b>	252,263
(Loss)/profit for the period/year	<b>(16,024)</b>	(82,736)	<b>64,318</b>	209,136
Profit/(loss) attributable				
to Shareholders	<b>6,161</b>	(58,263)	<b>50,727</b>	184,526
Bank balances and cash	<b>914,139</b>	627,874	<b>2,557,297</b>	1,973,076
Net assets	<b>2,127,065</b>	2,029,342	<b>2,217,620</b>	2,070,973

Bulk commodity trade was the largest business segment of the Group accounted for approximately 98.6% and 98.8% of its total revenue for the year ended 31 December 2013 and 31 December 2012, respectively. According to the Annual Report, the significant increase in revenue of the Group for the year ended 31 December 2013 was mainly attributable to the significant increase in the turnover from the Group's bulk commodity trade business. It also accounted for approximately 85.5% and 98.8% of the Group's total revenue for the six months ended 30 June 2014 and 2013 respectively. According to the Interim Results Announcement, the Group experienced a dramatic decrease of approximately 93.3% in its total revenue in the first half of 2014 as compared to the same period of 2013. Such decrease was mainly attributable to the cease of carrying of bulk commodity trade business through two subsidiaries of the Group namely Chengtong Development International Trading Limited and Hangzhou Ruineng Metals Company Limited in 2014, as the Group did not reach a consensus with the joint venture partners of these subsidiaries in relation to the operation mode and risk monitoring measures with them. The Group continued to carry out bulk commodity trade through its own wholly owned subsidiaries.

Coal trading was the second largest business segment of the Group for the year ended 31 December 2013 in terms of revenue which accounted for approximately 0.5% of its total revenue that year. No similar revenue was incurred for the year ended 31 December 2012 as the Group only provided agency services for coal trading. Trading of coal was one of the principal activities of the Group since its acquisition of Dafeng Ruineng Fuel Company Limited in the fourth quarter of 2010. However, no revenue was incurred for the six months ended 30 June 2014 since the Group did not conduct any sale of coal or provide relevant agency services. For the six month period ended 30 June 2014, due to the over supply in the coal market in the first half of 2014 resulted in dropped in coal price, the Group did not conduct any sale of coal or provide relevant agency services. No revenue was hence generated from this business segment during this period.

Other than bulk commodity trading and coal trading business, the Group also engages in property development and investment, hotel marine and travelling services and financial leasing.

Notwithstanding the Group recorded an increase in revenue for the year ended 31 December 2013, the profit attributable to the Shareholders decreased from approximately HK\$184.5 million to approximately HK\$50.7 million mainly due to (i) the absence of one-off gain of approximately HK\$122.2 million arising from the completion of an acquisition in 2012; (ii) the increase in finance costs of approximately HK\$214.0 million mainly in respect to the finance cost on discounted bills for the bulk commodity trading business; and (iii) the fair value adjustments for its assets of the Group. The profit attributable to the Shareholders was approximately HK\$6.2 million for the first half of 2014 as compared with the loss of approximately HK\$58.3 million for the same period of 2013. Such improvement was mainly attributable to the decrease in finance cost arising from bulk commodity trade business as well as the increase in profit contribution from the core business of the Group.

## **2. Information of the Target Company**

The Target is a limited liability company incorporated in the BVI. It is a wholly owned by the Company and has an issued and paid-up share capital of US\$1 comprising one ordinary share of US\$1. The Target is principally engaged in investment holding and is a party to the relevant agreements in relation to the Coal Mines Acquisition.

Based on the unaudited management account of the Target as at 31 May 2014, the unaudited net asset value of the Target as at 31 May 2014 was approximately RMB24.9 million, mainly comprise of (i) the earnest money of RMB50.0 million paid for the Coal Mines Acquisition; (ii) the advance payment of RMB215.0 million paid for the Coal Mines Acquisition; (iii) the Heshan Loan of RMB50.0 million; and (iv) the respective interests and penalty arised from the earnest money, advance payment and Heshan Loan amounted to approximately RMB24.9 million; and (iv) the Sale Loan amounted to approximately RMB315.0 million.

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## LETTER FROM THE IFA

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We are given to understand from the Directors that the Target does not have any business operations since its incorporations. The unaudited net profit before and after taxation of the Target were both approximately RMB1.2 million for the financial year ended 31 December 2012 and approximately RMB7.2 million for the financial year ended 31 December 2013, which arose from the translation of the Receivables and Sale Loan, denominated in RMB to Hong Kong dollar.

As advised by the Directors, there is no material change in the financial position of the Target since 31 May 2014 up to the Latest Practicable Date.

### 3. Principle assets of the Target

The Target entered into a number of agreements in relation to the Coal Mines Acquisition in 2012 and 2013. Relevant events on the Coal Mines Acquisition are summarised below.

On 13 August 2012, the Target entered into a framework agreement (the “**Framework Agreement**”) with Alpha Duo, Ms. Li, Alpha Fortune Industrial Limited (“**Alpha Fortune**”) and International Southwest in relation to the proposed acquisition of 82% of the issued share capital of Alpha Fortune. Alpha Fortune indirectly owned 60% of Guangxi Heshan and its subsidiaries which principally engaged in exploration and mining of coal mine resources in Guangxi and Guizhou. According to the terms of the Framework Agreement, the Target paid earnest money of RMB50.0 million and an advance payment of RMB215.0 million to Alpha Duo and Ms. Li. To secure the performance of the refund obligations of Alpha Duo and Ms. Li should the Framework Agreement was terminated, International Southwest (i) pledged 49% equity interest in Guangxi Heshan to the Target as security and (ii) executed a guarantee agreement in favour of the Target pursuant to which International Southwest shall provide joint and several guarantee in favour of the Target.

The Framework Agreement was subsequently terminated on 6 February 2013 as there was difference between the net asset value of Guangxi Heshan as at 31 December 2011 as represented by Alpha Duo and Ms. Li in the Framework Agreement and the results of the relevant due diligence review as conducted by the Company did not comply with the relevant terms of the Framework Agreement.

Having further negotiations for new proposals for the acquisition of Alpha Fortune, on 18 June 2013, the Target, as the purchaser, entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) pursuant to which the Target proposed to acquire an aggregate of 85% of the issued share capital of Alpha Fortune. By that time, the Company considered that the Coal Mines Acquisition represented a good investment opportunities for the Company to explore upstream coal resources and would stabilise the Group’s source of supply for coal trading business.

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## LETTER FROM THE IFA

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On 9 January 2014, the Target granted the Heshan Loan amounted to RMB50.0 million with an interest of 5.6% per annum and a maturity date of 30 June 2014 to Guangxi Heshan. International Southwest (i) further pledged 15% equity interest in Guangxi Heshan to the Target and (ii) executed another guarantee contract in favour of the Target for securing the repayment of the Heshan Loan and the interest thereon and other obligations under the loan agreement in relation to the Heshan Loan.

On 31 March 2014, the Sale and Purchase Agreement lapsed as some of the conditions precedent were not satisfied, including but not limited to (i) the Target being satisfied that the relevant vendors and Ms. Li having completely discharged their undertakings regarding certain matters related to the operations, loans, payables and relevant pledges of Alpha Fortune and/or its subsidiaries, and (ii) the Listing Committee of the Stock Exchange had not granted or agreed to grant the approval for the listing of, and permission to deal in, certain new shares to be issued to partially settled the consideration of the Coal Mines Acquisition.

Guangxi Heshan has not repaid any part of the Heshan Loan or interest thereon and none of the relevant earnest money and advance payment as mentioned above has been refunded by Alpha Duo and Ms. Li. On 8 July 2014, the Company announced that various measures had been taken to safeguard the interest of the Target including (i) obtained the additional guarantee from Guangxi Heshan and two of its subsidiaries to secure the repayment obligations of Alpha Duo and Ms. Li to the extent of RMB45.0 million and the interests accrued thereon; and (ii) entered into a settlement agreement with the relevant parties to agree on the repayment schedule on the Heshan Loan and the provision of additional guarantees to the Group. Details of the arrangements are set out in the 8 July Announcement. On 17 July 2014, the Target obtained the arbitral awards against Guangxi Heshan and International Southwest, which (among others) confirms the terms and conditions and the enforceability of the settlement agreement.

As at 31 May 2014, the total indebtedness (including all interest and compensation) owed to the Target by (i) Alpha Duo and Ms. Li under the Framework Agreement and the Sale and Purchase Agreement amounts to approximately RMB288.4 million in aggregate; and (ii) Guangxi Heshan under the Heshan Loan agreement (and its ancillary documents) amounts to approximately RMB51.5 million. (collectively, the “**Outstanding Receivables**”)

#### **4. Reasons for and benefits from the Disposal**

As advised by the Directors, as coal trading was one of the principal revenue source of the Group, the preliminary intention of the Company in the Coal Mines Acquisition was to explore upstream coal resources to stabilise the Group’s resources in coal trading business.

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## LETTER FROM THE IFA

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However, after conducting due diligence on Guangxi Heshan as well as taking into account the latest development of the relevant industry, the Directors consider that there will be certain risks to develop such new business through the Coal Mines Acquisition (for instance, the Directors expect that the global coal market will remain unstable in the near future) and thus intends not to further invest in the upstream coal resources.

As advised by the Directors, during the first quarter of 2014, the government of Guizhou had implemented a number of policies to increase the efficiency on exploration of coal resources. Such policies included, among others, (i) reducing the number of coal mines by eliminating or closing down those coal mines of low productivities and (ii) requesting unqualified coal mining corporations to integrate coal resources by corporate restructuring. Under these policies, the government will only issue relevant exploration and exploitation licenses to coal mines which have annual productivity of 1.5 million tons or above. Given the change in the government policies and business environment, and having considered the business risk of the Coal Mines Acquisition, the Directors considered that it is in the interest of the Company not to proceed with the Coal Mines Acquisition.

We are also given to understand from the Directors that the coal prices in the PRC dropped recently owing to the overcapacity and the decrease in the demand for coal in China. The Directors are also of the view that the global coal market will be unstable in the near future, the Group therefore intended to observe the development of the coal market at the current stage and not to further invest in the upstream coal resources. We have reviewed market information regarding the recent market situation of the coal industry and with reference to the Bohai-Rim Steam-Coal Price Index, a China's benchmark index reflecting the price level of the thermal coal produced in North China, the coal price decreased from approximately RMB610 per tons in early January 2014 to approximately RMB534 per tons in early May 2014, representing a drop of approximately 12.5%. In addition, according to the China's National Coal Association, power plants are primarily the major consumer of thermal coal, but the daily coal consumption had dropped 3.1% on a year-to-year comparison, indicating an overall sluggish economy and the overcapacity in the coal-mining industry. On these bases, we concur with the Directors' view that it is in the interest of the Company not to invest in the upstream coal resources at the current stage.

Following the lapse of the Sale and Purchase Agreement, the Group has taken series of actions to recover the Outstanding Receivables from Alpha Duo, Ms. Li and Guangxi Heshan. Details of which are set out in the paragraph headed "Principal Assets of the Target" in this letter. The Directors are of the view that the Outstanding Receivables are fully recoverable given the Target was granted with sufficient pledges and guarantees. However, it is expected that additional time is required until the Outstanding Receivables to be fully recovered. In particular on 8 July 2014, the Company announced that the Heshan Loan was agreed to be settled in full by August 2015 in monthly installments while no fixed schedule was arrived on the settlement of the earnest money, advance payment and the interest and penalty accrued. The Directors therefore consider that the Disposal will speed up the recovering of the Outstanding Receivables and enable the Group to consolidate its resources and focus more on areas which it is more familiar with and has better competitive advantage in, e.g. the marine travel services.



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## LETTER FROM THE IFA

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In around mid-May 2014, the Board was informed by CCHG of its intention to develop its coal exploration and mining business. In such connection, the parties entered into the SP Agreement so that upon Completion, CCHG (through the Purchaser and Target) may explore any cooperation opportunities with the vendors of the Coal Mines Acquisition.

Having considered (i) the latest government policies in Guizhou; (ii) the recent market conditions in coal mining industry; (iii) the current business plan of the Company to focus more on areas which it is more familiar with and has better competitive advantage in; and (iv) the recent development on the Coal Mines Acquisition, we concur with the Directors that the Disposal is in the interest of the Company and the Shareholders as a whole.

### 5. Principal Terms of the SP Agreement

The following summarises principal terms of the SP Agreement:

Date:	20 August 2014
The Vendor:	The Company
The Purchaser:	Mosway Group Limited, a wholly owned subsidiary of CCHG
Subject matter:	The Sale Interest
Consideration:	<p>The Consideration, being RMB339,932,904 shall be payable by the Purchaser to the Company (or its nominee) in the following manner:</p> <ul style="list-style-type: none"><li>(i) 50% of the Consideration being RMB169,966,452 on the Completion Date in cash or in other manner as agreed between the parties to the SP Agreement; and</li><li>(ii) the remaining balance of the Consideration within one year after the Completion Date in cash or in other manner as agreed between the parties to the SP Agreement, together with an interest at 4% per annum on the outstanding amount of the Consideration from the Completion Date to the date of full payment of the Consideration.</li></ul>
Completion:	Completion shall take place on the tenth Business Day following the fulfillment of the conditions precedent set out in the SP Agreement or any other date as mutually agreed by the Company and the Purchaser in writing.

For other terms of the SP Agreement, please refer to section headed “The SP Agreement” under the Letter from the Board.

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## LETTER FROM THE IFA

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### *Consideration of the Disposal*

According to the Letter from the Board, the total consideration for the Disposal was determined after arm's length negotiations between the Company and the Purchaser taking into consideration of (i) the unaudited net asset value of the Target as at 31 May 2014; and (ii) the carrying amount of the Sale Loan. The Directors consider the Consideration is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole as the Consideration is determined on a dollar-to-dollar basis and the financial condition of the Group can be maintained after the Disposal.

We have obtained and reviewed the unaudited account of the Target as at 31 May 2014 and noted that the principal assets of the Target mainly comprise of (i) the earnest money of RMB50.0 million; (ii) the advance payment of RMB215.0 million; (iii) the Heshan Loan of RMB50.0 million; and (iv) the interest and penalty accrued for the earnest money, advance payment and the Heshan Loan amounted to approximately of RMB24.9 million. In addition, we have reviewed the calculations in respect of the interest and penalty accrued for the earnest money, advance payment and the Heshan Loan and we are given to understand that the relevant interest and penalty was calculated in accordance with the Framework Agreement, the Sale and Purchase Agreement and the Heshan Loan agreement. The Sale Loan of approximately RMB315.0 million as at 31 May 2014 was due to a number of subsidiaries of the Group as a funding source for the aforesaid earnest money, advance payment and the Heshan Loan.

We also noted that the Target was granted a pledge of 64% equity interests in Guangxi Heshan in aggregate under the Framework Agreement, the Sale and Purchase Agreement and the Heshan Loan agreement. As advised by the Directors, the pledge was granted solely as the security on the repayment obligation to the Outstanding Receivables and it was not the intention of the Company to exercise its right to take up the relevant equity interests in Guangxi Heshan should the said repayment obligation is not honored. On such basis, we concur with the view of the Directors that it is a fair and reasonable ground to determine the Consideration based on the unaudited net asset value of the Target as at 31 May 2014 and the carrying value of the Sale Loan.

Having considered that (i) the Target does not operate any business since its incorporations; (ii) the nature of the principle assets of the Target; (iii) the intention of the Directors in not exercising the rights in relation to the pledge; and (iv) time is expected to be minimised in recovering the Outstanding Receivables for investment returns arising from the current business plan, we concur with the views of the Directors that the basis in determining the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms and in the interest of the Shareholders as a whole.

*Payment terms*

As disclosed in the Letter from the Board, 50% of the Consideration will be paid on the Completion Date and the remaining balance will be paid within one year after the Completion Date together with an interest at 4% per annum. As discussed with the Directors, the payment terms are agreed after arm's length negotiations between the Company and the Purchaser and the Company does not intend to accept any settlement method other than cash. Further, in order to secure the interests of the Company, an interest will be charged at a rate of 4% per annum on the second installment of the Consideration. We are given to understand from the Directors that such interest rate was determined based on the terms of the bonds issue by the Company in May 2014. Details terms of the aforesaid bonds are set out on the Company's announcement dated 30 April 2014.

Accordingly, we concur with the view of the Directors that the payment terms as set out in the SP Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial term and in the interest of the Shareholders as a whole.

**6. Future development plans and use of proceeds**

As discussed with the Directors, the Group will continue to invest in its existing principal businesses including the bulk commodity trade business, marine travelling services and hotel business and property development business. In particular, the marine travelling services sector is one of the main focus of the Group in the near future to maintain the level of profit through replicating the existing business model and building up the sustainable development model. The Directors advised that the expected net proceeds from the Disposal in the amount of approximately RMB338.9 million will be used for research and feasibility study and reconstruction of hotels into new multimedia centre in Sanya under the marine travelling services sector.

The Directors anticipate that the net proceeds from the Disposal would improve the liquidity of the Group and enable the Group to focus more on areas which it is more familiar with and has better competitive advantage in.

**7. Possible financial effect of the Disposal**

(i) *Effect on net assets value*

Upon the Completion, the Directors expect that there will be no material negative impacts on the Group's net asset as the Consideration is determined based on (i) the unaudited net asset value of the Target as at 31 May 2014; and (ii) the carrying amount of the Sale Loan at a dollar-to-dollar basis.

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## LETTER FROM THE IFA

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(ii) *Effect on liquidity position*

It is estimated by the Directors that there will be no material negative impact on the liquidity position of the Group as the assets and liabilities of the Target are recorded as its current assets and liabilities in the books of the Target. Moreover, the Directors expect that the cash position of the Group will be enriched as the Consideration is to be settled by cash.

(iii) *Effect on earnings*

Given the Target does not have any business operations since its incorporations and that no significant gain or loss resulting from the Disposal is expected to be recognised. The Directors do not expect the Disposal will have material negative effect on the earnings of the Group upon Completion. Independent Shareholders should note that the actual gain or loss as a result of the Disposal is subject to audit and will be assessed after Completion.

It should be noted that the above financial effects are for illustrative purpose only and do not purport to represent the financial position of the Group upon Completion.

### RECOMMENDATION

Having taken into account the principal factors discussed above, in particular:

- the reasons for the SP Agreement as set out under the section headed “4. Reasons for and benefits from the Disposal”;
- the basis of the Consideration for the Disposal as set out under section headed “5. Principal Terms of the SP Agreement”; and
- the possible financial effect on the Disposal as set out under “7. Possible financial effect of the Disposal”.

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## LETTER FROM THE IFA

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we are of the view that, although the Disposal is not in the ordinary and usual course of business of the Company, the terms of the SP Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the SP Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**

**Vincent Cheung**  
*Director*

*Mr. Vincent Cheung is a licensed person registered with the SFC and regarded as a responsible officer of Mesis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 7 years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director in the Shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

<b>Name of Directors</b>	<b>Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest</b>
Yuan Shaoli	Beneficial owner	300,000	0.0062%
Wang Hongxin	Beneficial owner	600,000	0.0124%
Wang Tianlin	Beneficial owner	400,000	0.0083%
Zhang Bin	Beneficial owner	300,000	0.0062%

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

- (c) Mr. Yuan Shaoli is a director of World Gain Holdings Limited, being the controlling Shareholder which has an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (d) Mr. Yuan Shaoli, Mr. Wang Hongxin and Mr. Zhang Bin are also directors of China Chengtong Hong Kong Company Limited, which is the controlling shareholder of World Gain Holdings Limited and has an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (e) As at the Latest Practicable Date, save for (i) the Disposal under the SP Agreement and (ii) the financial services agreement dated 21 May 2014 entered into between the Company and 誠通財務有限責任公司 (being a subsidiary of CCHG) as disclosed in the Company's circular dated 25 August 2014:
  - (i) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Group were made up; and
  - (ii) none of the Directors was materially interested in contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

### 3. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### 4. LITIGATION

On 26 May 2014, 大豐瑞能燃料有限公司 (“**Dafeng Ruineng**”) (being a company indirectly owned as to 51% by the Company) initiated and filed an arbitration claim (“**Dafeng Ruineng Arbitration**”) with South China Arbitration Commission against Guangxi Heshan requesting Guangxi Heshan (i) to refund the deposit of RMB8,000,000 and pay the penalty charge under the Coal SP Agreement; and (ii) to bear and pay all arbitration costs, legal fees and costs in connection with the application for freezing order and the Dafeng Ruineng Arbitration. On 24 June 2014, the People's Court of Heshan City delivered judgments to freeze the equity interest in the subsidiary of Guangxi Heshan of an aggregate value of RMB8,000,000. On 30 June 2014, South China Arbitration Commission issued an arbitration notice to Dafeng Ruineng stating that the application for the Dafeng Ruineng Arbitration by Dafeng Ruineng was accepted by South China Arbitration Commission.

On 28 May 2014, the Target initiated and filed an arbitration claim (“**Chengtong Coal Arbitration**”) with South China Arbitration Commission against Guangxi Heshan and International Southwest requesting for (i) Guangxi Heshan to repay the loan and interest under the Heshan Loan agreement, penalty charge and legal fees incurred in connection with the Chengtong Coal Arbitration; (ii) International Southwest to honour its joint and several obligations to repay the sum under (i) above and penalty charge in connection therewith; (iii) the enforcement of the equity pledge to settle the outstanding sum due to the Target; and (iv) Guangxi Heshan and International Southwest to bear and pay all arbitration costs and costs in connection with the application for freezing order and the Chengtong Coal Arbitration.

On 8 July 2014, the Target, Dafeng Ruineng, Guangxi Heshan, International Southwest and a subsidiary of Guangxi Heshan entered into a settlement agreement (for details of the principal terms, please refer to the 8 July Announcement). On 17 July 2014, the Target and Dafeng Ruineng obtained the arbitral awards against Guangxi Heshan and International Southwest, which (among others) confirms the terms and conditions and the enforceability of the Settlement Agreement.

Save for the above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## **5. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors nor his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

## **6. MATERIAL ADVERSE CHANGE**

As disclosed in the announcement of the Company dated 11 February 2014, the Group is restructuring its bulk commodity business and it is expected that the Group’s turnover and financial results will be adversely affected in a short run as a result of the business restructuring. In addition, the Company also disclosed in its announcement dated 1 April 2014 that the Coal SP Agreement lapsed on 31 March 2014. Save as disclosed aforesaid, the Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.



**7. EXPERT**

The following is the qualification of the expert who has been named in this circular or has given opinion, letter or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Messis Capital Limited (i.e. the IFA)	a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity

The IFA has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, the IFA was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally beneficially enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**8. MISCELLANEOUS**

- (1) The registered and head office of the Company is located at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (2) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The company secretary of the Company is Ms. Tse Ching Wah. Ms. Tse is a member of both Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. She is also an associate member of both The Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's registered office at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 6 October 2014:

- (a) the memorandum and articles of association of the Company;
- (b) the SP Agreement;
- (c) the letter from the IFA to the Independent Board Committee, the text of which is set out on pages 12 to 24 of this circular;
- (d) the written consent referred to in the paragraph headed "Expert" in this appendix;
- (e) the Coal Framework Agreement;
- (f) the Coal SP Agreement;
- (g) the Heshan Loan agreement entered into on 9 January 2014; and
- (h) the Settlement Agreement.

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“**Meeting**”) of China Chengtong Development Group Limited (“**Company**”) will be held at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 17 October 2014 at 10:00 a.m., for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Ordinary Resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT**

- (a) the sale and purchase agreement dated 20 August 2014 (“**SP Agreement**”) and entered into between the Company as vendor and Mosway Group Limited as purchaser (“**Purchaser**”) (copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) in relation to the sale and purchase of the entire issued share capital in China Chengtong Coal Investment Limited and the Sale Loan (as defined in the circular of the Company dated 23 September 2014), be and is hereby approved and confirmed; and
- (b) the directors of the Company (“**Directors**”) be and are hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the SP Agreement and to agree to any amendment to any of the terms of the SP Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company.”

By order of the Board

**China Chengtong Development Group Limited**

**Wang Hongxin**

*Managing Director*

23 September 2014

Registered office in Hong Kong:

Suite 6406, 64th Floor

Central Plaza

18 Harbour Road

Wanchai, Hong Kong

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## NOTICE OF EGM

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*Notes:*

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. If more than one proxy is so appointed, the form of proxy shall specify the number and class of shares of the Company in respect of which each such proxy is appointed. A proxy need not be a member of the Company. In case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the Meeting, whether in person or by proxy, that one of the joint holders whose name stands first in the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
2. To be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude members of the Company from attending and voting in person at the Meeting or any adjournment thereof should they so wish.
3. Delivery of a form of proxy should not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.
4. Voting by poll

The above resolution will be voted by way of poll as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

*As at the date hereof, 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.*