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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 TRANSACTION — FORMATION OF JOINT VENTURE

The Board is pleased to announce that on 19 December 2011, the Board has approved the establishment of the JV Company by CT Industrial and the JV Partner pursuant to the terms of the JV Articles. The establishment of the JV Company is subject to approval by the Administration for Industry & Commerce of the PRC. According to the JV Articles, the JV Company is to be owned by CT Industrial as to 55% and the JV Partner as to 45%. CT Industrial shall pay in aggregate RMB27.5 million (equivalent to HK\$33 million) to the JV Company for the subscription of 55% equity capital in the JV Company.

As the ultimate controlling shareholder of the JV Partner is an associate of a substantial shareholder of a non wholly-owned subsidiary of the Company, the JV Partner is a connected person of the Company as defined under the Listing Rules. Hence, the establishment of the JV Company pursuant to the terms of the JV Articles constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profit ratio) are less than 5%, the establishment of the JV Company is exempt from the independent shareholders' approval requirements and is only subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules.

The Board is pleased to announce that on 19 December 2011, the Board has approved the establishment of the JV Company by CT Industrial and the JV Partner pursuant to the terms of the JV Articles. The establishment of the JV Company is subject to approval by the Administration for Industry & Commerce of the PRC. The principal terms of the JV Articles are set out below:

PRINCIPAL TERMS OF THE JV ARTICLES

Parties

- (1) CT Industrial; and
- (2) JV Partner

Scope of Business of the JV Company

The business scope of the JV Company will be the business of wholesale of metals, construction materials, decorative materials, hardware tools, wire and cable, economic information and consulting and import and export.

Registered capital of the JV Company

The JV Company is to be established in the PRC with limited liability. It will have a registered capital of RMB50 million (equivalent to HK\$60 million), which is determined with reference to the business nature of the JV Company. Upon establishment, CT Industrial and the JV Partner will respectively hold 55% and 45% of the equity capital of the JV Company. The JV Company is yet to be established and no financial information of the JV Company is available for the time being.

Capital investment

The capital investment by CT Industrial in the JV Company under the JV Articles will be RMB27.5 million (equivalent to HK\$33 million) which shall be paid in one lump sum before the incorporation of the JV Company. It is expected that the above capital investment by CT Industrial would be funded by internal resources of the Group. The JV Partner will invest RMB22.5 million in the JV Company for the subscription of its equity interests in the JV Company which shall also be paid in one lump sum before the incorporation of the JV Company.

Composition of the board of directors

The board of directors of the JV Company shall consist of three directors. CT Industrial shall have the right to appoint two directors and the JV Partner shall have the right to appoint one director. All resolutions of the board of directors of the JV Company shall be passed by a majority of all directors of the JV Company.

Profit sharing

The profit and loss of the JV Company shall be shared between CT Industrial and the JV Partner in accordance with their respective proportion of equity capital in the JV Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JV ARTICLES

The JV Company is expected to develop the Group's bulk commodity trade business with a view to enlarging the business scale of the Group and to enhance the return to the shareholders of the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the JV Articles are normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

None of the Directors is required to abstain from voting on the Board resolution approving the establishment of the JV Company and the JV Articles as none of them has any material interests in the establishment of the JV Company.

LISTING RULES IMPLICATIONS

As the ultimate controlling shareholder of the JV Partner is an associate of a substantial shareholder of a non wholly-owned subsidiary of the Company, the JV Partner is a connected person of the Company as defined under the Listing Rules. Hence, the establishment of the JV Company pursuant to the terms of the JV Articles constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profit ratio) are less than 5%, the establishment of the JV Company is exempt from the independent shareholders' approval requirements and is only subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules.

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. The Group has also recently commenced bulk commodity trade business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the principal activities of the JV Partner is trading of metals and other commodities.

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
- “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 as 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
- “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

- “JV Articles” : the articles of the JV Company to be signed by CT Industrial and the JV Partner in relation to the establishment of the JV Company
- “JV Company” : 杭州瑞能金屬材料有限公司 (unofficial English translation as Hangzhou Ruineng Metals Co., Ltd.), a limited company to be established in the PRC pursuant to the terms of the JV Articles
- “JV Partner” : 杭州善翔金屬材料有限公司 (unofficial English translation as Hangzhou Shanxiang Metals Co., Ltd.), a limited liability company established in the PRC and owned as to 90% by Mr. Gong Weiming who is an associate of a substantial shareholder of Chengtong Development International Trading Limited (a non wholly-owned subsidiary of the Company)
- “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

“%” : 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, 19 December 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.