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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: ESTABLISHMENT OF A JOINT VENTURE COMPANY AND UNUSUAL VOLUME MOVEMENT IN SHARES

On 12 October 2006, CCCG, a wholly owned subsidiary of the Company, entered into the Shareholders' Agreement with CIMPOR for the establishment of the JV Company, which the Company is and will be holding a 20% effective interest through CCCG. The JV Company is to act as the joint venture vehicle of CCCG and CIMPOR in the furtherance of the Business in the PRC.

CCCG is to contribute its 20% interest in the JV Company by the transfer of the Sea-Land Group to the JV Company pursuant to the terms of the Sea-Land Group Sale Agreement entered into on the same date of the Shareholders' Agreement.

The establishment of the JV Company and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing further information on the Shareholders' Agreement, the Sea-Land Group Sale Agreement and other relevant information will be despatched to the Shareholders as soon as practicable.

A. THE SHAREHOLDERS' AGREEMENT

The principal terms and conditions of the Shareholders' Agreement are set out below:

A1. Date

12 October 2006

A2. Parties

- (a) CIMPOR as one of the joint venture partners. CIMPOR is a company registered in Spain and wholly owned by Cimpor – Cimentos de Portugal, SGPS, S.A., which is in turn a company listed on the Euronext exchange in Lisbon. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the principal activity of CIMPOR is investment holdings and its ultimate beneficial owners are independent third parties. As far as the Directors are aware, the principal business activities of the CIMPOR group of companies are involved in manufacturing and marketing cement, hydraulic lime, concrete and aggregates, precast concrete and dry mortars.
- (b) CCCG as the other joint venture partners. CCCG is a company incorporated in the British Virgin Islands and a direct wholly owned subsidiary of the Company.
- (c) The JV Company.
- (d) The Company as the guarantor to guarantee the observance and performance of CCCG's obligations under the Shareholders' Agreement.

A3. Purpose of the Shareholders' Agreement

Setting out the terms and conditions relating to the establishment of the JV Company, its business and management and the respective investments of the JV Partners in it.

A4. Place of incorporation of the JV Company

Hong Kong.

A5. Equity interest in the JV Company

The equity interest in the JV Company is and will be held by the JV Partners as to 20% by CCCG and as to the remaining 80% by CIMPOR as stated below immediately.

The current issued capital of the JV Company is HK\$100 divided into 100 shares of HK\$1.00 each, of which 20% (i.e. 20 shares) is held by CCCG and 80% (i.e. 80 shares) is held by CIMPOR.

Within 5 business days (or such later date as the JV Partners may agree in writing) from the date of satisfaction of the conditions (a), (b), (c) and (d) mentioned in paragraph A9 below, the JV Partners will subscribe for a total of 207,480,000 shares of par value of HK\$1.00 each in the JV Company at a subscription price of HK\$1.00 each, of which 20% (i.e. 41,496,000 shares) will be subscribed for by CCCG and the remaining 80% (i.e. 165,984,000 shares) will be subscribed for by CIMPOR. The subscription price payable by CCCG for its 20% subscription shares in the JV Company is to be satisfied by the transfer of the Sea-Land Group, further details of which are mentioned in section B below. The subscription price payable by CIMPOR for its 80% subscription shares in the JV Company is to be satisfied in cash and in case CIMPOR has advanced a loan to the JV Company, details of which are mentioned in paragraph A7 below, partly by the set off of the outstanding principal and interest amounts (both as mentioned in paragraph A7 below) of such loan.

A6. Scope of business of the JV Company

To hold interests in companies established in the PRC which engage in the sales and production of cement and related ancillary businesses in the PRC.

A7. Further financing of the JV Company

Further financing as is required by the JV Company shall be financed by the cash payment of the subscription price mentioned in paragraph A5 above (amount to approximately HK\$165,984,000, assuming that no advance is made under the loan facility provided to the JV Company by CIMPOR as mentioned in this paragraph A7) and thereafter by external loans from banks or other financial institutions.

None of the JV Partners is under any obligation to advance shareholder's loan to the JV Company. Other than the transfer of the Sea-Land Group to the JV Company as consideration for the 20% subscription shares in the JV Company subscribed by CCCG as mentioned in paragraph A5 above, the Group has no further capital commitment and/or investments to the JV Company under the terms of the Shareholders' Agreement.

On the date of the Shareholders' Agreement, CIMPOR has entered into a shareholder's loan agreement with the JV Company pursuant to which CIMPOR agreed to make available a loan facility of up to EUR13,000,000 (equivalent to approximately HK\$127,140,000) to the JV Company for its general working capital requirements and/or to finance the proposed acquisition by the JV Company of a 60% equity interest in a PRC cement company and transactions in connection therewith, further details of which are set out in paragraph A9 below. The terms of the loan to be advanced under the loan facility were arrived at after arm's length negotiation and is to be charged at an interest rate per annum of 6 months EURIBOR plus a margin of 50 basis points. The loan is to be repaid in full 42 months from the date of the first advance made under the loan facility, the first repayment is to be made twelve months from the date of the first advance and thereafter at a 6-month interval. The Directors consider that the terms of the loan are fair and reasonable. As at the date of this announcement, no advance has been made under the loan facility.

A8. Board of directors of the JV Company

The board of directors of the JV Company will for the time being consist of 7 directors, of whom 2 shall be nominated by CCCG, 4 shall be nominated by CIMPOR and one, being also the general manager, shall be jointly appointed by CCCG and CIMPOR.

A9. Conditions for the subscription of shares in the JV Company

Under the Shareholders' Agreement, completion of the subscription by each of the JV Partners of shares in the JV Company as mentioned in paragraph A5 above is principally condition upon fulfillment of the following on or before 31 December 2006 (or such later date as the JV Partners may agree in writing):

- (a) the Sea-Land Group Sale Agreement having been entered into;
- (b) the conditions precedent to completion of the Sea-Land Group Sale Agreement having been satisfied to the satisfaction of the JV Partners;
- (c) an agreement ("Shandong Liuyuan Acquisition Agreement") for the acquisition by the JV Company of a 60% equity interest in 山東榴園新型水泥發展有限公司 (unofficial English name, Shandong Liuyuan New Type Cement Development Company Limited) ("Shandong Liuyuan"), a company established in the PRC which is engaged in clinker and cement production and related businesses in the PRC, having been entered into; and

- (d) all necessary approval and registration for the acquisition and transactions in connection with the acquisition of a 60% equity interest in Shandong Liuyuan as contemplated under the Shandong Liuyuan Acquisition Agreement having been obtained and effected and the conditions precedent for completion of the acquisition having been satisfied to the satisfaction of the JV Partners.

In case the above conditions are not fulfilled on or before the above timeline, unless the JV Partners agree otherwise, the Shareholders' Agreement will lapse and the JV Partners shall be released from all their obligations under the Shareholders' Agreement and shall cause the JV Company to be wound up.

As at the date of this announcement, the Sea-Land Group Sale Agreement and the Shandong Liuyuan Acquisition Agreement have been entered into. Other than these conditions, the remaining conditions of paragraph A9(b) and (d) above have not been satisfied as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the vendors to the Shandong Liuyuan Acquisition Agreement and where any of the vendors is a corporation, its ultimate beneficial owner(s), are independent third parties. A total of RMB20,700,000 is payable by the JV Company as consideration for the acquisition of a 60% equity interest in Shandong Liuyuan, of which 50% is payable within 7 days of registration of the Shandong Liuyuan Acquisition Agreement, the new equity joint venture contract and articles of Shandong Liuyuan with the relevant PRC Government authorities after obtaining, *inter alia*, the approval of the relevant PRC authorities to the transfer and the remaining 50% within 6 months of the said registration. The acquisition of a 60% equity interest in Shandong Liuyuan by the JV Company will be financed by way of the shareholder's loan to be advanced by CIMPOR to the JV Company under the shareholder's loan agreement mentioned in paragraph A7 above.

A10. Other terms

The Shareholders' Agreement is conditional upon the signing of the Shandong Liuyuan Acquisition Agreement. As at the date of this announcement, the Shandong Liuyuan Acquisition Agreement has been entered into.

CIMPOR is entitled to transfer its interest in the JV Company to a Macau company controlled by it. According to the information currently available and subject to the shareholders' composition in the event of the said transfer, the Macau company will be 50% or more owned and managed by the CIMPOR group (excluding the JV Company for this purpose) and the remaining shareholder(s) will be independent third parties.

B. THE SEA-LAND GROUP SALE AGREEMENT

The principal terms and conditions of the Sea-Land Group Sale Agreement are set out below:

B1. Date

12 October 2006

B2. Parties

Vendor : CCCG and World Asia, both are wholly owned subsidiaries of the Company

Purchaser : the JV Company

Guarantor : the Company, to indemnify the JV Company against any claims, loss or liability that may be suffered by the JV Company, Sea-Land or Suzhou Nanda against any non-disclosed liabilities or breach in warranties by the vendors.

B3. Assets to be transferred to the JV Company in satisfaction of the 20% shares in the JV Company agreed to be subscribed by CCCG under the Shareholders' Agreement as mentioned in paragraph A5 above

The 1,000,000 issued shares of HK\$10.00 each in the entire issued share capital of Sea-Land. Sea-Land is in turn the registered holder of 71.03% interest in the registered capital of Suzhou Nanda.

B4. Conditions

Completion of the Sea-Land Group Sale Agreement is principally condition upon fulfillment or waiver of the following:

- (a) the shareholders of Suzhou Nanda (other than Sea-Land) confirming, *inter alia*, their consent to the transfer of the entire issued share capital of Sea-Land to the JV Company;
- (b) the conditions to completion of the subscription of shares in the JV Company mentioned in paragraph A9(a), (b), (c) and (d) (other than the condition to completion of the Sea-Land Group Sale Agreement) having been satisfied; and
- (c) a legal opinion covering the due establishment and good standing of Suzhou Nanda and of the title of Sea-Land to its 71.03% interest in the registered capital of Suzhou Nanda having been obtained to the satisfaction of the JV Company.

The JV Company may waive in whole or in part all or any of the above conditions or extend the time for their fulfillment.

If any of the above conditions have not been fulfilled (or, as the case may be, waived by the JV Company) on or before 31 December 2006 (or such later date as the parties to the Sea-Land Group Sale Agreement may agree in writing), the Sea-Land Group Sale Agreement shall lapse and no party shall make any claim against any other in respect thereof.

B5. Consideration and terms of payment

The consideration is HK\$41,496,000 and was arrived at after arm's length negotiation with reference to 71.03% of the adjusted net asset value of Suzhou Nanda of approximately RMB58,515,000 (equivalent to approximately HK\$58,420,000) as at 31 December 2005, after adjusting the value of the plants, equipments and machineries of Suzhou Nanda. The valuation of Suzhou Nanda was appraised by Jiangsu Renhe Assets Appraisal Co., Ltd, a registered PRC valuer and an independent third party.

Upon completion of the Sea-Land Group Sale Agreement, the JV Company will allot and issue 41,496,000 shares of par value of HK\$1.00 each in its share capital to CCCG in payment and satisfaction of the consideration.

B6. Completion

Completion of the Sea-Land Group Sale Agreement will take place on the same date as completion of the subscription of shares in the JV Company by the JV Partners mentioned in paragraph A5 above.

The Company currently holds an effective interest of 100% and 71.03% in Sea-Land and Suzhou Nanda respectively. Following completion of the Sea-Land Group Sale Agreement, the effective interest of the Company in Sea-Land and Suzhou Nanda will be 20% and 14.206% respectively and both of Sea-Land and Suzhou Nanda will cease to be subsidiaries of the Company.

C. INFORMATION OF THE SEA-LAND GROUP

Sea-Land is a company incorporated in Hong Kong and is a wholly owned subsidiary of the Company held through CCCG and World Asia in equal shares. The principal activities of Sea-Land is investment holding, which holds a 71.03% interest in the registered capital of Suzhou Nanda.

Suzhou Nanda is a sino-foreign equity joint venture enterprise established in the PRC and an indirect subsidiary of the Company, of which the Company holds a 71.03% indirect interest in its registered capital through, *inter alia*, Sea-Land.

The principal activities of the Sea-Land Group are the trade and production of cement in the PRC.

Based on the financial information of Suzhou Nanda prepared in accordance with accounting principles generally accepted in Hong Kong, the unaudited profit/loss before taxation and minority interest of Suzhou Nanda for the year ended 31 March 2004, the nine months ended 31 December 2004 and for the year ended 31 December 2005 were as follows:

	Year ended 31 March 2004 HK\$'000	Nine months ended 31 December 2004 HK\$'000 (note)	Year ended 31 December 2005 HK\$'000
unaudited profit (loss) before taxation and minority interest	20,622	(16,923)	(31,467)
unaudited profit (loss) after taxation and minority interest	29,222	(12,020)	(22,351)

Note: The financial year end of the Company was changed from 31 March to 31 December after the financial year ended 31 March 2004.

D. FINANCIAL EFFECT OF THE SEA-LAND GROUP TRANSFER

Based on the latest unaudited financial information of the Sea-Land Group as at 30 June 2006, the Group has an unaudited gain of HK\$27,811,000 (before taxation and expenses) on the Sea-Land Group Transfer.

E. REASONS FOR THE SHAREHOLDERS' AGREEMENT AND THE SEA-LAND GROUP SALE AGREEMENT

The holding company of CIMPOR, Cimpor – Cimentos de Portugal, SGPS, S.A., is one of the main international cement players. The bringing in of CIMPOR as the Group's joint venture partner in the Business is expected to bring in synergies to the Group's cement trade and production business in the PRC (which is a loss-making business of the Group for the past two years) by leveraging on the cement global exporting business of CIMPOR and its technical expertise in cement production and related businesses. The investment of the Group's 20% interest in the JV Company by way of the Sea-Land Group Transfer would enable the Group to capitalize its investments in the Sea-Land Group on the one hand and enable the Group to retain a share in the cement production sector in the PRC on the other hand.

The Directors (including the independent non-executive Directors) are of the view that the Shareholders' Agreement and the Sea-Land Group Sale Agreement are on normal commercial terms to the Company and their terms are fair and reasonable to and in the interests of the Shareholders as a whole.

F. REQUIREMENTS OF THE LISTING RULES

The establishment of the JV Company and the Sea-Land Group Transfer contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing further information on the Shareholders' Agreement, the Sea-Land Group Sale Agreement and other relevant information will be despatched to the Shareholders as soon as practicable.

G. UNUSUAL VOLUME MOVEMENT

This statement is made at the request of the Stock Exchange.

The Board has noted the increase in trading volume of the Shares on 18 October 2006 and wish to state that the Board is not aware of any reasons for such increase.

The Board also confirms that save for the matters disclosed in this announcement, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

This statement is made by the order of the Board, the Directors of which individually and jointly accept responsibility for the accuracy of this statement.

H. GENERAL

The Group is principally engaged in the businesses of trade and production of cement, property investment, property development and investment holding 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
“Business”	the sales and production of cement and related ancillary businesses
“CCCG”	China Chengtong Cement Group Limited, a company incorporated in the British Virgin Islands and a direct wholly owned subsidiary of the Company
“CIMPOR”	CIMPOR Inversiones SA, a company incorporated in Spain
“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 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
“JV Company”	CIMPOR Chengtong Cement Corporation Limited, a company incorporated in Hong Kong with limited liability
“JV Partners”	CCCG and CIMPOR
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People's Republic of China, excluding the Macau Special Administrative Region of the People's Republic of China and Taiwan
“Sea-Land”	Sea-Land Mining Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company, of which CCCG and World Asia are its registered holders each holding a 50% share in its issued share capital
“Sea-Land Group”	Sea-Land and Suzhou Nanda
“Sea-Land Group Sale Agreement”	the conditional agreement dated 12 October 2006 entered into, <i>inter alia</i> , by CCCG and World Asia as vendors and the JV Company as purchaser for the transfer of the Sea-Land Group by CCCG and World Asia to the JV Company in satisfaction of the subscription price payable by CCCG for the 20% subscription shares in the JV Company mentioned in paragraph A5 of this announcement

“Sea-Land Group Transfer”	the transfer of the Sea-Land Group pursuant to the terms of the Sea-Land Group Sale Agreement in satisfaction of the subscription price payable by CCCG for the 20% subscription shares in the JV Company mentioned in paragraph A5 of this announcement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the holders of the Shares
“Shareholders’ Agreement”	the shareholders agreement dated 12 October 2006 entered into between CIMPOR, CCCG, the JV Company and the Company in respect of the establishment of the JV Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Nanda”	蘇州南達水泥有限公司 (Suzhou Nanda Cement Company Limited), a sino-foreign equity joint venture established in the PRC and an indirect subsidiary of the Company, of which the Company is holding a 71.03% interest in its registered capital through, <i>inter alia</i> , Sea-Land and the remaining 28.97% interest in its registered capital is held by 蘇州市吳縣望亭水泥廠 (unofficial English name, Suzhou Wu Xian Wangting Cement Plant)
“World Asia”	World Asia Properties Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“EUR”	means euro, the single currency of all member states of the European Union belonging to the euro area, currently comprises Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland
“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 HK\$1.00 = RMB1.0016. 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, 18 October 2006