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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)

MAJOR TRANSACTION:
in relation to the disposal of a subsidiary
and
RESUMPTION OF TRADING

The Board is pleased to announce that the Vendor and the Purchaser has entered into the Disposal Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Sale Loan at US\$24,701,754 (equivalent to approximately HK\$192,673,681). The Disposal is on terms and conditions set out in the Disposal Agreement, the principal terms of which are set out in this announcement.

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is conditional on approval by the Shareholders at the EGM.

A circular containing further information on the Disposal and the Group, together with a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the main board of the Stock Exchange was suspended with effect from 9:30 a.m. on 12 January 2006 at the request of the Company pending the publication of this announcement. The Company has applied to the Stock Exchange for the resumption of trading of Shares with effect from 9:30 a.m. on 8 February 2006.

Reference is made to the announcement dated 12 January 2006 of the Company requesting for a suspension in the trading of its Shares pending the release of an announcement on a very substantial disposal. The Board is pleased to announce that the Vendor and the Purchaser entered into the Disposal Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Sale Loan. The Disposal constitutes a major transaction (instead of a very substantial disposal) for the Company under Chapter 14 of the Listing Rules. The date and the principal terms of the Disposal Agreement are set out below.

THE DISPOSAL AGREEMENT

1. Date

11 January 2006

2. Parties

Vendor : Shine Ocean Limited, a wholly owned subsidiary of the Company

Purchaser : Strong Grace Limited, a company incorporated in Hong Kong

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the principal activity of the Purchaser is investment holding and its ultimate beneficial owners are independent third parties.

3. Assets to be disposed of

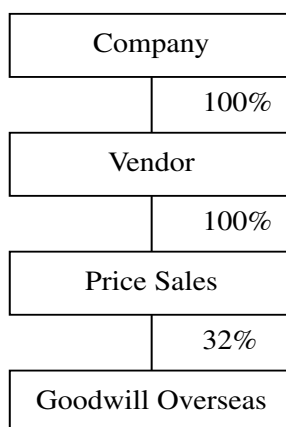
The Sale Shares , representing the entire issued share capital of Price Sales, and the Sale Loan.

Price Sales is an indirectly held wholly owned subsidiary of the Company held through, inter alia, the Vendor. Price Sales is the registered owner of 32% interest in Goodwill Overseas, which is owned as to the balance of 68% interests by the other shareholders of Goodwill Overseas who are independent third parties.

Following completion of the Disposal, the Company will cease to hold any interest in Price Sales and Price Sales will cease to be a subsidiary of the Company.

The shareholding structure before and immediately after the Disposal is as shown in the graphs below:

before Disposal



immediately after the Disposal (not taking into account any interest in Goodwill Overseas that may be acquired by the Purchaser as mentioned in paragraph 5(2) below)



4. Consideration

The Consideration is US\$24,701,754 (equivalent to approximately HK\$192,673,681) and is to be satisfied by the Purchaser in the manner provided below:

- (1) a deposit of US\$561,403 (equivalent to approximately HK\$4,378,943) is to be paid within 5 working days of the date of the Disposal Agreement to be held by the solicitors of the Purchaser as stakeholders until satisfactory due diligence review by the Purchaser. The said deposit has been paid on 6 January 2006;
- (2) a further deposit of US\$4,500,000 (equivalent to approximately HK\$35,100,000) is to be paid upon satisfactory due diligence by the Purchaser and signing of the Formal Agreement within 3 months from the date of the Disposal Agreement or from the date of production by the Vendor of the Shareholders' resolution approving the Disposal at the EGM, whichever is the latter; and
- (3) the balance in the sum of US\$19,640,351 (equivalent to approximately HK\$153,194,738) is to be paid within 6 months from the date of the Formal Agreement.

The Directors confirm that the Consideration has been determined after arm's length negotiation between the parties to the Disposal Agreement with reference to the unaudited net liability of Price Sales of approximately HK\$11,886,130 as at 31 December 2005 as shown on the management accounts of Price Sales prepared in accordance with the Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards.

5. Conditions of the Disposal

The Disposal is conditional upon the following:

- (1) the passing at the EGM of a resolution of the Shareholders approving the Disposal in accordance with the terms of the Disposal Agreement pursuant to the requirements of the Listing Rules (in this regard, the Vendor shall procure World Gain Holdings Limited, which is the substantial shareholder (as defined in the Listing Rules) of the Company, to vote in favour of the resolution approving the Disposal at the EGM)

- (2) the other shareholder(s) of Goodwill Overseas (or their beneficial owners) shall enter into an agreement with the Purchaser (or its nominated wholly owned subsidiary) for the sale of their interest in Goodwill Overseas in form satisfactory to the Purchaser before Completion
- (3) satisfactory due diligence review by the Purchaser

As far as the Directors are aware, none of the above conditions have been fulfilled as at the date of this announcement.

6. Other terms

The Purchaser shall be entitled to share in the rental income derived from East Ocean Centre Phase 2 (a multi-storey commercial building located at 618 Yan'An Road East, Huangpu District, Shanghai, the PRC) as is reasonable between the date of the Disposal Agreement and Completion based on the proportionate amount of Consideration paid by the Purchaser, which rental income is returnable to Price Sales after deduction of a sum calculated at the rate of 6-month Hongkong Interbank Offer rate plus 2.5% per annum on the amount paid by the Purchaser should the conditions set out in paragraph 5 above shall not be fulfilled. The said rental income is referring to the repayment by Kingdom Land Investment & Development Co. Limited of the amount due to Goodwill Overseas as mentioned in the section "Information of the Vendor and Price Sales Group" below as is derived from the rental income of East Ocean Centre Phase 2.

If within 12 months from the date of the Disposal Agreement, East Ocean Centre Phase 2 shall be sold to a third party at a price which entitles Price Sales to receive dividends and repayment of shareholder's loans over and above the Consideration, each of the Vendor and the Purchaser shall be entitled to 50% of the portion over and above the Consideration. The said dividends as may be received by Price Sales is referring to the dividends that may be declared by Goodwill Overseas in favour of Price Sales in the event that repayment shall be made by Kingdom Land Investment & Development Co. Limited of the amount due to Goodwill Overseas as mentioned in the section "Information of the Vendor and Price Sales Group" below as are derived from the sale of East Ocean Centre Phase 2.

The Purchaser shall be entitled to appoint one director to the board of directors of Goodwill Overseas prior to Completion. The director appointed shall resign from office in the event that the Purchaser should fail to proceed to Completion.

The Formal Agreement, with the principal terms of the Disposal Agreement and such other terms as shall be agreed by the parties is to be signed by the Vendor and the Purchaser (or its nominated wholly owned subsidiary) within 3 months of the Disposal Agreement.

7. Completion

Completion shall take place within six months from the date of the Formal Agreement.

INFORMATION OF THE VENDOR AND PRICE SALES GROUP

The Vendor, a wholly owned subsidiary of the Company, is principally engaged in the holding of the Group's investments, one of which is its 100% interest in Price Sales. Price Sales is principally engaged in investment holding. The only investment of Price Sales is its 32% interest in Goodwill Overseas.

Other than the loan to Kingdom Land Investment & Development Co. Limited as mentioned below, Goodwill Overseas is not currently engaged in any business.

Kingdom Land Investment & Development Co. Limited, the 95% ultimate beneficial owner of East Ocean Centre Phase 2, is indebted to Goodwill Overseas in the principal amount of approximately USD69,173,248 (equivalent to approximately HK\$539,551,334) as at 31 December 2004 which is unsecured and interest free. The remaining 5% ultimate beneficial owner of East Ocean Centre Phase 2 is an independent third party. Kingdom Land Investment & Development Co. Limited is one of the beneficial owners of Goodwill Overseas holding approximately 10% interest in Goodwill Overseas. East Ocean Centre Phase 2 is currently not subject to any mortgage or charge and its registered owner is Shanghai Xing Tai Real Estate Development Co. Limited, a company incorporated in the PRC which is beneficially owned as to 95% by Kingdom Land Investment & Development Co. Limited and as to the remaining 5% by an independent third party as aforesaid mentioned.

The table below set out the unaudited financial information of Price Sales for the year ended 31 March 2004 and the nine months ended 31 December 2004 and for the twelve months ended 31 December 2005 as shown on the management accounts of Price Sales prepared in accordance with the Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards:

	Year ended 31 March 2004 approximately HK\$'000	Nine months ended 31 December 2004 approximately HK\$'000	Twelve months ended 31 December 2005 approximately HK\$'000
loss before taxation and minority interest	20	23	72
net loss	20	23	72
net liability	<u>11,791</u>	<u>11,814</u>	<u>11,886</u>

FINANCIAL EFFECT OF THE DISPOSAL

For illustrative purpose only, the Company is expected to have a gain on the Disposal of approximately HK\$31,593,190 as at 31 December 2005, based on the unaudited carrying value of this investment of approximately HK\$161,080,491 as at 31 December 2005 if the Disposal were completed on 31 December 2005.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Directors consider that the Disposal represents a good opportunity for the Company to realized its investment at a price which is reasonable to the Company in view of the financial information of Price Sales as mentioned above.

The Directors (including the independent non-executive Directors) are of the view that the Disposal is on normal commercial terms to the Company and the terms of the Disposal are fair and reasonable to and in the interests of the Shareholders as a whole.

The Group intends to apply the net proceeds of approximately HK\$190 million from the Disposal as additional working capital of the Group. As at the date of this announcement, no investment targets have been identified by the Group for the application of the net proceeds of the Disposal.

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 Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is conditional on approval by the Shareholders at the EGM. The Company has confirmed with the Purchaser that none of the Purchaser nor any of its associates is holding any Shares. Therefore, no Shareholder is required to abstain from voting at the EGM.

A circular containing further information on the Disposal and the Group, together with a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement, the Board comprises the following members:

Executive Directors:

Mr Zhang Guotong, Mr Wang Hongxin and Mr Wu Chun Wah, Michael

Non-executive Directors:

Mr Ma Zhengwu, Mr Hong Shuikun, Mr Gu Laiyun and Ms Xu Zhen

Independent non-executive Directors:

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

TRADING SUSPENSION AND RESUMPTION

Trading in the Shares on the Main Board of the Stock Exchange was suspended with effect from 9:30 a.m. on 12 January 2006 at the request of the Company pending the publication of this announcement. The Company has applied to the Stock Exchange for the resumption of trading of Shares with effect from 9:30 a.m. on 8 February 2006.

DEFINITIONS

“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

“Completion”	the completion of the Disposal in accordance with the Disposal Agreement (or when entered into, the Formal Agreement)
“Consideration”	the consideration that the Purchaser has to pay for the purchase of the Sale Shares and the Sale Loan
“Directors”	the directors of the Company
“Disposal”	the sale of the Company’s entire equity interests in Price Sales to the Purchaser (or its nominated wholly owned subsidiary) on the terms and conditions of the Disposal Agreement
“Disposal Agreement”	The conditional agreement dated 11 January 2006 entered into between the Vendor and the Purchaser relating to the Disposal
“East Ocean Centre Phase 2”	East Ocean Centre Phase 2, 618 Yan’An Road East, Huangpu District, Shanghai, the PRC
“EGM”	an extraordinary general meeting of the Company to be convened and held for approving, among other matters, the Disposal
“Formal Agreement”	The formal agreement to be entered into by the Vendor and the Purchaser (or its nominated wholly owned subsidiary) embodying the principal terms of the Disposal Agreement and such other terms as shall be agreed by the parties
“Goodwill Overseas”	Goodwill (Overseas) Limited, a company incorporated in the British Virgin Islands and is owned as to 32% by Price Sales and as to the balance of 68% by various independent third parties
“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 party”	party who is 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Price Sales”	Price Sales Limited, a company incorporated in Hong Kong and an indirectly held wholly owned subsidiary of the Company held through, inter alia, the Vendor

“Purchaser”	Strong Grace Limited, a company incorporated in Hong Kong
“Sale Loan”	the interest-free shareholder loan advanced by or on behalf of the Vendor to Price Sales in the principal amount of approximately HK\$181,223,226 as at the date of the Disposal Agreement
“Sale Shares”	the 10,000 issued shares of par value of HK\$1.00 each in the capital of Price Sales, representing the entire issued share capital of Price Sales
“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
“Vendor”	Shine Ocean Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	the United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this announcement, the following exchange rate has been adopted:

HK\$7.8 to US\$1.00

By Order of the Board
China Chengtong Development Group Limited
Zhang Guotong
Managing Director

Hong Kong, 7 February 2006