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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)

TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

RESUMPTION OF TRADING

Placing Agent



Oriental Patron Asia Limited

On 8 August 2006, the Vendor, the Placing Agent and the Company entered into the Top-Up Placing and Subscription Agreement.

Pursuant to the Top-Up Placing and Subscription Agreement, the Vendor agreed to place an aggregate of up to 332,000,000 Placing Shares through the Placing Agent, on a best efforts basis at a price of HK\$0.30 per Placing Share. The three places as identified by the Placing Agent are independent individual or corporate investors (as the case may be), and who and (where a corporation) whose ultimate beneficial owners (i) are not connected persons (as defined under the Listing Rules) of the Company; (ii) are independent of the Company and its connected persons (as defined under the Listing Rules) and (iii) not acting in concert with the Vendor and its concert parties (within the meaning of the Code) and other placees.

Pursuant to the Top-Up Placing and Subscription Agreement, the Vendor conditionally agreed to subscribe for an aggregate of up to 332,000,000 Subscription Shares at a price of HK\$0.30 per Subscription Share.

The Placing Shares (or the Subscription Shares) of up to 332,000,000 Shares represent (i) about 19.68% of the existing issued share capital of the Company of 1,687,104,968 Shares; and (ii) about 16.44% of the enlarged issued share capital of the Company of 2,019,104,968 Shares as a result of the Subscription.

The Placing Price (and the Subscription Price) of HK\$0.30 per Share represents: (i) a discount of about 10.45% to the closing price of HK\$0.335 per Share as quoted on the Stock Exchange at 2:59 p.m. on the Last Trading Day; (ii) a discount of about 6.83% to the average closing price per Share of approximately HK\$0.322 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a discount of about 5.96% to the average closing price per Share of approximately HK\$0.319 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Subscription is conditional upon (1) the completion of the Placing; (2) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares; and (3) the granting of a waiver by the Executive to the Vendor to the effect that neither the Vendor nor any party acting in concert with it will be obliged to make a general offer for the Shares under the Code as a result of the Placing and the Subscription pursuant to the Top-Up Placing and Subscription Agreement.

The gross and net proceeds (net of any expenses to be borne by the Company) from the Subscription will be about HK\$99.6 million and about HK\$98.1 million respectively. The net proceeds from the Subscription will be applied as to about 60% thereof for investment in the Group's property development business in the PRC and as to the remaining 40% thereof for general working capital of the Company, subject to such adjustment as to amount and proportion as the Directors consider appropriate.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:59 p.m. on 8 August 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 9 August 2006.

I. THE TOP-UP PLACING AND SUBSCRIPTION AGREEMENT

Date

8 August 2006

Parties

The Vendor, the Placing Agent and the Company.

The Vendor, World Gain Holdings Limited – a company wholly and directly owned by China Chengtong Hong Kong Company Limited, which in turn is wholly and directly owned by China Chengtong Holdings Group Limited (formerly known as China Chengtong Holdings Company) which is a state-owned enterprise established in the PRC under the auspices of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), is a substantial shareholder of the Company holding 608,201,500 Shares (representing approximately 36.05 per cent. of the existing issued share capital of the Company) immediately prior to the date of the Top-Up Placing and Subscription Agreement.

A. THE PLACING

Placing Agent and the Placees

Oriental Patron Asia Limited is appointed by the Vendor as its placing agent to procure the placing of the Placing Shares on a best effort basis.

The Placing Shares will be placed to three placees as identified by the Placing Agent. According to the information provided by the Placing Agent, the three placees are:

- (a) Mr. Hua Sheng;
- (b) Mr. Dai Fan; and
- (c) Benemo Corporation, whose ultimate beneficial owners are Mr. Xu Yu Rong and Mr. Lin Xiang, each holding 50% interest in the company.

The Placing Shares of up to 332,000,000 in number are proposed to be placed to the placees as to (a) 166,000,000 Placing Shares to Benemo Corporation; (b) 99,600,000 Placing Shares to Mr. Dai Fan; and (iii) 66,400,000 Placing Shares to Mr. Hua Sheng.

To the best of the knowledge of the Directors, the above placees are (where an individual) independent individual and (where a corporation) independent corporate investors, and who and (where a corporation) whose ultimate beneficial owners (i) are not connected persons (as defined under the Listing Rules) of the Company; and (ii) are independent of the Company and its connected persons (as defined under the Listing Rules); and (iii) not acting in concert with the Vendor and its concert parties (within the meaning of the Code) and the other placees.

One of the placees, Mr. Hua Sheng, is currently interested in 32,200,000 Shares of the Company immediately before the Placing and the Subscription. Other than as aforesaid, to the best of the knowledge of the Directors, none of the placees have any business relationships and/or other relationships with the Company.

To the best knowledge of the Directors, none of the above placees will become substantial shareholders (within the meaning ascribed to it in the Listing Rules) of the Company immediately following the Placing.

The Placing Agent and its ultimate beneficial owners are not connected persons (as defined under the Listing Rules) of the Company and are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The Placing Agent will charge a placing commission of 1.00% of the aggregate Placing Price of the Placing Shares actually placed under the Placing.

Placing Price

The Placing Price (and the Subscription Price) of HK\$0.30 per Share represents:

- (i) a discount of about 10.45% to the closing price of HK\$0.335 per Share as quoted on the Stock Exchange at 2:59 p.m. on the Last Trading Day;
- (ii) a discount of about 6.83% to the average closing price per Share of approximately HK\$0.322 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of about 5.96% to the average closing price per Share of approximately HK\$0.319 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Company will bear the costs and expenses in connection with the Placing and Subscription incurred by the Vendor and itself. Taking into account the estimated expenses of the Placing and Subscription in the total amount of approximately HK\$1.52 million, the net price of each Placing Share (and each Subscription Share) to be received by the Vendor (in the case of Placing) (and the Company (in the case of Subscription)) is approximately HK\$0.295.

The Placing Price is negotiated on an arm's length basis amongst the Vendor, the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and its Shareholders as a whole.

Placing Shares

The Placing Shares of 332,000,000 Shares represent (i) about 19.68% of the existing issued share capital of the Company of 1,687,104,968 Shares; and (ii) about 16.44% of the enlarged issued share capital of the Company of 2,019,104,968 Shares as a result of the Subscription.

Completion of the Placing

Under the Top-Up Placing and Subscription Agreement, completion of the Placing is to be completed on 11 August 2006 or on such other date as may be agreed between the Vendor and the Placing Agent.

Rights of the Placing Shares

The Placing Shares will be sold by the Vendor free from all liens, charges, encumbrances and any third party rights and together with all rights attaching thereto at the date of completion of the Placing.

B. THE SUBSCRIPTION

Subscriber

The Vendor.

Subscription Price

The Subscription Price is HK\$0.30 per Subscription Share. The Subscription Price is the same as the Placing Price and is determined after arm's length negotiation amongst the Company, the Vendor and the Placing Agent with reference to the Placing Price of the Placing Shares.

The Directors consider that the terms of the Subscription are fair and reasonable taking into account of the Placing and is in the interests of the Company and its Shareholders as a whole.

Number of Subscription Shares

The number of Subscription Shares is equivalent to the number of Placing Shares, being up to 332,000,000 Shares with aggregate nominal value of up to HK\$33,200,000.00.

The Subscription Shares of 332,000,000 Shares represent (i) about 19.68% of the existing issued share capital of the Company of 1,687,104,968 Shares; and (ii) about 16.44% of the enlarged issued share capital of the Company of 2,019,104,968 Shares as a result of the Subscription.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with all other Shares presently in issue and at the time of issue and allotment of the Subscription Shares.

Conditions of the Subscription

The Subscription is conditional upon (1) the completion of the Placing; (2) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares; and (3) the granting of a waiver by the Executive to the Vendor to the effect that neither the Vendor nor any party acting in concert with it will be obliged to make a general offer for the Shares under the Code as a result of the Placing and the Subscription pursuant to the Top-Up Placing and Subscription Agreement. None of the foregoing conditions can be waived by the parties to the Top-Up Placing and Subscription Agreement.

Application will be made to the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription

Under Rule 14A.31(3)(d) of the Listing Rules, the Subscription must be completed within 14 days after the date of the Top-Up Placing and Subscription Agreement, that is, on or before 22 August 2006, otherwise the Subscription will constitute a connected transaction for the Company under the Listing Rules which will require the approval of the independent Shareholders. Subject to the requirement of the Listing Rules, the Subscription is to be completed on the Subscription Completion Date.

In the event that the conditions to the Subscription are not fulfilled by 22 August 2006 (or such later date as the parties thereto may mutually agree), the Subscription will lapse. If the date of completion of the Subscription is to be extended beyond 22 August 2006, the Subscription will constitute a connected transaction for the Company under the Listing Rules which will require the approval of the independent Shareholders as mentioned above and the Company will take steps to ensure compliance with the Listing Rules. Further announcement will be made as and when appropriate.

II. EFFECTS ON SHAREHOLDING STRUCTURE

Assuming that 332,000,000 Placing Shares are fully placed under the Placing and the same number of Subscription Shares will be subscribed for by the Vendor, the shareholdings in the Company immediately before completion of the Placing and the Subscription, immediately after completion of the Placing but before completion of the Subscription, and immediately after the Subscription are as follows:

Names of Shareholders	Existing no. of Shares held	%	No. of Shares held immediately after completion of Placing but before Subscription	%	No. of Shares held immediately after completion of Placing and Subscription	%
The Vendor and parties acting in concert with it (notes 1 and 2)	608,201,500	36.05	276,201,500	16.37	608,201,500	30.12
Sub-total	608,201,500	36.05	276,201,500	16.37	608,201,500	30.12
Public	1,046,703,468	62.04	1,046,703,468	62.04	1,046,703,468	51.84
	(Public excluding places)		(Public excluding places)		(Public excluding places)	
Places						
Mr. Hua Sheng	32,200,000	1.91	98,600,000	5.85	98,600,000	4.89
Mr. Dai Fan	Nil	Nil	99,600,000	5.90	99,600,000	4.93
Benemo Corporation	Nil	Nil	166,000,000	9.84	166,000,000	8.22
Total	<u>1,687,104,968</u>	<u>100.00</u>	<u>1,687,104,968</u>	<u>100.00</u>	<u>2,019,104,968</u>	<u>100.00</u>

Notes:

- (1) The Vendor is the legal and beneficial owner of all these 608,201,500 Shares.
- (2) The entire issued share capital of the Vendor is wholly and beneficially owned by China Chengtong Hong Kong Limited and the entire share capital of which is wholly and beneficially owned by China Chengtong Holdings Group Limited (formerly known as China Chengtong Holdings Company).
- (3) No accounts has been taken in respect of any share options which have been or may be granted by the Company under its share option scheme.

III. IMPLICATIONS UNDER THE CODE AND APPLICATION FOR WAIVER

Pursuant to Rule 26.1 of the Code, the Vendor and parties acting in concert with it will have an obligation to make a general offer for all the Shares in the Company (other than those already held by them) as a result of their aggregate shareholding in the Company increasing from approximately 16.37% immediately after completion of the Placing but before completion of the Subscription to approximately 30.12% as a result of completion of the Subscription.

An application will be made to the Executive by the Vendor for the granting of a waiver from the general offer obligation that might otherwise arise under the Code as a result of the Subscription.

IV. REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

In view of the current market conditions, the Directors consider that the Placing and the Subscription represents an ideal opportunity for the Company to raise additional capital for its future business developments, to increase its shareholders' base and to enhance its capital base. The Directors also consider that a rights issue or open offer for fund raising would be much more expensive when compared with the Placing and the Subscription. As such, the Directors consider that the Placing and the Subscription are in the interest of the Company and its Shareholders.

The Placing Shares of up to 332,000,000 in number are proposed to be placed to the places as to (a) 166,000,000 Placing Shares to Benemo Corporation; (b) 99,600,000 Placing Shares to Mr. Dai Fan; and (iii) 66,400,000 Placing Shares to Mr. Hua Sheng.

The gross proceeds from the Subscription is about HK\$99.6 million. The net proceeds from the Subscription of approximately HK\$98.1 million will be applied as to about 60% thereof for investment in the Group's property development business in the PRC and as to the remaining 40% thereof for general working capital of the Company, subject to such adjustment as to amount and proportion as the Directors consider appropriate. The net proceeds raised per Subscription Share will be about HK\$0.295 per Share.

The Company will bear aggregate expenses and costs (including legal fees, the placing commission, brokerage fee and other miscellaneous costs and expenses) of about HK\$1.52 million incurred in relation to the Placing and the Subscription.

The Company has not conducted any equity fund raising activities in the past twelve-month period immediately before the date of this announcement.

V. GENERAL MANDATE

The Subscription Shares, i.e. 332,000,000 Shares will be issued under the General Mandate subject to the limit up to 20% of the issued share capital of the Company as at the date of passing the resolution (i.e. 337,420,993 Shares in number). As at the date of this announcement, no Shares have been issued under the General Mandate. After completion of the Placing and the Subscription, there are 5,420,993 Shares which may be allotted and issued pursuant to the General Mandate.

VI. GENERAL

The principal activities of the Group are logistics and trading businesses, property development, property investments, trading and manufacturing of cement and strategic investment in Hong Kong and the PRC.

The Company will submit an application to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares to be allotted and issued pursuant to the Top-Up Placing and Subscription Agreement.

VII. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:59 p.m. on 8 August 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 9 August 2006.

VIII. DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement have the following meanings:

“Board”	the board of directors of the Company
“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	China Chengtong Development Group Limited, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company, including independent non-executive director(s)
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 23 June 2006 subject to the limit of up to 20% of the issued share capital of the Company as at the date of passing the resolution (i.e. 337,420,993 Shares in number)
“Group”	the Company and its subsidiaries

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	8 August 2006, being the last trading day for the Shares prior to this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the top-up placing of the Placing Shares by the Vendor, through the Placing Agent, to the placees in accordance with the terms and conditions of Top-Up Placing and Subscription Agreement
“Placing Agent”	Oriental Patron Asia Limited, a licensed corporation to carry out Types 1, 6 and 9 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Price”	the price of HK\$0.30 per Placing Share
“Placing Shares”	a total of up to 332,000,000 existing Shares held by the Vendor to be placed to the placees in accordance with the terms and conditions of Top-Up Placing and Subscription Agreement, representing approximately 19.68% of the total issued share capital of the Company as at the Last Trading Day
“PRC”	The People’s Republic of China, excluding Hong Kong, The Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purposes of this announcement
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	holder(s) of the Share(s)
“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
“Subscription”	the subscription for the Subscription Shares by the Vendor subject to the terms and conditions of Top-Up Placing and Subscription Agreement
“Subscription Completion Date”	the business day immediately following the fulfillment of all the conditions for completion of the Subscription or on such other date as may be agreed between the Vendor and the Company
“Subscription Price”	HK\$0.30 per Subscription Share
“Subscription Shares”	a total of up to 332,000,000 new Shares to be subscribed for by the Vendor pursuant to the Top-Up Placing and Subscription Agreement in such number as shall be equivalent to the number of Placing Shares placed by the Placing Agent under the Placing
“Top-Up Placing and Subscription Agreement”	the placing and subscription agreement entered into between the Vendor, the Placing Agent and the Company dated 8 August 2006 in relation to the Placing and the Subscription

“Vendor”

World Gain Holdings Limited, a company incorporated in British Virgin Islands, whose entire issued share capital is beneficially owned by China Chengtong Hong Kong Limited of which the entire issued share capital is beneficially owned by China Chengtong Holdings Group Limited (formerly known as China Chengtong Holdings Company)

By order of the Board
China Chengtong Development Group Limited
Ma Zhengwu
Chairman

Hong Kong, 8 August 2006

As at the date of this announcement, the executive Directors are Mr. Zhang Guotong and Mr. Wang Hongxin; the non-executive Directors are Mr. Ma Zhengwu, Mr. Hong Shuikun, Mr. Gu Laiyun and Ms. Xu Zhen; and the independent non-executive Directors are Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan.

The Directors jointly and severally accept fully responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.