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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: ENTRUSTED FUND MANAGEMENT AGREEMENT

THE ENTRUSTED FUND MANAGEMENT AGREEMENT

The Board is pleased to announce that on 12 August 2011, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, has entered into the Entrusted Fund Management Agreement with the Trust Company pursuant to which Chengtong Financial Leasing will entrust a fund in the amount of RMB50 million to the Trust Company for on-lending to the Borrower.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined under the Listing Rules in respect of the Entrusted Fund Management Transaction are more than 5% but less than 25%, the Entrusted Fund Management Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

The Board is pleased to announce that on 12 August 2011, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, has entered into the Entrusted Fund Management Agreement with the Trust Company pursuant to which Chengtong Financial Leasing will entrust a fund in the amount of RMB50 million to the Trust Company for on-lending to the Borrower. The principal terms of the Entrusted Fund Management Agreement are set out below:

ENTRUSTED FUND MANAGEMENT AGREEMENT

Date

12 August 2011

Parties

- (1) Chengtong Financial Leasing, as principal and beneficiary
- (2) The Trust Company, as trustee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Trust Company and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons.

Entrustment of the Entrusted Fund

Chengtong Financial Leasing will transfer the Entrusted Fund, being RMB50 million (equivalent to HK\$60,000,000) to a designated trust account held by the Trust Company after the pre-conditions as stated in the Entrusted Fund Management Agreement become effective.

The Group will finance the Entrusted Fund by its internal resources.

Pre-conditions

The pre-conditions for the Entrusted Fund Management Agreement include:

1. the loan agreement between the Trust Company and the Borrower has been signed and become effective; and
2. the security documents as mentioned in the sub-paragraph headed "Usage of the Entrusted Fund" below have all been attested, registered and become effective.

Term of trust

The Trust Company will manage the Entrusted Fund on trust in favour of Chengtong Financial Leasing for one year from the date when Chengtong Financial Leasing transferred the Entrusted Fund to the designated trust account held by the Trust Company.

Usage of the Entrusted Fund

The Trust Company shall on-lend the Entrusted Fund to the Borrower on the following principal terms:

Principal amount:

RMB50 million (equivalent to HK\$60,000,000)

Term of the loan:

One year from the date of drawdown

Interest rate:

20% per annum

Security:

(i) a charge over a property development in Kun Shan developed by the Borrower and (ii) a joint liabilities personal guarantee from the legal representative of the Borrower.

Repayment of the loan:

The Borrower shall repay the principal amount of the loan together with interest accrued thereon upon expiry of the term of the loan.

Return from the Entrusted Fund

The expected return to be received by Chengtong Financial Leasing is 18% of the Entrusted Fund, which is RMB9,000,000 (equivalent to HK\$10,800,000).

The Trust Company shall deposit an amount equivalent to the Entrusted Fund and the return on the Entrusted Fund to a designated bank of Chengtong Financial Leasing within two business days after it has received the repayment of principal and interest from the Borrower.

The rate of return is determined based on commercial negotiation with reference to the interest rate of the loan between the Trust Company and the Borrower.

Remuneration of the Trust Company

Out of the revenue generated from the Entrusted Fund (i.e. the interest to be paid by the Borrower), an amount equals to 18% of the Entrusted Fund will be paid to Chengtong Financial Leasing as the expected return and the remaining balance will be applied to pay all administrative expenses that may be incurred in connection with the management of the Entrusted Fund and the remuneration of the Trust Company.

Termination provisions

The Entrusted Fund Management Agreement will be terminated, among others, if:

- (a) the term of the trust has been expired;
- (b) the trust arrangement has been released or cancelled;
- (c) mutual consent has been obtained by Chengtong Financial Leasing and the Trust Company to terminate the Entrusted Fund Management Agreement due to the happening of any unexpected incidents that will lead to the manner of managing the Entrusted Fund:
 - (i) becomes unbeneficial to achieve the purpose of the Entrusted Fund or;
 - (ii) is unable to meet the benefits of the Chengtong Financial Leasing;
- (d) the purpose of the Entrusted Fund has been achieved or is impossible to be achieved;
or
- (e) the Entrusted Fund Management Agreement is terminated by any other provisions in the Entrusted Fund Management Agreement and trust documents, or applicable laws, administrative measures and/or regulations.

Upon termination of the Entrusted Fund Management Agreement, the Trust Company shall return the Entrusted Fund to Chengtong Financial Leasing.

INFORMATION ON THE GROUP

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

INFORMATION ON THE TRUST COMPANY

The Trust Company is a financial organisation registered with and authorised by the China Banking Regulatory Committee to conduct trust business in the PRC. It is principally engaged in trust management business in the PRC.

REASONS FOR THE ENTRUSTED FUND MANAGEMENT TRANSACTION

The China's monetary policy has been tightened this year leading to a high financing demand in the market. With a view to raising the return on capital and considering that the high interest rate market will not stay on hold in the long term, the Directors consider that employing the Entrusted Fund in a one-year financing project would be beneficial to the Group in terms of return and risk control. Therefore, the Directors believe that the terms of the Entrusted Fund Management Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

LISTING RULES IMPLICATION

As the applicable percentage ratios as defined under the Listing Rules in respect of the Entrusted Fund Management Transaction are more than 5% but less than 25%, the Entrusted Fund Management Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Borrower”	昆山力天投資發展有限公司 (unofficial English translation as Kun Shan Li Tian Investment Development Co., Ltd.), a PRC property developer, who and whose beneficial owners, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are independent third parties not connected with the Company and its connected persons
“Chengtong Financial Leasing”	誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	China Chengtong Development Group Limited, a company incorporated in Hong Kong and the Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Entrusted Fund”	the amount of RMB50 million entrusted by Chengtong Financial Leasing to the Trust Company pursuant to the Entrusted Fund Management Agreement
“Entrusted Fund Management Agreement”	the sole-purpose fund trust agreement and its supplemental agreement dated 12 August 2011 and entered into between Chengtong Financial Leasing and the Trust Company in relation to the Entrusted Fund Management Transaction
“Entrusted Fund Management Transaction”	the entrustment of the Entrusted Fund by Chengtong Financial Leasing to the Trust Company, as more particularly set out in the paragraph headed “Entrusted Fund Management Agreement” in this announcement

“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Trust Company”	Anxin Trust & Investment Co., Ltd, a financial organisation registered with and authorised by the China Banking Regulatory Committee to conduct trust business in the PRC, who is the trustee named in the Entrusted Fund Management Agreement
“%”	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, 12 August 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.