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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)

- (1) PROPOSED RIGHTS ISSUE OF NOT LESS THAN
607,051,490 RIGHTS SHARES AND NOT MORE THAN
616,021,490 RIGHTS SHARES
OF HK\$0.1 EACH AT HK\$0.33 PER RIGHTS SHARE PAYABLE
IN FULL ON ACCEPTANCE
(IN THE PROPORTION OF THREE RIGHTS SHARES FOR EVERY
TEN EXISTING SHARES HELD ON THE RECORD DATE)**
- (2) APPLICATION FOR WHITEWASH WAIVER**
- (3) POSSIBLE DISCLOSEABLE AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF 30% INTEREST
IN A 70% SUBSIDIARY FROM A CONNECTED PERSON**
- (4) PROPOSED REFRESHMENT OF GENERAL MANDATE**
- (5) PROPOSED GRANT OF SPECIFIC MANDATE**
- (6) RESUMPTION OF TRADING**

Underwriter to the Rights Issue



Oriental Patron Asia Limited

PROPOSED RIGHTS ISSUE

The Company proposes to raise not less than HK\$200.32 million before expenses by issuing not less than 607,051,490 Rights Shares and to raise not more than approximately HK\$203.29 million before expenses by issuing not more than 616,021,490 Rights Shares at the Subscription Price of HK\$0.33 per Rights Share on the basis of three Rights Shares for every ten existing Shares in issue on the Record Date.

The aggregate number of Rights Shares to be issued pursuant to the terms of the Rights Issue represents approximately 30% of the Company's existing issued share capital as at the date of this announcement and approximately 23.1% of the enlarged issued share capital of the Company immediately following the completion of the Rights Issue assuming that no Outstanding Options are exercised on or before the completion of the Rights Issue.

As at the date of this announcement:

- (a) World Gain, the controlling shareholder (as defined in the Listing Rules) of the Company, and parties acting in concert with World Gain are beneficially interested in a total of 608,201,500 Shares representing approximately 30.06% of the existing issued share capital of the Company (all of which Shares are beneficially owned by World Gain);
- (b) parties acting in concert with World Gain are interested in the Outstanding Options attaching subscription right to subscribe for an aggregate of 6,600,000 Shares (represents approximately 0.33% of the Company's existing issued share capital), of which, 1,200,000 Outstanding Options are held by Mr. Ma Zhengwu (being the sole director of World Gain, a director of the immediate parent company and ultimate parent company of World Gain and a non-executive Director), 4,200,000 Outstanding Options are held by Mr. Zhang Guotong (a director of the immediate parent company and ultimate parent company of World Gain and an executive Director) and 1,200,000 Outstanding Options are held Mr. Hong Shuikun (a director of the ultimate parent company of World Gain and a non-executive Director).

Pursuant to the Underwriting Agreement, World Gain has undertaken that:

- (i) such 608,201,500 Shares will remain beneficially owned by World Gain and parties acting in concert with it and that they will have registered addresses (as shown in the register of members of the Company on the Record Date) in Hong Kong from the date of this announcement up to the Record Date;
- (ii) World Gain and parties acting in concert with it will accept on or before the Latest Acceptance Time, and pay for, such number of Rights Shares to be provisionally allotted to them or their respective nominee pursuant to the Rights Issue in respect of their or their respective nominee's existing holding of 608,201,500 Shares and the number of Shares to be issued to him/her if he/she exercises the Outstanding Options held by him/her on or before the Record Date.

In addition, World Gain has the intention to take up in aggregate 211,470,000 excess Rights Shares and pay for such number of excess Rights Shares that may be allocated to it under the allocation of the excess Rights Shares to the Qualifying Shareholders who have applied for excess Rights Shares and will make an application for the said excess Rights Shares by way of application for excess Rights Shares as soon as practicable after the grant of the Whitewash Waiver and approval by the relevant Independent Shareholders of, *inter alia*, the Whitewash Waiver.

Shareholders should note that in allocating the excess Rights Shares, regards will be made to the principles set out in the paragraph headed "Application for excess Rights Shares" under the section headed "Proposed Rights Issue" in this announcement below and World Gain's application for excess Rights Shares will not give it or any parties acting in concert with it any preference in receiving the allocation of the excess Rights Shares otherwise than in accordance with such principles.

The Rights Issue (other than the Rights Shares which will be provisionally allotted to World Gain and parties acting in concert with it) will be fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the paragraph headed "Underwriting Arrangements" under the section headed "Proposed Rights Issue" in this announcement below.

The Rights Issue is conditional upon the fulfillment or waiver of the conditions set out under the paragraph headed "Conditions of the Rights Issue" under the section headed "Proposed Rights Issue" in this announcement below. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms (see the paragraph headed "Termination of the Underwriting Agreement" under the section headed "Proposed Rights Issue" in this announcement below). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled or waived, the Rights Issue will not proceed.

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between 5 March 2007 to 12 March 2007 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

WHITEWASH WAIVER

World Gain has the intention to take up in aggregate 211,470,000 excess Rights Shares and pay for such number of excess Rights Shares that may be allocated to it under the allocation of the excess Rights Shares to the Qualifying Shareholders who have applied for excess Rights Shares and will make an application for the said excess Rights Shares by way of application for excess Rights Shares as soon as practicable after the grant of the Whitewash Waiver and approval by the relevant Independent Shareholders of, *inter alia*, the Whitewash Waiver.

If no Qualifying Shareholder (other than World Gain and parties acting in concert with it) takes up any Rights Shares under the Rights Issue, a maximum of 211,470,000 excess Rights Shares will be allocated to World Gain, if World Gain implements its intention to take up all these excess Rights Shares. In such event, World Gain will hold 1,002,131,950 Shares (assuming that no Outstanding Options are exercised on or before the Record Date) and 1,002,131,950 Shares (assuming all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain) and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date).

Parties acting in concert with World Gain hold Outstanding Options to subscribe for 6,600,000 Shares and Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors) hold Outstanding Options to subscribe for 3,800,000 Shares, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

The taking up of the maximum 211,470,000 excess Right Shares by way of application for excess Rights Shares by World Gain will result in the aggregate shareholdings in the Company of World Gain and parties acting in concert with it being increased from approximately 30.06% to approximately 38.1% (assuming no Outstanding Options are exercised on or before the Record Date), or to approximately 37.54% (assuming all the Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date) and will trigger an obligation for World Gain and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by World Gain and parties acting in concert with it.

A formal application will be made by World Gain to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the relevant Independent Shareholders at the EGM by way of poll. If the Whitewash Waiver is not granted by the Executive, the Rights Issue will not proceed.

POSSIBLE DISCLOSEABLE AND CONNECTED TRANSACTION: PROPOSED ACQUISITION OF 30% INTEREST IN A 70% SUBSIDIARY FROM A CONNECTED PERSON MADE PURSUANT TO RULE 13.09 OF THE LISTING RULES

On 27 December 2006, the Company, through its wholly owned subsidiary, the Purchaser, entered into the Letter of Intent with the Vendor for the acquisition by the Purchaser of the Vendor's interest in 30% of the registered capital in Target Company at a consideration of RMB24,000,000. The terms of the Proposed Acquisition are to be finalised by the entering into of a formal agreement by the Vendor and the Purchaser within 21 days from the date of the Letter of Intent (or such later date as may be agreed between them). In the event that the Vendor and the Purchaser shall fail to enter into the formal agreement within such 21 day period, the Proposed Acquisition will not proceed and neither the Vendor nor the Purchaser shall have any claims against the others.

Because Target Company is a 70% owned subsidiary of the Company and the Vendor is the owner of the remaining 30% of the registered capital of Target Company, the Vendor as a substantial shareholder of Target Company is, therefore, a connected person of the Company under the Listing Rules. Accordingly, the Proposed Acquisition, if proceeded with, will constitute a connected and discloseable transaction for the Company and is subject to the approval of the relevant Independent Shareholders. The Vendor and its associates are required to abstain from voting. The Vendor has confirmed that it and its associates do not hold any Shares as at the date of this announcement.

A further announcement will be made by the Company in accordance with the requirements of the Listing Rules in respect of the Proposed Acquisition.

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE SHARES

The Board also proposes to renew the general mandate granted to the Directors at the annual general meeting of the Company held on 23 June 2006 to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution and to repurchase securities of the Company. The Board will seek approval from the relevant Independent Shareholders at the EGM for the renewal of the general mandate.

An independent financial adviser will be appointed by the Company for such proposed renewal. Further details of such proposal and the opinion of the independent financial adviser on the proposal will be set out in the circular to the Shareholders together with a notice for the convening of the EGM at which resolution will be proposed for the renewal of the general mandate.

PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE SHARES

The Board will also seek approval from Shareholders on the grant of the Specific Mandate as mentioned in the section headed "Proposed grant of specific mandate to issue Shares" of this announcement.

GENERAL

The Company will establish:

- (a) an independent board committee (which will comprise all the non-executive Directors other than Mr. Ma Zhengwu and Mr. Hong Shuikun, who are parties acting in concert with World Gain and are not considered to be independent under the Takeovers Code so far as the Whitewash Waiver and the Rights Issue are concerned and are therefore excluded as members of the independent board committee) to advise the relevant Independent Shareholders as to whether the terms of the Whitewash Waiver and the Rights Issue are fair and reasonable and whether the Whitewash Waiver and the Rights Issue are in the interests of the Company and the Shareholders as a whole, and to advise the relevant Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser; and
- (b) an independent board committee (which will comprise only the independent non-executive Directors) to advise the relevant Independent Shareholders as to whether the terms of the Proposed Acquisition (if proceeded with) and the Refreshment Mandate are fair and reasonable and whether each of the Proposed Acquisition (if proceeded with) and the Refreshment Mandate is in the interests of the Company and the Shareholders as a whole, and to advise the relevant Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser.

In these connections, an independent financial adviser will be appointed by the Company to advise the independent board committees and the relevant Independent Shareholders as to whether the terms of the Whitewash Waiver, the Rights Issue, the Proposed Acquisition (if proceeded with) and the Refreshment Mandate are fair and reasonable and whether the Whitewash Waiver and the Rights Issue, the Proposed Acquisition (if proceeded with) and the Refreshment Mandate are in the interests of the Company and the Shareholders as a whole, and to advise the relevant Independent Shareholders on how to vote. An announcement will be made by the Company as soon as practicable upon the appointment of the independent financial adviser.

A circular containing, among other things, details of the Rights Issue, Whitewash Waiver, the Proposed Acquisition (if proceeded with) and the Refreshment Mandate, the advice and recommendation of the independent board committees and the letter from the independent financial adviser to the independent board committees and the relevant Independent Shareholders together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

The Rights Issue Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable, subject to the conditions set out in the paragraph headed "Conditions of the Rights Issue" in the section headed "Proposed Rights Issue" of this announcement being satisfied.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 28 December 2006 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10 January 2007.

PROPOSED RIGHTS ISSUE

Issue statistics

Basiss of the Rights Issue:	Three Rights Shares for every ten existing Shares held on the Record Date
Number of existing Shares in issue as at the date of this announcement:	2,023,504,968 Shares
Number of Rights Shares (assuming no Outstanding Options are exercised on or before the Record Date):	607,051,490 Rights Shares
Outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement:	Outstanding Options attaching subscription right to subscribe for 40,300,000 Shares
Maximum number of Rights Shares:	Assuming exercise of the subscription rights attaching to all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) on or before the Record Date, the number of Rights Shares to be issued will be 616,021,490 Rights Shares
Number of Rights Shares that World Gain has undertaken, and has undertaken to procure parties acting in concert with it to take up:	World Gain has undertaken, and has undertaken to procure parties acting in concert with it, that World Gain and parties acting in concert with it will accept on or before the Latest Acceptance Time, and pay for, 182,460,450 Rights Shares to be provisionally allotted to them or their respective nominee pursuant to the Rights Issue in respect of their or their respective nominee's existing holding of 608,201,500 Shares and the number of Shares to be issued to him/her if he/she exercises the Outstanding Options held by him/her on or before the Record Date

Note: As at the date of this announcement, parties acting in concert with World Gain, are interested in the Outstanding Options attaching subscription right to subscribe for an aggregate of 6,600,000 Shares, of which, 1,200,000 Outstanding Options are held by Mr. Ma Zhengwu (being the sole director of World Gain, a director of the immediate parent company and ultimate parent company of World Gain and a non-executive Director), 4,200,000 Outstanding Options are held by Mr. Zhang Guotong (a director of the immediate parent company and ultimate parent company of World Gain and an executive Director) and 1,200,000 Outstanding Options are held Mr. Hong Shuikun (a director of the ultimate parent company of World Gain and a non-executive Director). The parties acting in concert with World Gain who together holding 6,600,000 Outstanding Options and Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors) together holding 3,800,000 Outstanding Options, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent approximately 30% of the Company's existing issued share capital as at the date of this announcement and approximately 23.1% of the enlarged issued share capital of the Company immediately following the completion of the Rights Shares assuming that no Outstanding Options are exercised on or before the completion of the Rights Issue.

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued pursuant to the exercise of the Outstanding Options on or before the Record Date. As at the date of this announcement, there are Outstanding Options attaching subscription right to subscribe for 40,300,000 Shares. If all the subscription rights attaching to all such Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are duly exercised and Shares are issued and allotted pursuant to such exercise on or before the Record Date, the number of issued Shares is expected to be increased to 2,053,404,968 Shares and the number of Rights Shares that may be issued pursuant to the Rights Issue is expected to be increased to 616,021,490 Rights Shares.

As at the date of this announcement, other than the Outstanding Options, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.33 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price

- represents a discount of approximately 42.1% to the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Last Trading Date;
- represents a discount of approximately 43.5% to the average closing price of HK\$0.584 per Share for the five consecutive trading days up to and including the Last Trading Date;
- represents a discount of approximately 43.6% to the average closing price of HK\$0.585 per Share for the 10 consecutive trading days up to and including the Last Trading Date;
- represents a discount of approximately 35.9% to the theoretical ex-rights price of HK\$0.515 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Date; and
- represents a premium of approximately 62.64% over the unaudited adjusted consolidated net tangible assets value per Share of approximately HK\$0.2029 (calculated by using the latest published unaudited net tangible assets value of the Group as at 30 June 2006 and adding thereto the net proceeds of the top-up subscription announced by the Company on 8 August 2006, and dividing this sum total by the 2,023,504,968 Shares in issue as at the date of this announcement).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the then market environment, prevailing Share prices and the recent financial conditions of the Group. In order to enhance the attractiveness of the Rights Issue, issuance of new shares by way of rights issue at a discount to the market place has been commonly adopted by listed issuers in Hong Kong. Given the relatively long underwriting period of a rights issue and taking into account the aforesaid and the theoretical ex-rights price per Share, the Directors consider that, in order to enhance the attractiveness of the Rights Issue, the discount on the Subscription Price to the current market price of the Shares as proposed is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors consider the Subscription Price to be fair and reasonable and to be in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the then existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Fractions of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be made available for excess application.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders (see the paragraph headed "Excluded Shareholders" below), any unsold fractions of Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Applications may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, allocation will then be made to satisfy applications for excess Rights Shares by Qualifying Shareholders in proportion to and up to the number of nil-paid Rights Shares provisionally allotted to those Qualifying Shareholders who also have applied for the excess Rights Shares and, subject to the availability of excess Rights Shares, applications by Qualifying Shareholders whose number of excess Rights Shares being applied for are equal to or less than the number of excess Rights Shares allocated according to the principle as aforesaid will be satisfied in full;

- (3) subject to availability of excess Rights Shares after allocation under principles (1) and (2) above, any further remaining excess Rights Shares will be allocated to applicants in proportion to the excess Rights Shares applied by them after netting off their respective entitlements as calculated in principle (2) above; and
- (4) in accordance with any further requirements of the Stock Exchange.

World Gain has the intention to apply for and take up in aggregate 211,470,000 excess Rights Shares and pay for such number of excess Rights Shares that may be allocated to it under the allocation of the excess Rights Shares to the Qualifying Shareholders who have applied for excess Rights Shares and will make an application for the said excess Rights Shares by way of application for excess Rights Shares as soon as practicable after the grant of the Whitewash Waiver and approval by the relevant Independent Shareholders of, *inter alia*, the Whitewash Waiver.

Shareholders should note that in allocating the excess Rights Shares, regards will be made to the principles set out above and World Gain's application for excess Rights Shares will not give it or any parties acting in concert with it any preference in receiving the allocation of the excess Rights Shares otherwise than in accordance with such principles.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary document with the share registrar of the Company in Hong Kong for completion of the relevant registration by 4:00 p.m. on 22 February 2007.

Share certificates for the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares by 22 March 2007 at their own risk.

Qualifying Shareholders

The Company will send (i) the Rights Issue Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Excluded Shareholders. The Excluded Shareholders will be entitled to attend and vote at the EGM.

To qualify for the Rights Issue, the Shareholders must be registered as members of the Company on the Record Date. In relation to holders of the Outstanding Options (i) they must exercise their respective subscription rights in accordance with the relevant procedures specified in the rules of the Share Option Scheme (as regards the holders of the Outstanding Options) on or before the Record Date; (ii) they must be registered as the holders of the Shares allotted pursuant to the exercise of the subscription rights of the Outstanding Options on or before the Record Date; and (iii) they must not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant Share certificate(s)) with the Company's share registrar in Hong Kong by 4:00 p.m. on 22 February 2007. The last day of dealings in Shares on a cum-rights basis is therefore expected to be 16 February 2007. The Shares will be dealt with on an ex-rights basis from 21 February 2007.

The Company's share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

It is intended that the Company's register of members will be closed from 23 February 2007 to 27 February 2007, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Excluded Shareholders

If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Directors will make enquiries, to be based on legal opinions provided by legal advisers if the Directors consider it necessary, as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange.

If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders.

Further information in this connection will be set out in the Company's circular containing, among other things, details of the Rights Issue, to be despatched to the Shareholders as soon as practicable.

The Company will only send the Prospectus to the Excluded Shareholders for their information. The Excluded Shareholders will be entitled to attend and vote at the EGM.

The Rights Issue Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit.

Share Option Scheme

As at the date of this announcement, there are Outstanding Options attaching subscription rights to subscribe for 40,300,000 Shares granted pursuant to the Share Option Scheme.

Pursuant to the terms of the Share Option Scheme, adjustments to the Outstanding Options may be made upon the Rights Issue becoming unconditional. The Company will instruct its auditors or an independent financial adviser to certify in writing the adjustment (if any) that ought to be made to the Outstanding Options and announce further details on such adjustment (if any) in accordance with the provisions under the Share Option Scheme.

Application for listing of the Right Shares on the Stock Exchange

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (Shares then in issue are traded in board lots of 2,000). Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (1) the Company despatching the circular to the Shareholders containing, among other matters, details of the Rights Issue and Whitewash Waiver together with the proxy form and notice of the EGM;
- (2) the passing by the relevant Independent Shareholders at the EGM by way of poll of ordinary resolutions to approve the Rights Issue (if required by the SFC, the Stock Exchange or other regulatory authorities) and the Whitewash Waiver by no later than the date on which the Prospectus is despatched;
- (3) the Executive granting the Whitewash Waiver to World Gain and parties acting in concert with it and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the date on which the Prospectus is despatched;
- (5) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
- (6) the posting of the Rights Issue Documents to Qualifying Shareholders; and
- (7) compliance with and performance of all the undertakings and obligations of the Company and World Gain under the terms of the Underwriting Agreement.

None of the Company, World Gain and the Underwriter may waive conditions (1), (2), (3), (4), (5) and (6) set out above. The Underwriter may waive condition (7) set out above in whole or in part by written notice to the Company and World Gain. If any of the conditions of the Rights Issue are not fulfilled or (in respect of condition (7) only) waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF THE PROCEEDS

In view of the favourable conditions in the market, the Directors have decided to raise further equity by means of rights issue which would allow the Company to strengthen its capital base and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings.

The Company intends to use the net proceeds from the Rights Issue, being approximately HK\$193 million if no Outstanding Options are exercised on or before the Record Date or approximately HK\$196 million if all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised on or before the Record Date, as to approximately 20% for general working capital of the Group and approximately 80% for future investment opportunities in Hong Kong and the PRC including the Group's property development business in the PRC.

The Company is an investment holding company. The principal activities of the Group are property investment, property development, trade and production of cement, and investment holding in Hong Kong and the PRC. Any new investment is likely to be in one of these sectors. The Directors are in the course of considering a number of potential property development projects in the PRC and will continue to identify suitable investment opportunities for the Group. As heavy funding and timely injection of fund are required for property investment and development projects alike, the Directors consider that the capital reserve and strength of the Company have to be increased and strengthened so that when suitable opportunities should arise, the Group will be able to capture these opportunities and respond to the market opportunities, developments and prospects.

In view of the favourable conditions currently prevailing over the capital market of Hong Kong, the Directors consider that it is good time for the Company to proceed with the Rights Issue to increase the Company's capital reserve and strengthen its capital strength. The Directors consider that additional capital as generated from the Rights Issue will further enhance the financial position of the Group and of the Group's financial flexibility in respond to future investment opportunities. However, the Directors would like to stress that the property development projects in the PRC being considered are still at a preliminary stage and no binding agreements have been entered into in respect of any of them. Further announcements will be made by the Company in accordance with or as required under the Listing Rules if any investment opportunity materializes.

The Directors consider that it is in the interest of the Company and the Shareholders to raise further capital which will be used by the Company to support and expand the Group's business, operation and investment opportunities, and the Rights Issue will allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company.

FUND RAISING ACTIVITIES OF THE COMPANY WITHIN 12 MONTHS TO THE DATE OF THIS ANNOUNCEMENT

Date of announcement	Event	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
8 August 2006	Top-up placing of existing shares and subscription for new shares of 332 million Shares <i>(Note)</i>	HK\$98.1 million	About 60% thereof for investment in the Group's property development business in the PRC and as to the remaining 40% thereof for general working capital of the Company, subject to such adjustment as to amount and proportion as the Directors consider appropriate	The net proceeds have been utilised as follows: approximately HK\$12.6 million for repayment of loan approximately HK\$13.1 million for investment in the Group's property development business in the PRC approximately HK\$72.4 million has not been utilized and the Company intends to use such proceeds for the proposed uses as announced on 8 August 2006

Note: Such Shares have been issued pursuant to general mandate granted at annual general meeting on 23 June 2006.

Save as disclosed above, the Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months prior to the date of this announcement.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date: 27 December 2006 (as supplemented by a letter dated 9 January 2007 entered into by the same parties amending certain terms and the expected timetable of the Rights Issue)

Parties: (1) the Company

- (2) World Gain, the controlling shareholder of the Company interested in approximately 30.06% of the existing issued share capital of the Company as at the date of this announcement. As at the date of this announcement, the ultimate shareholder of World Gain is China Chengtong Holdings Group Limited, which is a state-owned enterprise established in the PRC under the auspices of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
- (3) Oriental Patron Asia Limited, immediately before the signing of the Underwriting Agreement did not have any interest in any Shares

Number of Rights Shares that World Gain has undertaken, and has undertaken to procure parties acting in concert with it to take up:

World Gain has undertaken, and has undertaken to procure parties acting in concert with it, that World Gain and parties acting in concert with it will accept on or before the Latest Acceptance Time, and pay for, the 182,460,450 Rights Shares to be provisionally allotted to them or their respective nominee pursuant to the Rights Issue in respect of their or their respective nominee's existing holding of 608,201,500 Shares and the number of Shares to be issued to him/her if he/she exercises the Outstanding Options held by it/him/her on or before the Record Date

Note: As at the date of this announcement, parties acting in concert with World Gain, are interested in the Outstanding Options attaching subscription right to subscribe for an aggregate of 6,600,000 Shares, of which, 1,200,000 Outstanding Options are held by Mr. Ma Zhengwu (being the sole director of World Gain, a director of the immediate parent company and ultimate parent company of World Gain and a non-executive Director), 4,200,000 Outstanding Options are held by Mr. Zhang Guotong (a director of the immediate parent company and ultimate parent company of World Gain and an executive Director) and 1,200,000 Outstanding Options are held Mr. Hong Shuikun (a director of the ultimate parent company of World Gain and a non-executive Director). The parties acting in concert with World Gain who together holding 6,600,000 Outstanding Options and Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors) together holding 3,800,000 Outstanding Options, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

Number of Shares to be underwritten (“Underwritten Shares”):

Not less than 424,591,040 Rights Shares (*Note 1*) and not more than 433,561,040 Rights Shares (*Note 2*).

Commission:

2.5% of the total Subscription Price in respect of the maximum number of Rights Shares underwritten by the Underwriter. The commission to be received by the Underwriter will be approximately HK\$3.6 million. The commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter. The Directors (including the independent non-executive Directors) consider that such amount is on normal commercial terms and is comparable with market rate.

Other fees:

The Underwriter will also receive a documentation fee of HK\$0.5 million from the Company. The documentation fee is to remunerate the Underwriter for handling documents in relation to the Rights Issue, in particular, drafting and/or reviewing of announcement, circular, prospectus, and relevant agreements and documents. The Directors consider that the documentation fee is fair and reasonable.

Notes:

1. This figure excludes 182,460,450 Rights Shares to be provisionally allotted to World Gain and parties acting in concert with it in respect of their beneficial shareholding in the Company, for which World Gain has undertaken, and has undertaken to procure parties acting in concert with it, to subscribe in full (assuming that no Outstanding Options granted by the Company are exercised on or before the Record Date).
2. This figure excludes 182,460,450 Rights Shares to be provisionally allotted to World Gain and parties acting in concert with it in respect of their beneficial shareholding in the Company, for which World Gain has undertaken, and has undertaken to procure parties acting in concert with it, to subscribe in full (assuming that all such Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised on or before the Record Date). Parties acting in concert with World Gain together holding Outstanding Options attaching subscription rights to subscribe for 6,600,000 Shares and Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors) together holding 3,800,000 Outstanding Options, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

World Gain has the intention to apply for and take up in aggregate 211,470,000 excess Rights Shares and pay for such number of excess Rights Shares that may be allocated to it under the allocation of the excess Rights Shares to the Qualifying Shareholders who have applied for excess Rights Shares and will make an application for the said excess Rights Shares by way of application for excess Rights Shares as soon as practicable after the grant of the Whitewash Waiver and approval by the relevant Independent Shareholders of, inter alia, the Whitewash Waiver. In allocating the excess Rights Shares, regards will be made to the principles set out in the paragraph headed "Application for excess Rights Shares" in the section headed "Proposed Rights Issue" of this announcement and World Gain's application for excess Rights Shares will not give it or any parties acting in concert with it any preference in receiving the allocation of the excess Rights Shares otherwise than in accordance with such principles.

Under the terms of the Underwriting Agreement, the Company and the Underwriter agreed that if the conditions of the Rights Issue are fulfilled or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, the Company shall on or before 6:00 p.m. on the first Business Day after the Latest Acceptance Time notify or procure its share registrar in Hong Kong on behalf of the Company to notify the Underwriter in writing of the number of Underwritten Shares not taken up by Qualifying Shareholders on or before the Latest Acceptance Time ("Untaken Shares") and the Underwriter shall subscribe for the Untaken Shares not later than 4:00 p.m. on the third Business Day after the date of the Latest Acceptance Time and pay the relevant Subscription Monies not later than 4:00 p.m. on the fourth Business Day after the date of the Latest Acceptance Time in full.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:

- (a) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) the circular in relation to the Rights Issues or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

As far as the Company is aware, there is no information falling within paragraph (c) above.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

Pursuant to the Underwriting Agreement, the Underwriter is entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered the warranties contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of the Underwriter.

WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from 21 February 2007. Dealings in the Rights Shares in the nil-paid form will take place from 5 March 2007 to 12 March 2007 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between 5 March 2007 to 12 March 2007 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the date of this announcement and immediately after completion of the Rights Issue assuming that there is no change in the shareholding structure of the Company from the date of this announcement to immediately before completion of the Rights Issue save pursuant to the exercise of Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) and the transactions contemplated under the Underwriting Agreement:

Name of Shareholder/ Beneficial owner	As at the date of this announcement		Immediately after completion of the Rights Issue (assuming no Outstanding Options are exercised on or before completion of the Rights Issue and assuming no Shareholders (other than World Gain) have taken up rights entitlements and the maximum 211,470,000 excess Rights Shares are allocated to World Gain)		Immediately after completion of the Rights Issue (assuming all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised on or before the Record Date and assuming no Shareholders (other than World Gain) have taken up rights entitlements and the maximum 211,470,000 excess Rights Shares are allocated to World Gain)	
	No. of Shares held	Approximate percentage shareholdings	No. of Shares held	Approximate percentage shareholdings	No. of Shares held	Approximate percentage shareholdings
World Gain and parties acting in concert with it	608,201,500	30.06%	1,002,131,950 (Note 1)	38.10%	1,002,131,950 (Note 1)	37.54%
Sub-total:	608,201,500	30.06%	1,002,131,950	38.10%	1,002,131,950	37.54%
Directors of the Company's subsidiaries (note 2)	Nil	0%	Nil	0%	16,350,000	0.61%
Oriental Patron Asia Limited	Nil	0%	213,121,040	8.10%	222,091,040	8.32%
Public	1,415,303,468	69.94%	1,415,303,468	53.80%	1,428,853,468	53.53%
Total	2,023,504,968	100%	2,630,556,458	100%	2,669,426,458	100%

Notes:

1. Such interests represent the sum of (a) the 608,201,500 Shares currently held by World Gain; (b) the 182,460,450 Rights Shares to be provisionally allotted to World Gain in respect of such 608,201,500 Shares which World Gain has undertaken to take up under the Rights Issue; and (c) the maximum 211,470,000 excess Rights Shares are allocated and taken up by World Gain by way of application for Excess Rights Shares under the Rights Issue.
2. Such interests represent the aggregate shareholding interests of the directors of the Company's subsidiaries (not including interests held by parties acting in concert with World Gain) in the Company assuming all their Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised on or before the Record Date and none of them take up the Rights Shares provisionally allotted to each of them.
3. Parties acting in concert with World Gain and together holding Outstanding Options attaching subscription rights to subscribe for 6,600,000 Shares and Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors) together holding 3,800,000 Outstanding Options, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is indicative only and it has been prepared on the assumption that the Whitewash Waiver will be approved by the Independent Shareholders at the EGM. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as soon as practicable.

Despatch of the Company's circular with notice of EGM	31 January 2007
Last day of dealings in Shares on a cum-rights basis	16 February 2007
First day of dealings in Shares on an ex-rights basis	21 February 2007
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:00 p.m. on 22 February 2007
Register of members of the Company closes (both dates inclusive)	23 February 2007 to 27 February 2007
Date of EGM	10:30 a.m. on 27 February 2007
Record Date	27 February 2007
Announcement of results of EGM	28 February 2007
Register of members re-opens	28 February 2007
Despatch of the Rights Issue Documents	1 March 2007
First day of dealings in nil-paid Rights Shares	5 March 2007
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on 7 March 2007
Last day of dealings in nil-paid Rights Shares	12 March 2007
Latest time for payment and acceptance of Rights Shares	4:00 p.m. on 15 March 2007
Latest time for the Rights Shares to become unconditional	4:00 p.m. on 20 March 2007
Announcement of results of acceptance of and excess applications for the Rights Issue appears on newspapers	21 March 2007
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	22 March 2007
Despatch of certificates for fully-paid Rights Shares on or before	22 March 2007
Commencement of dealings in fully-paid Rights Shares	26 March 2007

WHITEWASH WAIVER

World Gain has the intention to apply for and take up in aggregate 211,470,000 excess Rights Shares and pay for such number of excess Rights Shares that may be allocated to it under the allocation of the excess Rights Shares to the Qualifying Shareholders who have applied for excess Rights Shares and will make an application for the said excess Rights Shares by way of application for excess Rights Shares as soon as practicable after the grant of the Whitewash Waiver and approval by the relevant Independent Shareholders of, inter alia, the Whitewash Waiver.

If no Qualifying Shareholder (other than World Gain and parties acting in concert with it) takes up any Rights Shares under the Rights Issue, a maximum of 211,470,000 excess Rights Shares will be allocated to World Gain, if World Gain implements its intention to take up all these excess Rights Shares. In such event, World Gain will hold 1,002,131,950 Shares (assuming that no Outstanding Options are exercised on or before the Record Date) and 1,002,131,950 Shares (assuming all Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date).

Parties acting in concert with World Gain hold Outstanding Options to subscribe for 6,600,000 Shares and Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors) hold Outstanding Options to subscribe for 3,800,000 Shares, have indicated that they will not exercise their Outstanding Options on or before completion of the Rights Issue.

The taking up of the maximum 211,470,000 excess Right Shares by way of application for excess Rights Shares by World Gain would result in the aggregate shareholdings in the Company of World Gain and parties acting in concert with it being increased from approximately 30.06% to approximately 38.1% (assuming no Outstanding Options are exercised on or before the Record Date), or to approximately 37.54% (assuming all the Outstanding Options (other than the 6,600,000 Outstanding Options held by parties acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date) and will trigger an obligation for World Gain and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by World Gain and parties acting in concert with it.

The possible increase of the aggregate shareholding of World Gain and parties acting in concert with it of approximately 8.04% from approximately 30.06% to approximately 38.1% (assuming no Outstanding Options are exercised on or before the Record Date), or of approximately 7.48% from approximately 30.06% to approximately 37.54% (assuming all the Outstanding Options (other than the 6,600,000 Outstanding Options held by parties presumed to be acting in concert with World Gain and the 3,800,000 Outstanding Options held by Mr. Gu Laiyun and Ms. Xu Zhen (both are non-executive Directors)) are exercised in full on or before the Record Date) as a result of the taking up of the maximum 211,470,000 excess Right Shares by way of application of excess Rights Shares by World Gain under the Rights Issue represents an increase over and above the limit as allowed by the 2% creper mentioned in the Takeovers Code.

A formal application will be made by World Gain to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the relevant Independent Shareholders at the EGM by way of poll, which World Gain and parties acting in concert with it and Shareholders who are involved in or interested in the Rights Issue, the Underwriting Agreement and the Whitewash Waiver will abstain from voting on the relevant resolution.

It is a condition precedent to the completion of the Rights Issue that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if the condition imposed thereon is not fulfilled, the Rights Issue will not proceed.

DEALINGS OF THE SHARES BY WORLD GAIN AND ITS CONCERT PARTIES AND OTHER MISCELLANEOUS MATTERS

On 8 August 2006, a top-up placing agreement was entered into between the Company, World Gain and the Oriental Patron as placing agent, pursuant to which World Gain sold 332 million Shares and subscribe for the same number of Shares at a price of HK\$0.30 per Share. Completion of the top-up subscription took place on 18 August 2006. As a result of the top-up subscription, the shareholding of World Gain and parties acting in concert with it in the Company was reduced from approximately 36.05% to approximately 30.12%. Other than the said top-up subscription, there has been no dealing of Shares and other securities in the Company by World Gain and parties acting in concert with it for the six months period immediately prior to the date of this announcement.

As at the date of this announcement, other than approximately 30.06% of the issued share capital of the Company beneficially owned by World Gain and parties acting in concert with it and the Outstanding Options attaching subscription right to subscribe for 6,600,000 Shares held by the parties acting and presumed to be acting in concert with World Gain, (a) World Gain and parties acting or presumed to be acting in concert with it do not hold any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of securities in the Company; (b) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of World Gain or the Company and which may be material to the Whitewash Waiver and the Rights Issue; and (c) there are no agreements or arrangements to which World Gain is a party which related to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Whitewash Waiver and the Rights Issue, other than the transactions contemplated under the Underwriting Agreement and as disclosed in this announcement.

POSSIBLE DISCLOSEABLE AND CONNECTED TRANSACTION: PROPOSED ACQUISITION OF 30% INTEREST IN A 70% SUBSIDIARY FROM A CONNECTED PERSON MADE PURSUANT TO RULE 13.09 OF THE LISTING RULES

On 27 December 2006, the Company, through its wholly owned subsidiary, China Chengtong Properties Group Limited (中國誠通地產集團有限公司) (the “**Purchaser**”), entered into a letter of intent (“**Letter of Intent**”) with 北京興合動力投資管理有限公司 (translated as Beijing Xinghe Dongli Investment Management Co., Ltd.) (the “**Vendor**”) for the acquisition (“**Proposed Acquisition**”) by the Purchaser of the Vendor’s interest in 30% of the registered capital in 中實投資有限責任公司 (translated as Zhongshi Investment Company Limited) (the “**Target Company**”), which is a 70% indirectly owned subsidiary of the Company, at a consideration of RMB24,000,000 with reference to 30% of the total registered capital of RMB80,000,000 of Target Company.

The terms of the Proposed Acquisition are to be finalised by the entering into of a formal agreement by the Vendor and the Purchaser within 21 days from the date of the Letter of Intent (or such later date as may be agreed between them). In the event that the Vendor and the Purchaser shall fail to enter into the formal agreement within such 21 day period, the Proposed Acquisition will not proceed and neither the Vendor nor the Purchaser shall have any claims against the others.

The Vendor has undertaken in favour of the Purchaser that it will not negotiate or sell or otherwise dispose of its 30% interest in Target Company, whether directly or indirectly, within a period of 21 days from the date of the Letter of Intent. Other than the obligation to further negotiate the terms of the Proposed Acquisition, the Letter of Intent is not binding on the parties.

The unaudited total assets of Target Company attributable to a 30% interest in Target Company as at 30 June 2006 was approximately HK\$51,513,000. Based on financial information of Target Company prepared in accordance with accounting principles generally accepted in Hong Kong as extracted from the published audited consolidated financial statements of the Company for the nine months ended 31 December 2004 (*note 1*) and for the twelve months ended 31 December 2005, the unaudited net profits/losses (both before and after taxation and extraordinary items) attributable to Target Company for the nine months period ended 31 December 2004 (*note 2*) and for the twelve months period ended 31 December 2005 are as follows:

	Nine months ended 31 December 2004 HK\$’000 (note 2)	Twelve months ended 31 December 2005 HK\$’000
Net profits (losses) <i>before</i> taxation and extraordinary items	(303)	8,219
Net profits (losses) <i>after</i> taxation and extraordinary items	(2,224)	4,762

Notes:

- (1) The financial year end of the Company was changed from 31 March to 31 December after the financial year ended 31 March 2004. The published audited consolidated financial statements of the Company therefore covered a nine-month period from 1 April 2004 to 31 December 2004.
- (2) The acquisition of a 70% interest in Target Company by the Group was completed on 31 August 2004. The amounts shown represent the financial information as attributable to Target Company after the said acquisition commencing from 1 September 2004 to 31 December 2004.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the principal activity of the Vendor is investment holdings. The principal activities of Target Company are property development and investment management. Target Company is the developer of a residential/commercial development project known as City of Mergence located at Nos. 9 and 11, Baiwanzhuang Dajie, Xicheng District, Beijing, the PRC.

Because Target Company is a 70% owned subsidiary of the Company and the Vendor is the owner of the remaining 30% of the registered capital of Target Company, the Vendor as a substantial shareholder of Target Company is, therefore, a connected person of the Company under the Listing Rules. Accordingly, the Proposed Acquisition, if proceeded with, will constitute a connected and discloseable transaction for the Company and is subject to the approval of the relevant Independent Shareholders. The Vendor and its associates are required to abstain from voting. The Vendor has confirmed that it and its associates do not hold any Shares as at the date of this announcement.

Target Company will become a 100% indirectly owned subsidiary of the Company after completion of the Proposed Acquisition. The Group could leverage on the property development expertise and experience of Target Company in the PRC market and Target Company will be acting as the platform for the furtherance of the Group's property development business in the PRC.

A further announcement will be made by the Company in accordance with the requirements of the Listing Rules as soon as practicable when the Proposed Acquisition is proceeded with.

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE SHARES

As disclosed in the Announcement dated 8 August 2006 of the Company, a top-up placing agreement was entered into between the Company, World Gain and Oriental Patron as placing agent, pursuant to which the Company had placed a total of 332 million Shares under the general mandate granted at the annual general meeting held on 23 June 2006. Immediately after completion of the top-up placing on 18 August 2006, the current general mandate has been substantially utilised leaving approximately 5.4 million Shares which may be allotted and issued, represents approximately 1.6% of the current general mandate.

The Board therefore proposes to renew the general mandate granted to the Directors at the annual general meeting of the Company held on 23 June 2006 to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution and to repurchase securities of the Company.

The Board will seek approval from the relevant Independent Shareholders at the EGM for the renewal of the general mandate.

An independent financial adviser will be appointed by the Company for such proposed renewal. Further details of such proposal and the opinion of the independent financial adviser on the proposal will be set out in the circular to the Shareholders together with a notice for the convening of the EGM at which resolution will be proposed for the renewal of the general mandate.

PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE SHARES

On 9 January 2007, the Company and Oriental Patron entered into an agreement ("**Service Agreement**") for the provision by Oriental Patron to the Company of services in relation to proposed fund raising of an estimated aggregate amount of not less than HK\$500 million (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder). The Company may require additional funds for its future business plan. The amount of additional funds to be raised would depend on the future financial needs of the Company. As at the date of this announcement, there was no concrete plan on the size, method and timetable for such fund raising exercise and the Directors have not identified any specific projects or investments in relation to the future business plans for the time being. However, any future business plans are likely to be in one of the Group's principal activities, i.e., property investment, property development, trade and production of cement and investment holding. The Directors consider that a sound and strong capital reserve would be beneficial to the Company in the long run in enabling the Group to capture opportunities that may arise and respond fast to the market opportunities, developments and prospects, in particular, in view of the heavy funding requirements normally requires for investment in any of the Group's principal activities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the principal activity of Oriental Patron is the provision of securities dealing, corporate finance advisory and asset management services and its ultimate beneficial owners are independent third parties.

The Company is to remunerate Oriental Patron for the services to be provided under the Service Agreement by the allotment and issue of Shares (the "**Consideration Shares**") in the event that Oriental Patron should succeed in raising funds (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder) for the Company.

In respect of the Consideration Shares to be allotted and issued:

- (1) subject to adjustment set out in paragraph (2) immediately below, they will be in number of not more than 1% of the entire issued Shares as at 31 December 2006 (“**Total Issued Shares**”) (*note 1*) for every HK\$100 million raised (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder), and subject to a maximum of not more than 8% of the Total Issued Shares in number, i.e.,

Aggregate amount of fund raised

Aggregate maximum number of Consideration Shares

HK\$100 million	1% of the Total Issued Shares (equivalent to 20,235,049 Shares) (<i>note 2</i>)
HK\$200 million	2% of the Total Issued Shares (equivalent to 40,470,099 Shares) (<i>note 2</i>)
HK\$300 million	3% of the Total Issued Shares (equivalent to 60,705,149 Shares) (<i>note 2</i>)
HK\$400 million	4% of the Total Issued Shares (equivalent to 80,940,198 Shares) (<i>note 2</i>)
HK\$500 million	5% of the Total Issued Shares (equivalent to 101,175,248 Shares) (<i>note 2</i>)
HK\$600 million	6% of the Total Issued Shares (equivalent to 121,410,298 Shares) (<i>note 2</i>)
HK\$700 million	7% of the Total Issued Shares (equivalent to 141,645,347 Shares) (<i>note 2</i>)
HK\$800 million or more	8% of the Total Issued Shares (equivalent to 161,880,397 Shares) (<i>note 2</i>)

Notes:

- (1) There were 2,023,504,968 Shares in issue as at 31 December 2006.
- (2) The percentage will be adjusted in proportion to the amount raised if this is less than HK\$100 million or less than an integral multiple of HK\$100 million and rounded down to the nearest HK\$10,000,000.
- (3) The maximum number of Consideration Shares to be issued is not to be more than 8% of the Total Issued Shares.
- (2) their number will be adjusted in accordance with the formula (“**Formula**”) set out below:

Number of Consideration Shares to be allotted and issued = $A \times B \times (C-D)/C$

where:

A is the Total Issued Shares

B is the percentage as calculated in accordance with paragraph (1) immediately above

C is the average closing price per Share for the five trading days up to and including the date of receipt by the Company of a written notice from Oriental Patron requesting for the allotment and issue of the Consideration Shares

D is HK\$0.42 on or prior to 31 December 2007 and HK\$0.44 from 1 January 2008, subject to adjustment in the event of, among other matters, capitalization, bonus issue, rights issue, open offer, sub-division or consolidation of Shares and other events of the Company

- (3) no fraction of a Share will be issued and any fraction of a Share will be ignored.

The values for D (being HK\$0.42 for the year 2007 and HK\$0.44 for the year 2008) of the Formula are determined after arm’s-length negotiation between the Company and Oriental Patron with reference to the historical prices of the Shares in 2006.

The Company will identify new projects or investment opportunities and will discuss with and/or inform Oriental Patron about the funding needs of the Company, if any. Based on the needs of the Company, Oriental Patron will advise the Company on the fund raising plans and if considered appropriate, identify and solicit strategic investors for the Company. When funds are invested by the investors into the Company and/or its subsidiaries (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder), Oriental Patron may at any time up to 30 June 2008 (“**Long Stop Date**”) request for the allotment and issue of the Consideration Shares by the service of a written notice to the Company (“**Written Notice**”) and the Company shall within one month from the date of receipt of the Written Notice effect the allotment and issue of the Consideration Shares to Oriental Patron, provided that:

- (1) the Company is only obliged to allot and issue 50% of the Consideration Shares to Oriental Patron if the aggregate amount of funds raised (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder) at the time when the Written Notice is received by the Company is less than HK\$500 million. The remaining unissued Consideration Shares will only be allotted and issued to Oriental Patron when the aggregate amount of funds raised is more than HK\$500 million provided that the Written Notice is received by the Company on or prior to the Long Stop Date; and

- (2) the Company is not obliged to allot and issue any Consideration Shares in respect of Written Notice which is received by the Company after the Long Stop Date.

Oriental Patron has undertaken in favour of the Company not to sell or otherwise dispose of the Consideration Shares allotted and issued unless and until the aggregate amount of fund raised (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder) is equal to or more than HK\$500 million or after 30 June 2008, whichever is the earlier.

The Consideration Shares will rank *pari passu* with all the then existing issued Shares. The Consideration Shares will not be issued under the existing general mandate granted to the Directors at the general meeting of the Company held on 23 June 2006 nor the Refreshment Mandate, but the Company will seek the grant of a specific mandate (“**Specific Mandate**”) from the Shareholders (which is in addition to, and will not prejudice nor revoke the Refreshment Mandate) to allot and issue Shares to satisfy the allotment and issue of the Consideration Shares.

The period of services to be provided by Oriental Patron under the Service Agreement will be from the date when the Specific Mandate is approved by the Shareholders up to 30 June 2008.

The scope of services to be provided by Oriental Patron under the Service Agreement includes, *inter alia*:

- (1) advising on the reorganization of the Group, including the financial aspects of its business development plan;
- (2) advising on fund raising plans and soliciting strategic investors;
- (3) assist in assets acquisition of the Group;
- (4) raising fund of an estimated aggregate amount of not less than HK\$500 million (excluding funds which may be injected by the controlling shareholder (as defined in the Listing Rules) of the Company and the subsidiaries of such controlling shareholder);
- (5) assisting in the preparation of relevant announcements, circulars and/or other documents, if necessary; and
- (6) liaising with the regulators and other relevant professional parties.

The fund raising exercises contemplate under the Service Agreement include equity and/or debt financing such as placing of shares and/or issue of convertible securities of the Company and/or its associates but does not include funds provided by the controlling shareholder of the Company and/or the subsidiaries of such controlling shareholder. The scope of services to be provided by Oriental Patron under the Service Agreement does not include the arrangement of bank borrowing.

The terms of the Service Agreement are arrived at after arm’s-length negotiation between the Company and Oriental Patron. The remuneration by way of Consideration Shares of services to be rendered by Oriental Patron under the Service Agreement allows the Company to reduce the expenses such as placing commission and/or advisory fee and enable the Company to retain funds for its uses.

Oriental Patron was appointed as placing agent for the top-up placing as announced by the Company on 8 August 2006 which was successfully implemented. The Directors consider that Oriental Patron is capable of accomplishing the works to be performed by it under the Service Agreement.

The Directors consider that the consideration for the Service Agreement is fair and reasonable on the basis that:

- (1) in the best scenario, if the average closing price of the Shares for the five trading days up to and including the date of receipt of the Written Notice is below HK\$0.42 during the year 2007 and HK\$0.44 during the year 2008, the Company will not need to issue and allot any Consideration Shares or pay any fees (except all out-of-pocket expenses) to Oriental Patron despite services are provided to the Company;
- (2) if the aggregate fund raised (not including, funds (if any) provided by the controlling shareholder (as defined in the Listing Rules) of the Company and/or the subsidiaries of such controlling shareholder) pursuant to the Service Agreement is below HK\$500 million, the Company is only obliged to allot and issue half of the Consideration Shares and that it is at the discretion of the Company to determine the size of the funds to be raised;
- (3) the number of Consideration Shares is capped at 8% of the Total Issued Shares; and
- (4) according to the Formula, Oriental Patron will always be receiving less than 1% of the Total Issued Shares (i.e., approximately 20 million Shares) for every HK\$100 million raised.

The Service Agreement is conditional upon fulfillment of the following conditions on or before 31 March 2007 (or such later date as the parties may agree):

- (1) the passing of an ordinary resolution by the Shareholders at the EGM approving, among other matters, the grant of the Specific Mandate and authorising the Board to allot and issue the Consideration Shares; and
- (2) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Consideration Shares either unconditionally or subject to such condition as may be reasonably acceptable to the Company.

In the event that the above conditions have not been fulfilled on or before the above timeline, the Service Agreement shall lapse and no party shall make any claim against the other in respect thereof.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

GENERAL

The Company will establish:

- (a) an independent board committee (which will comprise all the non-executive Directors other than Mr. Ma Zhengwu and Mr. Hong Shuikun, who are parties acting in concert with World Gain and are not considered to be independent under the Takeovers Code so far as the Whitewash Waiver and the Rights Issue are concerned and are therefore excluded as members of the independent board committee) to advise the relevant Independent Shareholders as to whether the terms of the Whitewash Waiver and the Rights Issue are fair and reasonable and whether the Whitewash Waiver and the Rights Issue are in the interests of the Company and the Shareholders as a whole, and to advise the relevant Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser; and
- (b) an independent board committee (which will comprise only the independent non-executive Directors) to advise the relevant Independent Shareholders as to whether the terms of the Proposed Acquisition (if proceeded with) and the Refreshment Mandate are fair and reasonable and whether each of the Proposed Acquisition (if proceeded with) and the Refreshment Mandate is in the interests of the Company and the Shareholders as a whole, and to advise the relevant Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser.

In these connections, an independent financial adviser will be appointed by the Company to advise the independent board committees and the relevant Independent Shareholders as to whether the terms of the Whitewash Waiver, the Rights Issue, the Proposed Acquisition (if proceeded with) and the Refreshment Mandate are fair and reasonable and whether the Whitewash Waiver, the Rights Issue, the Proposed Acquisition (if proceeded with) and the Refreshment Mandate are in the interests of the Company and the Shareholders as a whole, and to advise the relevant Independent Shareholders on how to vote. An announcement will be made by the Company as soon as practicable upon the appointment of the independent financial adviser.

A circular containing, among other things, details of the Rights Issue, Whitewash Waiver, the Proposed Acquisition (if proceeded with), the Refreshment Mandate and the Specific Mandate, the advice and recommendation of the independent board committees and the letter from the independent financial adviser to the independent board committees and the relevant Independent Shareholders together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable and so far as the Rights Issue and the Whitewash Waiver are concerned, in accordance with the Takeovers Code.

The Rights Issue Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable, subject to the conditions set out in the paragraph headed "Conditions of the Rights Issue" in the section headed "Proposed Rights Issue" of this announcement being satisfied.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 28 December 2006 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10 January 2007.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under Chapters 1 and 14A of the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks generally are open for business in Hong Kong
“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
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, among other matters, the Whitewash Waiver
“Excluded Shareholders”	the Overseas Shareholders whom the Board, based on legal opinions provided by legal advisers if the Board considers it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	In regard to the Whitewash Waiver and the Rights Issue, Shareholders other than (1) World Gain and its associates and parties acting in concert with any of them; and (2) those who are involved in or interested in the Underwriting Agreement, the Rights Issue and the Whitewash Waiver. In regard to the Proposed Acquisition, Shareholders other than the Vendor and its associates. In regard to the Refreshment Mandate, Shareholders other than World Gain and its associates.
“independent third party”	party who is independent of and not connected with the Company and any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Last Trading Date”	27 December 2006, being the last trading day of the Shares prior to the release of this announcement
“Latest Acceptance Time”	being 4:00 p.m. on 15 March 2007 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares
“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Acceptance Time
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Oriental Patron”	Oriental Patron Asia Limited, a licensed corporation to carry out Types 1, 6 and 9 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Outstanding Options”	the options granted by the Company to subscribe for an aggregate of 40,300,000 Shares pursuant to the Share Option Scheme, which are outstanding as at the date of this announcement
“Overseas Shareholder(s)”	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“parties acting in concert”	has the meaning ascribed to it under the Takeovers Code
“PRC”	the People’s Republic of China
“Proposed Acquisition”	the proposed acquisition of 30% interest in 中實投資有限責任公司 (translated as Zhongshi Investment Company Limited) at a consideration of RMB24,000,000 as disclosed in the section headed “Possible discloseable and connected transaction: proposed acquisition of 30% interest in a 70% subsidiary from a connected person made pursuant to rule 13.09 of the Listing Rules” of this announcement
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	27 February 2007 or such other date as may be agreed between the Company and the Underwriter
“Refreshment Mandate”	the proposed refreshment of general and unconditional mandate granted to the Directors at the general meeting of the Company held on 23 June 2006 mentioned in the section headed “Proposed refreshment of general mandate to issue Shares and repurchase shares” of this announcement
“Rights Issue”	the proposed issue of Rights Shares by the Company on the basis of three Rights Share for every ten existing Shares to the Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the issue
“Rights Issue Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Rights Share(s)”	not less than 607,051,490 new Shares and not more than 616,021,490 new Shares to be issued by the Company pursuant to the Rights Issue
“Share(s)”	the ordinary shares which have a par value of HK\$0.10 each in the capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 24 June 2003

“Shareholder(s)”	shareholder(s) of the Company
“Specific Mandate”	A special mandate to allot and issue Shares to be sought from the Shareholders at the EGM to satisfy any Consideration Shares which will fall to be allotted and issued mentioned in the section headed “Proposed grant of specific mandate to issue shares” of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.33 per Rights Share
“Subscription Monies”	the subscription monies payable by the Underwriter to the Company in respect of the Rights Shares underwritten by the Underwriter
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Oriental Patron
“Underwriting Agreement”	the underwriting agreement dated 27 December 2006 entered into between the Company, World Gain and the Underwriter in relation to the Rights Issue (as supplemented by a letter dated 9 January 2007 entered into by the same parties amending certain terms and the expected timetable of the Rights Issue)
“World Gain”	World Gain Holdings Limited, the controlling shareholder of the Company
“Whitewash Waiver”	a waiver from the obligation of World Gain and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code as a result of the allotment and issue of Right Shares
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

As at the date of this announcement, the executive Directors are Mr. Zhang Guotong and Mr. Wang Hongxin; the non-executive Directors are Mr. Ma Zhengwu, Mr. Hong Shuikun, 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. Lao Youan.

By order of the board of directors of
China Chengtong Development Group Limited
Zhang Guotong
Managing Director

Hong Kong, 9 January 2007

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.