

CHAIRMAN'S STATEMENT

I would like to present hereby on behalf of the board of directors (the "Board") the annual report of China Chengtong Development Group Limited (the "Company") together with its subsidiaries (the "Group") for the financial year ended 31 December 2006.

FINAL RESULTS

The Group's audited profit attributable to shareholders for the year ended 31 December 2006 was approximately HK\$16 million (2005: loss attributable to shareholders HK\$46 million). Earnings per share were HK0.88 cent (2005: Loss per share HK2.73 cents).

DIVIDEND

The board does not recommend any payment of dividend for the year ended 31 December 2006 (2005: nil).

OVERVIEW

The Group recorded a profit for the year ended 31 December 2006 as compared to a loss in 2005. It was mainly attributable to the satisfactory sale revenue of a property development project ("City of Mergence") in Beijing, the People's Republic of China (the "PRC") of its subsidiary. City of Mergence was the first project injected by China Chengtong Holdings Group Limited ("CCHG"), its ultimate controlling shareholder. Its success initiated a good start of the Group's property development business.

Further to the acquisition of the Group by CCHG in 2003, the Group sold and disposed of the non-core and not well performed assets during the past few years. 2006 was a year of undergoing a strategically transformation for the Group. According to the configured development direction, the Group steadily transformed and expanded its core businesses and asset portfolio. With property development, development of land resources and strategic planning as its core businesses, the Group also lined up with a leading international cement enterprise with the aim of restructuring the assets in Suzhou Nanda Cement Company Limited 蘇州南達水泥有限公司, its subsidiary. It made an investment in a property development project in Huzhou, Zhejiang Province in 2006. In addition, it signed the conditional agreements in 2007 to acquire 52% of the equity interest in a company which was principally engaged in a property development project in Xian and the entire equity interest in Luoyang Guanlin Zhongchu Logistics Centre 洛陽關林中儲物流中心 from the subsidiaries of CCHG. The latter owns a piece of allocated land which is currently zoned into commercial use. Application can be made to Luoyang's local government for a change of its use from industrial to commercial. The move can increase the Group's land resources. On the other hand, to strengthen its growth momentum and enhance its asset value, the Group placed an aggregate of 332,000,000 shares of the Company to three independent investors in a top-up placing, raising a net proceeds of approximately HK\$98 million in 2006. Also, it announced in 2007 to raise additional fund of approximately HK\$200 million by way of rights issue. In addition, the Group conducted capital reduction in 2006 to eliminate the accumulated losses as at 31 December 2004. Although there is no assurance that a dividend will be declared or paid in the future, the principal purpose of the capital reduction is to enable the Company to achieve the capital structure that would permit the payment of dividends to its shareholders as and when appropriate.

CORPORATE GOVERNANCE

The Group is fully aware that the maintenance of an effective corporate governance framework is essential to lay a sound foundation for its long-term steady growth and development. In this respect, the Group considers that good governance practices should embody transparency of corporate structures and operations, and corporate responsibility towards its shareholders, employees and stakeholders. The Group will continue to enhance its corporate governance, strengthen its professional management team and improve its management standard.

CHAIRMAN'S STATEMENT

PROSPECTS

The Mainland's economy has continued to develop rapidly. All major sectors were improving in line with the stated targets of the macroeconomic control programme. As a result, rapid economic growth and low inflation was demonstrated. The Mainland has continued to launch various tightening measures on strengthening the effect of the macroeconomic control programme with dedicated efforts. Those measures are conducive to a more healthy development on the growth pattern and a more promising future of its economy. The Group considers that it is safe to predict that the growth potential in value of land resources in the PRC is substantial in the long run.

The Group's ultimate controlling shareholder CCHG is the largest integrated warehousing logistics service enterprise in the PRC, and is also one of the two asset operating companies under the State-owned Assets Supervision and Administration Commission of the State Council. CCHG has the largest land reserve for logistic usage in the PRC, and at the same time, it can keep obtaining new land resources through assuming the responsibility of assets management in State-owned enterprises. As such, besides finding suitable investment opportunity in Mainland China, the Group is now studying on integrating CCHG's assets management business, to determine whether it is feasible of including the land for industrial usage on the commercial development lot as a major investment acquisition target, so as to accelerate the growth of the land reserve and property development scale of the Group.

The Group will further strengthen its asset base in 2007 with dedicated efforts. With the immense support of CCHG, the Group is well positioned to build its quality assets and enlarge its profitability base. The Board is confident of its future prospects. With the commitment to shareholders' value and corporate governance, the Group is looking forward to enjoying greater success with the shareholders.

APPRECIATION

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

Ma Zhengwu
Chairman

Hong Kong, 30 March 2007