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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

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.

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. A circular containing further information on the transfer will be despatched to the shareholders of the Company as soon as practicable.

Reference is made to the following announcements (the “**Announcements**”) of China Chengtong Development Group Limited (the “**Company**”, which together with its subsidiaries are referred to as the “**Group**”):

- (1) announcement dated 7 October 2005 on the judgment (“**Property A Judgment**”) of The Intermediate People’s Court of Guangzhou City dated 13 July 2005 ordering, inter alia, the transfer of a property situated at the Guangzhou City of the Guangdong Province of the People’s Republic of China (“**PRC**”) known as Zone A of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District (“**Property A**”) by Merry World Associates Limited (“**Merry World**”), a wholly owned subsidiary of the Company, to 廣州穗南房產發展有限公司 (translated as Guangzhou Shi Nan Building Development Limited) (“**Plaintiff**”); and
- (2) announcement dated 21 September 2005 on the judgment (“**Property C Judgment**”, which together with the Property A Judgment are referred to as the “**Properties Judgments**”) of The Intermediate People’s Court of Guangzhou City dated 16 September 2005 ordering, inter alia, the transfer of 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**”) by Merry World to the Plaintiff.

Merry World has on 1 March 2006 entered into two settlement agreements with the Plaintiff in relation to Property A (“**Property A Settlement Agreement**”) and Property C (“**Property C Settlement Agreement**”), which together with the Property A Settlement Agreement are referred to as the “**Settlement Agreements**”) 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:

## **I. THE SETTLEMENT AGREEMENTS**

### **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 of the Company (“**Directors**”) having made all reasonable enquiry, the principal activity of the Plaintiff is property development and its ultimate beneficial owners are independent third parties who are independent of and not connected with the Company and any of the directors, chief executive and substantial shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”)) of the Company or any of its subsidiaries, or any of their respective associates (as defined in the Listing Rules) (“**independent third parties**”).

3. Principal terms : Conditional upon signing of the Property C Settlement Agreement:
  - (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.
  - (b) Merry World shall transfer Property A (the “**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:
  - (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.
- (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.

## II. THE PROPERTIES

Property A comprises the entire Zone A of gross floor area of approximately 5,400 square metre 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 metre 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 metre 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.

## III. 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 an agreement signed between the Plaintiff and Merry World on 25 April 2001 (“**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.

#### **IV. FINANCIAL EFFECT OF THE SETTLEMENT AGREEMENTS**

The Group is not expected to recognise any gain or loss as a result of the Property A Transfer as full provision of the carrying value 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, a reversal of previous provision of HK\$43,722,000 made will be recognized by the Group for the retention of Property C by Merry World.

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, the Directors are of the view that the entering into of the Settlement Agreements are not expected to have a material adverse impact on the present operations of the Group. The Group intends to use Property C for investment purpose and depending on the market condition, is considering letting it out when suitable tenant can be identified.

#### **V. 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 Property A Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing further details of the Property A Transfer will be despatched to the shareholders of the Company as soon as practicable.

As at the date of this announcement, the board of Directors of the Company comprises the following members:

***Executive Directors:***

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

***Non-executive Directors:***

Mr Ma Zhengwu (Chairman), 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

By order of the board of directors of  
**China Chengtong Development Group Limited**  
**Zhang Guotong**  
*Managing Director*

Hong Kong, 30 March 2006