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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

in respect of

**(1) the acquisition of 52% of the equity interest in the Xian PRC Company
and**

(2) the acquisition of the entire equity interest in the Luoyang PRC Company

To further enhance the Group's property development business in the PRC, the Company had through its 70% owned subsidiary, Zhongshi, entered into the following agreements:

- (1) the Xian Acquisition Agreement in respect of the acquisition of 52% of the equity interest in the Xian PRC Company; and
- (2) the Luoyang Acquisition Agreement in respect of the acquisition of the entire equity interest in the Luoyang PRC Company.

The Xian Acquisition and the Luoyang Acquisition are on terms and conditions set out in the Xian Acquisition Agreement and the Luoyang Acquisition Agreement respectively, the principal terms of each of which are set out in this announcement.

The Xian Acquisition and the Luoyang Acquisition when aggregated constitute (i) a discloseable transaction for the Company under Chapter 14 of the Listing Rules and (ii) a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to reporting and announcement requirements, and the approval of the Independent Shareholders.

The Company will establish an independent board committee (which will comprise only the independent non-executive Directors) to advise the Independent Shareholders as to whether the terms of each of the Xian Acquisition and the Luoyang Acquisition are fair and reasonable and whether each of them is in the interests of the Company and the Shareholders as a whole, and to advise the 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 committee and the Independent Shareholders as to whether the terms of each of the Xian Acquisition and the Luoyang Acquisition are fair and reasonable and whether each of them is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

The circular containing details of each of the Xian Acquisition and the Luoyang Acquisition, the advice and recommendation of the independent board committee and the letter from the independent financial adviser to the independent board committee and the Independent Shareholders together with a notice convening the EGM will be included in the circular of the Company in connection with the Acquisitions and will be despatched to the Shareholders as soon as practicable.

To further enhance the Group's property development business in the PRC, the Company had through its 70% owned subsidiary, Zhongshi, entered into the following agreements:

- (1) the Xian Acquisition Agreement in respect of the acquisition of 52% of the equity interest in the Xian PRC Company; and
- (2) the Luoyang Acquisition Agreement in respect of the acquisition of the entire equity interest in the Luoyang PRC Company.

The Xian Acquisition and the Luoyang Acquisition are on terms and conditions set out in the Xian Acquisition Agreement and the Luoyang Acquisition Agreement respectively, the principal terms of each of which are set out in this announcement.

XIAN ACQUISITION

The Xian Equity Transfer Agreement

1. Date

15 January 2007

2. Parties

Vendor : 嘉成企業發展有限公司 (unofficial English name, Jiacheng Enterprise Development Company Limited) (i.e., the Xian Vendor), the owner of 52% of the registered capital of the Xian PRC Company and is a fellow subsidiary of the Company beneficially owned as to about 97.01% by CCHG, the ultimate holding company of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the principal activity of the Xian Vendor is investment holdings.

Purchaser : 中實投資有限責任公司 (unofficial English name, Zhongshi Investment Company Limited) (i.e., Zhongshi), a 70% owned subsidiary of the Company.

The Xian Letter of Undertaking and the Xian Supplemental Agreement

The Xian Letter of Undertaking dated 11 January 2007 was entered into by the Xian Vendor, Zhongshi and the Xian 48% Equity Owner relating to the Xian Acquisition. The Xian Supplemental Agreement was entered into on 15 March 2007 by the Xian Vendor, Zhongshi and Beijing Caopu to clarify the payment terms of the Xian Outstanding Loan and the rights and obligations of Beijing Caopu relating to the Property Development Agreement. The Xian Acquisition Agreement was entered into in pursuance of the successful tender by Zhongshi in the public tender of the Xian Sale Equity.

Asset to be acquired under the Xian Acquisition Agreement

The Xian Sale Equity to be acquired under the Xian Acquisition Agreement comprises 52% of the registered capital of the Xian PRC Company held by the Xian Vendor.

Consideration and terms of payment for the Xian Sale Equity

The Xian Consideration for the Xian Acquisition payable by Zhongshi is RMB25,600,000 (equivalent to approximately HK\$25,600,000), of which:

- (1) RMB7,000,000 (equivalent to approximately HK\$7,000,000), being approximately 27.34% of the Xian Consideration, was deposited with CBE as deposit on 8 January 2007; and
- (2) RMB18,600,000 (equivalent to approximately HK\$18,600,000), being approximately 72.66% of the Xian Consideration, was deposited with CBE on 15 January 2007.

The whole of the Xian Consideration was released to the Xian Vendor on 19 January 2007, within 5 business days of the issuance of an equity transfer certificate (產權交易憑證) by CBE on 17 January 2007 and was funded by internal resources of the Group.

The Directors confirm that the Xian Consideration was arrived at after arm's length negotiations between the Xian Vendor and Zhongshi and was by reference to the valuation of the Xian PRC Company of a net assets value of approximately RMB43,665,200 (equivalent to approximately HK\$43,665,200) as at 31 May 2006 as appraised by an independent third party valuer by the application of re-install cost method. The Xian Consideration amounts to a premium of approximately 12.7% over the 52% net assets value of the Xian PRC Company as valued.

Further amount payable or obligations to be assumed by Zhongshi in addition to the Xian Consideration under the Xian Acquisition Agreement

Xian Outstanding Loan

As at 31 December 2006, the Xian PRC Company is indebted to the Xian Vendor in the amount of the Xian Outstanding Loan in the aggregate principal amount of RMB26,000,000 (equivalent to approximately HK\$26,000,000). Zhongshi is to assume the Xian PRC Company's obligation in making repayment of the Xian Outstanding Loan together with interest thereon to the Xian Vendor. It is the plan of the Group that the repayment of the Xian Outstanding Loan together with interest thereon will be funded by its internal resources.

Pursuant to the terms of the Xian Supplemental Agreement, Zhongshi shall repay the entire amount of the Xian Outstanding Loan together with interest thereon within 45 days after the obtaining of the Independent Shareholders' approval to the Xian Acquisition at the EGM and the completion of the Xian Acquisition.

The Xian Outstanding Loan was provided by the Xian Vendor to the Xian PRC Company at time when the Xian PRC Company did not possess the necessary credentials in obtaining bank loans. No collateral security was required by the Xian Vendor for the provision of the Xian Outstanding Loan to the Xian PRC Company. The Directors therefore consider that the repayment terms (including the interest rates payable) of the Xian Outstanding Loan are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Property Development Agreement

On 14 July 2004, the Xian Vendor and the Xian 48% Equity Owner entered into the Property Development Agreement in relation to, among other matters, the development of the Xian Property Project pursuant to which:

- the Xian 48% Equity Owner has undertaken to obtain approvals for the change of the plot ratio for the Xian Property Project; and
- further capital requirement that is required for the development of the Xian Property Project may be raised by the Xian PRC Company in the form of bank loan or by way of shareholders' loan from the Xian Vendor and the Xian 48% Equity Owner in proportion to their equity interests in the Xian PRC Company.

Pursuant to the Xian Acquisition Agreement, Zhongshi is to assume all the rights and obligations as originally assumed by the Xian Vendor under the Property Development Agreement. Pursuant to the Xian Supplemental Agreement, Beijing Caopu is to assume all the rights and obligations as originally assumed by the Xian 48% Equity Owner under the Property Development Agreement. At present, the Xian PRC Company has not made any request for additional funding and there is no immediate capital requirement for the Xian Property Project.

Conditions of the Xian Acquisition

Pursuant to the Xian Equity Transfer Agreement, the transfer of the Xian Sale Equity is conditional upon:

- (i) the Xian Vendor having completed all procedures in relation to the public tender of the Xian Sale Equity through CBE; and
- (ii) Zhongshi having obtained all relevant approvals and authorisations for the Xian Acquisition in accordance with its articles and the laws of the PRC.

All of the above conditions had been fulfilled as at 14 March 2007 and the new business licence of the Xian PRC Company was issued on 14 March 2007.

However, as advised by the PRC legal advisers of the Company, since it is agreed by the parties in the Xian Letter of Undertaking and the Xian Supplemental Agreement that in case the Independent Shareholders' approval of the Xian Acquisition is not forthcoming at the EGM, the Xian Vendor shall repurchase the Xian Sale Equity from Zhongshi at the Xian Consideration, the Acquisition will not be regarded as completed solely on the basis that the new business licence of the Xian PRC Company has been issued.

Completion of the Xian Acquisition

As confirmed by the Xian Vendor and Zhongshi, the Xian Acquisition shall only be regarded as completed when the Company has obtained the Independent Shareholders' approval on the Xian Acquisition.

Other than the issuance of the transfer certificate (產權交易憑證) by CBE as mentioned and the procedural formalities in completing the registration procedures with the relevant Industrial and Commercial Bureau of the PRC for the change in ownership of the Xian Sale Equity, no other PRC governmental/regulatory bodies approval is required for completion of the Xian Acquisition pursuant to the terms of the Xian Acquisition Agreement.

The Xian PRC Company will become a 52% indirectly owned subsidiary of the Company after completion of the Xian Acquisition. The Xian PRC Company will be accounted for and consolidated in the accounts of Zhongshi as a subsidiary after completion of the Xian Acquisition. The consolidated accounts of Zhongshi, in turn, will continue to be accounted for and consolidated in the consolidated accounts of the Company as a subsidiary after completion of the Xian Acquisition.

Repurchase of the Xian Sale Equity

The Xian Acquisition constitutes (i) a discloseable transaction for the Company under Chapter 14 of the Listing Rules and (ii) a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to reporting and announcement requirements, and approval of the Independent Shareholders.

Zhongshi has obtained the new business licence of the Xian PRC Company in accordance with the applicable laws and regulations of the PRC. It is agreed by the parties in the Xian Letter of Undertaking and the Xian Supplemental Agreement that in case the Independent Shareholders' approval of the Xian Acquisition is not forthcoming at the EGM, the Xian Vendor shall repurchase the Xian Sale Equity from Zhongshi at the Xian Consideration and the Xian Acquisition will not be regarded as completed solely on the basis that the new business licence of Xian PRC Company has been issued.

Information on the Xian PRC Company

The Xian PRC Company is a limited company established in the PRC with registered capital of RMB30,000,000, of which RMB15,600,000 (52% of the registered capital) was owned by the Xian Vendor and the remaining RMB14,400,000 (48% of the registered capital) was owned by the Xian 48% Equity Owner as at the date of the Xian Equity Transfer Agreement. The Company was informed that the Xian 48% Equity Owner had disposed of its interest in 48% of the registered capital in the Xian PRC Company to Beijing CaoPu. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Beijing CaoPu and its ultimate beneficial owner are independent third parties.

The principal activities of the Xian PRC Company are the operation and development of property and information consultation service; retail and wholesale of construction materials, decoration materials, ordinary machinery, steel and metallic materials.

The Xian PRC Company is in the course of developing the Xian Property Project located at Xian City, Shanxi Province of the PRC, comprising a piece of land of site area of approximately 79,135.50 sq.m. and is intended to be developed into a commodity residential property development project known or to be known as 堤柳花園 (translated as Di Liu Garden). The land use right certificate in respect of the piece of land has been issued. It is expected that the relevant permit for the commencement of the construction works in respect of the Xian Property Project will be obtained from the relevant PRC authority in the first quarter of 2008, subject to timely approval by the relevant PRC authority.

The audited total assets of the Xian PRC Company as at 31 May 2006 was approximately RMB54,594,681 (equivalent to approximately HK\$54,594,681).

The Xian PRC Company was valued at a net assets value of approximately RMB43,665,200 (equivalent to approximately HK\$43,665,200) as at 31 May 2006 by an independent third party valuer.

Based on the financial information of the Xian PRC Company prepared in accordance with accounting principles generally accepted in the PRC, the audited net losses (both before and after taxation and extraordinary items) of the Xian PRC Company for the two financial years immediately preceding the date of the Xian Acquisition Agreement are as follows:

	Year ended 31 December 2004 RMB'000	Year ended 31 December 2005 RMB'000
Net (losses) <i>before</i> taxation and extraordinary items	(390)	(364)
Net (losses) <i>after</i> taxation and extraordinary items	(390)	(364)

LUOYANG ACQUISITION

The Luoyang Equity Transfer Agreement

1. **Date**

29 January 2007

2. **Parties**

Vendor : 中國新元資產管理公司 (unofficial English name, China Xinyuan Asset Management Company) (i.e., the Luoyang Vendor), the owner of 100% of the registered capital of the Luoyang PRC Company and is a fellow subsidiary of the Company and beneficially wholly owned by CCHG (the ultimate holding company of the Company).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the principal activity of the Luoyang Vendor is assets management, merger and acquisition, strategic planning and industrial investments.

Purchaser : Zhongshi, a 70% owned subsidiary of the Company.

Luoyang Supplemental Agreement and the Luoyang Second Supplemental Agreement

The Luoyang Supplemental Agreement dated 29 January 2007 was entered into by the Luoyang Vendor and Zhongshi relating to the Luoyang Acquisition. On 15 March 2007, the Luoyang Vendor and Zhongshi entered into the Luoyang Second Supplemental Agreement to clarify the rights of Zhongshi in the event of the Luoyang Vendor failing to effect payment of the relevant land premium payable and to obtain the State-owned land use right certificate in favour of the Luoyang PRC Company as more particularly set out in the paragraph headed "**Other principal terms of the Luoyang Acquisition Agreement**" below. The Luoyang Acquisition Agreement was entered into in pursuance of the successful tender by Zhongshi in the public tender of the Luoyang Sale Equity.

Asset to be acquired under the Luoyang Acquisition Agreement

The Luoyang Sale Equity acquired pursuant to the Luoyang Acquisition Agreement comprises 100% of the registered capital of the Luoyang PRC Company held by the Luoyang Vendor.

Consideration and terms of payment for the Luoyang Sale Equity

The Luoyang Consideration for the Luoyang Acquisition payable by Zhongshi is RMB26,680,000 (equivalent to approximately HK\$26,680,000), of which:

- (1) RMB2,000,000 (equivalent to approximately HK\$2,000,000), being approximately 7.50% of the Luoyang Consideration, was deposited with CBE as deposit on 15 January 2007;
- (2) RMB13,000,000 (equivalent to approximately HK\$13,000,000), being approximately 48.73% of the Luoyang Consideration, was deposited with CBE as deposit on 1 February 2007; and
- (3) the Luoyang Consideration Balance of RMB11,680,000 (equivalent to approximately HK\$11,680,000), being approximately 43.77% of the Luoyang Consideration, is to be paid in cash to the Luoyang Vendor within 5 business days of fulfillment of the Luoyang Balance Payment Conditions as follows:
 - (a) the reallocation of the employees of the Luoyang PRC Company by the Luoyang Vendor;
 - (b) completion of the necessary registration procedures with the relevant PRC registration authorities for the change in equity interest and business type of the Luoyang PRC Company; and
 - (c) obtaining of a State-owned land use rights certificate for a change of the land use type to assignable land.

Condition (a) and (c) above are not yet fulfilled as at the date of this announcement. Condition (b) above was completed on 13 February 2007.

The whole of the deposits in the total sum of RMB15,000,000 mentioned above for the Luoyang Consideration was released to the Luoyang Vendor on 9 February 2007, within 5 business days of the issuance of an equity transfer certificate (產權交易憑證) by CBE on 7 February 2007 and was funded by internal resources of the Group. The Luoyang Consideration Balance is intended to be funded by internal resources of the Group.

The Directors confirm that the Luoyang Consideration was arrived at after arm's length negotiations between the Luoyang Vendor and Zhongshi and was by reference to the valuation of the Luoyang PRC Company of a net assets value of approximately RMB26,678,900 (equivalent to approximately HK\$26,678,900) as at 30 June 2006 as appraised by an independent third party valuer by the application of re-install cost method.

Further amount payable or obligations to be assumed by Zhongshi in addition to the Luoyang Consideration under the Luoyang Acquisition Agreement

Luoyang Indebtedness

Zhongshi is to repay the Luoyang Indebtedness that the Luoyang PRC Company is owing to the Luoyang Vendor in the sum of RMB2,994,779.1 (equivalent to approximately HK\$2,994,779.1), without interest, within three months of the date of fulfillment of the Luoyang Balance Payment Conditions. As at the date of this announcement, as the Luoyang Balance Payment Conditions have not been satisfied in full, no payment has been made by Zhongshi in respect of the Luoyang Indebtedness. It is the plan of the Group that the repayment of the Luoyang Indebtedness will be funded by its internal resources.

Conditions of the Luoyang Acquisition

Pursuant to the Luoyang Equity Transfer Agreement, the transfer of the Luoyang Sale Equity is conditional upon:

- (i) the Luoyang Vendor having completed all procedures in relation to the public tender of the Luoyang Sale Equity, the Luoyang Vendor having obtained all internal approvals and all approvals and authorisations from the relevant State-owned assets bureau and the relevant assets valuation report having filed with the relevant governmental authority; and
- (ii) Zhongshi having obtained all relevant approvals and authorisations for the Luoyang Acquisition.

All of the above conditions had been fulfilled as at 13 February 2007 and the new business licence of the New Luoyang PRC Company was issued on 13 February 2007.

However, as advised by the PRC legal advisers of the Company, since the Luoyang Balance Payment Conditions have not yet fulfilled in full and the Luoyang Consideration Balance has not been paid to the Luoyang Vendor, the Luoyang Acquisition will not be regarded as completed.

Completion of the Luoyang Acquisition

As confirmed by the Luoyang Vendor and Zhongshi, the Luoyang Acquisition shall only be regarded as completed when the Company has obtained the Independent Shareholders' approval on the Luoyang Acquisition. Notwithstanding the Luoyang Consideration Balance which is to be made pending fulfillment of the Luoyang Balance Payment Conditions, the new business licence (營業執照) was issued in the new name of 洛陽城南中儲物流有限公司 (unofficial English name, Luoyang Southern City CMST Logistics Limited) with the economic nature of the Luoyang PRC Company having changed from State-owned to limited company ("New Luoyang PRC Company").

Other than the issuance of the transfer certificate (產權交易憑證) by CBE as mentioned and the procedural formalities in completing the registration procedures with the relevant Industrial and Commercial Bureau of the PRC for the change in ownership of the Luoyang Sale Equity, no other PRC governmental/regulatory approval is required for completion of the Luoyang Acquisition pursuant to the terms of the Luoyang Acquisition Agreement.

The New Luoyang PRC Company will become an indirectly wholly owned subsidiary of the Company upon completion of the Luoyang Acquisition. The New Luoyang PRC Company will be accounted for and consolidated in the accounts of Zhongshi as a subsidiary after completion of the Luoyang Acquisition. The consolidated accounts of Zhongshi, in turn, will continue to be accounted for and consolidated in the consolidated accounts of the Company as a subsidiary after completion of the Luoyang Acquisition.

Repurchase of the Luoyang Sale Equity

The Luoyang Acquisition constitutes (i) a discloseable transaction for the Company under Chapter 14 of the Listing Rules and (ii) a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to reporting and announcement requirements, and approval of the Independent Shareholders.

Zhongshi had obtained the new business licence of the New Luoyang PRC Company in accordance with the applicable laws and regulations of the PRC. Since the Luoyang Balance Payment Conditions have not yet fulfilled in full and the Luoyang Consideration Balance has not been paid to the Luoyang Vendor, the Luoyang Acquisition will not be regarded as completed.

Zhongshi and the Luoyang Vendor entered into the Luoyang Supplemental Agreement on 29 January 2007 pursuant to which, among other matters, in case the Independent Shareholders' approval of the Luoyang Acquisition is not forthcoming at the EGM, the Luoyang Vendor shall (a) repurchase from Zhongshi the Luoyang Sale Equity at the Luoyang Consideration; and (b) refund the amount of the Luoyang Indebtedness (to the extent repaid) to Zhongshi.

Guarantee by CCHK

Pursuant to the Deed of Guarantee dated 29 January 2007 entered into among Zhongshi, the Luoyang Vendor and CCHK (the holding company of World Gain, a controlling shareholder (as defined in the Listing Rules) of the Company), CCHK is to guarantee the payment by Zhongshi of the Luoyang Consideration Balance in the sum of RMB11,680,000 (equivalent to approximately HK\$11,680,000), being approximately 43.77% of the Luoyang Consideration. In the event of Zhongshi failing to make payment of the Luoyang Consideration Balance in accordance with the terms of the Luoyang Acquisition Agreement, CCHK shall effect payment of the Luoyang Consideration Balance within 10 business days of the receipt of a written request from the Luoyang Vendor requesting for payment in this regard. Part of the Luoyang Consideration in the sum of RMB15,000,000 was paid by Zhongshi to the Luoyang Vendor on 9 February 2007. The Luoyang Consideration Balance in the sum of RMB11,680,000 (equivalent to approximately HK\$11,680,000) will be paid to the Luoyang Vendor within 5 business days of fulfillment of the Balance Payment Conditions.

CCHK is the holding company of World Gain, the controlling shareholder (as defined in the Listing Rules) of the Company, and is therefore a connected person of the Company. Despite CCHK being a connected person of the Company, the provision of the above guarantee by CCHK to guarantee the obligations of Zhongshi (a 70% owned subsidiary of the Company) in making payment of the Luoyang Consideration Balance is fully exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as it is on terms better to the Group (no interest will be charged by CCHK for any payment that may require to be made by CCHK) and no security over the assets of the Group is granted in respect of the provision of the above guarantee.

Other principal terms of the Luoyang Acquisition Agreement

Pursuant to the Luoyang Supplemental Agreement and the Luoyang Second Supplemental Agreement, the Luoyang Vendor is to be responsible for applying for a change in the land use type in respect of the land used by the Luoyang PRC Company from allocated land to assignable land. The Luoyang Vendor has further guaranteed the obtaining of the State-owned land use right certificate in respect of such piece of land in favour of the Luoyang PRC Company with the land use type changed from allocated land to assignable land. The relevant land premium payable for such change shall be borne by the Luoyang Vendor and the related valuation costs and tax payable for such change are to be shared equally between the Luoyang Vendor and Zhongshi. In the event of the Luoyang Vendor failing to effect payment of the relevant land premium payable and to obtain the State-owned land use right certificate in favour of the Luoyang PRC Company as aforesaid, Zhongshi has the right to terminate the Luoyang Acquisition Agreement and to request for the payment of 5% of the Luoyang Consideration from the Luoyang Vendor for breach and a refund of the amount of the Luoyang Indebtedness (to the extent repaid) to Zhongshi. In the event that Zhongshi does not exercise its right to effect a termination of the Luoyang Acquisition in the aforesaid circumstances, Zhongshi has the right to request the Luoyang Vendor to effect payment of the relevant land premium to Zhongshi or to the New Luoyang PRC Company. As at the date of this announcement, the obtaining of the State-owned land use right certificate as aforesaid mentioned is still pending.

The Luoyang Vendor has agreed to indemnify Zhongshi or the New Luoyang PRC Company:

- (a) for all losses that may be suffered by the Luoyang PRC Company as a result of any administrative penalties that may be levied by the relevant PRC authorities for the transfer of the land use right in respect of certain allocated land that was previously transferred to the Third Party. The said allocated land does not form part of the Luoyang Land.
- (b) for all losses that may be suffered by Zhongshi or the New Luoyang PRC Company in relation to (a) any omission that may have been made in submitting the relevant applications to and, in obtaining the relevant certificates from, the relevant PRC authorities in respect of the construction and completion of construction of

certain properties that were jointly developed by the Luoyang PRC Company and the Third Party in obtaining the building ownership certificates for such properties; and (b) any monetary dispute between the Luoyang PRC Company and the Third Party. The aforesaid properties are no longer properties of the Luoyang PRC Company and does not form part of the Luoyang Land. It is the understanding of the Company, according to its due diligence review on the Luoyang PRC Company conducted on its behalf, that the monetary dispute between the Luoyang PRC Company and the Third Party mentioned above is relating to the refusal of the Third Party in making payment of a sum of about RMB50,000 to the Luoyang PRC Company as a result of unclear delineation in land boundary in respect of certain properties jointly developed by the Luoyang PRC Company and the Third Party.

- (c) for all losses that may be suffered by Zhongshi or the New Luoyang PRC Company in respect of the dispute between the Luoyang PRC Company and a third party transferee in relation to portion of the amount of consideration of RMB1,955,757.96 paid by the third party transferee to the Luoyang PRC Company for the transfer of certain property that does not form part of the Luoyang Land, which should have been paid but not yet been paid by the Luoyang PRC Company to the relevant PRC authority.
- (d) for all losses that may be suffered by Zhongshi or the New Luoyang PRC Company in the event that the Luoyang Vendor shall fail to effect any of the following prior to completion of the Luoyang Acquisition:
 - (i) obtaining the relevant construction approvals for the construction of and, the building ownership certificates for, properties constructed by the Luoyang PRC Company
 - (ii) obtaining the relevant building ownership certificates under the name of the Luoyang PRC Company which are registered under its former name(s)
 - (iii) cancellation of the registration of the relevant building ownership in respect of properties of the Luoyang PRC Company that have been demolished
- (e) for all losses that may be suffered by Zhongshi or the New Luoyang PRC Company in the event that the Luoyang Vendor shall fail to effect a release of the closure order in respect of certain properties of the Luoyang PRC Company prior to completion of the Luoyang Acquisition.

The above closure order has been released prior to completion of the Luoyang Acquisition.

The Luoyang Vendor has agreed to provide Zhongshi with documentary proof confirming the ownership of a railway which it is built upon the Luoyang Land prior to completion of the Luoyang Acquisition. The Luoyang Vendor has agreed to indemnify Zhongshi or the New Luoyang PRC Company for all losses that may be suffered by Zhongshi or the New Luoyang PRC Company in relation to the ownership of the railway.

The parties to the Luoyang Acquisition Agreement have agreed that the Luoyang Vendor shall be entitled to and shall bear the profit and loss of the Luoyang PRC Company during the period from 30 June 2006 and up to the date of completion of the change in business registration.

Information on the Luoyang PRC Company

The Luoyang PRC Company was a State owned enterprise established in the PRC with registered capital of RMB4,200,000, all of which was owned by the Luoyang Vendor immediately prior to completion of the Luoyang Acquisition.

The principal activities of the Luoyang PRC Company are (a) the organisation of the assets of the State in respect of storage and transportation; (b) international and domestic cargo transportation agency business; (c) materials allocation; and (d) logistics.

The Luoyang PRC Company is the owner of the Luoyang Land comprising a piece of allocated land together with the buildings erected thereon, located at Luoyang City, Henan Province of the PRC, of site area of approximately 80,000 sq.m., which is currently used for industrial use. The State-owned land use right certificate in respect of the piece of land has been obtained.

The piece of land is currently zoned for commercial use and application can be made to the relevant PRC authorities for a change of its use from industrial to commercial. It is expected that the piece of land will continue to be used for industrial use prior to any change in its use.

The audited total assets of the Luoyang PRC Company as at 30 June 2006 was approximately RMB8,123,300 (equivalent to approximately HK\$8,123,300).

The Luoyang PRC Company was valued at a net assets value of approximately RMB26,678,900 (equivalent to approximately HK\$26,678,900) as at 30 June 2006 by an independent third party valuer.

Based on the financial information of the Luoyang PRC Company prepared in accordance with accounting principles generally accepted in the PRC, the net losses (both before and after taxation and extraordinary items) of the Luoyang PRC Company for the two financial years immediately preceding the date of the Luoyang Acquisition Agreement are as follows:

	Year ended 31 December 2004 RMB'000 (audited)	Year ended 31 December 2005 RMB'000 (unaudited)
Net (losses) <i>before</i> taxation and extraordinary items	(268)	(2,998)
Net (losses) <i>after</i> taxation and extraordinary items	(268)	(2,998)

Risks associated with the Luoyang PRC Company

The Group has identified the following major risks associated with the Luoyang PRC Company:

- (a) The Luoyang PRC Company has previously transferred certain allocated land to the Third Party.
- (b) The relevant certificates from the relevant PRC authorities in respect of the construction and completion of construction of certain properties that were jointly developed by the Luoyang PRC Company and the Third Party and the building ownership certificates for such properties have not been obtained.
- (c) There was a dispute between the Luoyang PRC Company and the Third Party regarding certain properties not forming part of the Luoyang Land and previously jointly developed by the Luoyang PRC Company and the Third Party. It is the understanding of the Company, according to its due diligence review on the Luoyang PRC Company conducted on its behalf, that such dispute is relating to the refusal of the Third Party in making payment of a sum of about RMB50,000 to the Luoyang PRC Company as a result of unclear delineation in land boundary in respect of such properties.
- (d) There was a dispute between the Luoyang PRC Company and a third party transferee in relation to portion of the amount of consideration of RMB1,955,757.96 paid by the third party transferee to the Luoyang PRC Company for the transfer of certain property that does not form part of the Luoyang Land, which should have been paid but not yet been paid by the Luoyang PRC Company to the relevant PRC authority.
- (e) The Luoyang PRC Company has failed to:
 - (i) obtain the relevant construction approvals for the construction of and, the building ownership certificates for, properties constructed by the Luoyang PRC Company;
 - (ii) obtain the relevant building ownership certificates under the name of the Luoyang PRC Company which are registered under its former name(s); and
 - (iii) cancel the registration of the relevant building ownership in respect of properties of the Luoyang PRC Company that have been demolished.
- (f) Certain properties of the Luoyang PRC Company were previously subject to a closure order.

The Luoyang Vendor has agreed to indemnify Zhongshi or the New Luoyang PRC Company for all losses that may be suffered by Zhongshi or the New Luoyang PRC Company in respect of the above matters, the details of which is set out in the paragraph headed "Other principal terms of the Luoyang Acquisition Agreement" above.

REASONS FOR AND BENEFIT OF THE ACQUISITIONS

During the financial year ended 31 December 2005, the Group's property development business initiated a good start by completing its residential development project in Beijing and the sale of the residential units of that project. In the later half of 2006, the Group acquired an indirect interest in a piece of land located at the Huzhou City of the Zhejiang Province of the PRC through the acquisition of Great Royal International Limited as announced in the announcements of the Company dated 20 and 21 June 2006. The Acquisitions will increase the Group's land reserve and are in line with the Group's policy in further enhancing its property development business in the PRC and are beneficial to the Group in the long run. The Xian Property Project is intended to be developed as a commodity residential development, subject to approval of the relevant PRC government authorities. The Luoyang Land is currently used for industrial use as logistics centre and zoned for commercial use. Whether the Luoyang Land is to be converted for commercial use and if so, the exact timing and the commercial uses that are to be developed for, are subject to numerous factors, including without limitation, market conditions, market needs and the then prevailing PRC government policies on property development.

The Directors believe that the terms of each of the Acquisitions are fair and reasonable and in the interests of the Shareholders as a whole.

REQUIREMENTS OF THE LISTING RULES

Each of the Xian Vendor and the Luoyang Vendor is a subsidiary of CCHG and is therefore a connected person of the Company under the Listing Rules.

The Xian Acquisition and the Luoyang Acquisition when aggregated constitute (i) a discloseable transaction for the Company under Chapter 14 of the Listing Rules and (ii) a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to reporting and announcement requirements, and approval of the Independent Shareholders.

Each of the Xian Vendor and the Luoyang Vendor and their respective associates are required to abstain from voting at the EGM approving the Acquisitions. Each of the Xian Vendor and the Luoyang Vendor has confirmed that it and its associates (other than World Gain) do not hold any Shares as at the date of this announcement.

GENERAL

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.

The Company will establish an independent board committee (which will comprise only the independent non-executive Directors) to advise the Independent Shareholders as to whether the terms of each of the Luoyang Acquisition and the Xian Acquisition are fair and reasonable and whether each of them is in the interests of the Company and the Shareholders as a whole, and to advise the 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 committee and the Independent Shareholders as to whether the terms of each of the Luoyang Acquisition and the Xian Acquisition are fair and reasonable and whether each of them is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

The circular containing details of each of the Luoyang Acquisition and the Xian Acquisition, the advice and recommendation of the independent board committee and the letter from the independent financial adviser to the independent board committee and the Independent Shareholders together with a notice convening the EGM will be included in the circular of the Company in connection with the Acquisitions and will be despatched to the Shareholders as soon as practicable.

In this announcement, the following expressions have the meanings set out below unless otherwise as defined above or as the case may be, unless the context otherwise requires:

“Acquisitions”	collectively, the Luoyang Acquisition and the Xian Acquisition
“associate”	has the meaning ascribed to it under Chapters 1 and 14A of the Listing Rules
“Beijing CaoPu”	北京草埔園林綠化工程有限公司 (unofficial English name, Beijing CaoPu Garden Landscaping Engineering Limited), the new owner of a 48% interest in the Xian PRC Company who acquired such interest from the Xian 48% Equity Owner
“Board”	the board of Directors
“CBE”	China Beijing Equity Exchange (北京產權交易所)
“CCHG”	China Chengtong Holdings Group Limited, the ultimate holding company of the Company
“CCHK”	China Chengtong Hong Kong Company Limited, the holding company of World Gain, a controlling shareholder (as defined in the Listing Rules) of the Company
“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
“Deed of Guarantee”	a deed of guarantee dated 29 January 2007 entered into among Zhongshi, the Luoyang Vendor and CCHK whereby CCHK is to guarantee the payment by Zhongshi of the Luoyang Consideration Balance
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened for the purposes of considering, among other matters, the Acquisitions
“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 Acquisitions, Shareholders other than the Luoyang Vendor and the Xian Vendor and their respective associates
“independent third party”	a 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
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Luoyang Acquisition”	the acquisition of the Luoyang Sale Equity pursuant to the Luoyang Acquisition Agreement
“Luoyang Acquisition Agreement”	collectively, the Luoyang Equity Transfer Agreement, the Luoyang Supplemental Agreement and the Luoyang Second Supplemental Agreement
“Luoyang Balance Payment Conditions”	the conditions for payment of the Luoyang Consideration Balance as mentioned in the paragraph headed “Consideration and terms of payment for the Luoyang Sale Equity” in this announcement
“Luoyang Consideration”	the consideration that Zhongshi has to pay for the Luoyang Acquisition
“Luoyang Consideration Balance”	the balance of the Luoyang Consideration in the amount of RMB11,680,000 (equivalent to approximately HK\$11,680,000) that is to be paid to the Luoyang Vendor within 5 business days of fulfillment of the Luoyang Balance Payment Conditions
“Luoyang Equity Transfer Agreement”	an equity transfer agreement dated 29 January 2007 entered into between the Luoyang Vendor and Zhongshi relating to the Luoyang Acquisition
“Luoyang Indebtedness”	the principal amount of RMB2,994,779.1 (equivalent to approximately HK\$2,994,779.1), without interest, that was owing by the Luoyang PRC Company to the Luoyang Vendor
“Luoyang Land”	a piece of allocated land together with the buildings erected thereon, located at Luoyang City, Henan Province of the PRC, of site area of approximately 80,000 sq.m.
“Luoyang PRC Company”	洛陽關林中儲物流中心 (unofficial English name, Luoyang Guanlin Zhongchu Logistics Centre), a State owned enterprise established in the PRC wholly owned by the Luoyang Vendor immediately prior to completion of the Luoyang Acquisition
“Luoyang Sale Equity”	the 100% registered capital of the Luoyang PRC Company
“Luoyang Supplemental Agreement”	a supplemental agreement dated 29 January 2007 entered into by the Luoyang Vendor and Zhongshi relating to the Luoyang Acquisition
“Luoyang Second Supplemental Agreement”	a second supplemental agreement dated 15 March 2007 entered into between the Luoyang Vendor and Zhongshi relating to the Luoyang Acquisition
“Luoyang Vendor”	中國新元資產管理公司 (unofficial English name, China Xinyuan Asset Management Company), the owner of 100% of the registered capital of the Luoyang PRC Company and is a fellow subsidiary of the Company and beneficially wholly owned by CCHG
“New Luoyang PRC Company”	has the meaning as defined in the paragraph headed “Completion of the Luoyang Acquisition” in this announcement
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	the ordinary shares which have a par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Party”	洛陽世祺房地產置業有限公司 (unofficial English name, Luoyang Shiqi Real Estate Limited), a company established in the PRC

“World Gain”	World Gain Holdings Limited, the controlling shareholder (as defined in the Listing Rules) of the Company
“Xian Acquisition”	the acquisition of the Xian Sale Equity pursuant to the Xian Acquisition Agreement
“Xian Acquisition Agreement”	collectively, the Xian Equity Transfer Agreement, the Xian Letter of Undertaking and the Xian Supplemental Agreement
“Xian Consideration”	the consideration that Zhongshi has to pay for the Xian Acquisition
“Xian Equity Transfer Agreement”	an equity transfer agreement dated 15 January 2007 entered into between the Xian Vendor and Zhongshi relating to the Xian Acquisition
“Xian Letter of Undertaking”	a letter of undertaking dated 11 January 2007 entered into by the Xian Vendor, Zhongshi and the Xian 48% Equity Owner relating to the Xian Acquisition
“Xian Outstanding Loan”	the aggregate principal amounts of RMB26,000,000 (equivalent to approximately HK\$26,000,000) that was owing by the Xian PRC Company to the Xian Vendor as at 31 December 2006
“Xian PRC Company”	西安富祥房地產開發有限公司 (unofficial English name, Xian Fuxiang Real Estate Development Limited), a limited company established in the PRC owned as to 52% by the Xian Vendor and as to the remaining 48% by the Xian 48% Equity Owner as at the date of the Xian Equity Transfer Agreement
“Xian Property Development Agreement”	a property development agreement dated 19 July 2004 entered into between the Xian Vendor and the Xian 48% Equity Owner in relation to, among other matters, the development of the Xian Property Project
“Xian Property Project”	a commodity residential property development project known or to be known as 堤柳花園 (translated as Di Liu Garden) located at Xian City, Shanxi Province of the PRC to be developed by the Xian PRC Company
“Xian Sale Equity”	52% of the registered capital of the Xian PRC Company
“Xian Supplemental Agreement”	a supplemental agreement dated 15 March 2007 entered into among the Xian Vendor, Zhongshi and Beijing Caopu
“Xian Vendor”	嘉成企業發展有限公司 (unofficial English name, Jiacheng Enterprise Development Company Limited), the owner of 52% of the registered capital of the Xian PRC Company and is a fellow subsidiary of the Company beneficially owned as to about 97.01% by CCHG
“Xian 48% Equity Owner”	陝西銀信西部投資開發有限公司 (unofficial English name, Shanxi Yinxi Western Investment Development Limited), the owner of 48% equity interest in the Xian PRC Company as at the date of the Xian Acquisition Agreement
“Zhongshi”	中實投資有限責任公司 (unofficial English name, Zhongshi Investment Company Limited), a 70% owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

Unless the context requires otherwise, translation of RMB into HK\$ are made, for illustration purpose only, at the rate of RMB1 = HK\$1. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at the above rate or at any rates or at all.

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, 22 March 2007