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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)

CONTINUING CONNECTED TRANSACTION LEASE ARRANGEMENT

On 16 September 2010, CT Industrial and CMST entered into the Agreement, under which, CT Industrial agreed to grant CMST the right to use, manage and conduct business over the Leased Assets. CT Industrial is a wholly-owned subsidiary of the Company.

By virtue of the relationship between the parties as described below, CMST is a connected person of the Company and the Transaction constitutes a continuing connected transaction for the Company under the Listing Rules.

As the relevant applicable percentage ratios set out in the Listing Rules in respect of the Transaction is more than 5% but less than 25% and the annual consideration is less than HK\$10,000,000, the Transaction is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 16 September 2010, CT Industrial and CMST entered into the Agreement whereby CT Industrial agreed to grant CMST the right to use, manage and conduct business over the Leased Assets.

THE AGREEMENT

Summary of the major terms of the Agreement

Date:

16 September 2010

Parties:

- (i) CT Industrial, a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company; and
- (ii) CMST, a company established in the PRC and a wholly-owned subsidiary of CCHG. CCHG is the holding company of World Gain Holdings Limited, being the controlling shareholder of the Company holding approximately 54.78% of the issued share capital of the Company as at the date of this announcement. CMST is an associate of CCHG and therefore, is a connected person of the Company.

Subject matter:

Pursuant to the Agreement, CT Industrial has granted CMST the exclusive right to use, manage and conduct business over the Leased Assets in its own name.

Term:

The term of the Agreement is one year commencing from 1 September 2010 to 31 August 2011.

Rental and annual cap:

The monthly rental payable by CMST is RMB140,000 (equivalent to HK\$161,000), which shall be paid by CMST in the following manner:

- (i) as to RMB560,000 (equivalent to HK\$644,000) before 30 September 2010; and
- (ii) as to RMB1,120,000 (equivalent to HK\$1,288,000) before 31 March 2011.

The rental is arrived at by the parties after arm's length negotiation with reference to the prevailing market rent in Shenyang City, Liaoning Province, the PRC.

Taking into account (i) the rental for each of the financial years ending 31 December 2010 and 31 December 2011; and (ii) the buffer for the possible appreciation of RMB against HK\$, the annual caps of the Transaction for the two financial years ending 31 December 2010 and 31 December 2011 are HK\$672,000 and HK\$1,344,000 respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board considers that the Transaction can generate rental income for the Group and in view that it is unlikely that the Land will be developed or realised by the Group in the forthcoming year based on the current market environment, the Board considers that entering into a short-term lease for the Leased Assets is beneficial to and in the interest of the Group.

The Board will continue to review the business plan for the use of the Leased Assets from time to time.

Based on the information described above and taken into consideration all matters as set out in the Agreement and the transactions contemplated thereunder, the Directors (including the independent non-executive Directors) consider that the Transaction is in the ordinary course of business of the Group and the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. Mr. Gu Laiyun and Ms. Xu Zhen, both being non-executive Directors, are employees of CCHG, have abstained from voting on the resolution of the Board approving the Transaction.

IMPLICATION UNDER THE LISTING RULES

By virtue of the relationship between CMST and the Group as described above, CMST is an associate of CCHG and therefore, is a connected person of the Company.

As the relevant applicable percentage ratios set out in the Listing Rules in respect of the Transaction is more than 5% but less than 25% and the annual consideration is less than HK\$10,000,000, the Transaction is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION OF THE PARTIES

The principal activities of the Group are property development, property investment including land resources exploitation and strategic investment.

CMST is principally engaged in the logistic and storage business.

DEFINITIONS

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

“Agreement”	the agreement entered into between CT Industrial and CMST on 16 September 2010 in relation to the Transaction
“associate”	has the meaning ascribed to it under the Listing Rules
“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

“CMST”	中國物資儲運總公司瀋陽虎石台一庫 (China National Materials Storage and Transportation Corporation - Shenyang Hushitai 1st Storage), a company established in the PRC and is wholly owned by CCHG
“Company”	China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CT Industrial”	誠通實業投資有限公司 (unofficial English translation being Chengtong Industrial Investment Limited), a limited liability company incorporated in the PRC and is a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	the land situated at Railway road west in Hushitai Town, Shenbei New District, Shenyang City, Liaoning Province, the PRC
“Leased Assets”	the Land and the buildings and fixtures constructed thereon and certain other assets
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“RMB”	Renminbi Yuan, the lawful currency of the PRC
“Shareholders”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the leasing arrangement in respect of the Leased Assets pursuant to the Agreement
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.15. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 16 September 2010

As at the date of this announcement, the executive Directors are Mr. Zhang Guotong, Mr. Wang Hongxin and Mr. Wang Tianlin; the non-executive Directors are Mr. Gu Laiyun and Ms. Xu Zhen; and the independent non-executive Directors are Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Ba Shusong.