
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in China Chengtong Development Group Limited, you should hand this circular at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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

A letter from the Board is set out on pages 4 to 11 of this circular.

3 July 2006

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
A. Introduction	4
B. The Acquisition Agreement	5
C. Information of the Huzhou Land Group	9
D. Reasons for the Acquisition	10
E. Financial Effect of the Acquisition	11
F. General	11
G. Additional Information	11
APPENDIX – GENERAL INFORMATION	12

DEFINITIONS

In this circular, the following expressions shall, unless the context otherwise requires, have the following meanings:

“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
“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
“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 of the PRC (中國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

DEFINITIONS

“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
“Latest Practicable Date”	29 June 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“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 RMB22,456,860.84 (equivalent to approximately 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
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“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

DEFINITIONS

“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 circular, unless the context otherwise requires, translations of HK\$ to RMB are made for illustration purposes only, at the rate of HK\$1.00 = RMB1.033. 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhang Guotong

(Vice Chairman and Managing Director)

Mr. Wang Hongxin

Non-executive Directors:

Mr. Ma Zhengwu (Chairman)

Mr. Hong Shuikun

Ms. Xu Zhen

Mr. Gu Laiyun

Independent non-executive Directors:

Mr. Kwong Che Keung, Gordon

Mr. Tsui Yiu Wa, Alec

Mr. Lao Youan

Registered office:

Suites 2904-2907

29th Floor

One International Finance Centre

1 Harbour View Street

Central, Hong Kong

3 July 2006

To the Shareholders

DISCLOSEABLE TRANSACTION

A. INTRODUCTION

Reference is made to the announcements of the Company dated 20 June 2006 and 21 June 2006 in relation to 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 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 the PRC, and completed the acquisition on 15 June 2006 upon signing of the Acquisition Agreement on the same date.

LETTER FROM THE BOARD

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further information relating to the discloseable transaction.

B. 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.

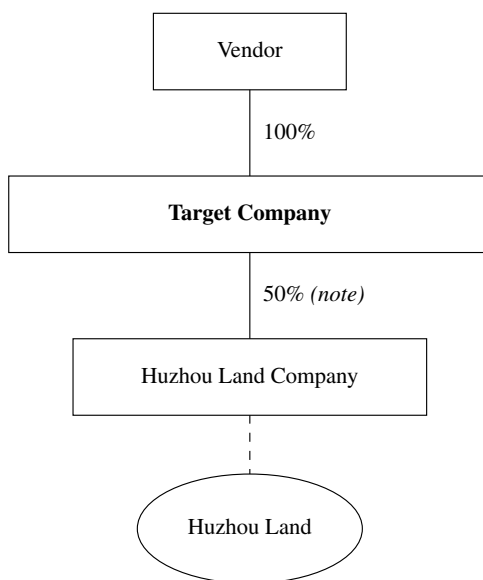
Target Company is one of the three equity owners of Huzhou Land Company, which in turn will be registered as the owner of Huzhou Land upon the obtaining of the relevant state-owned land use right certificate. The Acquisition is effectively for the acquisition of a 50% effective interest in Huzhou Land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

The Acquisition was completed on 15 June 2006.

LETTER FROM THE BOARD

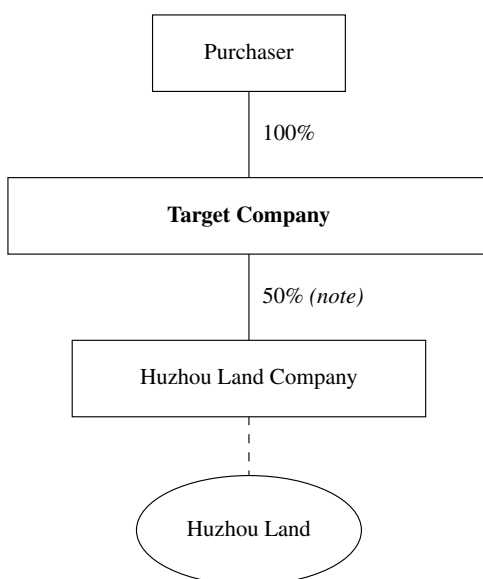
The shareholding structures immediately before and after completion of the Acquisition are diagrammatically as shown below respectively:

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 capital commitment towards Huzhou Land Company.

LETTER FROM THE BOARD

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 the 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

LETTER FROM THE BOARD

- (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 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 Huzhou Land Company and their respective associates; and
- (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.

Condition (4) above has been fulfilled as at the date of this circular. As at the date of this circular, the remaining conditions (1), (2) and (3) above have not been fully fulfilled and the Company has no current intention to waive any of them.

LETTER FROM THE BOARD

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.

C. INFORMATION OF THE HUZHOU LAND 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.

LETTER FROM THE BOARD

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 of the PRC (中國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 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.

D. 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.

LETTER FROM THE BOARD

E. FINANCIAL EFFECT OF THE ACQUISITION

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 Company's acquisition of Target Company and capital injection into Huzhou Land Company will be financed by its internal resources and shareholder's loan from China Chengtong Hong Kong Company Limited, the substantial shareholder of the Company. The proposed shareholder's loan from China Chengtong Hong Kong Company Limited will be for a term of 12 months from the date of advance at an interest rate of 3.5% per annum and will be unsecured. The interest rate chargeable for the said shareholder's loan is at a rate lower than those quoted by banks in Hong Kong for Hong Kong dollars advance for the same amount of loan. Upon completion of the Acquisition, the non-current assets of the Group will be increased by the amount of the capital injected, being the recognition of the interests of the jointly controlled entity through equity accounting method. To finance the payment of the capital injection by the Group, its current assets will be dropped by the amount of internal resources utilized and the liabilities will be increased by the amount of shareholder's loan borrowed.

The Directors are of the view that the Acquisition will contribute positive earnings to the Group.

F. 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.

G. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendix to this circular.

Yours faithfully,
By order of the Board

China Chengtong Development Group Limited
Zhang Guotong
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at the Latest Practicable Date, apart from as disclosed under the paragraph headed "Share Option Scheme" below, none of the Directors nor the chief executive of the Company had interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provision of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Share Option Scheme

As at the Latest Practicable Date, the following Directors have personal interests in options to subscribe for the Shares granted under the share option scheme adopted by the Company on 24 June 2003:

Name of Director	Exercisable period	Exercise Price HK\$	Number of underlying shares of the Company interested	Approximate percentage of shareholding held upon exercise of all the options (Note)
Ma Zhengwu	9.3.2005 to 8.3.2009	0.364	1,200,000	0.07%
Zhang Gutong	9.3.2005 to 8.3.2009	0.364	1,200,000	0.07%
	29.9.2005 to 28.9.2008	0.245	3,000,000	0.18%
Hong Shuikun	9.3.2005 to 8.3.2009	0.364	1,200,000	0.07%
Gu Laiyun	9.3.2005 to 8.3.2009	0.364	1,200,000	0.07%
	29.9.2005 to 28.9.2008	0.245	2,000,000	0.12%
Xu Zhen	9.3.2005 to 8.3.2009	0.364	600,000	0.04%
			10,400,000	0.62%

Note : These percentage are calculated on the basis of a total number of 1,687,104,968 issued Shares as at the Latest Practicable Date.

3. DISCLOSEABLE INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

- (a) So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
World Gain Holdings Limited	beneficial owner	608,201,500(L)	36.05%
China Chengtong Hong Kong Company Limited	controlled corporation (Note 2)	608,201,500(L)	36.05%
China Chengtong Holdings Company	controlled corporation (Note 2)	608,201,500(L)	36.05%

Notes:

- The letter "L" represents the entity's interest in the Shares.
- The entire issued share capital of World Gain Holdings Limited is beneficially owned by China Chengtong Hong Kong Company Limited, the entire issued share capital of which is beneficially owned by China Chengtong Holdings Company.

- (b) So far as is known to the Directors, the following entities are, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company as at the Latest Practicable Date:

Name of subsidiary	Name of shareholder	Number of shares	Approximate percentage of interest
Caesar Assets Limited	Skywalk Group Limited	30 shares of US\$1 each	30%
Chengtong Hua Da Trading Limited	Hong Kong Hua Da Chemical Industry Company Limited	49 ordinary shares of HK\$1 each	49%
China-eDN.com Limited	Diagonal Trading Limited	2,000,000 shares of HK\$1 each	20%
Galaxy Gain Limited	Ever Lasting Value Securities Limited	17 shares of US\$1 each	17%
Suzhou Nanda Cement Co. Ltd.	蘇州吳縣望亭水泥廠 (transliteration being Suzhou Wu County Wangting Cement Plant)	Registered capital US\$5,069,600	28.97%
Zhongshi Investment Company Limited	北京興合動力投資管理有限公司 (translated as Beijing Xinghe Dongli Investment Management Co., Ltd.)	Registered capital of RMB24,000,000	30%

- (c) Save as disclosed above, the Directors and chief executive of the Company are not aware of any other person who, as at the Latest Practicable Date, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, none of the members of the Group is engaged in any litigation or arbitration or claim of material importance and there is no litigation or arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or any of their respective associates was interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. GENERAL

- (a) The registered office of the Company is at Suites 2904-2907, 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (b) The secretary of the Company is Mr. Lai Ka Fai Albert, who is a solicitor of the High Court of Hong Kong.
- (c) The qualified accountant of the Company is Ms. To Suen Fan, Lisa, who is a member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.
- (d) The Company's share registrar is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail over the Chinese text.