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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 DISPOSAL:

Disposal of Huzhou Group

AND

RESUMPTION OF TRADING

On 26 May 2009, the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement for the sale and purchase of 100% interest in Great Royal at a consideration of HK\$272,104,000.

The Disposal constitutes a very substantial disposal for the Company and is subject to approval by the Shareholders pursuant to the Listing Rules. A circular containing, among others, details of the Disposal and further information of the Group, together with the notice of EGM will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Main Board of the Stock Exchange was suspended with effect from 9:30 a.m. on 27 May 2009 pending the release of this announcement. Application for the resumption of trading in the Shares on the Main Board of the Stock Exchange with effect from 9:30 a.m. on 2 June 2009 has been made by the Company.

SALE AND PURCHASE AGREEMENT

Date

26 May 2009

Parties:

Vendor: Talent Dragon Limited, a wholly-owned subsidiary of the Company.

Purchaser: Fantastic Era International Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) the principal activity of the Purchaser is investment holding and (ii) the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of under the Sale and Purchase Agreement

The Sale Shares to be disposed of by the Vendor comprises 100% of the issued share capital of Great Royal which, in turn, is interested in approximately 67.08% of the registered capital of Huzhou Company.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon the following matters:

- (1) Huzhou Group and the Vendor have obtained all necessary approvals for the Disposal;
- (2) the Purchaser has paid the First Deposit (as defined below) and the Second Deposit (as defined below) in accordance with the terms of the Sale and Purchase Agreement; and
- (3) the Shareholders have approved the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

If the Conditions shall not have been fulfilled in full on or before the Longstop Date, all rights and obligations of the parties hereunder shall cease and terminate, save for the claim (if any) in respect of any antecedent breach of the Sale and Purchase Agreement.

Consideration

The consideration of HK\$272,104,000 for the Sale Shares shall be payable by the Purchaser to the Vendor in the following manner:

- (1) within five business days after the signing of the Sale and Purchase Agreement:
 - the Purchaser shall pay HK\$5,000,000 (“**First Deposit**”) (in Hong Kong dollars or in such other currency as the Vendor may agree) to the Vendor or its nominee by way of cashier order issued by a bank in Hong Kong or in such other manner as may be agreed between the Vendor and the Purchaser as deposit and part payment of the consideration;
 - the Purchaser shall pay HK\$141,504,000 (“**Second Deposit**”) (in Hong Kong dollars or in such other currency as the Vendor and the Purchaser may agree) to the Vendor or its nominee as part payment of the consideration; and
- (2) upon completion of the Disposal, the Purchaser shall pay HK\$125,600,000 (in Hong Kong dollars or in such other currency as the Vendor may agree) to the Vendor or its nominee by way of cashier order issued by a bank in Hong Kong or in such other manner as may be agreed between the Vendor and the Purchaser.

If the Conditions shall not have been fulfilled on or before the Longstop Date, the Vendor shall refund, without interest, the First Deposit and the Second Deposit to the Purchaser within five business days after the Longstop Date.

If the Conditions have been fulfilled on or before the Longstop Date but completion of the Sale and Purchase Agreement fails to take place by reason of the non-compliance of the provisions of the Sale and Purchase Agreement by the Purchaser, the Vendor (i) is entitled to forfeit the First Deposit and (ii) shall return the Second Deposit (without interest) to the Purchaser within five business days after the date on which completion of the Sale and Purchase Agreement is scheduled for.

If the Conditions have been fulfilled on or before the Longstop Date but completion of the Sale and Purchase Agreement fails to take place NOT by reason of the non-compliance of the provisions of the Sale and Purchase Agreement by the Purchaser, the Vendor shall return the First Deposit (without interest) and the Second Deposit (without interest) to the Purchaser within five business days after the date on which completion of the Sale and Purchase Agreement is scheduled for.

The Directors confirm that the consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser and taking account of (i) the investment cost of the Huzhou Group to the Group (approximately HK\$215.8 million) and (ii) the net asset value of the Huzhou Group attributable to the Group as at 31 December 2008 (as adjusted as a result of a waiver of a shareholder’s loan of approximately HK\$216.0 million took place after the balance sheet date) of approximately HK\$267.7 million.

A portion of the proceeds from the Disposal will be applied towards the settlement of the inter-company balance between the Huzhou Group and other members of the Group in full. The remaining proceeds will be used as general working capital of the Group and should the opportunities arise, for future investment.

Completion

Completion of the Sale and Purchase Agreement will take place on the fifth business day after the fulfillment of all Conditions (or such later date as the Vendor and the Purchase may agree in writing).

It is expected that the Group will record a book gain of approximately HK\$18.5 million as a result of the Disposal which represents the difference between the consideration after the estimated expenses to be incurred for the Disposal and the net asset value of Huzhou Group attributable to the Group as at 31 December 2008 (as adjusted as a result of a waiver of a shareholder's loan of approximately HK\$216.0 million took place after the balance sheet date), together with the realisation of the Group's share of exchange reserve relating to the Huzhou Group in the consolidated income statement upon Disposal.

Each of Great Royal and Huzhou Company will cease to be a subsidiary of the Company upon completion of the Disposal.

INFORMATION ON HUZHOU GROUP

Great Royal is a company incorporated in Hong Kong with limited liability and acts as the holding company of approximately 67.08% of Huzhou Company. Other than its investment in Huzhou Company, Great Royal is not engaged in any other business activity.

Huzhou Company is a sino-foreign equity joint venture established in the PRC on 2 December 2005 which is engaged in the development, construction and operation of residential flats. During the period from 1 January 2007 to late June 2008, Huzhou Company was a jointly-controlled entity of Great Royal. Since late June 2008, Huzhou Company became a non wholly-owned subsidiary of the Company and as at the date of this announcement, the registered capital of Huzhou Company is RMB306.8 million (equivalent to approximately HK\$315.0 million (translated at the actual exchange rates at the time of investment)) and is owned as to approximately 67.08% by Great Royal and approximately 32.92% by the two JV Partners (in the proportion of 20.41% and 12.51%).

Huzhou Company is a project company for the development of Huzhou Project. The construction of Huzhou Project was completed in 2008 and all units of Huzhou Project have been sold in 2008 and the Group's share of its corresponding profit had been recorded in accordance with Hong Kong Financial Reporting Standards in the Group's financial results for the year ended 31 December 2008.

The unaudited consolidated total assets value and the net assets value of Great Royal (prepared in accordance with Hong Kong Financial Reporting Standards) as at 31 December 2008 is approximately HK\$649.0 million and approximately HK\$174.7 million respectively. As at 31 December 2008, the principal assets of Huzhou Company were trade receivables in the amount of approximately HK\$376.7 million and other receivables of approximately HK\$123.5 million. The unaudited net profit/(loss) (both before and after taxation and extraordinary items) of Great Royal (prepared in accordance with Hong Kong Financial Reporting Standards) for the two years ended 31 December 2008 are as follows:

	Year ended 31 December 2007 <i>HK\$'000</i>	Year ended 31 December 2008 <i>HK\$'000</i>
Net (loss)/profit before taxation and extraordinary items	(1,478) <i>(equity accounted)</i>	98,047 <i>(consolidated)</i>
Net (loss)/profit after taxation and extraordinary items	(1,478) <i>(equity accounted)</i>	70,620 <i>(consolidated)</i>

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is currently principally engaged in property development, property investment and land resources exploitation.

After completion of Huzhou Project, the Group has increased its investment to Huzhou Company by way of capital injection of additional RMB104.8 million in June 2008. At that time, the capital injection by the Group to Huzhou Company was in contemplation of the potential investment and development opportunities of new property project(s) in Zhejiang Province, the PRC. However, Huzhou Company has not identified any suitable property projects in Zhejiang Province and in view of the uncertainty of the global and domestic economic environment triggered by the sub-prime crisis in the United States, the Board has decided to take a prudent approach in its investment for a better risk control. The Disposal represents a good opportunity for the Group to realise its investment.

As at the date of this announcement, the Group is indebted to Huzhou Company of approximately HK\$141.5 million. A portion of the proceeds from the Disposal will be applied towards the settlement of such inter-company balance in full. The remaining proceeds will strengthen the cash position of the Group in preparation for future investment should the opportunities arise. In the meantime, the remaining proceeds will be tentatively allocated for working capital purpose.

The Directors (including the non-executive Directors and the independent non-executive Directors) believe that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

In October 2008, the Group entered into two sale and purchase agreements with its major Shareholder, China Chengtong Hong Kong Company Limited (“CCHK”), and ultimate controlling Shareholder, China Chengtong Holdings Group Limited (“CCHG”) to indirectly acquire through CCHK plots of land from CCHG. Such plots of land include 1.3 million square metres of storage and office land located in Shenyang of Liaoning Province, Guilin of Guangxi Province, Lianyungang, Changzhou and Dafeng of Jiangsu Province, which could be zoned into commercial development area, and 480,000 square metres of residential and commercial land in Dafeng of Jiangsu Province. Details of such proposed acquisitions are set out in the Company’s announcement dated 30 October 2008 and the Company’s circular dated 29 November 2008. In view of such proposed acquisitions and other projects on hand, the Directors believe that the Group has a sufficient level of operations to warrant a continued listing of the Shares on the Stock Exchange.

REQUIREMENTS OF THE LISTING RULES

The Disposal constitutes a very substantial disposal for the Company and is subject to approval by the Shareholders pursuant to the Listing Rules. A circular containing, among others, details of the Disposal and further information of the Group, together with the notice of EGM will be despatched to the Shareholders as soon as practicable.

The Company has confirmed with the Vendor that none of the Vendor nor any of its associates (as defined in the Listing Rules) is holding any Shares. The Directors also confirm that so far as they are aware, no Shareholder has a material interest (which is different from the other Shareholders) in the Disposal. As such, no Shareholder is required to abstain from voting at the EGM.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Main Board of the Stock Exchange was suspended with effect from 9:30 a.m. on 27 May 2009 pending the release of this announcement. Application for the resumption of trading in the Shares on the Main Board of the Stock Exchange with effect from 9:30 a.m. on 2 June 2009 has been made by the Company.

DEFINITIONS

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

“Board”	the board of Directors
“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
“Conditions”	the conditions precedent to the completion of the Disposal as set out in the paragraph headed “Conditions precedent” under the section headed “Sale and Purchase Agreement” in this announcement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms of the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving, among other matters, the Sale and Purchase Agreement
“Great Royal”	Great Royal International Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huzhou 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 Group”	Great Royal and Huzhou Company

“Huzhou Project”	the property project known as 清河嘉園 (unofficial translation as Qing He Jia Yuan) developed by Huzhou Company which is located at Nos. 19, 20A of West Southern District of Huzhou City of the Zhejiang Province, the PRC (中國浙江省湖州市西南分區19號、20A號)
“Independent Third Party”	a party who is a third party independent of the Company and connected persons of the Company and its subsidiaries
“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 the Group in Huzhou Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	the date falling upon the expiry of 90 days from the date of the Sale and Purchase Agreement (or such later date as the Vendor and the Purchaser may agree in writing)
“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
“Purchaser”	Fantastic Era International Limited, a company incorporated in Hong Kong and the Purchaser named in the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26 May 2009 and entered into between the Vendor and the Purchaser in relation to the Disposal
“Sale Shares”	100 shares of HK\$1 each of Great Royal, representing 100% of the issued share capital of Great Royal
“Share(s)”	share(s) of the Company of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor”	Talent Dragon Limited, a wholly-owned subsidiary of the Company and the vendor named in the Sale and Purchase Agreement
“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. 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
Wang Hongxin
Managing Director

Hong Kong, 1 June 2009