

RESULTS

On behalf of the board of directors (the "Board") of China Chengtong Development Group Limited (formerly known as China Logistics Group Limited) (the "Company"), together with its subsidiaries, collectively the "Group", I am pleased to announce the first annual report of the Company after the acquisition of a controlling interest in the Company by China Chengtong Holdings Company ("Chengtong Holdings") in December 2002. The Group's audited profit attributable to shareholders for the year ended 31 March 2003 amounted to approximately HK\$93 million as compared with the net loss of HK\$1,395 million in the year of 2002. The Group has successfully restored into a profitable position with earnings per share of the Company of HK\$0.062 on a weighted average basis of 1,501,669,626 shares in issue during the year ended 31 March 2003.

DIVIDEND

No interim dividend was paid during the year (2002: nil) and the directors do not recommend the payment of a final dividend in respect of the year (2002: nil).

REVIEW

In December 2002, Chengtong Holdings, through its beneficially wholly-owned subsidiary, World Gain Holdings Limited ("World Gain") acquired 608,201,500 shares ("Shares") of HK\$0.10 each of the Company, representing about 41.50 per cent. of the then issued share capital of the Company (the "Acquisition") from ABN AMRO Bank N. V., Hong Kong Branch and became the ultimate controlling shareholder of the Group. Chengtong Holdings is a state-owned pillar enterprise in China with substantial business operation and assets. It is reputed to be one of the largest on-shore logistics groups in China. Its principal business includes modern logistics, metal distribution, project investment and information services.

Subsequent to the completion of the Acquisition, the Board has put great effort to improve the business operation and financial position of the Group by adopting various measures which include: (i) appointment of well experienced and capable managers so as to enhance the overall management of the Group; (ii) taking pro-active steps to handle the outstanding irregular transactions referred to in the Company's annual report for the year ended 31 March 2002; (iii) implementation of programme for cost reduction and improvement of operational efficiency; (iv) streamlining the business operation of Group. Additionally, the Group has obtained strong support from Chengtong Holdings in terms of, for examples, business referrals and the granting of a 1-year HK\$15 million interest-free term loan.

In consequence, the Group has performed the achievements as follows:

- In March 2003, the Company entered into a settlement agreement (as varied and supplemented) ("Settlement Agreement") with China Huatong Distribution and Industry Development Corporation ("China Huatong"), Hutaong Group Holdings Limited ("Hong Kong Huatong"), Merry World Associates Limited ("Merry World"), Shine Ocean Limited ("Shine Ocean"), Ocean-Land Heat Supply Limited ("Ocean-Land Heat"), Trade Sense International Limited ("Trade Sense") and Everlasting Value Securities Limited ("EVS") pursuant to which, among other matters, the entire issued share capital of Merry World was transferred and the entire unsecured and interest-free shareholder's loan due from Merry World to Hong Kong Huatong was assigned to the Company at a consideration of HK\$105 million. Upon completion of the transactions contemplated under the Settlement Agreement, the net asset value of the Group was increased by about HK\$79,460,000.
- In April 2003, Boxhill Limited ("Boxhill"), a wholly-owned subsidiary of the Group, exercised the option ("Repurchase Option") which was granted to Boxhill by Mr. Chow Chung Kai ("Mr. Chow") pursuant to the sale and purchase agreement dated 28 January 2002 entered into between Boxhill and Mr. Chow (as varied and supplemented) to repurchase from Mr. Chow 1,836 shares of US\$1 each in, representing approximately 35.3 per cent. of the issued share capital of, Success Project Investments Limited ("Success Project") and the shareholder's loan of about US\$2,329,300 outstanding and owing by Success Project to Mr. Chow as at the date of the exercise of the Repurchase Option, at an aggregate consideration of about HK\$16,866,000. The previous investment in Success Project had generated satisfactory income to the Group.
- Financial position of the Group has been strengthened as total liabilities reduced from approximately HK\$504 million as at 31 March 2002 to HK\$404 million as at 31 March 2003. Such reduction of liabilities was mainly attributable to the decrease of current liabilities of HK\$70 million.

CHANGE OF COMPANY NAME

Taking advantages of the market position of Chengtong Holdings, the Company, being a member of the Chengtong Holdings group, changed its name to China Chengtong Development Group Limited pursuant to a resolution passed in the extraordinary general meeting of the Company held on 24 June 2003 and with the approval of the Registrar of Companies in Hong Kong with effect from 9 July 2003.

PROSPECTS

In the coming year, the Group will continue to focus on the existing business activities and seeking opportunities to develop its logistics and trading business, property investment and strategic investments in Hong Kong and the PRC. With the continuous support from Chengtong Holdings, the Group is seriously considering commencing of logistics and trading businesses. The Group will use its best endeavour to enhance the return on the investment properties. The Group is also identifying potential businesses and/or assets that have synergy with the Group's operations and generate reasonable return with the support from Chengtong Holdings. In this respect, the Board is confident that the Group's business and financial performance can be significantly improved in the near future.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our business partners, customers and shareholders for their support. I would also like to thank our employees for their loyalty, dedication and hard work throughout the year.

Ma Zhengwu

Chairman

Hong Kong, 22 July 2003