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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

DISCLOSEABLE TRANSACTION — FINANCE LEASE ARRANGEMENT

On 4 January 2011, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Lease Agreement with the Lessee pursuant to which Chengtong Financial Leasing will purchase the TRT Equipment from the Lessee and will lease the TRT Equipment back to Lessee for a term of three years.

The transaction contemplated under the Finance Lease Arrangement constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements set out in Rule 14.34 of the Listing Rules.

LEASE AGREEMENT

Date

4 January 2011

Parties

Lessor : Chengtong Financial Leasing

Lessee : The Lessee

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, the Lessee and its ultimate beneficial owners are Independent Third Parties, and the Lessee is principally engaged in development, manufacture and sale of automatic system for power transformation station.

Lease arrangement

Subject to the fulfillment of certain conditions as set out in the Lease Agreement, including but not limited to the obtaining of all necessary approvals by the Lessee in relation to the Finance Lease Arrangement and the provision of the guarantee by each of the Guarantors as mentioned in the paragraph headed “Guarantee” below, Chengtong Financial Leasing will purchase the TRT Equipment from the Lessee at the consideration of RMB29,340,000 (equivalent to HK\$34,327,800), and the TRT Equipment will be leased back to the Lessee for a period of three years from the date upon which the aggregate consideration for the purchase of the TRT Equipment has been paid by Chengtong Financial Leasing.

If the conditions are not satisfied before 31 January 2011, Chengtong Financial Leasing shall have the right to terminate the Lease Agreement and both Chengtong Financial Leasing and the Lessee shall be released from all obligations under the Lease Agreement.

Consideration for the purchase of the TRT Equipment

The consideration for the purchase of the TRT Equipment of RMB29,340,000 (equivalent to HK\$34,327,800) was agreed between Chengtong Financial Leasing and the Lessee with reference to the original purchase costs of the TRT Equipment and the expected revenue that can be generated from the TRT Equipment.

The consideration for the purchase of the TRT Equipment under the Finance Lease Arrangement will be satisfied by the internal resources of the Group.

Lease payment

The Lessee will make its lease payment to Chengtong Financial Leasing in 33 monthly installments of RMB1,080,000 (equivalent to HK\$1,263,600) per month (except for the 12th, 24th and 36th month during the term of lease).

The Lessee is required to pay to Chengtong Financial Leasing an amount of RMB2,160,000 (equivalent to HK\$2,527,200) as security amount of the Lessee’s performance under the Finance Lease Arrangement (“**Security Amount**”). Subject to the fulfillment of all obligations of the Lessee under the Finance Lease Arrangement, Chengtong Financial Leasing may apply the Security Amount to set off the last two installments of the lease payment payable by the Lessee.

The lease payments have been agreed after arm’s length negotiations between the parties with reference to the prevailing market practice.

Nominal purchase price

At the end of the lease term of the Lease Agreement, the Lessee will, subject to the payment of the lease payment and other payables (if any) in full, purchase the TRT Equipment at a nominal purchase price of RMB100 (equivalent to approximately HK\$117).

Guarantee

Tianjin Ga Yi, which is a state-owned large-scale steel production and processing enterprise, will provide a joint guarantee in favour of Chengtong Financial Leasing for the lease payments or other payables by the Lessee under the Lease Agreement.

Mr. Wang Gang, who is a major shareholder of the Lessee, has provided a joint guarantee in favour of Chengtong Financial Leasing for the lease payments or other payables by the Lessee under the Lease Agreement.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, Mr. Wang Gang, Tianjin Ga Yi and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE LEASE ARRANGEMENT

The principal activities of the Group are property development, property investment including land resources exploitation, strategic investment and financial leasing. In November 2010, the Group also commenced trading of coal as one of its principal activities.

The Group has established Chengtong Financial Leasing in the PRC in September 2010. The approved business scope of Chengtong Financial Leasing includes financial leasing, leasing services, purchasing of leasing properties at home country and abroad. Chengtong Financial Leasing has started the business of financial leasing in the fourth quarter of 2010. The Group plans to expand the financial leasing business in three areas: (i) satisfying finance needs of the holding company and its subsidiaries; (ii) providing financial leasing services to the fields of energy saving, emission reduction and energy performance contracting; and (iii) providing financial leasing services to municipal engineering construction projects of PRC government. Financial leasing industry plays an important role in social and economy infrastructure and the Directors believe that financial leasing business has great business potential in the PRC.

The entering into of the Finance Lease Arrangement is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn an income of approximately RMB6,300,000 (equivalent to approximately HK\$7,371,000), being all lease payments under the Finance Lease Arrangement after deducting aggregate consideration for the purchase of the TRT Equipment.

The Directors are of the view that the terms of the Finance Lease Arrangement are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

IMPLICATION UNDER THE LISTING RULES

The transaction contemplated under the Finance Lease Arrangement constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements set out in Rule 14.34 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Chengtong Financial Leasing”	誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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
“Director(s)”	the director(s) of the Company
“Finance Lease Arrangement”	the purchase of the TRT Equipment by Chengtong Financial Leasing and the lease of the TRT Equipment to the Lessee pursuant to the terms of the Lease Agreement
“Group”	the Company and its subsidiaries from time to time
“Guarantors”	collectively, Mr. Wang Gang, an Independent Third Party, and Tianjin Ga Yi
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Part(ies)”	any person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties independent of the Company and its connected persons
“Lease Agreement”	the agreement dated 4 January 2011 between Chengtong Financial Leasing and the Lessee in relation to the Finance Lease Arrangement
“Lessee”	北京鑫坤電力電子科技發展有限公司 (unofficial English translation being Beijing Xin Kun Electricity and Electronics Technology Development Limited), a company incorporated in the PRC with limited liability
“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
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TRT Equipment”	two sets of blast furnace residual pressure power generation system
“Tianjin Ga Yi”	天津冶金軋一鋼鐵集團有限公司 (unofficial English translation being Tianjin Ye Jin Ga Yi Steel Group Limited), a company incorporated in the PRC
“%”	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\$1.17. 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, 4 January 2011

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.