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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 - SALE OF COMMODITY TO A CONNECTED PERSON**

On 14 November 2011, CT Trading, a 55%-owned subsidiary of the Company, entered into the Sales Contract with Hangzhou Silong pursuant to which CT Trading, as seller, has sold, and Hangzhou Silong, as buyer, has purchased the Commodity at the price of USD7,200,629.05 (equivalent to approximately HK\$56,164,907).

The Sales Transaction constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. As the revenue ratio is more than 25% and the total consideration is more than HK\$10,000,000, the Sales Transaction should have been subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

### **THE SALES CONTRACT**

**Date:** 14 November 2011

**Parties:**

- (1) Seller: CT Trading, a 55%-owned subsidiary of the Company
- (2) Buyer: Hangzhou Silong

**Major terms:**

CT Trading, as seller, has sold, and Hangzhou Silong, as buyer, has purchased 315.333 metric tonnes of tin ingots at the Sales Price of USD7,200,629.05 (equivalent to approximately HK\$56,164,907). The delivery date of the Commodity was 8 December 2011. Hangzhou Silong should pay the purchase price by irrevocable letter of credit payable at 90 days after sight in USD opened by the Bank of China.

The terms of the Sales Contract, including the Sales Price, are on normal commercial terms and are determined by CT Trading and Hangzhou Silong on arms length basis.

**REASONS FOR AND BENEFITS OF ENTERING INTO THE SALES CONTRACT**

As disclosed in the voluntary announcement of the Company dated 18 October 2011, in order to enlarge the business scale of the Group and to enhance the return to the shareholders of the Company, the Group, through CT Trading, has commenced bulk commodity trade business.

The Sales Transaction is in the ordinary course of business of CT Trading. CT Trading is principally engaged in bulk commodity trade business. Its business model is sourcing commodity from different suppliers in bulk quantity and selling the commodity to its customers in bulk quantity. Usually, CT Trading's buying orders are matched against the selling orders on a back-to-back basis. The corresponding buying order of the Sales Transaction was made by CT Trading to a supplier who is an Independent Third Party on the same date of the Sales Transaction (i.e. 14 November 2011). The Purchase Price of such buying order is USD7,094,992.50 (equivalent to approximately HK\$55,340,942). The net profit of the Sales Transaction is estimated to be approximately HK\$530,000, being the Sales Price less the Purchase Price and the related bank charges and finance costs of the Sales Transaction.

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

None of the Directors is required to abstain from voting on the Board resolution approving the Sales Contract as none of them has any material interests in the Sales Transaction.

## **LISTING RULES IMPLICATIONS**

As at the date of the Sales Contract, Hangzhou Silong, the purchaser of the Commodity, was owned by two sisters of the ultimate beneficial owner of the shareholder who owns 45% equity interests of CT Trading (“**MI Shareholder**”) and thus was a connected person of the Company. Therefore, the Sales Transaction constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. As the revenue ratio is more than 25% and the total consideration is more than HK\$10,000,000, the Sales Transaction should have been subject to reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

The Company has made enquiry with the MI Shareholder before the Sales Transaction was entered into on 14 November 2011 and the MI Shareholder then confirmed that both the buyer and the supplier of the Commodity were Independent Third Parties. Later in December 2011, the Company reviewed all previous transactions made by CT Trading and its suppliers and customers and the Company made enquiry with the MI Shareholder again on his relationship of the shareholders of Hangzhou Silong. The MI Shareholder then disclosed to the Company that the shareholders of Hangzhou Silong were his sisters. Not until the Company alerted the MI Shareholder that such relationship rendered Hangzhou Silong as a connected person, the MI Shareholder genuinely and honestly believed that a company owned by his sisters was not a connected person and hence did not inform the Company of such relationship in the first time. The Company then immediately notified the Stock Exchange of the Sales Transaction and prepared this announcement.

## **REMEDIAL ACTIONS**

As immediate remedial actions, the Company has published this announcement and has obtained written approval from the Controlling Shareholder which has approved the Sales Transaction. Hangzhou Silong has confirmed that neither it nor any of its associates is the holder of any securities of the Company. On such basis, no shareholder of the Company would be required to abstain from voting if a physical meeting for approval of the Sales Transaction were to be convened.

An Independent Board Committee will also be established to advise the Independent Shareholders in relation to the Sales Transaction. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Sales Transaction as if there shall be a general meeting of the Company to approve the Sales Transaction. A circular containing, inter alia, further details of the Sales Transaction together with a letter from the Independent Board Committee to the Independent Shareholders and a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders as soon as practicable.

## **GENERAL**

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

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

## **DEFINITIONS**

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

- “Commodity” : 315.333 metric tonnes tin ingots
- “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
- “Controlling Shareholder” : World Gain Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which, as at the date of this announcement, holds 2,286,343,570 issued shares of HK\$0.10 each of, representing approximately 54.9% of the issued share capital of, the Company. World Gain Holdings Limited is a controlling shareholder of the Company within the meaning of the Listing Rules
- “CT Trading” : Chengtong Development International Trading Limited, a company incorporated in Hong Kong and a 55%-owned subsidiary of the Company
- “Director(s)” : the director(s) of the Company
- “Group” : the Company and its subsidiaries

“Hangzhou Silong”	:	杭州欣融金屬材料有限公司 (unofficial English translation being Hangzhou Silong Metal Material Co., Ltd.), a company established in the PRC
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	:	the independent board committee of the Company comprising Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Ba Shusong, the independent non-executive Directors
“Independent Financial Adviser”	:	the independent financial adviser to be appointed by the Company to the Independent Board Committee and the Independent Shareholders
“Independent Shareholder(s)”	:	Shareholder(s) who are not interested or involved in the Sales Transaction
“Independent Third Party”	:	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
“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
“Purchase Price”	:	the price payable by CT Trading to the independent supplier pursuant to the buying order of the Commodity

“Sales Contract”	:	the sales contract dated 14 November 2011 entered into between CT Trading and Hangzhou Silong in relation to the sale and purchase of the Commodity
“Sales Transaction”	:	the sale and purchase of the Commodity as stipulated in the Sales Contract
“Sales Price”	:	the price payable by Hangzhou Silong to CT Trading pursuant to the Sales Contract
“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
“USD”	:	United States dollars, the lawful currency of the United States of America
“%”	:	per cent.

*In this announcement, for the purpose of illustration only, amounts quoted in USD have been converted into HK\$ at the rate of USD1.00 to HK\$7.80. 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, 9 January 2012

*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.*