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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:
FORMATION OF JOINT VENTURE COMPANIES
FOR THE HOLDING AND DEVELOPMENT OF LAND**

21 August 2008

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DEFINITIONS

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

“Agent”	于炳瀚 (Yu Binghan), an individual who is a third party independent of the Company and its Connected Persons
“Board”	the board of Directors
“Company”	China Chengtong Development Group Limited (中國誠通發展集團有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Confirmation Letters”	the three completion confirmation letters dated 21 July 2008 confirming the winning of the tender of the Land
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreements”	the joint venture contracts and articles of the JV Companies dated 31 July 2008 and entered into by Zhongshi and the JV Partners
“JV Companies”	three project companies formed by Zhongshi and the JV Partner on 12 August 2008 for the purposes of holding and developing the Land
“JV Partner”	北京世紀尊博投資有限公司 (unofficial translation as Beijing Century Zun Bo Investment Co., Ltd.), a third party independent of the Company and its Connected Persons, who, together with Zhongshi, established the JV Companies
“Land”	three pieces of land located at Zhucheng City, Shandong Province, the PRC, particulars of which are set out in the paragraph headed “Description of the Land” in the section headed “Letter from the Board” of this circular

DEFINITIONS

“Latest Practicable Date”	18 August 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary shares which have a par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the establishment of the JV Companies and the transactions contemplated by the JV Agreements
“Zhongshi”	中實投資有限責任公司 (unofficial translation being Zhongshi Investment Company Limited), an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

Unless the context requires otherwise, translation of RMB into HK\$ are made, for illustration purpose only, at the rate of RMB1 = HK\$1.13. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at the above rate or at any rates or 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:

Zhang Guotong

(Chairman and Managing Director)

Wang Hongxin

Registered Office:

Suite 6406, 64th Floor

Central Plaza, 18 Harbour Road

Wanchai

Hong Kong

Non-executive Directors:

Gu Laiyun

Xu Zhen

Independent non-executive Directors:

Kwong Che Keung, Gordon

Tsui Yiu Wa, Alec

Lao Youan

Ba Shusong

21 August 2008

To the Shareholder

Dear Sir or Madam

**DISCLOSEABLE TRANSACTION:
FORMATION OF JOINT VENTURE COMPANIES
FOR THE HOLDING AND DEVELOPMENT OF LAND**

INTRODUCTION

On 31 July 2008, the Board announced that the Agent (acting on behalf of Zhongshi, a wholly-owned subsidiary of the Company, and the JV Partner) won a public tender on 21 July 2008 to acquire the Land located in Zhucheng City, Shandong Province, the PRC. On the same date, the Agent (acting on behalf of Zhongshi and the JV Partner) signed three separate Confirmation Letters with 諸城市國有資產經營總公司 (unofficial translation as Zhucheng City State Asset Operation Company) and 諸城市土地儲備中心 (unofficial translation as Zhucheng City Land Reserves Centre) confirming the winning of the tender of the Land.

Following the successful tender of the Land, Zhongshi and the JV Partner entered into the JV Agreements to establish three JV Companies as project companies for the holding and development of the Land.

LETTER FROM THE BOARD

The Transaction constitutes a discloseable acquisition for the Company under Chapter 14 of the Listing Rules which is subject to the reporting and announcement requirements.

The purpose of this circular is to give you further information regarding, among others, the Transaction and other information of the Group.

DISCLOSEABLE TRANSACTION: FORMATION OF JOINT VENTURE COMPANIES

The Confirmation Letters

1. *Date*

21 July 2008

2. *Parties*

The Agent, an individual who is a third party independent of the Company and its Connected Persons as the purchaser; and

諸城市國有資產經營總公司 (unofficial translation as Zhucheng City State Asset Operation Company) and 諸城市土地儲備中心 (unofficial translation as Zhucheng City Land Reserves Centre) as the vendors.

The Agent participated in the public tender of the Land on behalf of Zhongshi and the JV Partner. After the signing of the Confirmation Letters, the Agent, Zhongshi and the JV Partner will apply for the Land to be registered in the name of the JV Companies.

3. *Description of the Land*

Address	Site area	Usage of the land	Consideration
A piece of land located at north side of Fan Rong Xi Road West Lane (繁榮西路西段北側), Zhucheng City, Shandong Province, the PRC ("Land A")	99,599 sq.m.	Residential and commercial	RMB59,759,400 (equivalent to HK\$67,528,122)
A piece of land located at north side of Mi Zhou Xi Road East Lane (密州西路東段北側) and east side of Kong Long Gong Yuan (恐龍公園東側), Zhucheng City, Shandong Province, the PRC ("Land B")	133,333 sq.m.	Residential	RMB114,000,000 (equivalent to HK\$128,820,000)
A piece of land located at east side of He Ping Bei Street (和平北街東側) and west side of Shui Shang Gong Yuan (水上公園西側), Zhucheng City, Shandong Province, the PRC ("Land C")	100,000 sq.m.	Residential and commercial (of which the zoning for about 26,669 sq.m. is for 5-star hotel and about 73,331 sq.m. is for residential)	RMB75,000,000 (equivalent to approximately HK\$84,750,000) (Note)

Note: Among the consideration of RMB75,000,000, the values of the residential zone and the hotel zone are RMB55,000,000 and RMB20,000,000 respectively.

LETTER FROM THE BOARD

4. *Payment schedule of the consideration*

60% of the consideration has been paid by the Agent at the time of signing of the Confirmation Letters and the remaining 40% of the consideration shall be paid within one month after the signing of the Confirmation Letters. As at the Latest Practicable Date, the remaining 40% of the consideration of the Land had not been paid.

Zhongshi is responsible for the funding of 80% of the consideration of the Land, which represents RMB199,007,520 (equivalent to approximately HK\$224,878,498). Zhongshi funded the consideration of the Land through internal resources of the Group and borrowings from a substantial Shareholder of the Company which is on terms better to the Group and no security over the assets of the Group is granted in respect of such borrowings.

The consideration of the Land was arrived at through a successful tender after taking into account the location and potential value of the Land.

Establishment of the JV Companies

Following the successful tender of the Land, Zhongshi and the JV Partner entered into the JV Agreements to establish three JV Companies as project companies for the holding and development of the Land. The three JV Companies were established on 12 August 2008. The principal terms of the JV Agreements are set out below:

- | | |
|---------------------------|---|
| Date: | 31 July 2008 |
| Parties: | (i) Zhongshi, an indirect wholly-owned subsidiary of the Company; and

(ii) the JV Partner. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the principal activity of the JV Partner is property investment and development and each of the JV Partner and its beneficial owners is a third party independent of the Company and its Connected Persons. |
| Business scope: | Each of the JV Companies is a limited liability company and will be engaged in property development. |
| Capital structure: | The registered capital of each of the JV Companies is RMB10 million (equivalent to HK\$11.3 million) which shall be contributed in cash as to 80% (RMB8 million, equivalent to HK\$9.04 million) by Zhongshi through internal resources of the Group and as to 20% (RMB2 million, equivalent to HK\$2.26 million) by the JV Partner. |

LETTER FROM THE BOARD

Zhongshi and the JV Partner shall inject their respective interests in Land A, Land B and Land C (residential zone) (i.e. 87% for Zhongshi and 13% for the JV Partner) into the respective JV Company by way of shareholders' loan.

Each of the JV Companies is a 80% owned subsidiary of the Company and their respective results are consolidated with those of the Group.

Future funding of the JV Companies will be financed, depending on the then circumstances, by way shareholder's loan, equity or debt or bank financing. However, as at the Latest Practicable Date, there is no capital commitment or contractual commitment on the part of the Group regarding the JV Companies.

Profit distribution: The profits available for distribution of the JV Companies will be distributed to Zhongshi and the JV Partner in proportion to their respective capital contribution to the registered capital of the JV Companies (i.e. 80%: 20%).

Board composition: The board of directors of each of the JV Companies shall comprise a majority of directors nominated by Zhongshi.

Other terms of cooperation

Although Zhongshi is responsible for 80% funding requirement of the aggregate consideration of Land A, Land B and Land C (hotel and residential zones), Zhongshi and the JV Partner agreed that before the establishment of the JV Companies, their respective interests and benefits in the Land shall be as follows:

	Zhongshi	Equivalent amount of interest in the Land	JV Partner	Equivalent amount of interest in the Land
Land A	87%	RMB51,990,678	13%	RMB7,768,722
Land B	87%	RMB99,180,000	13%	RMB14,820,000
Land C (residential zone)	87%	RMB47,850,000	13%	RMB7,150,000
Land C (hotel zone)	0%	-	100%	RMB20,000,000
Total	-	RMB199,020,678	-	RMB49,738,722

Given that Zhongshi will not have any interest in Land C (hotel zone), Zhongshi's percentage of interests in Land A, Land B and Land C (residential zone) was adjusted to 87% (instead of 80%).

LETTER FROM THE BOARD

Zhongshi and the JV Partner agreed that they will apply for the issue of two separate land use right certificates for the residential zone and hotel zone of Land C. The JV Partner will be solely responsible for the development of the hotel zone on Land C (the “**Hotel Project**”) and for all costs and expenses in relation to such development; while Zhongshi and the JV Partner will establish the JV Companies in the shareholding structure of 80% and 20% respectively to develop the residential zone on Land C (the “**Residential Project**”).

In the event that the relevant land use right certificate for Land C cannot be segregated into two separate certificates for the Hotel Project and the Residential Project, Zhongshi and the JV Partner agree that the JV Partner should be solely responsible for the development of Land C (hotel and residential zones) and Zhongshi shall be solely responsible for the development of Land A and Land B and shall bear all the costs and expenses and enjoy all the benefits therefor. In such event, the JV Partner will pay to Zhongshi the difference between the amount paid by Zhongshi in obtaining interest in all three pieces of Land and the consideration for 100% interests of Land A and Land B. If the JV Companies have been established at that time, Zhongshi and the JV Partner will take necessary actions to the effect that Land A and Land B will be held and developed by a company solely owned by Zhongshi and Land C will be held and developed by a company solely owned by the JV Partner. The Company will comply with all applicable Listing Rules in such event.

Acquisition of additional piece of land

Following the issue of the Company’s announcement dated 31 July 2008, the Agent (acting on behalf of Zhongshi and the JV Partner) won a public tender to acquire another piece of land (“**Land D**”) with a site area of about 12,673 sq.m. which is located adjacent to Land B.

On 8 August 2008, the Agent (acting on behalf of Zhongshi and the JV Partner) signed a confirmation letter with 諸城市國有資產經營總公司 (unofficial translation as Zhucheng City State Asset Operation Company) and 諸城市土地儲備中心 (unofficial translation as Zhucheng City Land Reserves Centre) confirming the winning of the tender of Land D. The consideration of Land D is RMB10,835,415 (equivalent to approximately HK\$12,244,019) and its designed usage is residential.

Zhongshi is responsible for the funding of 80% of the consideration of Land D, which represents RMB8,668,332 (equivalent to approximately HK\$9,795,215), whereas the JV Partner is responsible for funding of 20% of the consideration of Land D, which represents RMB2,167,083 (equivalent to approximately HK\$2,448,804). Zhongshi funded the consideration of Land D through internal resources of the Group. Zhongshi and the JV Partner owns 80% and 20% interests in Land D respectively. Zhongshi and the JV Partner shall inject their respective interests in Land D into the JV Company which holds and develops Land B by way of shareholders’ loan, and that Land B and Land D will be developed into one property project.

The Group does not have any further capital and/or contractual commitment to the JV Companies as at the Latest Practicable Date.

LETTER FROM THE BOARD

Further information of the Land and the JV Companies

Given that the JV Companies were only established on 12 August 2008, no financial figures of the JV Companies are available for the time being.

Land A, Land B and Land C are vacant land for the time being. Based on the latest development plan, Land B and Land C will be developed into blocks of premium residential apartments and buildings as well as commercial buildings. The construction of Land B and Land C is expected to commence in 2009 and be completed in stages. It is the current intention of the Group that Land A will be put in the land reserve first pending appropriate opportunity for development.

Reasons for and benefits of the Transaction

The principal activities of the Group are property investment and development, land resource exploitation and strategic investment.

It is the land reserve strategy of the Group to explore more premium grade property projects with promising potentials in the PRC which are expected to bring significant contribution to the Group's profits and Shareholders' return in the future.

The JV Companies will be engaged in the property development business in Zhucheng City, Shandong Province, the PRC. Through the formation of the JV Companies, the Company may enhance its participation in property development business in Zhucheng City, Shandong Province, the PRC which the Group considers has growth potential. The Directors also considers that the Transaction will further strengthen the Group's land reserves.

Taking into account the above factors, the Directors (including the independent non-executive Directors) consider that the terms of the Transaction are on normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Financial effect of the Transaction

Each of the JV companies will become an indirect subsidiary of the Company upon completion of the Transaction. The financial statements of the JV Companies will be accounted for and consolidated in the accounts of Zhongshi as a subsidiary after completion of the Transaction. The consolidated accounts of Zhongshi, in turn, will continue to be accounted for and consolidated in the consolidated accounts of the Company as a subsidiary after completion of the Transaction.

As a result of the Transaction, the acquisition of Land D and the consolidation of the financial statements of the JV Companies with those of the Group, the total assets of the Group will increase by approximately HK\$99,348,000 while the total liabilities of the Group will increase by approximately HK\$92,568,000. As the JV Companies were newly established companies, there will not be any material impact on the earnings of the Group immediately following the Transaction.

LETTER FROM THE BOARD

Listing Rules implications

The Transaction constitutes a discloseable acquisition for the Company under Chapter 14 of the Listing Rules which is subject to the reporting and announcement requirements.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
China Chengtong Development Group Limited
Zhang Guotong
Chairman

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' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which 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 he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
Zhang Guotong	Beneficial owner	365	0.00001%
Gu Laiyun	Beneficial owner	3,867,707	0.145%
Xu Zhen	Beneficial owner	725,196	0.027%

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which 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 the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

- (a) As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a director or chief executive of the Company, had an interest or 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 were 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 the Company:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
World Gain Holdings Limited	beneficial owner (Note 2)	791,814,913 (L)	29.58%
China Chengtong Hong Kong Company Limited	controlled corporation (Note 2)	791,814,913 (L)	29.58%
China Chengtong Holdings Group Limited	controlled corporation (Note 2)	791,814,913 (L)	29.58%

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 Group Limited. Both of China Chengtong Hong Kong Company Limited and China Chengtong Holdings Group Limited are deemed to be interested in all the Shares held by World Gain Holdings Limited under the SFO.

- (b) As at the Latest Practicable Date, so far as is known to the Directors, the following entities were 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 other members of the Group:

Name of subsidiary	Name of shareholder	Number of shares	Approximate percentage of interest
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%
湖州萬港聯合置業有限公司 (unofficial translation as Huzhou Wangang United Estate Company Limited)	Hong Kong Wanshan Holdings Limited	Registered capital of RMB62,620,000	20.41%
	浙江雲廈集團有限公司 (unofficial translation as Zhejiang Yunxia Group Limited)	Registered capital of RMB38,380,000	12.51%

- (c) Save as disclosed in this circular, so far as is known to the Directors, there is no other person who had an interest or 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, had a direct or indirect interests amounting to 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 members of the Group.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. LITIGATION

In July 2008, an independent contractor has commenced two legal actions in the PRC against Zhongshi (a wholly-owned subsidiary of the Company) to recover certain unpaid contract fee for certain construction projects and the interests accrued thereon in the aggregate sum of RMB4,721,971.85.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

6. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor his 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. MISCELLANEOUS

- (1) The registered and head office of the Company is located at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (2) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (3) The company secretary and the qualified accountant of the Company is Ms. Chan Yuet Kwai, *FCPA FCCA*.