The board of directors ("the Board") of China Chengtong Development Group Limited (formerly known as China Logistics Group Limited) ("the Company") announces the audited consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31 March 2003.

The net profit of the Group attributable to shareholders for the year ended 31 March 2003 was approximately HK$93 million as compared with net loss of approximately HK$1,395 million in the year 2002.

The net profit was mainly attributable to HK$79 million provision written back in respect of the impairment of the Heat Supply Project and a HK$23 million gain from settlement of minority interest.

The Group recorded a turnover of HK$108 million for the financial year ended 31 March 2003 as compared to HK$207 million recorded in the previous financial year. The turnover mainly comprises sales from the cement plant in the PRC of a subsidiary of the Company and sales of Puma products. The decrease in turnover during the period under review was mainly due to the termination trading of Puma products.

TRADING BUSINESS

The licensing agreement for Puma apparel was terminated in May 2002 and the Group has ceased the trading activities of Puma products since then. Subsequently both the Group's trading business activities and operating losses have been substantially reduced. The Company intends to explore new trading opportunities in commodities, such as copper and aluminum, in which China Chengtong Group can provide to us with their expertise and business know-how.

PROPERTY INVESTMENT

The investment properties of the Group have generated an aggregate gross rental income of approximately HK$4.4 million for the year 2003, compared to approximately HK$14.5 million for the year 2002. The decrease in rental income was attributable to the sales of the Group's interests in Kwai Chung Car Park and Shopping Centre, Kwai Chung, Hong Kong, Unit 302 East Ocean Centre, Tsimshatsui, Hong Kong and 9 carparking spaces in Peninsula Centre, Tsimshatsui, Hong Kong during the first six months of the financial year.

The rental income was mainly generated by the Group's interest in Winner Building, Shatin, Hong Kong, an industrial building in Hong Kong and the Board expects the building will continue to generate a stable rental income to the Group.

STRATEGIC INVESTMENT

The Group owns a 71% interest in Suzhou Nanda Cement Company Limited ("Suzhou Nanda"), a sino-foreign joint venture cement plant formed with a subsidiary owned by the local government in 1992. Suzhou Nanda has been benefited from a rise in demand for cement in Suzhou area and has almost operated at full capacity during the year. Based on the audited accounts of Suzhou Nanda for the year ended 31 December 2002, the audited turnover of Suzhou Nanda was approximately RMB79 million (equivalent to approximately HK$75 million) and the audited net profit was approximately RMB1.7 million (equivalent to approximately HK$1.6 million). The management of the Suzhou Nanda has taken steps to further improve the plant's productivity.

FINANCIAL POSITION

Financial position of the Group has improved tremendously owing to an implementation of an asset disposal program to dispose of its non-core assets and the streamlining of business operations. As at 31 March 2003, the net current liabilities reduced to approximately HK$153 million as compared to approximately HK$229 million as at 31 March 2002. Total bank loans also reduced to approximately HK$63.8 million as at 31 March 2003 as compared to approximately HK$136 million as at 31 March 2002.

IRREGULAR TRANSACTIONS

The new management team of the Group appointed by Chentong Holdings (the "New Management") has shown concerns on the three irregular transactions as set out in the Company's annual report for the year ended 31 March 2002. During the year under review, the New Management of the Group has taken certain actions to recover a portion of the damages claimed by the Group in relation to such transactions. In this regard, the Group has entered into a set-off agreement and a settlement agreement with relevant parties in respect of, among other matters, the Heat Supply Project. Details of the set-off agreement and the settlement agreement are set out in the paragraphs headed "Settlement and Mutual Release with China Huatong" and "Set-off Agreement with China Huatong" below. The New Management will continue to look into these irregular transactions and will take appropriate actions as and when necessary.

QUALIFIED OPINION OF THE AUDITORS

The New Management noted the qualified opinion of the auditors in respect of the Group's title to certain land use rights in Suzhou, the PRC held through a 71% subsidiary of the Company, Suzhou Nanda and the Group's interest in an associate, Goodwill (Overseas) Limited. The New Management is discussing with the relevant parties for exploring possible alternatives to rectify the matters.

MAJOR EVENTS AFFECTING THE GROUP AFTER THE YEAR ENDED 31 MARCH 2002

1. Mandatory Cash Offers by World Gain

In December 2002, World Gain acquired 608,201,500 Shares from ABN AMRO Bank N.V., Hong Kong Branch, representing about 41.50% of the then issued share capital of the Company at a consideration of HK$0.09 per Share. World Gain is currently the controlling shareholder of the Company. In February 2003, World Gain made mandatory cash offers to acquire all issued shares in the share capital (other than those shares already owned by World Gain or parties acting in concert with it) of, and to cancel all outstanding options issued by, the Company subject to the terms and conditions set out in the composite offer document ("Composite Document") dated 5 February 2003 jointly issued by the Company and World Gain pursuant to the Codes on Takeovers and Mergers. As set out in the announcement dated 26 February 2003 jointly issued by the Company and World Gain, the above offers lapsed on 26 February 2003.

2. Resumption of Trading

The trading in the shares of the Company was resumed on 9 December 2002.

3. **Conversion of Mandatory Convertible Note**

In December 2002, the Company was informed that the dispute over the beneficial ownership of United City Trading Limited ("United City"), the holder of the mandatory convertible note ("Convertible Note") in the principal amount of HK$306.6 million issued by the Company to United City on 27 April 2001, had been resolved. The Company allotted and issued 219,000,000 Shares ("Conversion Shares") at HK$1.40 per share to United City in January 2003.

4. **Set-off Agreement with China Huatong**

In March 2003,

(a) Galaxy Gain Limited ("Galaxy Gain"), 75% of the issued share capital of which is held by Shine Ocean Limited ("Shine Ocean"), a wholly-owned subsidiary of the Company, entered into a deed of assignment with Ocean-Land Heat Supply Limited ("Ocean-Land Heat") and China Huatong Distribution and Industry Development Corporation ("China Huatong") pursuant to which, among other matters, all the title, rights, interests and benefits to, of and in, the income ("Outstanding Guaranteed Income") of HK$40 million which was owing to Ocean-Land Heat by Huatong Heat Energy Technique Company Limited ("Huatong Heat") under the agreement entered into between Ocean-Land Heat and Huatong Heat dated 18 March 1998 and guaranteed by China Huatong, were assigned to Galaxy Gain by Ocean-Land Heat.

(b) Galaxy Gain entered into a deed of assignment with Trade Sense International Limited ("Trade Sense"), Everlasting Value Securities Limited ("EVS") and China Huatong pursuant to which, among other matters, Trade Sense and EVS assigned all their respective title, rights, interests and benefits to, of and in Galaxy Gain as shareholders of Galaxy Gain and their indirect interests in Ocean-Land Heat which were alleged to be outstanding and amounted to about HK$39.1 million as at the date of the deed of assignment ("Minority Claims") to China Huatong.

(c) Galaxy Gain entered into a set-off agreement with China Huatong pursuant to which, among other matters, the Minority Claims were applied to set off, pro tanto, the Outstanding Guaranteed Income owing by China Huatong to Galaxy Gain. The Group recognised a non-recurring gain of approximately HK$22.9 million for the year under review as a result of the above set-off.

5. **Settlement and Mutual Release with China Huatong**

In March 2003, the Company entered into the Settlement Agreement (as varied and amended) with China Huatong, Huatong Group Holdings Limited ("Hong Kong Huatong"), Merry World Associates Limited ("Merry World"), Shine Ocean, Ocean-Land Heat, Trade Sense and 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 so that the alleged claims made and to be made by the Group against a group of companies comprising China Huatong, Trade Sense, EVS, Huatong Heat and Hong Kong Huatong shall be reduced by an equal amount. Upon completion of the transactions contemplated under the above Settlement Agreement, the net asset value of the Group was increased by about HK$79,460,000.

6. **Buy Back of Shareholding in Success Project Investments Limited**

In April 2003, Boxhill Limited ("Boxhill"), a wholly-owned subsidiary of the Company, 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 supplemented and varied) to repurchase from Mr. Chow 1,836 shares of US$1 each in, representing approximately 35.3% 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. Success Project is an investment holding company of a company principally engaged in property investment. To date, the principal asset of Success Project is its 52% equity interests in, Suzhou Jin Nan Real Estate Development Co., Limited, a company established in the PRC, being the owner of the Shilu International Shopping Centre in Suzhou, the PRC. The Group generated satisfactory income from its previous investment in Success Project.

7. **Change of Company Name**

Pursuant to a resolution passed at the extraordinary general meeting of the Company held on 24 June 2003 and with the approval of the Registrar of Companies in Hong Kong, the name of the Company was changed from China Logistics Group Limited to China Chengtong Development Group Limited with effect from 9 July 2003.

CHANGES IN THE COMPOSITION OF THE BOARD

Since 1 April 2002, there has been a substantial change in members of the Board. Five executive directors of the Company resigned during the year, namely Mr. Yuen Wai on 28 May 2002, Mr. Wong Sun Keung on 13 August 2002, Mr. Mongkon Cherloemchoedchoo, Mr. Wu Guang Liang and Mr. Li Xianghong on 27 February 2003. Three non-executive directors of the Company, namely Mr. Wu Yuehua, Mr. Chung Ho and Mr. Lee Hoong Seun resigned on 27 August 2002 and 30 December 2002 respectively. Mr. Lai Yau Hong, Thomas and Mr. Ip Ying Chuen, both being independent non-executive directors of the Company, resigned on 13 August 2002.

Six new directors were appointed on 17 February 2003, namely Mr. Ma Zhengwu, Mr. Zhang Guotong, Mr. Hong Shuikun and Mr. Chen Shengjie as non-executive directors of the Company, Mr. Gu Laiyun and Mr. Wu Chun Wah as executive directors of the Company. Mr. Ma Zhengwu and Mr. Zhang Guotong were also appointed as the Chairman and Vice-Chairman to the Board respectively. Mr. Zhang Guotong was subsequently appointed as executive director of the Company pursuant to resolution of the Board passed on 28 February 2003.

On 3 March 2003, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec were appointed as independent non-executive directors of the Company.

GEARING RATIO

As at 31 March 2003, the Group's gearing ratio calculated on the basis of total bank loans, trust receipt loans, loan from intermediate controlling shareholder and other loans of approximately HK$168,900,000 and total assets of approximately HK$548,111,000 was 0.31.

PLEDGE OF ASSETS

As at 31 March 2003, the Group's investment properties, property under development and plant and machinery with aggregate carrying value of approximately HK$85,928,000, HK$10,614,000 and HK$19,915,000, respectively, have been pledged as collateral for the Group's borrowings and banking facilities.

CONTINGENT LIABILITY

As at 31 March 2003, the Group's estimated maximum contingent liability in respect of a legal claim was HK$4,844,000.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2003, the Group had current assets and current liabilities of approximately HK$52 million and approximately HK$206 million, respectively (2002: approximately HK$47 million and approximately HK$276 million, respectively). The Group's cash and bank balances amounted to approximately HK$30 million as at 31 March 2003 (2002: approximately HK$3 million).

As at 31 March 2003, the Group had in aggregate approximately HK$64 million (2002: HK$136 million) bank borrowings secured on certain properties owned by the Group. The Group had other loans of approximately HK$90 million (2002: HK$70 million), of which HK$15 million carries interest at 10% per annum and is secured against a Group's 32% interest in an associate, Goodwill (Overseas) Limited. The Group also had unsecured other loans of approximately HK$4 million carrying interest at commercial rates. The remaining other loans are unsecured and interest-free.

The Company has not issued any share during the year ended 31 March 2003 except for the allotment and issue of 1,700,000 Shares of HK$0.10 each at the subscription price of HK$0.1491 upon exercise of the options granted on 12 June 2002 pursuant to the Company's share option scheme adopted on 22 September 1998 and conversion of 219,000,000 Shares pursuant to the Convertible Note on 30 January 2003.

TREASURY POLICIES

The business activities of the Group were funded by bank borrowings, secured loans, unsecured loans and cash generated from operating activities. The Group considers that fluctuations in exchange rates and market prices do not impose a significant risk to the Group since the level of foreign currency exposure is relatively immaterial as compared with its total assets value or outstanding debts.

HUMAN RESOURCES

As at 31 March 2003, the Group employed a total of about 546 employees, of which 34 were based in Hong Kong and 512 in the PRC. Employees' remunerations are determined in accordance with nature of their duties and remain competitive under current market trend. During the year under review, no option has been granted pursuant to the Company's share option scheme.