

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

CONNECTED TRANSACTION ENTERING INTO OF THE GUARANTEE AGREEMENT AND THE INDEMNITY DEED

On 29 March 2016, the Company entered into the Guarantee Agreement with Chengtong Coal Investment, pursuant to which the Company agreed to procure Chengtong Development Trading to issue the Guarantee Letter and use the Relevant Properties to provide the Guarantee to the extent of the Guaranteed Amount in support of the Property Preservation Order subject to the terms and conditions of the Guarantee Agreement. An annual arrangement fee of 1% over the Guaranteed Amount is payable by Chengtong Coal Investment to the Company.

Also on 29 March 2016, Chengtong Development Trading entered into the Indemnity Deed with CCHK, pursuant to which CCHK agreed to, among other matters, indemnify Chengtong Development Trading for its liabilities and loss which may arise from the Guarantee.

Since each of Chengtong Coal Investment and CCHK is a connected person of the Company, the entering into of the Guarantee Agreement and the Indemnity Deed by the Company and Chengtong Development Trading respectively constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in relation to the Arrangement are less than 5%, the connected transaction contemplated under the Arrangement is exempt from the circular (including independent financial advice) and shareholders' approval requirements and is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

THE GUARANTEE AGREEMENT

On 29 March 2016, the Company and Chengtong Coal Investment entered into the Guarantee Agreement, the major terms of which are set out below.

Date:

29 March 2016

Parties:

- (1) the Company; and
- (2) Chengtong Coal Investment.

Details of guarantee:

Subject to Chengtong Development Trading having obtained a counter-indemnity from CCHK and having entered into the Indemnity Deed with CCHK, the Company agreed to procure Chengtong Development Trading to issue the Guarantee Letter and use the Relevant Properties to provide the Guarantee to the extent of the Guaranteed Amount in support of the Property Preservation Order.

Guaranteed Amount:

RMB53,539,767.12 (being the equivalent amount as approved under the Property Preservation Order)

Guarantee period:

3 years (or such shorter period as may be approved by the Guangxi Court) commencing on the Court Approval Date.

Arrangement fee:

An annual arrangement fee of 1% over the Guaranteed Amount is payable by Chengtong Coal Investment to the Company. The period covered by the arrangement fee for the first year shall commence on the Court Approval Date and the periods covered by the arrangement fee for each subsequent year shall commence on the anniversary of the Court Approval Date.

The arrangement fee for the first year (i.e. RMB535,398) shall be paid by Chengtong Coal Investment in one lump sum within 10 business days from the Court Approval Date. The arrangement fee for subsequent years (i.e. RMB535,398 per year) shall be paid by Chengtong Coal Investment in one lump sum within 10 business days from each anniversary date of the Court Approval Date.

Release of the Guarantee:

After the Guarantee is approved by the Guangxi Court and becomes effective, the Company shall have the right to request Chengtong Coal Investment, by way of a written notice, to apply to the Guangxi Court for the release of the Guarantee. Upon receiving such written request, Chengtong Coal Investment shall, within 10 business days from the issue date of such written request, apply to the Guangxi Court for the release of the Guarantee, and shall provide alternative assets in replacement of the Relevant Properties in order to facilitate the release of the Guarantee.

Within 10 business days after receiving the approval of the Guangxi Court for releasing the Guarantee, the Company shall refund part of the arrangement fee to Chengtong Coal Investment. The amount to be refunded shall be calculated on a pro-rata basis based on the number of days corresponding to the period covered by the arrangement fee paid for the then current year and the actual number of days during which the Guarantee has subsisted in the same period.

In the event that Chengtong Coal Investment fails to perform its aforesaid obligations in relation to the release of the Guarantee or that the application for the release of the Guarantee is not approved by the Guangxi Court, Chengtong Coal Investment shall indemnify the Company and/or Chengtong Development Trading in full for its loss caused by such failure.

Extension of the guarantee period:

If the guarantee period as approved by the Guangxi Court exceeds 3 years, the Company and Chengtong Coal Investment may enter into a supplemental agreement to extend the guarantee period.

If it is expected that the Property Preservation Order will remain subsisting and that the Guarantee will continue to be required in support for the same upon the expiry of the guarantee period, Chengtong Coal Investment may serve a notice in writing to the Company not later than one month before the expiry of the then guarantee period, requesting for an extension.

Commencement and termination of the Guarantee Agreement:

The Guarantee Agreement shall become effective upon signing by both parties and, subject to the following, shall continue to be in force until the Guarantee is released in full.

In the event that the Guarantee is not approved by the Guangxi Court, Chengtong Coal Investment shall return the Guarantee Letter to Chengtong Development Trading within 10 business days and thereafter the Guarantee Agreement shall be terminated forthwith.

INDEMNITY DEED

Also on 29 March 2016, Chengtong Development Trading and CCHK entered into the Indemnity Deed, the major terms of which are set out below.

Date:

29 March 2016

Parties:

- (1) Chengtong Development Trading; and
- (2) CCHK.

Counter-indemnity:

Subject to the Guangxi Court approving the Guarantee, CCHK has agreed that in the event that Chengtong Development Trading is required to honor the guarantee obligations under the Guarantee or has suffered any loss, damage, legal liabilities and costs etc. arising from the Guarantee, CCHK shall indemnify Chengtong Development Trading for the amount it is held liable or suffered.

CCHK has also agreed that if Chengtong Development Trading encounters any difficulties in obtaining financing by reason of its provision of the Guarantee, CCHK shall (i) provide financial support to Chengtong Development Trading directly; or (ii) procure the release of the Guarantee; or (iii) assist Chengtong Development Trading to resolve such difficulties by such other means as may be agreed with Chengtong Development Trading.

BACKGROUND INFORMATION GIVING RISE TO THE ARRANGEMENT

Chengtong Coal Investment has initiated a legal proceeding in the Guangxi Court against, among others, the Respondents for breach of contract in relation to an intended equity transfer in a PRC company. On 18 May 2015, Chengtong Coal Investment applied to the Guangxi Court for the Property Preservation Order against the Respondents. Purpose of the Property Preservation Order is to ensure that the Respondents will not be allowed to transfer or dispose of its assets prior to the conclusion of the enforcement proceedings in the PRC court.

As required under the relevant PRC laws, a guarantee is required in support of the Property Preservation Order whereby the guarantor should guarantee to compensate the loss which may be suffered by the Respondents by reason of the Property Preservation Order.

After considering the merits of the case of Chengtong Coal Investment in the underlying legal proceeding and the fact that the provision of the Guarantee is merely a procedural requirement pertaining to the Property Preservation Order, the management of the Company is of the view that the risk of Chengtong Development Trading having to honour the guarantee obligations under the Guarantee Letter is minimal.

The Directors (including the independent non-executive Directors) consider that the Guarantee Agreement and the Indemnity Deed were entered into on normal commercial terms but not in the ordinary course of business of the Group. Moreover, since the provision of the Guarantee will not affect the daily use of the Relevant Properties by Chengtong Development Trading and in view of the arrangement fee receivable and the counter-indemnity from CCHK, the Directors (including the independent non-executive Directors) also consider that the terms of the Guarantee Agreement and the Indemnity Deed are fair and reasonable and in the interest of the Company and its shareholders as a whole.

INFORMATION RELATED TO THE GROUP

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

INFORMATION RELATED TO THE COUNTER-PARTIES

Chengtong Coal Investment is an indirectly wholly-owned subsidiary of CCHG, the ultimate holding company of the Company. Chengtong Coal Investment is principally engaged in investment holding.

CCHK is an indirect holding company of the Company and a wholly-owned subsidiary of CCHG. CCHK is principally engaged in investment holding.

INFORMATION RELATED TO THE RELEVANT PROPERTIES

The Relevant Properties are currently used by Chengtong Development Trading as its office premises. The Relevant Properties were acquired in 2013 at the cost of approximately RMB51 million. According to the real estate appraisal report issued by 北京國泰大正天平行土地房地產評估顧問有限公司 (Beijing Guotai Dazheng Balance Land and Real Estate Appraisal Consulting Co. Ltd.), the appraised value of the Relevant Properties was approximately RMB55.05 million as at 15 February 2016.

IMPLICATION UNDER THE LISTING RULES

Since each of Chengtong Coal Investment and CCHK is a connected person of the Company, the entering into of the Guarantee Agreement and the Indemnity Deed by the Company and Chengtong Development Trading respectively constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in relation to the Arrangement are less than 5%, the connected transaction contemplated under the Arrangement is exempt from the circular (including independent financial advice) and shareholders' approval requirements and are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

To the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, the executive Directors of the Company, namely Mr. Yuan Shaoli, Mr. Wang Hongxin, Mr. Wang Tianlin and Mr. Zhang Bin, are directors of Chengtong Coal Investment and/or CCHK. For the sake of good corporate governance, the four Directors mentioned above have abstained from voting at the Board meeting for approving the Arrangement and the entering into of the Guarantee Agreement and the Indemnity Agreement.

DEFINITIONS

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

“Arrangement”	collectively, the provision of the Guarantee by the Group pursuant to the Guarantee Agreement and the receiving of the counter-indemnity from CCHK pursuant to the Indemnity Deed
“Board”	the board of Directors
“CCHG”	China Chengtong Holdings Group Limited, a state-owned enterprise established in the PRC and directly supervised and owned by the State-owned Assets Supervision and Administration Commission of the State Council on behalf of the Central People’s Government of the PRC
“CCHK”	China Chengtong Hong Kong Company Limited (中國誠通香港有限公司), an indirect holding company of the Company
“Chengtong Coal Investment”	China Chengtong Coal Investment Limited (中國誠通煤業投資有限公司), a limited liability company incorporated in the British Virgin Islands
“Chengtong Development Trading”	誠通發展貿易有限公司 (unofficial English translation being Chengtong Development Trading Company Limited), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Company”	China Chengtong Development Group Limited (中國誠通發展集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Court Approval Date”	the date on which the Guangxi Court grants approval for the Guarantee
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Guangxi Court”	廣西壯族自治區高級人民法院 (the supreme People’s Court of Guangxi Zhuang Autonomous Region)
“Guarantee”	the provision of the Relevant Properties by Chengtong Development Trading as a guarantee in support of the Property Preservation Order pursuant to the Guarantee Agreement

“Guarantee Agreement”	the guarantee agreement dated 29 March 2016 and entered into between the Company and Chengtong Coal Investment in relation to the Guarantee
“Guaranteed Amount”	RMB53,539,767.12
“Guarantee Letter”	the guarantee letter to be issued by Chengtong Development Trading in favour of the Guangxi Court in support of the Property Preservation Order
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indemnity Deed”	the deed of counter-indemnity dated 29 March 2016 and entered into between Chengtong Development Trading and CCHK
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Preservation Order”	the property preservation order issued by the Guangxi Court for the preservation of certain mining rights of the Respondents to the extent of RMB53,539,767.12
“Relevant Properties”	certain office premises in Beijing which are owned by Chengtong Development Trading with an aggregate gross area of 1,275.06 square metres
“Respondents”	貴州三聯煤礦有限責任公司 and 羅城仫佬族自治縣合城煤業有限責任公司
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

29 March 2016

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