

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to announce the Annual Report of China Chengtong Development Group Limited (the "Company") together with its subsidiaries (the "Group") for the financial period ended 31 December 2004.

For the nine months ended 31 December 2004 (the "period"), the net profit of the Group attributable to shareholders was approximately HK\$104 million, an increased of 136% over the net profit recorded in year ended 31 March 2004. The Group has achieved consecutive profitable result for the past three years with financial position improved continuously. As at 31 December 2004, the Group had net current asset of about HK\$100 million (31 March 2004: net current liabilities HK\$83 million) and a total cash and bank balances of approximately HK\$86 million. A healthy financial position has set up a solid foundation for the Group's restructuring and project acquisition in the future.

During the period the Group continued to implement effective measures to strengthen business operation, dispose non-core assets, control cost and improve financial position. Net profit for the period was mainly attributable to an asset swap transaction with China Chengtong Holdings Company ("Chengtong Holdings"), the ultimate controlling shareholder of the Company, under which the Group disposed its effective 45% equity and relevant debt interest in a property project in Guangdong, the PRC, and in turn acquired a 70% interest on a residential development project located in Beijing. This transaction not only generated substantial gain to the Company, but also allowed the Group to step into the logistic property development business of Chengtong Holdings.

In the last six months, the Group has been actively exploring viable projects on modern logistics and logistics property development business and has conducted an in-depth research and analysis on Chengtong Holdings' quality logistics and related business. Based on the above mentioned, the Group will ascertain its business model and re-organization plan, dispose non-core assets and modify the trading business in order to concentrate its resources for developing of core business.

The Group's ultimate controlling shareholder, Chengtong Holdings is a pillar state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission ("SASAC") of the State Council of the PRC, with principal business including modern logistics, metal distribution and real estate development. It owns a nation-wide integrated transportation, storage and logistics network. Last year, Chengtong Holdings was selected by SASAC as one of the pilot enterprises for the reforming on modernization of corporate governance and is actively exploring ways to utilize the Group as being the only oversea listing company of Chengtong Holdings to foster share capital reformation, establish an enhanced corporate governance model, and formulating a long-term development strategy to perform industry re-organization.



In the coming years, with a more defined development strategy that fits into Chengtong Holdings' industry development strategy, the Group will further enhance its asset quality and achieve sustaining growth by introducing quality business from Chengtong Holdings and actively acquiring other related business in the market.

On behalf of the Board, I would like to express my sincere gratitude to our management team and employees for their dedication and contribution throughout the year and our business partners and customers for their support.

Ma Zhengwu

Chairman

Beijing, 21 April 2005