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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 LUOYANG LOGISTIC**

On 12 August 2010, the Vendor, a wholly-owned subsidiary of the Company, the Purchaser and Luoyang Logistic entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Sale Interest and the Sale Loan for a total consideration of RMB61,850,000 (equivalent to approximately HK\$70.5 million).

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

The Board is pleased to announce that the Group has entered into the Sale and Purchase Agreement for the Disposal. More details about the Disposal and the Sale and Purchase Agreement are set out in this announcement below.

SALE AND PURCHASE AGREEMENT

Date

12 August 2010

Parties:

- Vendor: 中實投資有限責任公司(unofficial English translation as Zhongshi Investment Company Limited), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company.
- Purchaser: 洛陽眾合置業有限公司 (unofficial English translation as Luoyang Zhonghezhiye Company Limited), a company incorporated in the PRC with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) the principal activity of the Purchaser is property development and (ii) the Purchaser and its ultimate beneficial owners are Independent Third Parties.
- Luoyang Logistic: 洛陽城南中儲物流有限公司 (unofficial English translation as Luoyang Southern City CMST Logistic Limited), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of the Sale and Purchase Agreement.

Assets to be disposed of under the Sale and Purchase Agreement

The Purchaser agreed to purchase, and the Vendor agreed to sell, the Sale Interest and the Sale Loan for a total consideration of RMB61,850,000 (equivalent to approximately HK\$70.5million). The Sale Interest represents the entire equity interest of Luoyang Logistic. The Sale Loan amounted to RMB3,975,001.68 (equivalent to approximately HK\$4.53 million).

Consideration

The Consideration which comprising the following:

- (a) RMB57,874,998.32 (equivalent to approximately HK\$65.97 million) for the Sale Interest; and
- (b) RMB3,975,001.68 for the Sale Loan (equivalent to approximately HK\$4.53 million) ,

shall be satisfied in the following manner:

- (a) as to RMB6,190,000 shall be paid by the Purchaser on 13 August 2010, being the earnest money (“**Earnest Money**”) and in part payment of the Consideration;

- (b) as to RMB43,290,000 (“**Second Payment**” together with the Earnest Money representing 80% of the Consideration) shall be paid by the Purchaser before 25 August 2010; and
- (c) as to RMB12,370,000, representing 20% of the Consideration, being the remaining balance of the Consideration (“**Remaining Balance**”) shall be paid by the Purchaser within 20 days after the completion of the registration procedures for the change of the shareholder and the legal representative of Luoyang Logistic with the relevant administration authorities for industry and commerce.

As at the date of this announcement, the Purchaser has paid the Earnest Money to the Group.

The Directors confirm that the Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser and taking account of (i) the investment cost of Luoyang Logistic to the Group of approximately RMB26.68 million; (ii) the unaudited net asset value of Luoyang Logistic as at 31 July 2010 of approximately RMB29.71 million (equivalent to approximately HK\$33.87 million); (iii) the face value of the Sale Loan and (iv) the potential value of the land and buildings held by Luoyang Logistic.

Other terms and conditions

Other major terms and conditions include:

- (a) If the Purchaser fails to pay the Consideration in the manner set out in the Sale and Purchase Agreement, the Vendor shall be entitled to charge a late penalty. The penalty amount is calculated by reference to the number of days elapsed at a rate of 0.02% per day. The Vendor shall also be entitled to forfeit the Earnest Money and terminate the Sale and Purchase Agreement.
- (b) If the Purchaser fails to pay the Second Payment before 25 August 2010, the Vendor shall be entitled to forfeit the Earnest Money and terminate the Sale and Purchase Agreement.
- (c) If before the completion of the Disposal, any assets of Luoyang Logistic is being retained or freezed by the relevant PRC authorities as a result of the default of the Vendor or Luoyang Logistic, the Vendor shall be responsible for discharging such encumbrances. If such encumbrances cannot be discharged within 30 working days after the payment of the Second Payment, the Purchaser shall be entitled to terminate the Sale and Purchase Agreement and the Vendor shall refund to the Purchaser the Earnest Money and any other payments made by the Purchaser together with interest calculated with reference to an interest rate of 0.02% per day.

- (d) If the Vendor is unable to deliver all the relevant ownership certificates of the land and buildings owned by Louyang Logistic within 7 days after the payment of the Remaining Balance, the Vendor shall refund to the Purchaser all payments made by the Purchaser together with interest calculated with reference to an interest rate of 0.02% per day.

Effectiveness and completion

It is an agreed term that the Sale and Purchase Agreement (other than the provisions relating to the payment of the Earnest Money) shall only become effective after the Second Payment has been made in full.

Within five working days after the payment of the Second Payment, the Vendor and the Purchaser shall commence the registration procedure of the change of the shareholder and the legal representative of Luoyang Logistic with the relevant administration authorities for industry and commerce. Within 7 days after the payment of the Remaining Balance, the Vendor and Luoyang Logistic shall handover all documents and assets of Louyang Logistic to the Purchaser. The Disposal shall be treated as completed when the Vendor, the Purchaser and Louyang Logistic have confirmed in writing that the aforesaid handover has been completed.

Following the completion of the Disposal, (a) the Company will cease to hold any equity interest in Luoyang Logistic and (b) Luoyang Logistic will cease to be a subsidiary of the Company.

INFORMATION ON LUOYANG LOGISTIC

Luoyang Logistic is a company incorporated in the PRC with limited liability whose principal business is property investment. As at the date of the Sale and Purchase Agreement, the paid-up registered capital of Luoyang Logistic is RMB26,680,000.

Luoyang Logistic is the registered owner of a parcel of land located in Luoyang, Henan Province, the PRC with a site area of approximately 74,452 square metres (“**Land**”), and the warehouse complex erected thereon. The Land has been zoned into commercial development area and its potential value has been improved significantly. Based on the preliminary valuation prepared by an independent valuer, the Land and the buildings erected thereon are valued at RMB34,000,000 as at 30 June 2010.

The unaudited total assets value and net assets value of Luoyang Logistic as at 31 July 2010 is approximately HK\$39.33 million and HK\$33.87 million respectively.

Set out below is certain unaudited financial information of Luoyang Logistic (prepared based on the accounting principles applicable in Hong Kong):

	Year ended 31 December 2008 RMB	Year ended 31 December 2009 RMB
Net (loss)/profit before taxation and extraordinary items	(430,851)	419,818
Net (loss)/profit after taxation and extraordinary items	(430,851)	419,818

It is expected that the Group will record a book gain of approximately HK\$32.1 million, which represents the difference between the consideration for the Sale Interest and the unaudited net asset value of the Luoyang Logistic as at 31 July 2010. Shareholders should note that the actual gain on the Disposal to be recorded by the Company will depend on the net asset value of the Luoyang Logistic as at the date of completion of the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in property development, property investment including land resources exploitation and strategic investment.

The principal asset of Luoyang Logistic is the Land and the warehouse complex erected thereon which has been leased to a connected party of the Company for a term of one year from 1 October 2009 at a monthly rent of RMB41,667 (equivalent to approximately HK\$47,500).

At present, the permitted usage of the Land as stated on the land use right certificate is industrial use only and not for commercial use but the Land has been zoned into commercial development area by the PRC government and the potential value of the Land has been improved significantly. As mentioned in the annual report of the Company for the year ended 31 December 2009, the Group has an intention to change the use of the Land from industrial purpose to commercial purpose or realize its value at appropriate time, subject to investment returns, future market conditions as well as relevant laws and regulations.

The Directors consider that the Disposal represents a good opportunity for the Company to realize its investment in the Luoyang Logistic at reasonable price and would be beneficial to the Group.

It is expected that the Group will receive net proceeds of approximately HK\$70.5 million from the Disposal. It is the current intention of the Group to apply the net proceeds from the Disposal as general working capital of the Group.

The Directors (including the non-executive Directors and the independent non-executive Directors) believe that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

REQUIREMENTS OF THE LISTING RULES

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

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“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
“Consideration”	the consideration for sale of the Sale Interest and the Sale Loan payable by the Purchaser pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest and Sale Loan by the Vendor to the Purchaser pursuant to the terms of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	a party who is a third party independent of the Company and connected persons of the Company and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Luoyang Logistic”	洛陽城南中儲物流有限公司 (unofficial translation as Luoyang Southern City CMST Logistic Limited), a company incorporated in the PRC with limited liability
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	洛陽眾合置業有限公司 (unofficial English translation as Luoyang Zhonghezhiye Company Limited), a company incorporated in the PRC with limited liability
“Sale and Purchase Agreement”	the sale and purchase agreement dated 12 August 2010 and entered into between the Vendor and the Purchaser in relation to the Disposal
“Sale Interest”	100% equity interest in Luoyang Logistic
“Sale Loan”	the loan owed by Luoyang Logistic to the Vendor, being RMB 3,975,001.68 (equivalent to approximately HK\$4.53 million) as at the date of the Sale and Purchase Agreement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor”	中實投資有限責任公司(unofficial English translation being Zhongshi Investment Company Limited), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.14. Such exchange rate has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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.

By order of the Board
China Chengtong Development Group Limited
Wang Hongxin
Managing Director

Hong Kong, 13 August 2010