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If you have sold or transferred all your shares in **China Chengtong Development Group Limited**, you should at once hand this circular 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)

**A POSSIBLE MAJOR TRANSACTION –
DISPOSAL OF CHENGTONG ENTERPRISES INTEREST**

A letter from the board of directors of the Company is set out from pages 1 to 6 of this circular.

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DEFINITIONS

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

“Bidding Period”	the period during which the qualified bidders may offer their bid price in relation to the intended purchase of the Chengtong Enterprises Interest
“Board”	the board of Directors of the Company
“Business Day(s)”	a day on which licensed banks in the PRC are open for business
“CAA”	北京中同華資產評估有限公司 (China Alliance Appraisal Co., Ltd.), a qualified independent valuer in the PRC
“CBEX”	北京產權交易所 (China Beijing Equity Exchange), an institution authorised by the State-owned Assets Supervision and Administration Commission to transact assets and equity of State-owned enterprises under the central government of the PRC
“CCHG”	China Chengtong Holdings Group Limited, a company incorporated in the PRC and the holding company of China Chengtong Hong Kong Company Limited, which in turn is the holding company of World Gain Holdings Limited, a controlling shareholder of the Company
“Chengtong Coal”	China Chengtong Coal Investment Limited (中國誠通煤業投資有限公司), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Chengtong DT”	誠通發展貿易有限公司 (unofficial English translation being Chengtong Development Trading Co., Ltd.), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Chengtong Enterprises”	Chengtong Enterprises Investment Limited (誠通企業投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

DEFINITIONS

“Chengtong Enterprises Interest”	the Company’s entire equity interests in Chengtong Enterprises
“Chengtong Industrial”	誠通實業投資有限公司 (unofficial English translation being Chengtong Industrial Investment Limited), a company incorporated in the PRC and an indirect wholly-owned subsidiary of Chengtong Enterprises
“Coal Mine Company”	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
“Company”	China Chengtong Development Group Limited (中國誠通發展集團有限公司), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries as at the Latest Practicable Date
“HK\$”	the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Independent Third Party”	third party independent of the Company and connected persons of the Company
“Land and Buildings”	certain land and buildings situated in Hushitai Town, Shenbei New District, Shenyang City, Liaoning Province, the PRC

DEFINITIONS

“Latest Practicable Date”	1 December 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing-for-Sale”	the listing-for-sale (掛牌出讓) process carried out through CBEX for the disposal of the Chengtong Enterprises Interest
“Listing-for-Sale Notice”	the notice (產權轉讓公告) in respect of the Listing-for-Sale
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Consideration”	the minimum consideration of RMB420 million, i.e. the initial bidding price, for the disposal of the Chengtong Enterprises Interest under the Possible Disposal
“Mosway”	Mosway Group Limited, a limited liability company incorporated in the British Virgin Islands and a wholly owned subsidiary of CCHG
“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
“Possible Disposal”	the Company’s proposed disposal of the Chengtong Enterprises Interest through CBEX
“Publication Period”	the period during which the information of the Possible Disposal was disclosed to the public on the website of CBEX and in the newspapers
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of the Company

DEFINITIONS

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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.

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.26. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

LETTER FROM THE BOARD



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 office 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

8 December 2014

To the Shareholders

Dear Sir or Madam,

A POSSIBLE MAJOR TRANSACTION – DISPOSAL OF CHENGTONG ENTERPRISES INTEREST

INTRODUCTION

Reference is made to the announcement of the Company dated 30 October 2014 in which the Company announced that the Board had resolved to dispose of the Chengtong Enterprises Interest by way of a listing-for-sale through CBEX which is an approved equity exchange in accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets.

The purpose of this circular is to provide you with, among other things, (i) information on the Possible Disposal; and (ii) other information required under the Listing Rules.

BACKGROUND AND PROCESS OF THE POSSIBLE DISPOSAL

Reference is made to the announcements of the Company dated 25 July 2013, 30 September 2013 and 31 March 2014 in relation to the possible sale of the Chengtong Enterprises Interest to 北京九星國際礦業投資有限公司 (unofficial English translation being Beijing Nine Stars International Mining Investment Co., Ltd.) (“**Beijing Nine Stars**”).

LETTER FROM THE BOARD

As disclosed in the Company's announcement dated 31 March 2014, the Company and Beijing Nine Stars had not entered into any formal sale and purchase agreement in respect of the sale of the Chengtong Enterprises Interest before 31 March 2014 (which is the latest long stop date agreed between the parties) and the Company has been exploring an appropriate way for disposing Chengtong Enterprises and/or its assets.

In accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets, the Company will dispose of the Chengtong Enterprises Interest by way of a listing-for-sale through an approved equity exchange. The Possible Disposal is carried out through CBEX.

The Company commenced the Listing-for-Sale process on 30 October 2014 and submitted to CBEX the Listing-for-Sale Notice setting out, among others, (i) the Minimum Consideration, i.e., the initial bidding price for the disposal of the Chengtong Enterprises Interest, (ii) the major terms for the disposal of the Chengtong Enterprises Interest, and (iii) qualifications required for potential bidders.

THE POSSIBLE DISPOSAL

Major terms of the Possible Disposal:

(a) Qualifications of the potential bidders:

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

- (i) a potential bidder must be an enterprise duly incorporated and validly existing;
- (ii) a potential bidder and its ultimate beneficial owner(s) must be an Independent Third Party; and
- (iii) joint bidders are not accepted.

(b) Procedures of the Listing-for-Sale:

After the Listing-for-Sale Notice was submitted to CBEX, the Publication Period was open for 20 Business Days which commenced on 30 October 2014 and ended on 26 November 2014. During the Publication Period, interested bidders might indicate their interest in purchasing the Chengtong Enterprises Interest by submitting an application to CBEX, which would then determine whether they could be registered as qualified bidders.

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

LETTER FROM THE BOARD

Within 15 Business Days from the date when the successful bidder is identified, the Company and the successful bidder shall enter into a sale and purchase agreement in relation to the Possible Disposal.

(c) Consideration:

The Minimum Consideration, i.e. the initial bidding price, for the Chengtong Enterprises Interest is RMB420 million (equivalent to approximately HK\$529.2 million). The Minimum Consideration is determined after having taken into account a number of factors, including, among others, the valuation results in respect of the Chengtong Enterprises Interest as at 31 May 2014 prepared by a qualified independent valuer, CAA. The Directors consider that the Minimum Consideration is fair and reasonable.

Potential bidder(s) were required to pay an earnest money in the sum of RMB126 million at the time of making the application to take part in the Listing-for-Sale. The earnest money paid by the successful bidder will be applied towards settling part of the consideration for the Chengtong Enterprises Interest. The balance of the consideration for the Chengtong Enterprises Interest shall be paid by cash by the successful bidder within 5 Business Days after the effective date of the sale and purchase agreement to be signed between the Company and the successful bidder in relation to the Possible Disposal. The earnest money paid by the unsuccessful bidder(s) will be refunded in full to the unsuccessful bidder(s).

(d) Other conditions:

The successful bidder will accept the transfer of the Chengtong Enterprises Interest on an as-is basis and will take up all liabilities associated with any existing operational risks and legal risks pertaining to the Chengtong Enterprises Interest.

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

REASONS FOR AND BENEFITS OF THE POSSIBLE DISPOSAL

As at the Latest Practicable Date, Chengtong Enterprises was a wholly-owned subsidiary of the Company, which in turn held the entire issued share capital of China Chengtong Enterprise Limited (a company incorporated in Hong Kong with limited liability). China Chengtong Enterprise Limited holds the entire equity interest in Chengtong Industrial, which owns the Land and Buildings.

The Possible Disposal is considered as a strategic and positive move of the Group. The Directors have considered various options to bring more value of the Land and Buildings to the Group, which include self-development, renting and disposal.

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The Directors consider that the Possible Disposal will require less capital input and will expose the Group to lower risks when compared with other options, such as self-development which is estimated to require not less than RMB500 million for initial investment and which is exposed to greater uncertainty due to the long development period.

In terms of investment return cycle, the Possible Disposal can bring in capital to the Group in a relatively short period of time while other option such as self-development will entail long and complicated land development procedures and hence longer investment return cycle.

The Possible Disposal is also expected to have a better possible capital return. It is expected that the income which may be generated from renting the Land and Buildings will not be sufficient to cover the existing carrying costs of the Land and Buildings, which include various taxes, depreciation, maintenance costs and labour costs. There is also uncertainty as to the return from self-development of the Land and Buildings due to the inherent constraint of the location of the Land and Buildings. Having considered the capital and risks involved, investment return cycle and possible return of different options, the Directors consider that the Possible Disposal is the best option to enhance Shareholder value and the Minimum Consideration for the Possible Disposal represents a reasonable gain over the costs of the Group's investment in Chengtong Enterprises and in the Land and Buildings.

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

FINANCIAL EFFECTS OF THE POSSIBLE DISPOSAL

Immediately upon completion of the Possible Disposal, the Group will cease to hold any interest in Chengtong Enterprises and hence Chengtong Enterprises and its subsidiaries will cease to be subsidiaries of the Company.

Based on the Minimum Consideration, it is expected that the amount of net proceeds arising from the Possible Disposal will be approximately RMB419 million (equivalent to approximately HK\$527.9 million). The final amount of such net proceeds is subject to the final bid price offered by the successful bidder. The Company intends to use the net proceeds arising from the Possible Disposal to further develop the marine travelling services and hotel business and as working capital. It is expected that out of the net proceeds arising from the Possible Disposal, approximately 5% will be used for marine travelling services and hotel business and approximately 95% will be allocated as working capital.

The gain expected to accrue to the Company from the Possible Disposal (before deducting relevant expenses payable by the Company in respect of the Possible Disposal) is approximately RMB35.93 million (equivalent to approximately HK\$45.27 million), representing the balance of the Minimum Consideration of the Chengtong Enterprises Interest after deducting (a) the unaudited consolidated net asset of Chengtong Enterprises and its subsidiaries as at 30 September 2014; (b) the estimated amount of taxes payable by the Company in respect of the Possible Disposal; and (c) release of exchange reserve reclassified from other comprehensive income to profit or loss as at 30 September 2014. The final amount of gain or loss from the Possible Disposal is subject to audit and the final bid price offered by the successful bidder.

LETTER FROM THE BOARD

INFORMATION ON CHENGTONG ENTERPRISES AND THE GROUP

Chengtong Enterprises is a company incorporated in the British Virgin Islands on 18 March 2009. As at the Latest Practicable Date, its issued share capital was US\$100 divided into 100 shares of US\$1 each. The principal business of Chengtong Enterprises and its subsidiaries is property investment.

The valuation of the net asset of Chengtong Enterprises as at 31 May 2014, as prepared by CAA by adopting the asset-based approach, was approximately RMB395.5 million (equivalent to approximately HK\$498.3 million). As at 30 September 2014, the unaudited consolidated net asset of Chengtong Enterprises and its subsidiaries (calculated according to the generally accepted accounting principles in Hong Kong) was approximately RMB407.09 million (equivalent to approximately HK\$512.93 million). Further unaudited consolidated financial information of Chengtong Enterprises and its subsidiaries is set out in the table below (prepared under the generally accepted accounting principles in Hong Kong):

Unit: RMB'000

	For the year ended 31 December 2013	For the year ended 31 December 2012
Net profit (before taxation)	74,772	19,015
Net profit (after taxation)	56,716	13,511

Note:

During the two years ended 31 December 2012 and 2013, Chengtong Enterprises indirectly held 100% interests in Zhucheng Phoenix Landmark Company Limited (“**Zhucheng Phoenix**”), a company incorporated in the PRC. In April 2014, the Group undertook an internal reorganization pursuant to which Chengtong Enterprises ceased to hold any interests in Zhucheng Phoenix and 100% interests of Zhucheng Phoenix was transferred to another wholly-owned subsidiary of the Group. The unaudited profit before taxation and after taxation of Chengtong Enterprises and its subsidiaries for the two years ended 31 December 2012 and 2013 disclosed above have included the profit of Zhucheng Phoenix. The unaudited profit before taxation and after taxation of Zhucheng Phoenix are approximately RMB9.63 million and RMB6.92 million for the year ended 31 December 2013 and approximately RMB19.29 million and RMB15.14 million for the year ended 31 December 2012 respectively.

The valuation of the Land and Buildings as at 31 May 2014, as prepared by CAA by adopting the asset-based approach, was approximately RMB92.8 million (equivalent to approximately HK\$116.9 million) while the valuation of the Land and Buildings as at 31 October 2014, as prepared by DTZ Debenham Tie Leung Limited by adopting the depreciated replacement costs approach, was approximately RMB104 million (equivalent to approximately HK\$131 million). The full text of the valuation report prepared by DTZ Debenham Tie Leung Limited is set out from pages 11 to 15 of this circular. The Land and Buildings contributed approximately RMB106.3 million (equivalent to approximately HK\$134.0 million) to the total assets of Chengtong Enterprise as at 30 September 2014.

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

LISTING RULES IMPLICATIONS

As one of the relevant percentage ratios in relation to the Possible Disposal exceeds 25% but is less than 75%, the Possible Disposal, if it materialises, will constitute a major transaction for the Company and will, therefore, be subject to notification, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

The identity of the successful bidder will only be determined until after the expiry of the Bidding Period. Since it is a requirement of the Listing-for-Sale that the potential bidders must be Independent Third Parties, the Possible Disposal will not constitute a connected transaction of the Company.

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

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

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

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

RECOMMENDATION

The Directors are of the view that the major terms of the Possible Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. If a general meeting were to be convened for the approval of the Possible Disposal, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Possible Disposal at such general meeting.

ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three financial years ended 31 December 2013 have been set out in pages 26 to 85 in the Company's annual report for the year ended 31 December 2011, pages 25 to 96 in the Company's annual report for the year ended 31 December 2012 and pages 28 to 100 in the Company's annual report for the year ended 31 December 2013.

All annual reports of the Company have been posted on the websites of the Stock Exchange (www.hkex.com.hk) and the Company ([http:// www.irasia.com/listco/hk/chengtong](http://www.irasia.com/listco/hk/chengtong)).

2. INDEBTEDNESS

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding borrowings and guarantees as follows:

Borrowings:

	<i>Notes</i>	<i>HK\$'000</i>
Discounted bills with recourse	(a)	1,965,832
Other loan	(b)	600
Corporate bonds	(c)	719,354
		2,685,786
		2,685,786

Notes:

- (a) Short-term bank borrowings in relation to discounted bills with recourse of approximately HK\$1,965,832,000, which were secured by the accepted letters of credit discounted to banks.
- (b) Unsecured other loan of HK\$600,000, which was interest-free and repayable on demand.
- (c) Corporate bonds at carrying amount of approximately HK\$719,354,000, which were interest bearing at 4.0% per annum, will mature on 9 May 2017 and guaranteed by an irrevocable standby letter of credit denominated in RMB issued by Agricultural Bank of China Limited, Beijing Branch.

Guarantees:

As at 31 October 2014, the Group had contingent liabilities in relation to guarantees of approximately HK\$131,209,000 given to banks in respect of mortgage loans granted to buyers of certain property units.

As at 31 October 2014, the Company provided corporate guarantees amounted to HK\$4,242,494,000 to the banks in respect of the banking facilities granted to a subsidiary of the Group in relation to the discounted bills with recourse and loan notes.

For the purpose of compiling this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange at the close of business on 31 October 2014.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables and bills arising in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 October 2014.

3. WORKING CAPITAL

Taking into account the financial resources available to the Group and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for at least twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

It is expected that in 2014, the world economy will remain in a period of adjustment and the economic growth in emerging markets will slow down, while China is expected to sustain fast economic growth, thus bringing moderate room of expansion for various businesses of the Group. However, the management still anticipates the year 2014 to be a year full of challenges for the Group.

Bulk Commodity Trade

In 2014, the Group has fine-tuned the operation mode and improved risk management system of bulk commodity trade carried out through the wholly-owned subsidiaries of the Group. In view of the slim profit margin contributed from bulk commodity trade, the Group has commenced to reduce the transactions of bulk commodity trade in the fourth quarter of 2014.

Hospitality and Marine Travel Services

As for marine travelling services and hotel business in Huandao Yalongwan (寰島亞龍灣), the Group will actively seek 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 bring into full play the value and profitability of the scarce land resources where those hotels are located, and thus achieve the linkage between land and water projects and create even greater value.

Property Investment and Property Development

In the aspect 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 certain industrial and business lands in Dafeng and the Possible Disposal in 2014. In the aspect 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 of "Chengtong International City" in Dafeng of Jiangsu, the Company will continue to promote its development in a prudent manner considering the immature nature of the local regional markets.

Financial Leasing

The Group restarted the finance leasing 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 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.

Trading of coal

In the aspect of trading of coal, since the trend of coal price is still in a downward situation, the Group did not enter into new business contracts in the first half of 2014 so as to further observe the changes in the market. Meanwhile, the Group plans to turn its center of coal trading business from east China to the south China with a hope to bring into better play the market exploration capability and experience of the Group's coal trading teams. In October 2014, the Group resumed the coal trading business and it is expected that the coal trading business will continue in the future.

As for the mergers and acquisitions of coal mine resources, the Group has been proactively exploring opportunities for entering the field of upstream coal resources in recent years. However, given the material change in the macroeconomic environment in 2014, the Board decided to terminate the acquisition of coal resources in Guangxi ("**Terminated Acquisition**") and would reorganise the relevant assets of the coal mine resources acquisition instead. On 20 August 2014, the Company as vendor entered into a sale and purchase agreement with Mosway, a wholly owned subsidiary of CCHG, pursuant to which the Company has conditionally agreed to sell and Mosway has conditionally agreed to purchase the entire issued share capital of Chengtong Coal (the intended purchaser of the Terminated Acquisition) and total indebtedness owing or incurred by Chengtong Coal to the rest of the Group at a total consideration of RMB339,932,904. Upon completion of the above transaction, the Company will cease to have any interest in Chengtong Coal. It is the intention of the Company that the proceeds arising from the disposal of Chengtong Coal shall be used by the Company as a replenishment of general working capital for marine travelling services sector in particular.

5. EFFECT OF THE POSSIBLE DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Immediately upon completion of the Possible Disposal, the Group will cease to hold any interest in Chengtong Enterprises and its subsidiaries. The assets and liabilities of Chengtong Enterprises and its subsidiaries will no longer be consolidated into the Group's financial statements upon the completion of the Possible Disposal.

It is expected that the assets and liabilities of the Group will decrease by approximately RMB397.2 million (equivalent to approximately HK\$500.5 million) and RMB13.1 million (equivalent to approximately HK\$16.5 million) respectively as a result of the disposal of Chengtong Enterprises before taking into account the net proceeds to be received from the Possible Disposal. It is expected that the net asset value of the Group will be increased by the difference between the net proceeds to be received from the Possible Disposal and the consolidated net asset value of Chengtong Enterprises following the completion of the Possible Disposal.

The gain expected to accrue to the Company from the Possible Disposal (before deducting relevant expenses payable by the Company in respect of the Possible Disposal) is approximately RMB35.93 million (equivalent to approximately HK\$45.27 million), representing the balance of the Minimum Consideration of the Chengtong Enterprises Interest after deducting (a) the unaudited consolidated net asset of Chengtong Enterprises and its subsidiaries as at 30 September 2014; (b) the estimated amount of taxes payable by the Company in respect of the Possible Disposal; and (c) release of exchange reserve reclassified from other comprehensive income to profit or loss as at 30 September 2014.

The following is the text of a letter and valuation certificate dated 8 December 2014 prepared for the purpose of incorporation into this circular received from DTZ Debenham Tie Leung Limited in connection with its opinion on the value of the property held by the Group as at 31 October 2014.



16/F
Jardine House
1 Connaught Place
Central
Hong Kong

8 December 2014

*The Directors
China Chengtong Development Group Limited*

Dear Sirs,

Re: 2 parcels of land (Lot Nos. 131103015 and 131103006-1) with various buildings thereon situated at west of railway in Hushitai Town, Shenbei New District, Shenyang City, Liaoning Province, the PRC

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions for us to value a property situated in the People's Republic of China (the "PRC") in which China Chengtong Development Group Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market value of the property as at 31 October 2014 (the "date of valuation").

DEFINITION OF MARKET VALUE

Our valuation of the property represents its market value which in accordance with the Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTION

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

In the course of our valuation of the property, we have assumed that transferable land use rights in respect of the property for a specific term at nominal annual land use fees have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group regarding the title to the property. For the purpose of our valuation, we have assumed that the grantee has enforceable title to the property.

In valuing the property, we have assumed that the grantees or the users of the property have free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

METHOD OF VALUATION

In valuing the property, we have adopted the Depreciated Replacement Costs (“**DRC**”) Approach. DRC is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimization. This figure includes fees and finance charges payable during the construction period and other associated expenses directly related to the construction of the building. The DRC Approach generally furnishes a reliable indication of value for property with specific nature and design of buildings, in the absence of identifiable market sales comparables. The DRC is subject to adequate service potential of the business.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title to the property. However, we have not been able to conduct searches to verify the ownership of the property or to ascertain any amendment which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal advisor, 北京鋒銳律師事務所, in respect of the title to the property in the PRC.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, identification of property, completion date, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the property. The site inspection was carried out in November 2014 by our Ms. Selena Wang, who is Registered China Real Estate Appraiser. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property is free of rot, infestation and any other structural defects, nor were any test carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all money amounts stated in this valuation report are in Renminbi (“RMB”) which is the official currency of the PRC.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, M.H.K.I.S.
Senior Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor (General Practice) who has over 27 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2014
<p>2 parcels of land (Lot Nos. 131103015 and 131103006-1) with various buildings thereon situated at west of railway in Hushitai Town, Shenbei New District, Shenyang City, Liaoning Province, the PRC</p>	<p>The property comprises a storage complex erected upon 2 parcels of land with a total site area of approximately 247,759 sq m.</p>	<p>As at the date of valuation, the property was occupied by the Group for storage use.</p>	<p>RMB104,000,000</p>
	<p>The storage complex comprises 37 buildings including various warehouses, canteen, composite building, office building and ancillary buildings with a total gross floor area of approximately 28,865.84 sq m. These buildings were completed between 1956 and 1993.</p>		
	<p>The property is located at the sub-urban area of Shenbei New District of Shenyang. Developments nearby are mainly industrial developments. According to the information provided by the Group, the property is for storage use.</p>		
	<p>The land use rights of the property have been granted for terms due to expire on 19 May 2058 for storage and transportation uses respectively.</p>		

Notes:

- (1) According to 2 Contracts for Grant of Land Use Rights Nos. (2008)16 and (2008)17 entered into between Shenbei Sub-Bureau of Shenyang Planning and State Land Resources Bureau (瀋陽市規劃和國土資源局瀋北分局) and Chengtong Industrial Investment Limited (誠通實業投資有限公司) on 20 May 2008, the land use rights of the property with a total site area of 247,759 sq m have been contracted to be granted to Chengtong Industrial Investment Limited for land use terms from 20 May 2008 to 19 May 2058 for transportation use.
- (2) According to 2 State-owned Land Use Rights Certificates Nos. (2009)4 and (2009)5 dated 16 January 2009, the land use rights of the property with a total site area of 250,109.20 sq m have been vested in Chengtong Industrial Investment Limited with details as follows:

Certificate No.	Site Area	Use	Land Use Term
(2009)4	6,244.00 sq m	Transportation	Due to expire on 19 May 2058
(2009)5	243,865.20 sq m	Storage	Due to expire on 19 May 2058

According to Confirmation Agreement dated 5 February 2010, the property has a total site area of 247,759 sq m and the State-owned Land Use Right Certificates would be renewed in accordance with the site area stated in Contracts for Grant of Land Use Rights. As instructed by the Group, we have adopted the site area of 247,759 sq m in Contract for Grant of Land Use Rights in the course of our valuation.

- (3) According to 37 Building Ownership Certificates issued by Shenyang Municipal Property Bureau, the building ownership of the property comprising a total gross floor area of 28,865.84 sq m has been vested in Chengtong Industrial Investment Limited.
- (4) According to Business License No. 100000000040993 dated 21 January 2013, Chengtong Industrial Investment Limited was established as a limited company with a registered capital of RMB268,000,000 for an operating period from 15 June 2007 to 14 June 2037.
- (5) We have been provided with a legal opinion dated 21 November 2014 on the title to which contains, inter-alia, the following information:
- (i) Chengtong Industrial Investment Limited is the sole legal land user of the property;
 - (ii) Chengtong Industrial Investment Limited has lawfully owned the land use rights of the property and has obtained the relevant certificates and approvals from the government;
 - (iii) The property is free from seizing, mortgage, limitation of any other rights and third party rights; and
 - (iv) Chengtong Industrial Investment Limited has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights and building ownership of the property within the land use term.
- (6) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Contract for Grant of Land Use Rights	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

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:

Name of Directors	Nature of interest	Number of Shares	Approximate percentage of interest
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 holding company 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,
 - (i) save for the fact that Mr. Yuan Shaoli and Mr. Wang Hongxin, being also the directors of Mosway, had a material interest in the disposal of Chengtong Coal by the Company to Mosway as outlined in paragraph (pp) of the section headed “Material Contracts”, 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. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Company or its subsidiaries during the period commencing two years preceding the date of this circular and are or may be material:

- (a) the disposal agreement dated 10 December 2012 entered into between Chengtong Industrial and 常州市土地收購儲備中心 (unofficial English translation as Changzhou Land Reserve Centre), which was an Independent Third Party, in relation to the disposal of a piece of land together with the buildings and other immovable fixed assets attached thereto located in Changzhou City, Jiangsu Province, the PRC for a consideration of RMB149,993,000, details of which are set out in the Company’s announcement dated 10 December 2012;

- (b) a subscription agreement entered into between 杭州瑞能金屬材料有限公司 (unofficial English translation as Hangzhou Ruineng Metals Material Company Limited), a 55% indirectly owned subsidiary of the Company (“**HZ Ruineng**”) as the subscriber and Bank of Ningbo Company Limited, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 14 January 2013 at a price of RMB300,000,000;
- (c) a subscription agreement entered into between HZ Ruineng as the subscriber and Bank of Ningbo Company Limited, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 16 January 2013 at a price of RMB350,000,000;
- (d) the multi-currency note deed poll dated 22 February 2013 executed by Chengtong Development International Trading Limited in favour of Overseas-Chinese Banking Corporation Limited, which was an Independent Third Party, in connection with the issue of multi-currency loan notes of up to an aggregate amount of RMB1,000,000,000;
- (e) the subscription agreement dated 22 February 2013 entered into between HZ Ruineng and OCBC Bank (China) Ltd., which was an Independent Third Party, in relation to the subscription of the investment product at a price of RMB110,000,000, details of which are set out in the Company’s announcement dated 22 February 2013;
- (f) the cancellation agreement dated 28 February 2013 entered into between the Company and Wantong Enterprise Investment Co. Ltd., which was an Independent Third Party, in relation to the termination of the conditional sale and purchase agreement dated 19 December 2011 made between the parties, details of which are set out in the Company’s announcement dated 28 February 2013;
- (g) the subscription agreement dated 11 March 2013 entered into between HZ Ruineng and OCBC Bank (China) Ltd., which was an Independent Third Party, in relation to the subscription of the investment product at a price of RMB110,000,000, details of which are set out in the Company’s announcement dated 12 March 2013;
- (h) a subscription agreement entered into between HZ Ruineng as the subscriber and Nanyang Commercial Bank (China) Limited, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 27 March 2013 at a price of RMB185,500,000;
- (i) a subscription agreement entered into between HZ Ruineng as the subscriber and PingAn Bank Co., Ltd (“**PingAn**”), which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 8 April 2013 at a price of RMB180,000,000;

- (j) a subscription agreement entered into between HZ Ruineng as the subscriber and PingAn, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 11 April 2013 at a price of RMB61,000,000;
- (k) a subscription agreement entered into between HZ Ruineng as the subscriber and PingAn, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 15 April 2013 at a price of RMB200,000,000;
- (l) a subscription agreement entered into between HZ Ruineng as the subscriber and China Guangfa Bank Company Limited, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 16 April 2013 at a price of RMB100,000,000;
- (m) the entrusted loan agreement dated 23 April 2013 entered into between 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited) (“**Chengtong Financial Leasing**”), a wholly-owned subsidiary of the Company, as lender, Bank of Communications Co., Ltd. (“**BOCOM**”), which was an Independent Third Party, as agent and Beijing New Century, which was an Independent Third Party, as borrower in relation to the entrusted loan in the amount of RMB195,000,000, details of which are set out in the Company’s announcement dated 23 April 2013;
- (n) a subscription agreement entered into between HZ Ruineng as the subscriber and China Guangfa Bank Company Limited, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 25 April 2013 at a price of RMB189,010,000;
- (o) the loan agreement dated 8 May 2013 (“**China Huandao Loan Agreement**”) entered into between Chengtong Industrial as lender, and 中國寰島(集團)公司 (unofficial English translation being China Huandao Group Co.) (“**China Huandao**”), a wholly-owned subsidiary of CCHG, as borrower in relation to the loan in the amount of RMB40,000,000, details of which are set out in the Company’s announcement dated 8 May 2013;
- (p) the subscription agreement dated 14 May 2013 entered into between HZ Ruineng and BOCOM, which was an Independent Third Party, in relation to the subscription of investment product issued by BOCOM at a price of RMB142,000,000, details of which are set out in the Company’s announcement dated 14 May 2013;
- (q) the wealth management product agreement dated 20 May 2013 and entered into between the Agricultural Bank of China Limited, which was an Independent Third Party, as the custody bank and Chengtong Industrial as the subscriber in relation to the subscription by Chengtong Industrial of the wealth management product at a price of RMB250,000,000, details of which are set out in the Company’s announcement dated 23 May 2013;

- (r) the wealth management product agreement dated 30 May 2013 and entered into between the Agricultural Bank of China Limited, which was an Independent Third Party, as the custody bank and Chengtong Industrial as the subscriber in relation to the subscription by Chengtong Industrial of the wealth management product at a price of RMB250,000,000, details of which are set out in the Company's announcement dated 30 May 2013;
- (s) a subscription agreement entered into between 海南寰島酒店旅遊投資有限公司 (unofficial English translation as Hainan Island Hotel and Travel Investment Co., Ltd.) ("**Hainan Huandao**"), a wholly-owned subsidiary of the Company, as the subscriber and Bank of China Limited ("**BOC**"), which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 9 June 2013 at a price of RMB75,000,000;
- (t) the entrusted loan agreement dated 14 June 2013 entered into between Chengtong DT as lender, BOCOM as agent and 黃氏控股集團有限公司 (unofficial English translation as Huang Holding Group Co., Ltd.), which was an Independent Third Party, as borrower in relation to the entrusted loan in the amount of RMB170,000,000, details of which are set out in the Company's announcement dated 14 June 2013;
- (u) the sale and purchase agreement dated 18 June 2013 ("**Coal SP Agreement**") entered into between Chengtong Coal as purchaser, Alpha Duo International Limited and England Astringent Investment Holdings Company Ltd. as vendors, 李丹丹 (Ms. Li, Dawn) as guarantor and Alpha Fortune Industrial Limited ("**Alpha Fortune**") and International Southwest as target companies (all such parties being Independent Third Parties), in relation to the acquisition of a total of 85% of the entire issued share capital of Alpha Fortune at the aggregate consideration RMB448,600,000, details of which are set out in the Company's announcement dated 24 June 2013;
- (v) a subscription agreement entered into between Hainan Huandao as the subscriber and BOC, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 20 June 2013 at a price of RMB19,000,000;
- (w) the entrusted loan agreement dated 24 June 2013 ("**Yalongwan Entrusted Loan Agreement**") entered into between 海南亞龍灣海底世界旅遊有限公司 (unofficial English translation as Hainan Yalongwan Undersea World Travel Co., Ltd.), a limited liability company incorporated in the PRC and a wholly owned subsidiary of the Company ("**Hainan Yalongwan**"), as lender, Industrial Bank Co., Ltd. (興業銀行股份有限公司), Changzhou branch ("**Industrial Bank**"), which was an Independent Third Party, as the lending agent, and 天行九州控股有限公司 (unofficial English translation being Tianxing Jiuzhou Holding Co., Ltd.) ("**Tianxing Jiuzhou**"), which was an Independent Third Party, in relation to an entrusted loan in the amount of RMB55,000,000;
- (x) a subscription agreement entered into between Hainan Huandao as the subscriber and BOC, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 10 July 2013 at a price of RMB19,000,000;

- (y) a memorandum dated 25 July 2013 entered into between the Company and Beijing Nine Stars, which was an Independent Third Party, setting out the broad terms of the possible sale of the entire issued share capital of Chengtong Enterprises by the Company to Beijing Nine Stars at a preliminary purchase price of RMB150 million, subject to the terms of the formal agreement to be entered into by the Company and Beijing Nine Stars (the “**Disposal Memorandum**”);
- (z) the wealth management agreement dated 30 July 2013 entered into between Chengtong DT as subscriber and Woori Bank (China) Limited, which was an Independent Third Party, as issuer in relation to the subscription of the wealth management product at a price of RMB100 million, details of which are set out in the Company’s announcement dated 30 July 2013;
- (aa) the wealth management agreement dated 10 September 2013 entered into between Chengtong DT as subscriber and Woori Bank (China) Limited, which was an Independent Third Party, as issuer in relation to the subscription of the wealth management product at a price of RMB80 million, details of which are set out in the Company’s announcement dated 10 September 2013;
- (bb) a supplemental memorandum dated 30 September 2013 entered into between the parties to the Disposal Memorandum to extend the long stop date of the relevant disposal from 30 September 2013 to 31 March 2014;
- (cc) the investment agreement dated 22 October 2013 entered into between Chengtong DT as subscriber and China CITIC Bank Corporation Limited, which was an Independent Third Party, as custody bank in relation to the subscription of the investment product at a price of RMB170 million, details of which are set out in the Company’s announcement dated 22 October 2013;
- (dd) the supplemental agreement to the Coal SP Agreement dated 31 October 2013 entered into between the parties to the Coal SP Agreement, details of which are set out in the Company’s announcement dated 31 October 2013;
- (ee) a subscription agreement entered into between Hainan Huandao as the subscriber and BOC, which was an Independent Third Party, as the issuing bank in relation to the subscription of the investment products on 10 December 2013 at a price of RMB5,000,000;
- (ff) the extension agreement dated 24 December 2013 entered into between Hainan Yalongwan, Industrial Bank, which was an Independent Third Party, and Tianxing Jiuzhou, which was an Independent Third Party, in relation to the extension of the term of the Yalongwan Entrusted Loan Agreement, details of which are set out in the Company’s announcement dated 24 December 2013;

- (gg) the loan agreement dated 9 January 2014 (“**Coal Loan Agreement**”) entered into between Chengtong Coal as lender and Coal Mine Company, which was an Independent Third Party, as borrower in relation to the provision of a loan in the principal amount of RMB50,000,000 at an interest rate of 5.60% per annum for a term ended on 30 June 2014;
- (hh) the equity pledge dated 9 January 2014 and entered into between International Southwest, which was an Independent Third Party, as pledger, Chengtong Coal as pledgee and the Coal Mine Company, which was an Independent Third Party, in relation to the pledge of 15% of the equity interest in the Coal Mine Company by International Southwest in favour of Chengtong Coal to secure the performance of the Coal Loan Agreement by Coal Mine Company;
- (ii) the subscription agreement dated 30 April 2014 entered into between the Company and the Joint Lead Managers (as defined in the Company’s announcement dated 30 April 2014), each of which being an Independent Third Party, in relation to the issue by the Company of the RMB600,000,000 4.00% bonds due 2017, details of which are set out in the Company’s announcement dated 30 April 2014;
- (jj) the loan extension agreement dated 9 May 2014 entered into between Chengtong Industrial and China Huandao, which was a wholly-owned subsidiary of CCHG, to extend the term of the loan granted under the China Huandao Loan Agreement for 5 months until 9 October 2014, details of which are set out in the Company’s announcement dated 9 May 2014;
- (kk) the financial services agreement dated 21 May 2014 entered into between the Company and 誠通財務有限責任公司 (China Chengtong Finance Corporation Ltd.) (“**Chengtong Finance**”), which was a company incorporated in the PRC and a subsidiary of CCHG, pursuant to which Chengtong Finance has agreed to provide the Group with a scope of financial services, details of which are set out in the Company’s announcement dated 21 May 2014;
- (ll) two resumption agreements dated 3 July 2014 entered into between 大豐市土地儲備中心 (unofficial English translation being Dafeng Land Reserve Center) (“**Dafeng Land Reserve Center**”), which was an Independent Third Party, 江蘇大豐港經濟開發區管理委員會 (unofficial English translation being the Management Committee of the Jiangsu Dafeng Harbour Economic Development Zone) (“**Dafeng Harbour Committee**”), which was an Independent Third Party, and 誠通大豐海港開發有限公司 (unofficial English translation being Chengtong Dafeng Harbour Development Limited) (“**Dafeng Harbour Development**”), which was a 66.67%-owned subsidiary of the Company, in relation to the resumption of two pieces of land located at Dafeng City, Jiangsu Province, the PRC by Dafeng Land Reserve Center from Dafeng Harbour Development at the compensation amount of RMB87,800,000 and RMB132,120,000 respectively (“**Resumption of Lands**”), details of which are set out in the Company’s announcement dated 3 July 2014;

- (mm) two compensation agreements dated 3 July 2014 entered into between Dafeng Harbour Committee, which was an Independent Third Party, Dafeng Harbour Development, which was a 66.67%-owned subsidiary of the Company and 江蘇大豐海港控股集團有限公司 (unofficial English translation being Jiangsu Dafeng Harbour Holdings Group Limited), which owns 33.33% equity interest in Dafeng Harbour Development, in relation to the Resumption of Lands, details of which are set out in the Company's announcement dated 3 July 2014;
- (nn) the settlement agreement dated 8 July 2014 entered into among Chengtong Coal, 大豐瑞能燃料有限公司 (unofficial English translation being Dafeng Ruineng Fuel Company Limited)(currently known as 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited)), which was an indirect non-wholly owned subsidiary of the Company, Coal Mine Company, International Southwest and 廣西合山合煤銷售有限責任公司 (Guangxi Heshan Hemei Sales Company Limited), all of which were Independent Third Parties, pursuant to which the parties have agreed on the repayment schedule of certain amounts due from Coal Mine Company to the Group under the Coal Loan Agreement and the Coal SP agreement and the provision of additional guarantees to the Group, details of which are set out in the Company's announcement dated 8 July 2014;
- (oo) the entrusted loan agreement dated 23 July 2014 entered into between Chengtong Financial Leasing as the lender, the Bank of Nanjing Co., Ltd. (南京銀行股份有限公司), Beijing branch (“**Bank of Nanjing**”), which was an Independent Third Party, as the lending agent and 浙江雲廈集團有限公司 (unofficial English translation being Zhejiang Yunxia Group Co., Ltd.), which was an Independent Third Party, as the borrower in relation to the entrusted loan in the amount of RMB55,000,000, details of which are set out in the Company's announcement dated 23 July 2014;
- (pp) the sale and purchase agreement dated 20 August 2014 entered into between the Company as vendor and Mosway, which was a wholly-owned subsidiary of CCHG, as purchaser in respect of, among other things, the sale and purchase of the entire issued share capital in Chengtong Coal and the total indebtedness owing or incurred by Chengtong Coal to the Company and some of its wholly owned subsidiaries on or at any time prior to completion of such sale and purchase agreement, for a total consideration of RMB339,932,904, details of which are set out in the Company's announcement dated 20 August 2014;
- (qq) the subscription agreement dated 29 August 2014 entered into between Chengtong DT as subscriber and Shanghai Pudong Development Bank Co., Ltd., Beijing Century City Branch (上海浦東發展銀行股份有限公司北京世紀城支行) (“**SPD Bank**”), which was an Independent Third Party, as issuer for investment products at the principal amount of RMB50 million;
- (rr) the subscription agreement dated 4 September 2014 entered into between Chengtong DT as subscriber and Bank of Nanjing, which was an Independent Third Party, as issuer for investment products at the principal amount of RMB60 million;

- (ss) the subscription agreement dated 16 September 2014 entered into between Chengtong DT as subscriber and SPD Bank, which was an Independent Third Party, as issuer for investment products at the principal amount of RMB160 million, the details of which are set out in the Company's announcement dated 16 September 2014;
- (tt) the subscription agreement dated 22 September 2014 entered into between Chengtong DT as subscriber and Bank of Nanjing, which was an Independent Third Party, as issuer for investment products at the principal amount of RMB280 million, the details of which are set out in the Company's announcement dated 22 September 2014;
- (uu) the loan extension agreement dated 9 October 2014 entered into between Hainan Huandao as lender and China Huandao, which was a wholly-owned subsidiary of CCHG, as borrower to further extend the term of the loan granted under the China Huandao Loan Agreement for one year until 9 October 2015, details of which are set out in the Company's announcement dated 9 October 2014; and
- (vv) the subscription agreement dated 27 November 2014 entered into between Chengtong DT as subscriber and SPD Bank, which was an Independent Third Party, as issuer for investment products at the principal amount of RMB177 million, the details of which are set out in the Company's announcement dated 27 November 2014.

5. LITIGATION

On 4 March 2014, Chengtong DT commenced a legal proceeding against 西安經發經貿實業有限責任公司 (unofficial English translation being Xi'an Jing Fa Jing Mao Industrial Co., Ltd.) ("**Defendant**") at the People's Court of Haidian District, Beijing (北京市海澱區人民法院) ("**Haidian Court**") for a breach of contract by the Defendant under a mining products sale and purchase agreement (No. 025 of 2013) dated 17 October 2013 ("**No. 025 Agreement**"). Chengtong DT requested the Haidian Court to (i) confirm that the No. 025 Agreement was terminated on 26 February 2014; (ii) order the Defendant to refund the security money paid to the Defendant in the sum of RMB3,144,600; (iii) order the Defendant to pay liquidated damages of RMB3,144,600; and (iv) order the Defendant to pay costs and other expenses related to the litigation incurred by Chengtong DT.

Also on 4 March 2014, Chengtong DT commenced another legal proceeding against the Defendant at the Haidian Court for a breach of contract under a mining products sale and purchase agreement (No. 392 of 2013) dated 11 October 2013 ("**No. 392 Agreement**"). Chengtong DT requested the Haidian Court to (i) confirm that the No. 392 Agreement was terminated on 26 February 2014; (ii) order the Defendant to refund the purchase price paid by Chengtong DT in the sum of RMB10,448,000; (iii) order the Defendant to pay liquidated damages of RMB2,089,600; and (iv) order the Defendant to pay costs and other expenses related to the litigation incurred by Chengtong DT.

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.

6. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor his close associates (as defined in the Listing Rules) 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.

7. EXPERTS

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

Name	Qualification
DTZ Debenham Tie Leung Limited	a registered professional surveyor and PRC real estate appraiser
北京鋒銳律師事務所 (unofficial English translation being Beijing Feng Rui Law Firm) (“ Feng Rui ”)	a PRC legal advisor

Each of DTZ Debenham Tie Leung Limited and Feng Rui 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, each of DTZ Debenham Tie Leung Limited and Feng Rui 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 Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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 22 December 2014:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (c) the valuation report from DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix II to this circular;
- (d) the PRC legal opinion issued by Feng Rui;
- (e) the written consents of the experts referred to in the paragraph headed "Experts" in this appendix;
- (f) the annual reports of the Company for the two years ended 31 December 2013;
- (g) the circular of the Company dated 25 August 2014 regarding the continuing connected transaction and major transaction in relation to financial services agreement; and
- (h) the circular of the Company dated 23 September 2014 regarding the discloseable and connected transaction in respect of the proposed disposal of 100% interest in Chengtong Coal.