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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: DISPOSAL OF 12% INTEREST IN CT ENTERPRISES

On 19 December 2011, the Company and the Purchaser entered into the SP Agreement pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares and the Sale Loan at an aggregate consideration of RMB51,542,923.63 (equivalent to approximately HK\$61,851,508).

The Disposal constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements.

THE SP AGREEMENT

Date

19 December 2011

Parties

- (i) Vendor: The Company
- (ii) Purchaser: Wantong Enterprise Investment Co. Ltd.

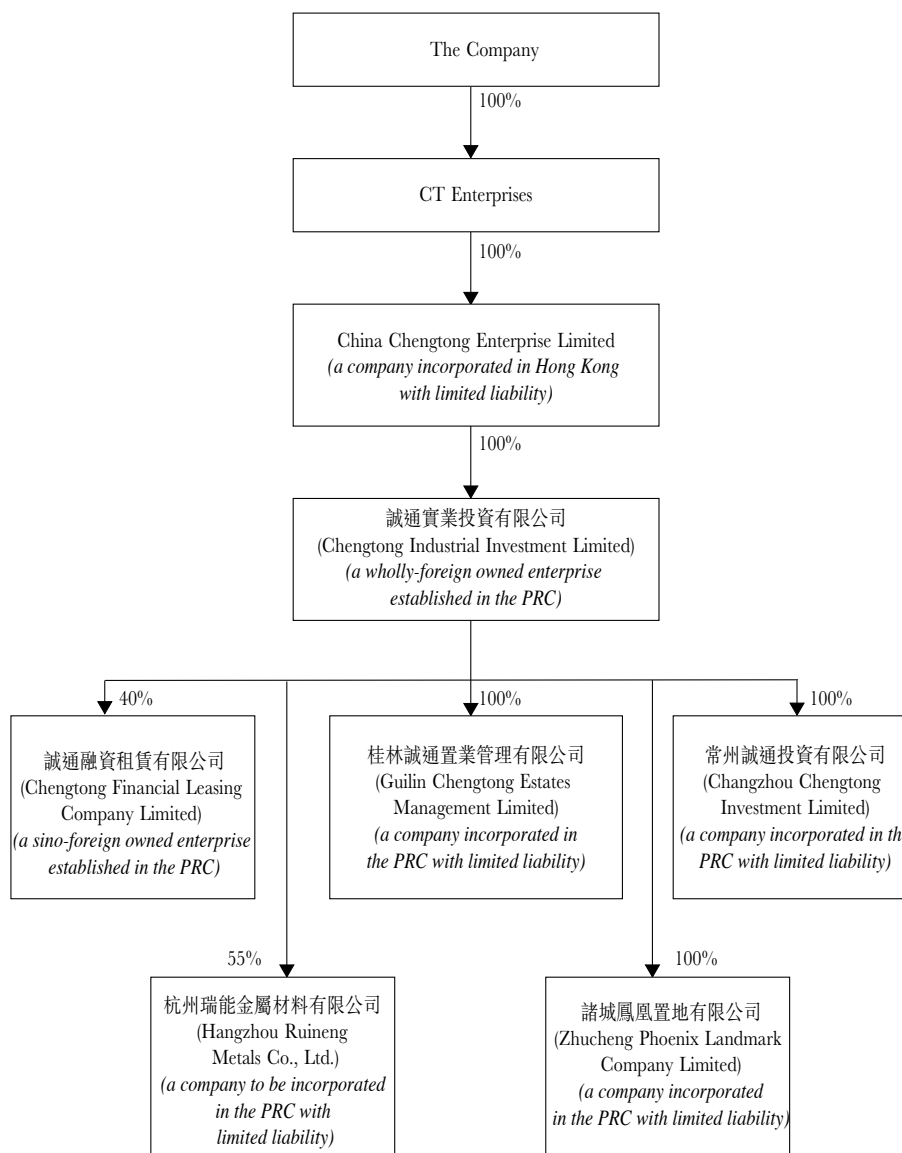
To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the principal business of the Purchaser is investment holding and (ii) each of the Purchaser and its ultimate beneficial owners is an independent third party not connected with the Company and its connected persons.

Subject matter of the SP Agreement

Pursuant to the SP Agreement, the Company has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares and the Sale Loan.

Pre-completion reorganisation

As at the date of the SP Agreement, the corporate structure of CT Enterprises Group is as follows:

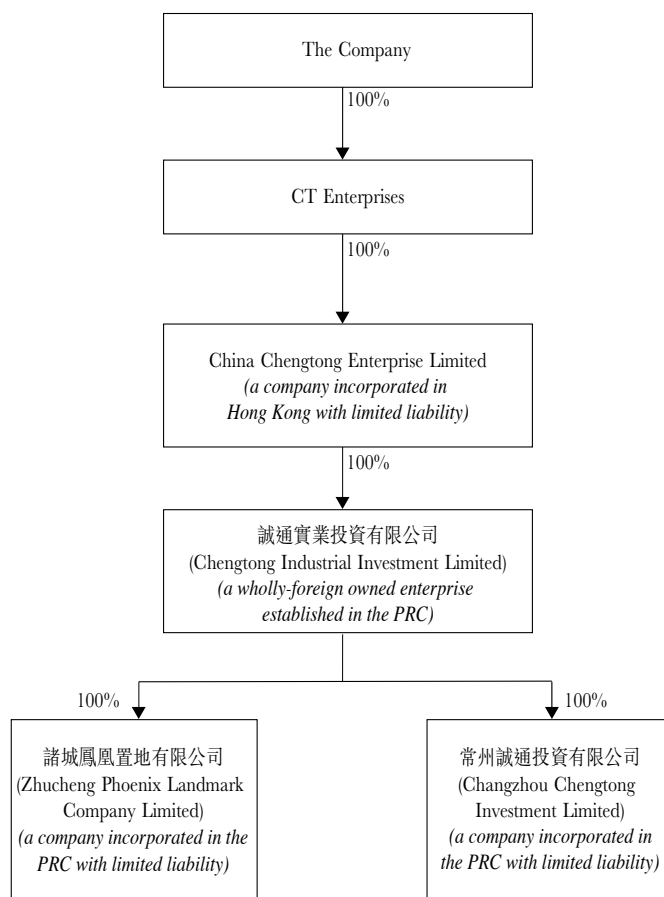


It is one of the conditions precedent to the completion of the Disposal that CT Enterprises Group shall complete a series of internal reorganization (“**Reorganisation**”). Pursuant to the Reorganisation:

1. all subsidiaries of Chengtong Industrial Investment Limited (other than 諸城鳳凰置地有限公司 (Zhucheng Phoenix Landmark Company Limited) and 常州誠通投資有限公司 (Changzhou Chengtong Investment Limited)) shall be transferred to the other wholly-owned subsidiary of the Company at cost;
2. all intra-group advances and payable between 誠通實業投資有限公司 (Chengtong Industrial Investment Limited) and other members of the Group shall be transferred or assigned to the other wholly-owned subsidiary of the Company; and
3. all profits or losses of CT Enterprises Group during the period from 1 October 2011 to the date of completion of the Disposal shall belong to the Group.

After completion of the Reorganisation, the principal assets of Chengtong Industrial Investment Limited will comprise (i) two parcels of land located in Changzhou of Jiangsu Province and Shenyang of Liaoning Province, together with the warehouse complexes or plants erected thereon (“**Retained Land**”); (ii) 100% interests in 諸城鳳凰置地有限公司 (Zhucheng Phoenix Landmark Company Limited) which holds a residential property development “CCT-Champs-Elysees” (details of which are set out in the paragraphs headed “Further information on CT Enterprises Group” below”) and (iii) 100% interests in 常州誠通投資有限公司 (Changzhou Chengtong Investment Limited).

The corporate structure of CT Enterprises Group after completion of the Reorganisation will be as follows:



Consideration

The aggregate consideration for the Sale Shares and the Sale Loan is RMB51,542,923.63 (equivalent to approximately HK\$61,851,508).

The consideration was agreed after arm's length negotiations between the Company and the Purchaser with reference to the net assets value of Chengtong Industrial Investment Limited (assuming the Reorganisation has been completed and taking into account of the valuation of CCT — Champs — Elysees and the Retained Land as at 30 September 2011 of approximately RMB547 million) as at 30 September 2011 of approximately RMB429.5 million.

The consideration shall be paid by the Purchaser in the following manner:

- within five business days after the signing of the SP Agreement, RMB10,000,000 (or an equivalent amount in Hong Kong dollars) shall be paid by the Purchaser to the Company in cash or in such manner as may be agreed between the Company and the Purchaser as refundable deposit and part payment of the consideration (“**Deposit**”); and

- upon completion of the SP Agreement, RMB41,542,923.63 (or an equivalent amount in Hong Kong dollars) shall be paid by the Purchaser to the Company in cash or in such manner as may be agreed between the Company and the Purchaser.

Conditions precedent

Completion of the SP Agreement is conditional upon:

- (1) the Company having obtained all necessary approval of or consent to the Disposal; and
- (2) the Reorganisation having been completed.

If the Conditions shall not have been fulfilled in full on or before the Longstop Date, the Company shall refund an amount equal to the Deposit to the Purchaser within five business days after the Longstop Date; and all rights and obligations of the parties hereunder shall cease and terminate, save for the refund of the Deposit and the claim (if any) in respect of any antecedent breach of the SP Agreement.

Completion

Completion shall take place within five business days after the last outstanding Condition shall have been fulfilled (or such other date as the Purchaser and the Company shall agree in writing).

FURTHER INFORMATION ON CT ENTERPRISES GROUP

CT Enterprises is a company incorporated in the British Virgin Islands on 18 March 2009. As at the date of the SP Agreement, its issued share capital is US\$100 divided into 100 shares of US\$1 each. The Sale Shares represent 12% of the issued share capital of CT Enterprises.

At present, CT Enterprises Group is the property development and land resources investment arm of the Group. It has developed a residential property project “CCT-Champs-Elysees”, which is located in the downtown of Zhucheng of Shandong Province and adjacent to the scenic Dinosaur Park. Main construction works of Phase I of CCT-Champs-Elysees were basically completed and have been put on market for sale. CT Enterprises Group also holds three parcels of land located in Changzhou of Jiangsu Province, Shenyang of Liaoning Province and Guilin of Guangxi Province, together with the warehouse complexes or plants erected thereon.

After completion of the Reorganisation, CT Enterprises Group will, in essence, only hold one property development project “CCT-Champs-Elysees” and the Retained Land.

Set out below is a summary of certain unaudited consolidated financial information of CT Enterprises Group for the two years ended 31 December 2010:

	For the year ended 31 December 2009 <i>(Unaudited)</i> <i>HK\$'000</i>	For the year ended 31 December 2010 <i>(Unaudited)</i> <i>HK\$'000</i>
Turnover	—	1,815
Net profit/(loss) (before taxation and extraordinary items)	(3,139)	48,827
Net profit/(loss) (after taxation and extraordinary items)	(3,139)	39,867

The unaudited combined total asset value and net assets of CT Enterprises Group as at 30 September 2011 is approximately HK\$1,611.9 million and HK\$64.0 million respectively.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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.

The Board is of the view that the PRC real estate industry will still be impacted by the macro-control policy in the near future, and customers’ purchasing power will be further weakened as property purchase restrictions are extended to second tier and third tier cities and the Mainland China commercial banks continue to tighten mortgage loans. The Disposal is considered as a strategic and positive move of the Group which can rationalize the Group’s investment in property development project and enhance shareholder value. The Board considers that the Disposal represents a good opportunity for the Group to realise part of its investment in CT Enterprises Group at a reasonable price while it can maintain a controlling stake in CT Enterprises Group.

It is expected that the Group will utilize the proceeds from the Disposal as general working capital of the Group.

For the reasons given above and taking into account the benefits of the Disposal, the Board (including the independent non-executive Director) is of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT ON THE DISPOSAL

Immediately upon completion of the Disposal, the Group will continue to hold 88% interest in CT Enterprises Group and each company in the CT Enterprises Group will continue to be a subsidiary of the Company.

For decrease in interest in existing subsidiary that do not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests are dealt with in equity, with no impact on profit or loss. The difference, before transaction costs, arising from the Disposal is estimated to be approximately HK\$18.0 million, being the difference between the consideration for the Disposal and 12% of net assets value of the CT Enterprises Group (assuming the Reorganisation has been completed) and the amount of the Sale Loan as at 30 September 2011.

LISTING RULES IMPLICATIONS

The Disposal constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements.

DEFINITIONS

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

“Board”	the board of Directors
“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
“Condition(s)”	means the condition(s) precedent to the completion of the Disposal as set out in the paragraph headed “Conditions precedent” in this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

“CT Enterprises”	Chengtong Enterprises Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of the SP Agreement
“CT Enterprises Group”	CT Enterprises and its subsidiaries
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Company pursuant to the terms of the SP Agreement
“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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	30 April 2012 (or such later date as the Company and the Purchaser may agree in writing)
“Purchaser”	Wantong Enterprise Investment Co. Ltd., a company incorporated in the British Virgin Islands with limited liability
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Loan”	12% of the shareholder’s loan owed by CT Enterprises to the Company and remains outstanding as at Completion Date. As at 30 September 2011, the amount of the Sale Loan amounted to approximately HK\$37.2 million
“Sale Shares”	12 issued share of US\$1 of CT Enterprises, representing 12% of the issued share capital of CT Enterprises
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SP Agreement”	the conditional sale and purchase agreement dated 19 December 2011 entered into between the Company and the Purchaser in relation to the Disposal
“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, 20 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.