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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 8 June 2010, CT Industrial and CLC entered into the Agreement, under which, CT Industrial agreed to grant CLC the right to occupy and use the Leased Assets. CT Industrial is a wholly-owned subsidiary of the Company.

By virtue of the relationship between the parties as described below, CLC 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 8 June 2010, CT Industrial and CLC entered into the Agreement whereby CT Industrial agreed to grant CLC the right to occupy and use the Leased Assets.

# **THE AGREEMENT**

## **Summary of the major terms of the Agreement**

### *Date:*

8 June 2010

### *Parties:*

- (i) CT Industrial, a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company; and
- (ii) CLC, 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. CLC is an associate of CCHG and therefore, is a connected person of the Company.

### *Subject matter:*

Pursuant to the Agreement, CT Industrial has granted CLC the exclusive rights 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 June 2010 to 31 May 2011. The parties may extend the term and negotiate the terms and conditions upon mutual agreement in writing pursuant to the Agreement.

### *Consideration and annual cap:*

CT Industrial is the registered owner of the land use rights of the Land and is required to pay the land use tax and real estate tax in respect of the Land to the PRC government. Pursuant to the Agreement, CLC shall be responsible for the settlement of the said taxes as the actual user of the Leased Assets. Save for the above, no other fee shall be paid by CLC to CT Industrial in respect of the use of the Leased Assets under the Agreement. The above fee settlement arrangement is arrived at by the parties after arm's length negotiation with reference to the estimated land use tax and real estate tax in respect of the Land payable to the PRC government.

The said taxes are estimated to be approximately RMB364,972 (equivalent to approximately HK\$416,069) and approximately RMB260,695 (equivalent to approximately HK\$297,192) for each of the financial years ending 31 December 2010 and 31 December 2011 respectively.

Taking into account (i) the estimated taxes to be borne and settled by CLC for each of the financial years ending 31 December 2010 and 31 December 2011; (ii) the possible upwards adjustment of the land use tax and real estate tax; and (iii) 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\$450,000 and HK\$350,000 respectively.

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

The Leased Assets are not used by the Group at present.

As the Board considers that it is unlikely that the Land will be developed or realised by the Company in the forthcoming year based on the current market environment and the Group is still required to pay the relevant taxes of the Land even if the subject Leased Assets are not put in operation, the Board considers that the Group can save these expenses by granting the right to occupy and use the Leased Assets to CLC and request CLC to bear such expenses under the Agreement.

In view of the above, the Board considers that there is currently no other better alternative with regard to the use of the Leased Assets than the leasing arrangement under the Agreement.

The Board will continue to review the business plan for the use of the Leased Assets from time to time. As such, the entering into a short-term lease is considered by the Board as beneficial to the Group.

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 CLC and the Group as described above, CLC 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.

CLC is principally engaged in the logistic 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 CLC on 8 June 2010, under which, CT Industrial agreed to grant CLC the right to occupy and use the Leased Assets
“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

“CLC”	中國物流公司 (unofficial English translation being China Logistics Company), 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 No. 77 Qinglong West Road, Tianning District, Changzhou City, Jiangsu Province, the PRC (中國江蘇省常州市天寧區青龍西路77號)
“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\$1.14. 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, 8 June 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, Mr. Lao Youan and Mr. Ba Shusong.*