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If you have sold or transferred all your shares in China Chengtong Development Group Limited (“Company”), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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:

Disposal of 52% of the equity interest in Xian PRC Company

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DEFINITIONS

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

“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
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Equity by Zhongshi to the Purchaser pursuant to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 27 September 2007 and entered into between Zhongshi (as vendor) and the Purchaser (as purchaser) in relation the Disposal
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party who is a third party independent of the Company and connected persons of the Company and its subsidiaries
“Latest Practicable Date”	15 October 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	北京銀信興業房地產開發有限公司 (unofficial English translation as Beijing Yinxin Xingye Property Development Co., Ltd.), an Independent Third Party
“Sale Equity”	52% of the registered capital of Xian PRC Company

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“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 Zhongshi as at the date of the Equity Transfer 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\$1.03. 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhang Guotong
(Vice Chairman and Managing Director)
Mr. Wang Hongxin

Non-executive Directors:

Mr. Ma Zhengwu *(Chairman)*
Mr. Hong Shuikun
Mr. Gu Laiyun
Ms. Xu Zhen

Independent non-executive Directors:

Mr. Kwong Che Keung, Gordon
Mr. Tsui Yiu Wa, Alec
Mr. Lao Youan
Mr. Ba Shusong

Registered Office:

Suite 6406, 64th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

18 October 2007

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE TRANSACTION:

Disposal of 52% of the equity interest in Xian PRC Company

INTRODUCTION

On 27 September 2007, the Board announced that Zhongshi (a 70%-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser for the disposal of 52% of the registered capital in Xian PRC Company at a consideration of RMB43,360,000 (equivalent to approximately HK\$44,660,800).

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

The purpose of this circular is to give you further information regarding, among others, the Disposal.

LETTER FROM THE BOARD

EQUITY TRANSFER AGREEMENT DATED 27 SEPTEMBER 2007

1. Parties:

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

Purchaser: 北京銀信興業房地產開發有限公司 (unofficial English translation as Beijing Yinxin Xingye Property Development Co., Ltd.). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) the Purchaser is principally engaged in property development in the PRC and (ii) each of the Purchaser and its ultimate beneficial owners is an Independent Third Party.

2. Assets to be disposed of under the Equity Transfer Agreement

The Sale Equity to be disposed of by Zhongshi comprises 52% of the registered capital of Xian PRC Company owned by Zhongshi as at the date of the Equity Transfer Agreement. There is no restriction which applies to the subsequent sale of the Sale Equity in the Equity Transfer Agreement.

3. Effective date of the Equity Transfer Agreement

The Equity Transfer Agreement became effective on 27 September 2007 when it was duly executed by Zhongshi and the Purchaser.

4. Consideration

It is a term of the Equity Transfer Agreement that the consideration of RMB43,360,000 (equivalent to approximately HK\$44,660,800) for the Sale Equity shall be payable by the Purchaser to Zhongshi in cash within 15 days after the Equity Transfer Agreement becoming effective.

The Directors confirm that the consideration was arrived at after arm's length negotiations between Zhongshi and the Purchaser and was by reference to the original cost of purchase of the 52% interest of the registered capital of Xian PRC Company by Zhongshi and the current market value of the property project located at Xian City, Shannxi Province of the PRC owned by Xian PRC Company.

5. Completion of the Disposal

Pursuant to the Equity Transfer Agreement, the Disposal shall be treated as completed when Zhongshi has received the entire amount of the consideration. Completion of the Disposal took place on 12 October 2007. After completion of the Disposal, Zhongshi shall be released from all liabilities of Xian PRC Company that it has assumed and the Purchaser shall take up such liabilities with effect from the completion of the Disposal.

LETTER FROM THE BOARD

6. Financial effect

After completion of the Disposal, the Group ceased to have any interest in Xian PRC Company. The Directors consider that the Disposal will not bring any material impact on the earnings of the Group because Xian PRC Company has not commenced business. It is expected that the net assets value of the Group will be increased by the difference of the consideration and the Group's share of the net asset value of the Xian PRC Company as a result of the Disposal.

It is expected that the Group will record a book gain of approximately HK\$18,957,800 as a result of the Disposal which represents the difference between the consideration and the Group's share of the aggregate unaudited net asset value of the Xian PRC Company (being approximately HK\$25,703,000) as at 30 June 2007 but without taking in account tax provisions (if any).

It is the current intention of the Group to apply the net proceeds from the Disposal to acquire additional land reserve and fund its operations.

7. Information on Xian PRC Company

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 Zhongshi as at the date of the Equity Transfer Agreement.

The principal activities of 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.

Xian PRC Company is in the course of developing a property project located at Xian City, Shannxi 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 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 unaudited total assets of Xian PRC Company as at 30 June 2007 (as adjusted by a valuation of the piece of land at which the property project is situated) was approximately HK\$79,839,000.

LETTER FROM THE BOARD

Based on financial information of 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 Xian PRC Company for the two financial years immediately preceding the date of the Equity Transfer Agreement are as follows:

	Year ended 31 December 2005 RMB'000	Year ended 31 December 2006 RMB'000
Net (losses) <i>before</i> taxation and extraordinary items	(364)	(444)
Net (losses) <i>after</i> taxation and extraordinary items	(364)	(444)

REASONS FOR AND BENEFIT OF THE DISPOSAL

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 Group acquired the Sale Equity from 嘉成企業發展有限公司 (unofficial English name, Jiacheng Enterprise Development Company Limited) in June 2007 at a consideration of RMB25,600,000 (equivalent to approximately HK\$26,368,000). The consideration for the Disposal represents about 70% premium over the consideration the Group paid for acquiring the Sale Equity in June 2007. The Directors considered that the Disposal represents a good opportunity for the Group to realise its investment.

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

REQUIREMENTS OF THE LISTING RULES

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

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
China Chengtong Development Group Limited
Zhang Guotong
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in share options of the Company

Name of Director	Date of grant	Exercisable period	Exercise Price (HK\$)	Number of underlying Shares subject to outstanding options	Approximate percentage of shareholding
Ma Zhengwu	8.3.2004	9.3.2005 to 8.3.2009	0.3012	1,450,390	0.054%
Hong Shuikun	8.3.2004	9.3.2005 to 8.3.2009	0.3012	1,450,390	0.054%
Gu Laiyun	28.9.2004	29.9.2005 to 28.9.2008	0.2027	2,417,317	0.091%
Xu Zhen	8.3.2004	9.3.2005 to 8.3.2009	0.3012	725,196	0.027%

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant

to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

- (c) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up, and which was significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

- (a) As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
World Gain Holdings Limited	beneficial owner (Note 2)	791,814,913 (L)	29.75%
China Chengtong Hong Kong Company Limited	controlled corporation (Note 2)	791,814,913 (L)	29.75%
China Chengtong Holdings Group Limited	controlled corporation (Note 2)	791,814,913 (L)	29.75%

Notes:

1. The letter "L" represents the entity's interest in the Shares.
2. The entire issued share capital of World Gain Holdings Limited is beneficially owned by China Chengtong Hong Kong Company Limited, the entire issued share capital of which is beneficially owned by China Chengtong Holdings Group Limited. Both of China Chengtong Hong Kong Company Limited and China Chengtong Holdings Group Limited are deemed to be interested in all the Shares held by World Gain Holdings Limited under the SFO.

- (b) As at the Latest Practicable Date, so far as is known to the Directors, the following entities were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group:

Name of subsidiary	Name of shareholder	Number of shares	Approximate percentage of interest
Chengtong Hua Da Trading Limited	Hong Kong Hua Da Chemical Industry Company Limited	49 ordinary shares of HK\$1 each	49%
China-eDN.com Limited	Diagonal Trading Limited	2,000,000 shares of HK\$1 each	20%
Galaxy Gain Limited	Ever Lasting Value Securities Limited	17 shares of US\$1 each	17%
Zhongshi	北京興合動力投資管理有限公司 (translated as Beijing Xinghe Dongli Investment Management Co., Ltd.)	Registered capital of RMB24,000,000	30%

- (c) Save as disclosed in this circular, so far as is known to the Directors, there is no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

7. MISCELLANEOUS

- (1) The registered and head office of the Company is located at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (2) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The company secretary of the Company is Mr. Lai Ka Fai, Albert, a solicitor in Hong Kong.
- (4) The qualified accountant of the Company is Ms. Chan Yuet Kwai, FCPA FCCA.