

CHAIRMAN'S STATEMENT

I would like to present hereby on behalf of the board of directors (the "Board") of China Chengtong Development Limited (the "Company") together with its subsidiaries (the "Group") for the financial period ended 31 December 2005.

For the year ended 31 December 2005 (the "year"), the Group recorded a turnover of HK\$254 million, an increase of 20% over the turnover recorded in nine months ended 31 December 2004 ("the corresponding period"), while consolidated loss before minority interests was HK\$46 million. This was the first year of loss recorded after three consecutive years of profit, and was mainly caused by the Group's strategic investment Suzhou Nanda Cement Company Limited ("Suzhou Nanda") which was affected by an unfavorable market environment and incurred operating loss as well as an impairment loss on property, plant and equipment as certain production facilities were terminated.

Benefiting from the Group's conservative financial strategy and excellent sales progress of the Beijing residential project, both of the Group's net current asset and liquidity has improved compared to 2004. As at 31 December 2005, the Group had net current asset of HK\$149 million (31 December 2004: HK\$96 million) and cash and bank balance of HK\$115 million (31 December 2004: HK\$86 million).

The Group started to participate into property development business of its ultimate controlling shareholder, China Chengtong Holdings Company ("CCHC") by acquiring a 70% interest of a residential development project located in Beijing from CCHC in 2004. During the year, the project's construction was completed, all residential units were sold and some of the apartment units have been delivered to the buyers. This indicated that the first project injected by CCHC has achieved success, which also enhanced the Group's experience and confidence in further commercial, residential and property development.

During the year, the Group continued to sell non-core asset as well as disposing poorly performed property with legal dispute. In the meantime, general trading business was temporary ceased and strategic investment Suzhou Nanda will be planned for restructuring or disposal, for the propose of building foundation for concentrating resources to develop a clearer core business.

The Group's ultimate controlling shareholder CCHC is the largest integrated warehousing logistics service enterprise in Mainland China, and has been selected by the State-owned Assets Supervision and Administration Commission ("SASAC") of the State Council as a pilot state-owned asset operating company during the year. CCHC was recently assigned a group of state-owned factories which further increased its land reserve.

Under this circumstance, the Group will build its foundation on fitting with the development of CCHC's warehousing logistics and asset management business, as well as taking advantage of CCHC's land resource value to fully develop commercial, residential and logistics property business. Simultaneously, the Group will try its best to continuously enhance the company's level of corporate governance, expand its professional management team, and improve operating and management standard, to speed up the Group's harmonic development.

The Group expected that Mainland China's urbanization process has just entered into its early accelerating stage, and this trend will sustain in the long term under the continue growth of China's economy and national income. To capitalize on this tremendous business opportunity emerging in a sustainable growing economy, the Group will make use of its own advantage to speed up the development of commercial, residential and logistics property development business.

On behalf of the Board, I would like to express my sincere gratitude to all shareholders, our business partners and customers for their understanding, 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

Beijing, 21 April 2006