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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)

CONNECTED TRANSACTIONS:

- (1) ENTRUSTED LOAN AGREEMENT; AND**
- (2) HONG KONG LOAN AGREEMENT**

On 26 July 2011, CT Industrial (a wholly-owned subsidiary of the Company), CLC and ABC entered into the Entrusted Loan Agreement. Pursuant to the Entrusted Loan Agreement, CT Industrial instructed ABC to act as a lending agent to, inter alia, release a loan in the principal amount of RMB35,000,000 (equivalent to HK\$42,000,000), which will be funded by the Group, to CLC.

On 26 July 2011, the Company and CCHK entered into the Hong Kong Loan Agreement. Pursuant to the Hong Kong Loan Agreement, the Company provides a short-term loan in the principal amount of HK\$35,000,000 to CCHK.

Each of CLC and CCHK is a connected person of the Company. The provision of the Entrusted Loan and the Hong Kong Loan constitute financial assistance provided by the Group not in the ordinary and usual course of business for the benefit of connected persons. As each of the percentage ratios in respect of the provision of the Entrusted Loan and the Hong Kong Loan is more than 0.1% but less than 5%, the Entrusted Loan Agreement and the Hong Kong Loan Agreement are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

ENTRUSTED LOAN AGREEMENT

On 26 July 2011, CT Industrial, CLC and ABC entered into the Entrusted Loan Agreement, the major terms of which are set out below.

Date

26 July 2011

Parties

- (1) CT Industrial (a wholly-owned subsidiary of the Company), as the lender;
- (2) ABC, as the lending agent; and
- (3) CLC, as the borrower.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of ABC and its ultimate beneficial owners is an independent third party not connected with the Company and its connected persons.

CLC is a company established in the PRC and a wholly-owned subsidiary of CCHG. CCHG, through CCHK, holds the entire issued share capital of World Gain. CLC is an associate of CCHG and therefore, is a connected person of the Company.

Entrusted Loan arrangement

Pursuant to the Entrusted Loan Agreement, CT Industrial instructed ABC to act as a lending agent to, inter alia, release a loan in the principal amount of RMB35,000,000 (equivalent to HK\$42,000,000), which will be funded by the Group, to CLC.

The interest rate for the Entrusted Loan is 13.2% per annum and is payable by CLC upon expiry of the term of the Entrusted Loan.

Term

The Entrusted Loan is for a term of one month from 27 July 2011 to 26 August 2011. Should there be early repayment of the Entrusted Loan before the expiry of the term, interest would be calculated according to the actual term of borrowing.

The principal amount of the Entrusted Loan together with the interests accrued thereon will be repaid to CT Industrial in one lump sum upon the expiry of the term of the Entrusted Loan.

Handling charges by ABC

ABC will receive 0.1% of the principal amount of the Entrusted Loan which is borne by CT Industrial as handling charges.

HONG KONG LOAN AGREEMENT

On 26 July 2011, the Company and CCHK entered into the Hong Kong Loan Agreement, the major terms of which are set out below.

Date

26 July 2011

Parties

- (1) the Company, as the lender; and
- (2) CCHK, as the borrower.

CCHK is the holding company of World Gain and therefore, is a connected person of the Company.

Hong Kong Loan arrangement

Pursuant to the Hong Kong Loan Agreement, the Company provides a short-term loan in the principal amount of HK\$35,000,000 to CCHK.

The interest rate for the Hong Kong Loan is 12% per annum and is payable by CCHK upon expiry of the term of the Hong Kong Loan.

Term

The Hong Kong Loan is for a term of one month from 26 July 2011 to 25 August 2011. Should there be early repayment of the Hong Kong Loan before the expiry of the term, interest would be calculated according to the actual term of borrowing.

The principal amount of the Hong Kong Loan together with the interests accrued thereon will be repaid to the Company in one lump sum upon the expiry of the term of the Hong Kong Loan. As the principal amount of HK\$35,000,000 is exchanged from RMB to Hong Kong dollars by the Company on the date of drawdown, CCHK has agreed to top-up any exchange loss on the principal amount that the Company may incur based on the exchange rate on the date of repayment.

GUARANTEE FROM CCHG

CCHG, the holding company of CLC and CCHK, has provided a guarantee in respect of the repayment of the Entrusted Loan and the Hong Kong Loan in favour of CT Industrial and the Company respectively. As a security of the guarantee, CCHG has designated one of its bank account which as at the date of this announcement had a deposit of approximately RMB160,000,000 (equivalent to HK\$192,000,000) to be a jointly operated account of CCHG and CT Industrial.

REASONS FOR AND BENEFITS OF THE ENTRUSTED LOAN AGREEMENT AND THE HONG KONG LOAN AGREEMENT

The terms of each of the Entrusted Loan Agreement and the Hong Kong Loan Agreement, including the interest rate applicable, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices. The Directors considered that given the interest rates for the Entrusted Loan and the Hong Kong Loan were higher than the interest rates for savings offered by the financial institutions in the PRC and Hong Kong, the provision of the Entrusted Loan and the Hong Kong Loan could generate a higher return for the fund of the Group which do not have immediate use.

In view of the above, the Directors (including independent non-executive Directors) are of the opinion that the terms of each of the Entrusted Loan Agreement and the Hong Kong Loan Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Each of CLC and CCHK is a connected person of the Company. The provision of the Entrusted Loan and the Hong Kong Loan constitute financial assistance provided by the Group not in the ordinary and usual course of business for the benefit of connected persons. As all of the percentage ratios are more than 0.1% but less than 5%, the Entrusted Loan Agreement and the Hong Kong Loan Agreement are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhang Guotong, an executive Director and the chairman of the Board and Mr. Yuan Shaoli, an executive Director and the vice chairman of the Board, are directors of CCHK and may have material interests in the Entrusted Loan Agreement and the Hong Kong Loan Agreement. Accordingly, Mr. Zhang Guotong and Mr. Yuan Shaoli have abstained from voting on the Board resolution approving the Entrusted Loan Agreement and the Hong Kong Loan Agreement.

GENERAL

The principal activities of the Group are property development, property investment in industrial and logistic land resources development, financial leasing and trading of coal.

CLC is principally engaged in the logistic business.

CCHK is an investment holding company.

ABC is a bank in the PRC and is principally engaged in banking, financial and other financial related services.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“ABC”	Agricultural Bank of China Limited (中國農業銀行股份有限公司), Beijing Xi Cheng branch, the lending agent of the Entrusted Loan
“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, a company incorporated in Hong Kong with limited liability and is wholly-owned by CCHG
“CLC”	中國物流有限公司 (unofficial English translation being China Logistics Limited) (formerly known as 中國物流公司 (unofficial English translation being China Logistics Company)), a company established in the PRC and is a wholly-owned subsidiary of CCHG

“Company”	China Chengtong Development Group Limited, a company incorporated in Hong Kong and the Shares of which are listed on 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 an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Entrusted Loan”	the loan in the amount of RMB35,000,000 to be made pursuant to the Entrusted Loan Agreement
“Entrusted Loan Agreement”	the agreement dated 26 July 2011 entered into between CT Industrial, ABC and CLC in relation to the Entrusted Loan
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Loan”	the loan in the amount of HK\$35,000,000 made pursuant to the Hong Kong Loan Agreement
“Hong Kong Loan Agreement”	the agreement dated 26 July 2011 entered into between the Company and CCHK in relation to the Hong Kong Loan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of the Company of HK\$0.10 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“World Gain”	World Gain Holdings Limited, a controlling shareholder of the Company holding approximately 54.78% of the issued share capital of the Company as at the date of this announcement and is a wholly owned subsidiary of CCHK
“%”	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\$1.20. 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, 26 July 2011

As at the date of this announcement, the Company’s executive Directors are Mr. Zhang Guotong, Mr. Yuan Shaoli, Mr. Wang Hongxin and Mr. Wang Tianlin and the independent non-executive Directors are Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Ba Shusong.