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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)

VERY SUBSTANTIAL ACQUISITION: CAPITAL INJECTION TO HUZHOU LAND COMPANY

On 28 March 2008, Great Royal (an indirect wholly owned subsidiary of the Company), the JV Partners and Huzhou Land Company entered into the Capital Injection Agreement pursuant to which Great Royal has agreed to contribute RMB104,800,000 (approximately HK\$115,280,000) as registered capital of Huzhou Land Company. Before the Capital Injection becoming effective, Great Royal owns 50% interests of Huzhou Land Company and Huzhou Land Company is accounted for as an investment in jointly controlled entity in the audited consolidated accounts of the Company. After the Capital Injection becoming effective, Great Royal will be interested in approximately 67.08% interest in Huzhou Land Company which will become a subsidiary of the Company.

The Capital Injection constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules which is subject to the reporting, announcement and Shareholders' approval requirements.

A circular containing details of, among other things, the Capital Injection Agreement, together with a notice of the EGM, will be despatched to the Shareholders in accordance with the requirements of the Listing Rules.

1. VERY SUBSTANTIAL ACQUISITION: CAPITAL INJECTION TO HUZHOU LAND COMPANY

On 28 March 2008, Great Royal, the JV Partners and Huzhou Land Company entered in the Capital Injection Agreement, the major terms of which are summarised below:

1.1 Parties

- (1) Great Royal (an indirect wholly owned subsidiary of the Company);
- (2) the JV Partners; and
- (3) Huzhou Land Company.

To the best knowledge of the Directors, the JV Partners are principally engaged in investment holding, property investment and development in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the JV Partners and their respective ultimate beneficial owners are third parties independent of the Company and its Connected Persons.

1.2 Subject matter

Before the Capital Injection becoming effective, the registered capital of Huzhou Land Company is RMB202,000,000 (equivalent to approximately HK\$222,200,000) and owned as to 50% by Great Royal and 50% by the JV Partners (in the proportion of 31% and 19%), and the total investment of Huzhou Land Company is RMB255,200,000 (equivalent to approximately HK\$280,720,000).

Pursuant to an approval dated 28 January 2008 and issued by the Management Committee of Zhejiang Huzhou Economic and Development Zone, Huzhou Land Company was approved to increase its registered capital from RMB202,000,000 (equivalent to approximately HK\$222,200,000) to RMB306,800,000 (equivalent to approximately HK\$337,480,000) and the increased portion of RMB104,800,000 (equivalent to approximately HK\$115,280,000) shall be contributed by Great Royal in cash in the following manner:

- RMB20,960,000 (equivalent to approximately HK\$23,056,000) shall be contributed before the issue of the new business licence of Huzhou Land Company; and
- the remaining RMB83,840,000 (equivalent to approximately HK\$92,224,000) shall be contributed before the end of June 2008.

In this connection, Great Royal, the JV Partners and Huzhou Land Company entered into the Capital Injection Agreement to regulate their respective rights and obligations in relation to the Capital Injection and Great Royal shall complete the Capital Injection in accordance with the schedule set out above. Great Royal will fund the Capital Injection by the Group's internal resources.

After the Capital Injection becoming effective:

- the registered capital of Huzhou Land Company will be RMB306,800,000 (equivalent to approximately HK\$337,480,000) and owned as to approximately 67.08% by Great Royal and approximately 32.92% by the JV Partners (in the proportion of 20.41% and 12.51%) and the total investment of Huzhou Land Company after the Capital Injection will be RMB360,000,000 (equivalent to approximately HK\$396,000,000); and
- Huzhou Land Company will become an indirectly owned subsidiary of the Company, and the financial results of Huzhou Land Company will be consolidated in the accounts of the Group.

As at the date of this announcement, Great Royal has not made any payment to the increased portion of the registered capital of Huzhou Land Company.

1.3 Condition of the Capital Injection

Pursuant to the Capital Injection Agreement, the Capital Injection shall become effective after (i) the obtaining of the approval of the Shareholders at the EGM and (ii) the obtaining of the approval from the Ministry of Commerce of the PRC and the Administration for Industry and Commerce of the PRC.

In the event that the Shareholders' approval for the Capital Injection cannot be obtained, Great Royal, the JV Partners and Huzhou Land Company have agreed to take all such necessary actions to restore the registered capital of Huzhou Land Company to RMB202,000,000 and the shareholding structure of Huzhou Land Company shall be restored to its original state before the Capital Injection.

1.4 Use of fund and profit sharing

Pursuant to the Capital Injection Agreement, Great Royal, the JV Partners and Huzhou Land Company have agreed that:

- the capital contributed by Great Royal pursuant to the Capital Injection shall not be applied to the development and operation of Huzhou Project; and
- all profits or loss arising from Huzhou Project shall be shared by Great Royal and the JV Partners in the proportion of the shareholding before the Capital Injection (i.e. 50% to Great Royal and 50% to the JV Partners (in the proportion of 31% and 19%).

It is the intention of the parties to the Capital Injection Agreement that the capital injected by Great Royal pursuant to the Capital Injection would be applied to the development of other new property projects in Zhejiang. As at the date of this announcement, Huzhou Land Company has not committed to any specific project.

After the Capital Injection becoming effective, all profits or loss arising from all future projects to be developed by Huzhou Land Company shall be shared by Great Royal and the JV Partners in the proportion of the shareholding after the Capital Injection becoming effective (i.e. approximately 67.08% to Great Royal and approximately 32.92% to the JV Partners (in the proportion of 20.41% and 12.51%)).

Save as disclosed above, there is no other major change in the terms of the existing joint venture arrangement between Great Royal, the JV Partners and Huzhou Land Company.

2. FURTHER INFORMATION ABOUT HUZHOULAND COMPANY

Huzhou Land Company is a sino-foreign equity joint venture established in the PRC in December 2005 which is engaged in the development, construction and operation of Huzhou Project. Huzhou Project is located at Nos. 19, 20A of West Southern District of Huzhou City of the Zhejiang Province (浙江省湖州市西南分區19號、20A號) with site area of approximately 214,000 square meters and gross floor area of approximately 320,000 square meters. The main construction work of Huzhou Project has been completed and Huzhou Project will be sold to Huzhou municipal government at the negotiated price, and delivered for use within the year 2008.

Based on the unaudited financial statements of Huzhou Land Company for the two financial years ended 31 December 2007, the unaudited net assets value of Huzhou Land Company as at 31 December 2007 was approximately RMB187 million and the unaudited net losses (both before and after taxation and extraordinary items) of Huzhou Land Company for the two years ended 31 December 2007 are as follows:

	Year ended 31 December 2006 RMB'000 (unaudited)	Year ended 31 December 2007 RMB'000 (unaudited)
Net losses <i>before</i> taxation and extraordinary items	1,485	2,865
Net losses <i>after</i> taxation and extraordinary items	1,485	2,865

3. REASONS FOR THE CAPITAL INJECTION AGREEMENT

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.

After completion of Huzhou Project, Huzhou Land Company is looking for new potential investment and development opportunities of its next property project in Zhejiang Province, the PRC. The Directors consider that the Capital Injection can not only increase the Group's stake in Huzhou Land Company but also provide necessary funding for the development of new projects by Huzhou Land Company.

Huzhou Land Company has not recorded any revenue for the two years ended 31 December 2007 since the Huzhou Project has not been delivered for sale. Therefore, Huzhou Land Company has made net losses for the two years ended 31 December 2007 which were mainly attributable to the costs incurred in connection with the development of Huzhou Project. As the main construction work of Huzhou Project has been completed and Huzhou Project is targeted to be sold within the year 2008, the Directors consider that the loss-making position of Huzhou Land Company for the two years ended 31 December 2007 should not be taken as a reference of the profitability of Huzhou Land Company.

Taking into account the above factors, the Directors (including the independent non-executive Directors) consider that the terms of the Capital Injection Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

4. LISTING RULES IMPLICATIONS

The Capital Injection constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules which is subject to the reporting, announcement and Shareholders' approval requirements.

A circular containing details of, among other things, the Capital Injection Agreement, together with a notice of the EGM, will be despatched to the Shareholders in accordance with the requirements of the Listing Rules.

To the best knowledge of the Directors, none of the JV Partners is a Shareholder and on such basis, no Shareholder is required to abstain from voting on the resolution to be proposed at the EGM.

5. DEFINITIONS

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

“Capital Injection”	the proposed increase in the registered capital of Huzhou Land Company in the amount of RMB104,800,000 to be contributed by Great Royal
“Capital Injection Agreement”	the agreement dated 28 March 2008 and entered into among Great Royal, the JV Partners and Huzhou Land Company in relation to the Capital Injection
“Company”	China Chengtong Development Group Limited (中國誠通發展集團有限公司), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Great Royal”	Great Royal International Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huzhou Land Company”	湖州萬港聯合置業有限公司 (unofficial translation as Huzhou Wangang United Estate Company Limited), a sino-foreign equity joint venture established in the PRC
“Huzhou Project”	the property project known as 清河嘉園 (unofficial translation as Qing He Jia Yuan) developed by Huzhou Land Company which is located at Nos. 19, 20A of West Southern District of Huzhou City of the Zhejiang Province (浙江省湖州市西南分區19號、20A號)
“JV Partners”	Hong Kong Wanshan Holdings Limited and 浙江雲廈集團有限公司 (unofficial translation as Zhejiang Yunxia Group Limited), both being joint venture partners of Huzhou Land Company

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving the Capital Injection Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholder(s) of the Company
“%”	per cent.

Unless the context requires otherwise, translation of RMB into HK\$ are made, for illustration purpose only, at the rate of RMB1 = HK\$1.1. 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, Mr. Lao Youan and Mr. Ba Shusong.

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

Hong Kong, 28 March 2008