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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:  
ACQUISITION OF PROPERTY DEVELOPMENT COMPANY**

During the financial year ended 31 December 2005, the Group's property development business initiated a good start by completing its residential development project in Beijing and sold all residential units of the project during the period. To further enhance the Group's property development business in the PRC, the Company had through its wholly owned subsidiary, the Purchaser, acquired the entire equity interests in Target Company, which is one of the three equity owners of a property development company in PRC, and completed the acquisition on 15 June 2006 upon signing of the Acquisition Agreement on the same date. The Acquisition is on terms and conditions set out in the Acquisition Agreement, the principal terms of which are set out in this announcement.

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing further information on the Acquisition and the Huzhou Land Group will be despatched to the Shareholders as soon as practicable.

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The principal terms of the Acquisition Agreement are set out below.

## THE ACQUISITION AGREEMENT

### 1. Date

15 June 2006

### 2. Parties

Vendor: Time Add International Limited, a company incorporated in the British Virgin Islands. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the principal activity of the Vendor is investment holdings and its ultimate beneficial owner is an independent third party.

Purchaser: Talent Dragon Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company.

### 3. Assets acquired

The Sale Shares, i.e., 100 shares of HK\$1.00 par value each in the capital of Target Company, represent the entire issued share capital of Target Company which is legally and beneficially owned by the Vendor and free from encumbrances.

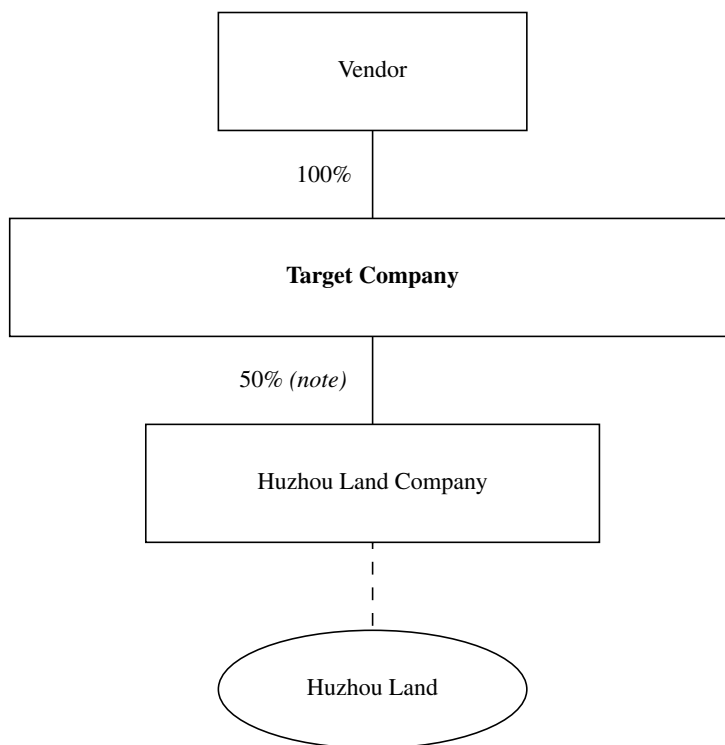
The Sale Loan, i.e., RMB22,456,860.84 (equivalent to approximately HK\$21,739,458.70), which is unsecured and interest free.

Target Company is one of the three equity owners of Huzhou Land Company, which in turn will be registered as the owner of Huzhou Land upon the obtaining of the relevant state-owned land use right certificate. The Acquisition is effectively for the acquisition of a 50% effective interest in Huzhou Land Company by the Group.

The Acquisition was completed on 15 June 2006. Target Company became an indirect wholly owned subsidiary of the Company after completion of the Acquisition. Huzhou Land Company will not be accounted for and consolidated in the audited consolidated accounts of the Company as a subsidiary after completion of the Acquisition as the Company only has a 50% attributable equity interest in Huzhou Land Company and Target Company does not control the composition of the board of directors of Huzhou Land Company (the board of directors of Huzhou Land Company comprises 6 members to which Target Company could nominate 3 members; the chairman of the board of directors is appointed by the other equity owner of Huzhou Land Company). Huzhou Land Company will be accounted for as an investment in jointly controlled entity in the audited consolidated accounts of the Company after completion of the Acquisition.

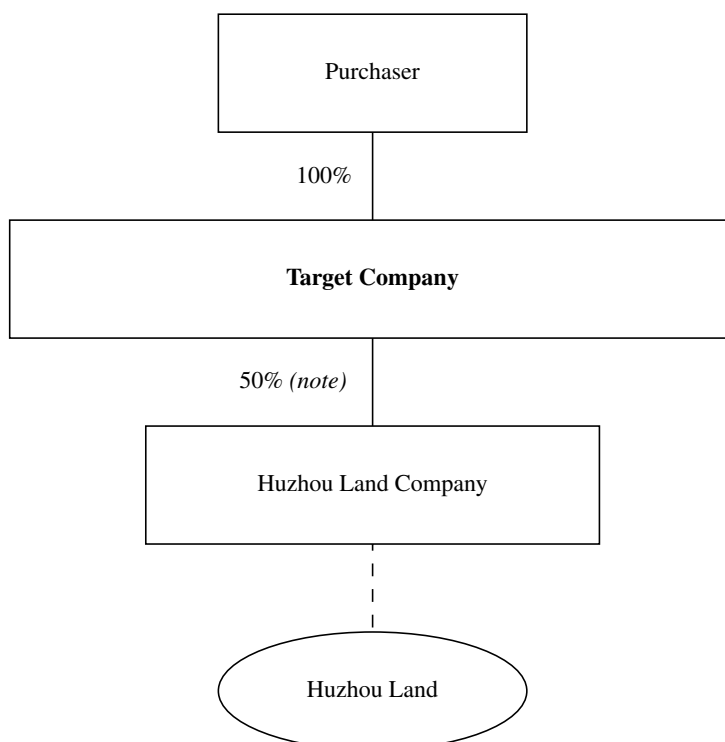
The shareholding structures immediately before and after completion of the Acquisition are diagrammatically as shown below respectively:

***Immediately before completion of the Acquisition***



*Note:* The capital commitment of Target Company is 50% of the registered capital of Huzhou Land Company. As at the date of completion of the Acquisition, Target Company has contributed approximately 23.52% of its capital commitment towards Huzhou Land Company.

***Immediately after completion of the Acquisition***



*Note:* The capital commitment of Target Company is 50% of the registered capital of Huzhou Land Company. As at the date of completion of the Acquisition, Target Company has contributed approximately 23.52% of its committed capital contribution towards Huzhou Land Company.

#### **4. Consideration and terms of payment**

The Consideration is RMB27,513,131.36 (equivalent to approximately HK\$26,634,202.67), the payment terms of which are as follows:

- (1) RMB1,000 (equivalent to approximately HK\$968) has been paid upon signing of the Acquisition Agreement; and
- (2) subject to fulfillment (or waiver) of all the conditions set out in the paragraph headed “Conditions of Payment of Balance of Consideration” below, the balance of the Consideration in the sum of RMB27,512,131.36 (equivalent to approximately HK\$26,633,234.67) is to be paid within 3 months from the date of completion of the Acquisition (i.e. 15 September 2006) (“**Final Payment Date**”).

The Directors confirm that the Consideration was arrived at after arm’s length negotiations between the parties to the Acquisition Agreement and is at a discount of approximately 57% to the valuation of Huzhou Land Company as attributable to a 50% interest therein of approximately RMB63,812,000 (equivalent to approximately HK\$61,773,000) as at 30 April 2006 as appraised by an independent third party valuer on the basis of costs approach (成本加和法). The Consideration amounts to a premium of approximately 29% to 50% net asset value of Huzhou Land Company as at 30 April 2006 referred to in the third paragraph of the section below headed “Information of the Huzhou Land Group”.

#### **5. Conditions of Payment of Balance of Consideration**

Payment of the balance of the Consideration in the sum of RMB27,512,131.36 (equivalent to approximately HK\$26,633,234.67) is principally conditional upon the following:

- (1) on or before the business day immediately preceding the Final Payment Date, the Purchaser being satisfied with its due diligence review of Target Company and Huzhou Land Company
- (2) on or before the business day immediately preceding the Final Payment Date, the obtaining by the Purchaser of a legal opinion on, inter alia, the due incorporation, legal status and valid subsistence of Huzhou Land Company, the legal and valid title of Huzhou Land Company to the Huzhou Land and the due obtaining of all necessary approvals, consents and/or licences in relation to the Huzhou Land and for the business of Huzhou Land Company

- (3) on or before the seventh business day immediately preceding the Final Payment Date, (i) the payments in full of the land premium and all other sums payable for the transfer of the state-owned land use right of the Huzhou Land to Huzhou Land Company; (ii) the obtaining of a valid state-owned land use right certificate of the Huzhou Land in the name of Huzhou Land Company; (iii) the obtaining of all necessary licences, certificate, consents, approvals for the construction and development of the Huzhou Land into a residential and commercial development; (iv) the obtaining of a valid certificate necessary for the carrying on of the business of land and property development of Huzhou Land Company in the PRC; (v) the obtaining of a valid business licence of Huzhou Land Company; (vi) the obtaining of all necessary licences, certificates, consents and approvals for the due establishment of the Huzhou Land Company and changes in its registered capital and due filing/registration of all necessary documents with the relevant PRC approving authorities; (vii) the due settlement in full of all amounts due or owing to members of the Huzhou Land Group by the Vendor, the equity owners of the Huzhou Land Company and their respective associates;
- (4) on or before 30 June 2006, each of the three equity owners of Huzhou Land Company shall have contributed its share of capital commitment to the registered capital of Huzhou Land Company as follows:
  - (a) RMB48,000,000 by Target Company
  - (b) RMB48,000,000 by the two remaining equity owners of Huzhou Land Company

The Purchaser may waive any of the above conditions in whole or in part or to extend the times for their fulfillment on such terms and conditions as the Purchaser shall determine.

None of the above conditions have been fully fulfilled as at the date of this announcement and the Company has no intention to waive any of the above conditions.

## **6. Put Option**

If any of the conditions set out in the above paragraph headed “Conditions of Payment of Balance of Consideration” shall not have been fulfilled (or, as the case may be, waived) by the dates as stipulated above, the Purchaser shall have no further obligation to effect payment of the balance of the Consideration on the Final Payment Date, in which case, the Purchaser shall have the right to require the Vendor to purchase from the Purchaser the Sale Shares and all amounts (together with interest (if any)) due by members of the Huzhou Land Group to the Purchaser and/or its associates at 110% of the aggregate amounts of (a) the Consideration then paid by the Purchaser; and (b) the amount then due and owing together with interest (if any) by members of the Huzhou Land Group to the Purchaser and/or its associates, by serving on the Vendor a notice to this effect on or before the Final Payment Date.

## **INFORMATION OF THE HUZHOULAND GROUP**

Target Company is a company incorporated in Hong Kong in May 2005. The principal activity of Target Company is its investment as one of three equity owners of Huzhou Land Company. No audited accounts of Target Company had been prepared as at the date of the Acquisition Agreement.

Huzhou Land Company is a sino-foreign equity joint venture established in the PRC in December 2005 solely engaged in the development, construction and operation of the Huzhou Land. Huzhou Land Company has three equity owners, one of whom is Target Company which having a capital commitment of 50% to the registered capital of Huzhou Land Company. The capital commitment of the other two equity owners, which are independent third parties, are 31% and 19% respectively. No audited accounts of Huzhou Land Company had been prepared by Huzhou Land Company as at the date of the Acquisition Agreement.

As part of the due diligence review of the Huzhou Land Group, the Purchaser had commissioned an audited review of the net asset value of Huzhou Land Company. According to such review, the net asset value of Huzhou Land Company calculated on the basis of applicable PRC accounting standards was approximately RMB42,788,000 (equivalent to approximately HK\$41,421,000) as at 30 April 2006.

Huzhou Land is a piece of vacant land of site area of approximately 214,000 square metre situated at Nos. 19, 20A of West Southern District of Huzhou City of the Zhejiang Province (浙江省湖州市西南分區19號、20號-A). The Huzhou Land is to be developed as a residential and commercial development for the re-housing of local farmers with a total building floor area of approximately 290,000 square metre. The whole development of Huzhou Land will be purchased by Huzhou People's Government upon its completion at an agreed consideration. An announcement will be made by the Company in the event of purchase of the completed development of Huzhou Land by the Huzhou People's Government in accordance with the applicable requirements of the Listing Rules.

As at the date of the Acquisition Agreement, the capital contribution made by Target Company amounted to RMB22,513,131.36 (or approximately 23.52%) of its capital commitment of RMB95,700,000 to the registered capital of Huzhou Land Company (or 50% of the registered capital of Huzhou Land Company). After completion of the Acquisition, the Company will, through Target Company, continue the remaining capital commitment of Target Company of approximately RMB73,186,868 (equivalent to approximately HK\$70,848,856) towards the registered capital of Huzhou Land Company by advancing HK\$48,000,000 (equivalent to approximately RMB49,584,000) to Target Company to meet its obligations in this regard for the time being.

## **REASONS FOR THE ACQUISITION**

During the financial year ended 31 December 2005, the Group's property development business initiated a good start by completing its residential development project in Beijing. The Group expected that the demand for commercial and residential development and logistics property in Mainland China will continue to grow driven by a continue and rapid increase in residence income and urbanization process. The Board considers that the Acquisition will further enhance the Group's property development business in this regard.

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

## **REQUIREMENTS OF THE LISTING RULES**

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing further information on the Acquisition and the Huzhou Land Group will be despatched to the Shareholders as soon as practicable.

## **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.

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

### *Executive Directors:*

Mr Zhang Guotong and Mr Wang Hongxin

### *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.

## **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 Acquisition in accordance with the Acquisition 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
“Acquisition”	the acquisition of the Sale Shares in and the Sale Loan to Target Company by the Purchaser on the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	The agreement dated 15 June 2006 entered into between the Vendor and the Purchaser relating to the Acquisition

“Huzhou Land”	a piece of land allocated with land lot no.2006-08 located at Nos. 19, 20A of West Southern District of Huzhou City of the Zhejiang Province (浙江省湖州市西南分區19號、20號-A地塊(地塊編號2006-08號))
“Huzhou Land Company”	湖州萬港聯合置業有限公司 (translated as Huzhou Wangang United Estate Company Limited), a sino-foreign equity joint venture established in the PRC, of which Target Company and the other two equity owners have a capital commitment of 50%, 31% and 19% respectively to its registered capital
“Huzhou Land Group”	collectively, Target Company and Huzhou Land 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 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
“Purchaser”	Talent Dragon Limited, a company incorporated in the British Virgin Islands and is the purchaser of the Sale Shares and the Sale Loan
“Sale Loan”	the interest free and unsecured shareholder’s loan advanced by or on behalf of the Vendor to Target Company in the principal amount of approximately RMB22,456,860.84 (equivalent to HK\$21,739,458.70)
“Sale Shares”	the 100 issued shares of par value of HK\$1.00 each in the capital of Target Company, representing the entire issued share capital of Target Company
“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
“Target Company”	Great Royal International Limited, a company incorporated in Hong Kong
“Vendor”	Time Add International Limited, a company incorporated in the British Virgin Islands and is the vendor of the Sale Shares and the Sale Loan,



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

*In this announcement, unless the context otherwise requires, translations of RMB to HK\$ are made for illustration purposes only, at the rate of RMB1.00 = HK\$0.968. No representation is made in this announcement that any amounts in RMB or HK\$ could have been or could be converted at the above rate or any other rates at all.*

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

Hong Kong, 20 June 2006