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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 217)

DISCLOSEABLE TRANSACTION: FORMATION OF JOINT VENTURE COMPANIES FOR THE HOLDING AND DEVELOPMENT OF THE LAND

The Board announced that the Agent (acting on behalf of Zhongshi, a wholly-owned subsidiary of the Company, and the JV Partner) won a public tender on 21 July 2008 to acquire three pieces of Land located in Zhucheng City, Shandong Province, the PRC. On the same date, the Agent (acting on behalf of Zhongshi and the JV Partner) signed three separate Confirmation Letters with 諸城市國有資產經營總公司 (unofficial translation as Zhucheng City State Asset Operation Company) and 諸城市土地儲備中心 (unofficial translation as Zhucheng City Land Reserves Centre) confirming the winning of the tender of the Land.

Following the successful tender of the Land, Zhongshi and the JV Partner entered into the JV Agreements to establish three JV Companies as project companies for the holding and development of the Land.

The Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements. A circular containing details of the Transaction and the Group will be despatched to the Shareholders in accordance with the requirements of the Listing Rules.

INTRODUCTION

The Board announced that the Agent (acting on behalf of Zhongshi, a wholly-owned subsidiary of the Company, and the JV Partner) won a public tender on 21 July 2008 to acquire three pieces of Land located in Zhucheng City, Shandong Province, the PRC. On the same date, the Agent (acting on behalf of Zhongshi and the JV Partner) signed three separate Confirmation Letters with 諸城市國有資產經營總公司 (unofficial translation as Zhucheng City State Asset Operation Company) and 諸城市土地儲備中心 (unofficial translation as Zhucheng City Land Reserves Centre) confirming the winning of the tender of the Land.

THE CONFIRMATION LETTERS

Date: 21 July 2008

Parties: The Agent, an individual who is a third party independent of the Company and its Connected Persons as the purchaser; and

諸城市國有資產經營總公司 (unofficial translation as Zhucheng City State Asset Operation Company) and 諸城市土地儲備中心 (unofficial translation as Zhucheng City Land Reserves Centre) as the vendors.

The Agent participated in the public tender of the Land on behalf of Zhongshi and the JV Partner. After the signing of the Confirmation Letters, the Agent, Zhongshi and the JV Partner will apply for the Land to be registered in the name of the JV Companies.

Description of the Land:

Address	Site area	Usage of the land	Consideration
A piece of land located at north side of Fan Rong Xi Road West Lane (繁榮西路西段北側), Zhucheng City, Shandong Province, the PRC (“ Land A ”)	99,599 sq.m.	Residential and commercial	RMB59,759,400 (equivalent to HK\$67,528,122)
A piece of land located at north side of Mi Zhou Xi Road East Lane (密州西路東段北側) and east side of Kong Long Gong Yuan (恐龍公園東側), Zhucheng City, Shandong Province, the PRC (“ Land B ”)	133,333 sq.m.	Residential	RMB114,000,000 (equivalent to HK\$128,820,000)
A piece of land located at east side of He Ping Bei Street (和平北街東側) and west side of Shui Shang Gong Yuan (水上公園西側), Zhucheng City, Shandong Province, the PRC (“ Land C ”)	100,000 sq.m.	Residential and commercial (of which the zoning for about 26,669 sq.m. is for 5-star hotel and about 73,331 sq.m. is for residential)	RMB75,000,000 (equivalent to HK\$84,750,000) (<i>Note</i>)

Note: Among the consideration of RMB75,000,000, the values of the residential zone and the hotel zone are RMB55,000,000 and RMB20,000,000 respectively.

Payment schedule of the consideration

60% of the consideration has been paid by the Agent at the time of signing of the Confirmation Letters and the remaining 40% of the consideration shall be paid within one month after the signing of the Confirmation Letters.

Zhongshi is responsible for the funding of 80% of the consideration of the Land, which represents RMB199,007,520 (equivalent to approximately HK\$224,878,498). Zhongshi funded the consideration of the Land through internal resources of the Group and borrowings from a substantial shareholder of the Company which is on terms better to the Group and no security over the assets of the Group is granted in respect of such borrowings.

The consideration of the Land was arrived at a successful tender after taking into account the location and potential value of the Land.

ESTABLISHMENT OF THE JV COMPANIES

Following the successful tender of the Land, Zhongshi and the JV Partner entered into the JV Agreements to establish three JV Companies as project companies for the holding and development of the Land. The principal terms of the JV Agreements are set out below:

- Date:** 31 July 2008
- Parties:**
- (i) Zhongshi, an indirect wholly owned subsidiary of the Company; and
 - (ii) the JV Partner. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the principal activity of the JV Partner is property investment and development and each of the JV Partner and its beneficial owners is a third party independent of the Company and its Connected Persons.
- Business scope:** The JV Companies are to be established as a limited liability company and will be engaged in property development.
- Capital structure:** The registered capital of each of the JV Companies will be RMB10 million (equivalent to HK\$11.3 million) which shall be contributed in cash as to 80% (RMB8 million, equivalent to HK\$9.04 million) by Zhongshi through internal resources of the Group and as to 20% (RMB2 million, equivalent to HK\$2.26 million) by the JV Partner.
- Zhongshi and the JV Partner shall inject their respective interests in Land A, Land B and Land C (residential zone) (i.e. 87% for Zhongshi and 13% for the JV Partner) into the respective JV Company by way of shareholders' loan.
- Upon completion of the formation of the JV Companies, each of the JV Companies will become a 80% owned subsidiary of the Company and their respective results will be consolidated with those of the Group.

Future funding of the JV Companies will be financed, depending on the then circumstances, by way shareholder's loan, equity or debt or bank financing. However, as at the date of this announcement, there is no capital commitment or contractual commitment on the part of the Group regarding the JV Companies.

Profit distribution: The profits available for distribution of the JV Companies will be distributed to Zhongshi and the JV Partner in proportion to their respective capital contribution to the registered capital of the JV Companies (i.e. 80% : 20%).

Board composition: The board of directors of each of the JV Companies shall comprise a majority of directors nominated by Zhongshi.

OTHER TERMS OF COOPERATION

Although Zhongshi is responsible for 80% funding requirement of the aggregate consideration of Land A, Land B and Land C (hotel and residential zones), Zhongshi and the JV Partner agreed that before the establishment of the JV Companies, their respective interests and benefits in the Land shall be as follows:

	Zhongshi	Equivalent amount of interest in the Land	JV Partner	Equivalent amount of interest in the Land
Land A	87%	RMB51,990,678	13%	RMB7,768,722
Land B	87%	RMB99,180,000	13%	RMB14,820,000
Land C (residential zone)	87%	RMB47,850,000	13%	RMB7,150,000
Land C (hotel zone)	0%	–	100%	RMB20,000,000
Total	–	<u>RMB199,020,678</u>	–	<u>RMB49,738,722</u>

Given that Zhongshi will not have any interest in Land C (hotel zone), Zhongshi's percentage of interests in Land A, Land B and Land C (residential zone) was adjusted to 87% (instead 80%).

Zhongshi and the JV Partner agreed that they will apply for the issue of two separate land use right certificates for the residential zone and hotel zone of Land C. The JV Partner will be solely responsible for the development of the hotel zone on Land C (the "**Hotel Project**") and for all costs and expenses in relation to such development; while Zhongshi and the JV Partner will establish the JV Companies in the shareholding structure of 80% and 20% respectively to develop the residential zone on Land C (the "**Residential Project**").

In the event that the relevant land use right certificate for Land C cannot be segregated into two separate certificates for the Hotel Project and the Residential Project, Zhongshi and the JV Partner agree that the JV Partner should be solely responsible for the development of Land C (hotel and residential zones) and Zhongshi shall be solely responsible for the development of Land A and Land B and shall bear all the costs and expenses and enjoy all the benefits therefor. In such event, the JV Partner will pay to Zhongshi the difference between the amount paid by Zhongshi in obtaining interest in all three pieces of Land and the consideration for 100% interests of Land A and Land B. If the JV Companies have been established

at that time, Zhongshi and the JV Partner will take necessary actions to the effect that Land A and Land B will be held and developed by a company solely owned by Zhongshi and Land C will be held and developed by a company solely owned by the JV Partner. The Company will comply with all applicable Listing Rules in such event.

POSSIBLE TENDER OF ADDITIONAL PIECE OF LAND

Zhongshi and the JV Partner intend to participate in another public tender of a piece of land (“**Land D**”) with site area of about 12,673 sq.m. which is located adjacent to Land B. The designed usage of Land D is residential. In the event that Zhongshi and the JV Partner win the public tender of Land D, Land D will be injected into the JV Company which holds and develops Land B. It is the current intention of the Group that Land B and Land D will be developed into one property project. The Company will comply with all applicable Listing Rules for the development of Land D.

FURTHER INFORMATION OF THE LAND AND THE JV COMPANIES

Given that the JV Companies had not been established as at the date of this announcement, no financial figures of the JV Companies are available for the time being.

Land A, Land B and Land C are vacant land for the time being. Based on the latest development plan, Land B and Land C will be developed into blocks of premium residential apartments and buildings as well as commercial buildings. The construction of Land B and Land C is expected to commence in 2009 and be completed in stages. It is the current intention of the Group that Land A will be put in the land reserve first pending appropriate opportunity for development or resale.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The principal activities of the Group are property investment and development, land resource exploitation and strategic investment.

It is the land reserve strategy of the Group to explore more premium grade property projects with promising potentials in the PRC which are expected to bring significant contribution to the Group’s profits and shareholders’ return in the future.

The JV Companies will be engaged in the property development business in Zhucheng City, Shandong Province, the PRC. Through the formation of the JV Companies, the Company may enhance its participation in property development business in Zhucheng City, Shandong Province, the PRC which the Group considers has growth potential. The Directors also consider that the Transaction will further strengthen the Group’s land reserves.

Taking into account the above factors, the Directors (including the independent non-executive Directors) consider that the terms of the Transaction are on normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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

A circular containing details of the Transaction and the Group will be despatched to the Shareholders in accordance with the requirements of the Listing Rules.

DEFINITIONS

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

“Agent”	于炳瀚 (Yu Bingham), an individual who is a third party independent of the Company and its Connected Persons
“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
“Confirmation Letters”	the three completion confirmation letters dated 21 July 2008 confirming the winning of the tender of the Land
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreements”	the joint venture contract and articles of the JV Companies dated 31 July 2008 and entered into by Zhongshi and the JV Partners
“JV Companies”	three project companies to be formed by Zhongshi and the JV Partner for the purposes of holding and developing the Land
“JV Partner”	北京世紀尊博投資有限公司 (unofficial translation as Beijing Century Zun Bo Investment Co., Ltd.), a third party independent of the Company and its Connected Persons, who will, together with Zhongshi, establish the JV Companies
“Land”	three pieces of land located at Zhucheng City, Shandong Province, the PRC, particulars of which are set out in the paragraph headed “Description of the Land” above
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholder(s) of the Company
“Transaction”	the establishment of the JV Companies and the transactions contemplated by the JV Agreements
“Zhongshi”	中實投資有限責任公司 (unofficial translation being Zhongshi Investment Company Limited), an indirect wholly owned subsidiary 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\$1.13. 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. 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
Chairman

Hong Kong, 31 July 2008