
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in China Chengtong Development Group Limited, you should hand this circular at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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

A letter from the Board is set out on pages 4 to 9 of this circular.

20 April 2006

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
1. Introduction	4
2. The Settlement Agreements	5
3. The Properties	7
4. Reasons for and benefit of the Settlement Agreements	8
5. Financial effect of the Settlement Agreements	8
6. General	9
7. Additional Information	9
APPENDIX I – GENERAL INFORMATION	10

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“independent third parties”	parties who are 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
“Latest Practicable Date”	18 April 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	a loan agreement signed between the Plaintiff and Merry World on 25 April 2001
“Merry World”	Merry World Associates Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Plaintiff”	廣州穗南房產發展有限公司 (translated as Guangzhou Sui Nan Building Development Limited)
“PRC”	The People’s Republic of China

DEFINITIONS

“Property A”	a property situated at the Guangzhou City of the Guangdong Province of the PRC known as Zone A of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District
“Property A Judgment”	the judgment of The Intermediate People’s Court of Guangzhou City dated 13 July 2005 ordering, inter alia, the transfer of Property A by Merry World to the Plaintiff
“Property A Settlement Agreement”	the settlement agreement entered into between Merry World and the Plaintiff in relation to Property A on 1 March 2006
“Property C”	a property situated at the Guangzhou City of the Guangdong Province of the PRC known as Zone C of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District
“Property C Judgment”	the judgment of The Intermediate People’s Court of Guangzhou City dated 16 September 2005 ordering, inter alia, the transfer of Property C by Merry World to the Plaintiff
“Property C Settlement Agreement”	the settlement agreement entered into between Merry World and the Plaintiff in relation to Property C on 1 March 2006
“Properties Judgements”	Property A Judgment and Property C Judgment
“Settlement Agreements”	Property A Settlement Agreement and Property C Settlement Agreement
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholders”	the holders of the Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Ms. Xu Zhen

Mr. Gu Laiyun

Independent non-executive Directors:

Mr. Kwong Che Keung, Gordon

Mr. Tsui Yiu Wa, Alec

Mr. Lao Youan

Registered office:

Suites 2904-2907

29th Floor

One International Finance Centre

1 Harbour View Street

Central, Hong Kong

20 April 2006

To the Shareholders

DISCLOSEABLE TRANSACTION

1. INTRODUCTION

Reference is made to the announcements of the Company dated 21 September 2005 and 7 October 2005 in relation to the Properties Judgments on Property C and Property A respectively and the announcement of the Company dated 30 March 2006 in relation to the Settlement Agreements.

LETTER FROM THE BOARD

Merry World and the Plaintiff had on 1 March 2006 entered into the Settlement Agreements with respect to Property A and Property C whereby, among other matters, Property A is to be transferred to the Plaintiff in pursuant to the Property A Judgment while the Plaintiff is to discontinue and withdraw all its claims made and legal proceedings instituted against Merry World in relation to Property C and confirm the title of Merry World in Property C.

The proposed transfer of Property A to the Plaintiff constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The purposes of this circular are to provide you with further information relating to the discloseable transaction.

2. THE SETTLEMENT AGREEMENTS

Merry World has on 1 March 2006 entered into the Property A Settlement Agreement and Property C Settlement Agreement with the Plaintiff respectively for, among other matters, the transfer of Property A by Merry World to the Plaintiff in pursuant to the Property A Judgment and the discontinuance and withdrawal by the Plaintiff of all its claims made and legal proceedings instituted against Merry World in relation to Property C and the confirmation of the title of Merry World in Property C. The Plaintiff is the vendor of Property A and Property C who sold these properties to Merry World in 2001. The principal terms of the Settlement Agreements are set out below:

A. Property A Settlement Agreement

1. Date : 1 March 2006.
2. Parties : Merry World and the Plaintiff.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the principal activity of the Plaintiff is property development and its ultimate beneficial owners are independent third parties.

3. Principal terms : Conditional upon signing of the Property C Settlement Agreement (as the Property C Settlement Agreement was signed on 1 March 2006, the Property A Settlement Agreement was also completed on 1 March 2006):
 - (a) Merry World shall waive all its rights to lodge an appeal against the Property A Judgment or to apply for the withdrawal of any appeal lodged against the Property A Judgment.

LETTER FROM THE BOARD

- (b) Merry World shall transfer Property A (“**Property A Transfer**”) to the Plaintiff and all related tax payable for the transfer shall be borne by the Plaintiff.
- (c) Merry World shall discontinue and withdraw all claims made, legal proceedings and equivalent actions instituted against the Plaintiff in relation to Property A.
- (d) The Plaintiff shall waive all its rights in other claims made against Merry World in relation to Property A.

B. Property C Settlement Agreement

- 1. Date : 1 March 2006.
- 2. Parties : Merry World and the Plaintiff.
- 3. Principal terms : Conditional upon signing of the Property A Settlement Agreement (as the Property A Settlement Agreement was signed on 1 March 2006, the Property C Settlement Agreement was also completed on 1 March 2006):
 - (a) The Plaintiff shall discontinue and withdraw all claims made, legal proceedings and equivalent actions instituted against Merry World in relation to Property C.
 - (b) The Plaintiff confirms and raises no objections to the title of Merry World in Property C and confirms the full discharge by Merry World of its obligation to effect payment of the purchase price for the purchase of Property C under the ‘Property Pre-sale Contract Deed’ dated 25 April 2001.

LETTER FROM THE BOARD

- (c) The delivery agreement (收樓協議書) dated 30 May 2001 entered into between the Plaintiff and Merry World shall, upon the becoming effective of Property C Settlement Agreement, terminate. Upon the signing of the Property C Settlement Agreement, the Plaintiff shall effect delivery of Property C to Merry World and shall have no right to use Property C or to the income thereof.
- (d) The Plaintiff shall assist Merry World in obtaining possession of Property C and terminate the enforcement of the judgment obtained in favour of the Plaintiff in relation to Property C.

3. THE PROPERTIES

Property A comprises the entire Zone A of gross floor area of approximately 5,400 square metres on Level 3 of the commercial/retail podium of Li Wan Plaza, which is a commercial/residential development completed in 1997 with eight high-rise residential towers built over a 6-storey commercial/retail podium. The carrying value of Property A was HK\$41,148,000 as at 30 June 2005. Full provision has been made for Property A in the consolidated accounts of the Company for the six months ended 30 June 2005. Property A was vacant immediately before the entering into of the Property A Settlement Agreement.

Property C comprises the entire Zone C of gross floor area of approximately 5,300 square metres on Level 3 of the commercial/retail podium of Li Wan Plaza. The carrying value of the Property C was HK\$43,722,000 as at 30 June 2005. Full provision has been made for the Property C in the consolidated accounts of the Company for the six months ended 30 June 2005. Save for a portion of Property C of gross floor area of approximately 3,000 square metres which is currently being occupied by an independent third party, the remaining portion of Property C is currently vacant.

Property A and Property C were acquired by Merry World from the Plaintiff in 2001 when Merry World was not part of the Group at the relevant time. Merry World became part of the Group in 2003 and no revenue has ever been generated from Property A and Property C to the Group since then.

LETTER FROM THE BOARD

4. REASONS FOR AND BENEFIT OF THE SETTLEMENT AGREEMENTS

In the Property A Judgment, it is the finding of The Intermediate People's Court of Guangzhou City that, inter alia, Property A was transferred to Merry World as security for the provision of loan facilities by Merry World to the Plaintiff under the Loan Agreement. As Merry World had failed to provide any loan facilities to the Plaintiff, Merry World was ordered to transfer Property A to the Plaintiff.

In the Property C Judgment, it is the finding of The Intermediate People's Court of Guangzhou City (as approved by the Higher People's Court of Guangzhou City of the Guangdong Province) that, inter alia, (a) Merry World had failed to make payment of the purchase price for the purchase of Property C and (b) according to the terms of the delivery agreement signed between Merry World and the Plaintiff on 30 May 2001, Merry World should return Property C to the Plaintiff in the event that it should fail to provide the loan facilities to the Plaintiff in accordance with the terms of the Loan Agreement, and was ordered to transfer Property C to the Plaintiff.

Merry World had lodged appeals against both Property A Judgment and Property C Judgment. The appeal against Property A Judgment is not yet heard and will be withdrawn by Merry World in accordance with the terms of the Property A Settlement Agreement. The appeal lodged by Merry World against the Property C Judgment has been dismissed by the Higher People's Court of Guangzhou City of the Guangdong Province. The Company is advised by its legal advisers as to PRC laws that the prospects in obtaining an appeal successfully of the Property A Judgment in favour of the Group may not be promising. The entering into of the Settlement Agreements enables to the Group to retain Property C despite the dismissed appeal.

The Directors consider that the terms of the Settlement Agreements are fair and reasonable and the Settlement Agreements are in the interests of the Company and its Shareholders as a whole.

5. FINANCIAL EFFECT OF THE SETTLEMENT AGREEMENTS

The Group has recognised a loss of HK\$41,148,000 as a result of the Property A Transfer as full provision of the carrying value of HK\$41,148,000 of Property A has already been made in the interim consolidated accounts of the Company for the six months ended 30 June 2005. As Property C will remain vested in Merry World as the owner, the previous provision of HK\$43,722,000 made in the interim consolidated accounts of the Group for the six months ended 30 June 2005 will be reversed by the Group for the retention of Property C by Merry World.

LETTER FROM THE BOARD

As none of Property A and Property C forms part of the operation base of the Group and no revenue has ever been generated from any of them to the Group, save as disclosed above, the Directors are of the view that the entering into the Settlement Agreements are not expected to have a material adverse impact on the present operations of the Group, including the earnings, assets and liabilities of the Group. The Group intends to use Property C (the entire Zone C of gross floor area of approximately 5,300 square metres) for investment purpose and depending on the market condition, is considering letting it out when suitable tenant can be identified.

6. GENERAL

The Group is principally engaged in the business of, among others, logistics and trading business, property investment and development, and strategic investment in Hong Kong and the PRC. The Plaintiff is principally engaged in property development in the PRC.

The Property A Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

7. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,
By order of the Board
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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at the Latest Practicable Date, apart from as disclosed under the paragraph headed "Share Options Scheme" below, none of the Directors nor the chief executive of the Company had interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 they were taken or deemed to have under such provision of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Share Option Scheme

As at the Latest Practicable Date, the following Directors have personal interests in options to subscribe for the Shares granted under the share option schemes adopted by the Company on 24 June 2003:

Name of Director	Exercisable period	Exercise Price HK\$	Number of underlying shares of the Company interested	Approximate percentage of shareholding held upon exercise of all the options (Note)
Ma Zhengwu	9.3.2005 to 8.3.2009	0.364	1,200,000	0.07%
Zhang Guotong	9.3.2005 to 8.3.2009 29.9.2005 to 28.9.2008	0.364 0.245	1,200,000 3,000,000	0.07% 0.18%

Name of Director	Exercisable period	Exercise Price HK\$	Number of underlying shares of the Company interested	Approximate percentage of shareholding held upon exercise of all the options (Note)
Hong Shuikun	9.3.2005 to 8.3.2009	0.364	1,200,000	0.07%
Gu Laiyun	9.3.2005 to 8.3.2009 29.9.2005 to 28.9.2008	0.364 0.245	1,200,000 2,000,000	0.07% 0.12%
Xu Zhen	9.3.2005 to 8.3.2009	0.364	600,000	0.04%
			10,400,000	0.62%

Note: These percentages are calculated on the basis of the total number of issued shares of the Company as at the Latest Practicable Date i.e. 1,687,104,968.

3. DISCLOSEABLE INTEREST UNDER DIVISION 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

- (a) So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or a 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:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
World Gain Holdings Limited	controlled corporation	608,201,500(L)	36.05%
China Chengtong Hong Kong Company Limited	controlled corporation (Note 2)	608,201,500(L)	36.05%
China Chengtong Holdings Company	beneficial owner (Note 2)	608,201,500(L)	36.05%

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 Company.
- (b) So far as is known to the Directors, the following entities are, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company as at the Latest Practicable Date:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
Caesar Assets Limited	Skywalk Group Limited	30 shares of US\$1 each	30%
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%
Suzhou Nanda Cement Co. Ltd.	蘇州吳縣望亭水泥廠 (transliteration being Suzhou Wu County Wangting Cement Plant)	Registered capital of US\$5,069,600	28.97%
Zhongshi Investment Company Limited	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 RMB80,000,000	30%

- (c) Save as disclosed above, the Directors and chief executive of the Company are not aware of any other person who, as at the Latest Practicable Date, had an interest or a 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 who was, 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 any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, save as disclosed below, none of the members of the Group is engaged in any litigation or arbitration or claim of material importance and there is no litigation or arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group:

- (a) The Company commenced legal proceedings on 10 August 2002 against two former non-executive Directors, Mr. Chung Ho and Mr. Wu Yuehua and three other directors ("**New Directors**"), namely Wong Sun Keung, Lai Yau Hong and Ip Wing Chuen, appointed at a purported board meeting held on 4 August 2002 ("**Purported Board Meeting**") seeking to, amongst others, invalidate the resolutions in relation to the appointment of the New Directors passed at the Purported Board Meeting. The Group has discontinued the action on the New Directors who tendered their resignations as directors on 13 August 2002 and no progress of these legal proceedings since then.
- (b) The Group commenced a legal action in Hong Kong in September 2002 against (i) Sharp Class International Limited ("**Sharp Class**") to recover HK\$308 million paid to Sharp Class and (ii) Mr. Lo Chu Kong, a former chief executive officer of China-eDN.com Limited, a subsidiary of the Company, who approved the payment of HK\$308 million to Sharp Class. The Directors have no knowledge as to the exact purpose and nature of this payment for the lack of satisfactory records and the Company has reported this transaction to relevant government authorities. Default judgment for the amount claimed of approximately HK\$308 million plus interest and cost has been entered against Sharp Class on 21 January 2003 and no progress of this legal action since then. The Company is considering taking enforcement proceedings against Sharp Class.

- (c) The Group commenced a legal action in Hong Kong in November 2002 against (i) Sharp Class to recover HK\$50 million paid to Sharp Class and (ii) Mr. Yuen Wai (the former chairman) and Mr. Chung Ho (a former non-executive Director) who approved the payment of HK\$50 million to Sharp Class. The Directors have no knowledge as to the exact purpose and nature of this payment for the lack of satisfactory records and the Company has reported this transaction to relevant government authorities. Default judgment for the amount claimed of HK\$50 million plus interest and cost has been entered against Sharp Class on 6 February 2003 and no progress of this legal action since then. The Company is considering taking enforcement proceedings against Sharp Class.
- (d) Two petitions dated 28 July 2003 and 11 May 2004 were filed by Guangzhou Sui Nan Building Development Limited against the Group's wholly owned subsidiary, Merry World, for the transfer of the Property A and Property C. Merry World was ordered to transfer the titles of both Property A and Property C to the plaintiff by the PRC courts on 13 July 2005 and 16 September 2005 respectively. Pursuant to the Settlement Agreements as described in the section headed "Letter from the Board" of this circular, Property A was agreed to be transferred to the Plaintiff and Property C was, despite the order of the PRC courts, agreed to be retained by Merry World.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or any of their respective 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.

7. GENERAL

- (a) The registered office of the Company is at Suites 2904-2907, 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (b) The secretary of the Company is Mr. Lai Ka Fai Albert, who is a solicitor of the High Court of Hong Kong.
- (c) The qualified accountant of the Company is Ms. To Suen Fan, Lisa, who is a member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.
- (d) The Company's share registrar is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail over the Chinese text.