CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司

(Incorporate in Hong Kong with limited liability)
(Stock Code: 217)

ANNOUNCEMENT OF 2005 FINAL RESULTS

The board (the "Board") of directors (the "Directors" and each, a "Director") of China Chengtong Development Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year from 1 January 2005 to 31 December 2005 together with the comparative figures for the nine months from 1 April 2004 to 31 December 2004 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2005

	NOTES	**1.1.2005 to 31.12.2005** *HK$'000*	1.4.2004 to 31.12.2004 *HK$'000* (Restated)
Turnover	*4*	**253,772**	210,992
Cost of sales		**(243,187)**	(209,732)
Gross profit		**10,585**	1,260
Other income		**7,429**	1,767
Distribution costs		**(6,585)**	(1,216)
Administrative expenses		**(27,856)**	(24,289)
Impairment loss on property, plant and equipment		**(23,781)**	(9,473)
Revaluation deficit recognised in respect of investment properties		**–**	(6,262)
Provision for a legal claim	*5*	**(8,698)**	(32,792)
Finance costs	*7*	**(1,407)**	(1,787)
Gain on disposal of subsidiaries		**–**	162,989
Share of result of associates		**(1)**	(261)
(Loss) profit before taxation		**(50,314)**	89,936
Taxation	*8*	**(3,371)**	4,205
(Loss) profit for the year/period	*6*	**(53,685)**	94,141
Attributable to:			
Shareholders of the Company		**(45,997)**	99,714
Minority interests		**(7,688)**	(5,573)
		(53,685)	94,141

	Notes	2005	2004
(Loss) earnings per share	9		
Basic		**HK(2.73) cents**	HK5.91 cents
Diluted		**N/A**	HK5.90 cents

CONSOLIDATED BALANCE SHEET
At 31 December 2005

	31.12.2005	31.12.2004
	HK$'000	*HK$'000*
		(Restated)
Non-current assets		
Property, plant and equipment	**55,650**	77,022
Investment properties	**86,400**	84,870
Interests in associates	**263**	264
Amounts due from an associate	**–**	174,832
	142,313	336,988
Current assets		
Inventories	**4,536**	9,114
Properties held for sales	**230,162**	–
Properties under development for future sale	**–**	170,135
Trade and other receivables	**31,784**	18,991
Bills receivables	**144**	839
Tax recoverable	**2,414**	–
Amount due from a minority interest	**1,359**	1,337
Amounts due from related companies	**5,282**	5,020
Bank balances and cash	**115,058**	86,082
	390,739	291,518
Assets classified as held for sale	**161,080**	–
	551,819	291,518
Current liabilities		
Trade and other payables	**128,391**	99,794
Deposits received on sale of properties	**189,435**	19,156
Provision for a legal claim	**41,490**	32,792
Loan from a related company	**15,000**	15,000
Amount due to a minority shareholder	**3,978**	3,978
Taxation payable	**–**	6
Other loans	**7,196**	7,196
Bank loans, secured	**17,616**	17,304
	403,106	195,226
Net current assets	**148,713**	96,292
Total assets less current liabilities	**291,026**	433,280

	31.12.2005	31.12.2004
Non-current liabilities		
Bank loans, secured – amount due after one year	**–**	94,300
Deferred taxation	**5,694**	6,599
	5,694	100,899
Net assets	**285,332**	332,381

CONSOLIDATED BALANCE SHEET– Continued

	31.12.2005	31.12.2004
	HK$'000	*HK$'000*
		(Restated)
Capital and reserves		
Share capital	**168,710**	168,710
Reserves	**84,356**	124,309
Equity attributable to shareholders	**253,066**	293,019
Minority interests	**32,266**	39,362
	285,332	332,381

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

1. Basis of Preparation

During the prior period, the Company changed its financial year end date from 31 March to 31 December and the consolidated financial statements incorporate the financial statements of the Company and its subsidiaries which cover nine months period ended 31 December 2004. For current year, the consolidated financial statements incorporated the financial statements of the Company and its subsidiaries cover twelve months period up to 31 December 2005. The corresponding amounts shown for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and related notes cover a nine month period from 1 April 2004 to 31 December 2004 and therefore may not be comparable with amounts shown for the current year.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. In additions, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, except for investment properties which are stated at fair values.

2. Adoption of new and revised Hong Kong financial reporting standard/changes in accounting polices

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRS (s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRS(s)" issued by Hong Kong Institute of Certified Public Accountants that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented.

Share-based payments

In the current year, the Group has applied HKFRS 2, Share-based Payment, which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors', employees' and other participants' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures have been restated (see note 3 for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. The classification depends on the purpose for which the assets are acquired. The Group's financial assets are loans and receivables which are measured at amortised cost using the effective interest method. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". The Group's financial liabilities are "other financial liabilities" which are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has no impact on the Group's accumulated losses on 1 January 2005 and results for the current year.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. It has no impact on the Group's accumulated losses on 1 January 2005 and the results for the current year.

Deferred tax related to investment properties

In previous period, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HKAS Interpretation 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. It has no impact on the results for current and prior accounting year/period as the Group's intention is to recover the property through sale.

The Group has not early applied the new standards, interpretations and amendments that have been issued but are not yet effective as at 31 December 2005.

HKAS 1 (Amendment)	Capital disclosure[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) - INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) - INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) - INT 6	Liabilities arising from participating in a specific market– waste electrical and electronic equipment[3]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in change in the future as to how the results and financial position are prepared and presented.

3. The effects of changes in the accounting policies described above on the results for the current year and prior period are as follows:

	1.1.2005 to 31.12.2005 ***HK$'000***	1.4.2004 to 31.12.2004 *HK$'000*
Expenses recognised in relation to share options granted – Increase in administrative expenses	(4,392)	(4,085)

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	31.12.2004 *HK$'000* (Originally stated)	Adjustment *HK$'000* (Restated)	**1.1.2005** ***HK$'000***
Accumulated losses	(816,215)	(4,319)	(820,534)
Share options reserve	–	4,319	4,319
Minority interests	–	39,362	39,362
Total effects on equity	(816,215)	39,362	(776,853)
Minority interests	39,362	(39,362)	–
	(776,853)	–	(776,853)

The financial effects of the application of the new HKFRSs to the Group's equity at 1 April 2004 are summarised below:

	As originally stated HK$'000	Adjustment HK$'000	As restated HK$'000
Accumulated losses	(920,014)	(234)	(920,248)
Share options reserve	–	234	234
Minority interests	–	22,294	22,294
Total effects on equity	(920,014)	22,294	(897,720)

4. Turnover and Segment Information

Business segments

The Group's principal activities are sale and manufacture of cement, trade of goods, property investment, property development and investments holding. These five business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

	Trade and manufacture of cement *HK$'000*	**Trade of goods** *HK$'000*	**Property investment** *HK$'000*	**Property development** *HK$'000*	**Investments holding** *HK$'000*	**Consolidated** *HK$'000*
For the year ended 31 December 2005						
Turnover						
Segment turnover	**46,458**	**93,261**	**–**	**114,053**	**–**	**253,772**
Result						
Segment result	**(30,069)**	**7**	**(10,286)**	**8,219**	**–**	**(32,129)**
Unallocated corporate expenses						**(16,777)**
Finance costs						**(1,407)**
Share of results of associates					**(1)**	**(1)**
Loss before taxation						**(50,314)**
Taxation						**(3,371)**
Loss for the year						**(53,685)**
Other information						
Additions of property, plant and equipment	**7,731**	**–**	**–**	**97**	**2**	**7,830**
Impairment loss on property, plant and equipment	**(23,781)**	**–**	**–**	**–**	**–**	**(23,781)**
Depreciation and amortisation of property, plant and equipment	**(2,854)**	**–**	**–**	**(90)**	**(273)**	**(3,217)**
Loss on disposal of property, plant and equipment	**(986)**	**–**	**–**	**(23)**	**–**	**(1,009)**
Provision for a legal claim	**–**	**–**	**(8,698)**	**–**	**–**	**(8,698)**

	Trade and manufacture of cement *HK$'000*	Trade of goods *HK$'000*	Property investment *HK$'000*	Property development *HK$'000*	Investments holding *HK$'000*	Consolidated *HK$'000*
For the period from 1 April 2004 to 31 December 2004						
Turnover						
Segment turnover	81,518	129,438	36	–	–	210,992
Result						
Segment result	(15,879)	45	(32,876)	(303)	(23)	(49,036)
Unallocated corporate expenses						(21,969)
Finance costs						(1,787)
Gain on disposal of subsidiaries	–	–	162,989	–	–	162,989
Share of results of associates	–	–	–	–	(261)	(261)
Profit before taxation						89,936
Taxation						4,205
Profit for the period						94,141
Other information						
Additions of property, plant and equipment	20,113	–	–	12	164	20,289
Impairment loss on property, plant and equipment	(9,473)	–	–	–	–	(9,473)
Depreciation and amortisation of property, plant and equipment	(4,283)	–	–	(24)	(234)	(4,541)
Allowance made for inventories	(2,931)	–	–	–	–	(2,931)
(Loss) gain on disposal of property, plant and equipment	(2,368)	–	–	2	–	(2,366)
Revaluation deficit recognised in respect of investment properties	–	–	(6,262)	–	–	(6,262)
Provision for a legal claim	–	–	(32,792)	–	–	(32,792)

Geographical segments

The Group's operations are located in Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market	
	1.1.2005 to 31.12.2005 ***HK$'000***	1.4.2004 to 31.12.2004 *HK$'000*
Mainland China	**160,511**	81,554
Hong Kong	**93,261**	129,438
	253,772	210,992

5. Provision for a Legal Claim

	HK$'000
Balance at 1 January 2005	32,792
Provide for the year	8,698
Balance at 31 December 2005	41,490

Petitions have been filed against a wholly owned subsidiary of the Company, Merry World Associates Limited ("Merry World") seeking orders, among other matters, for the transfer of the Group's two investment properties with carry value of HK$41,490,000 (the "Property A") and HK$ 44,910,000 (the "Property C"), respectively, as at 31 December 2005 in favour of the plaintiff (the "Plaintiff").

Property A and Property C were acquired by Merry World from the Plaintiff in 2001 when Merry World was not part of the Group. Merry World is the registered owner of Property A and Property C in the PRC. The Plaintiff alleged among other matters, that Merry World had failed to make payments for the purchase of the Property A and Property C.

Judgments of The Intermediate People's court of Guangzhou City were made on 13 July 2005 and 16 September 2005 ordering, inter alias, the transfer of the Property A and Property C to the Plaintiff. The directors, after consulting with the Group's legal counsel, have made appeal to the Higher People's court of Guangzhou City.

Merry World has on 1 March 2006 entered into two settlement agreements (the "Settlement Agreements") with the Plaintiff in relation to Property A and Property C for, among other matters, the transfer of Property A by Merry World to the Plaintiff in pursuant to the judgment and the discontinuance and withdrawal by the Plaintiff of all its claims made and legal proceedings instituted against Merry World in relation to Property C and the confirmation of the title of Merry World in Property C.

Having obtained the advice of the Group's legal counsel, the directors are of the opinion that provision is adequate as at the balance sheet dates with reference to the carrying values of the properties and the likelihood of the outcome of the claim.

Details of the Settlement Agreements are set out in the Company's announcement dated 31 March 2006.

6. (Loss) profit for the year/period

	1.1.2005 to 31.12.2005 ***HK$'000***	1.4.2004 to 31.12.2004 *HK$'000*
The (loss) profit for the year/period is arrived at after charging:		
Auditors' remuneration		
Current year/period provision	**1,550**	1,020
Prior period (over) underprovision	**(120)**	54
	1,430	1,074
Depreciation of property, plant and equipment	**3,217**	4,533
Impairment loss on property, plant and equipment	**23,781**	9,473
Loss on disposal of property, plant and equipment	**1,009**	2,366
Minimum lease payments in respect of rented premises	**1,610**	1,995
Allowance made for inventories	**–**	2,931
Contributions to retirement benefits schemes (including directors' emoluments)	**1,558**	1,315
Other staff costs (including directors' emoluments)	**13,771**	14,822
Cost of inventories recognised as an expense	**236,760**	206,776

after crediting:

Gross rental income from investment properties, net of negligible outgoings	**1,009**	684
Interest income excluding of interest income on the temporary investment of specific borrowings of approximately HK$620,000 (1.4.2004 to 31.12.2004: HK$243,000) which has been capitalised in properties under development	**1,882**	22
Exchange gain	**1,530**	–

Other than interest income capitalised as stated above, the above amounts are shown net of expenses capitalised in properties under development as follows:

	1.1.2005 to 31.12.2005 *HK$'000*	1.4.2004 to 31.12.2004 *HK$'000*
Other staff costs	**3,319**	701
Depreciation of property, plant and equipment	**90**	8
Operating lease rentals for land and building	**654**	95

7. Finance Costs

	1.1.2005 to 31.12.2005 *HK$'000*	1.4.2004 to 31.12.2004 *HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**5,583**	5,300
Less: Amount capitalised in the cost of properties held for sales	**(4,176)**	(3,513)
	1,407	1,787

8. Taxation

Hong Kong Profits Tax is provided at 17.5% (1.4.2004 to 31.12.2004: 17.5%) on the estimated assessable profits for the year/period. PRC Enterprise Income Tax is provided at 24% (1.4.2004 to 31.12.2004: 24%) on the estimated assessable profits for the year/period.

Pursuant to the relevant laws and regulations in the PRC, the Group's certain PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

During the period from 1 April 2004 to 31 December 2004, no provision for PRC Enterprise Income Tax has been made as no assessable profits were made by the PRC subsidiaries. In prior year, 50% reduction on the PRC Enterprise Income Tax was obtained.

	1.1.2005 to 31.12.2005 *HK$'000*	1.4.2004 to 31.12.2004 *HK$'000*
The taxation charge comprises:		
Current tax:		
Hong Kong	**–**	6
PRC	**3,334**	–
	3,334	6
Under (over) provision in prior years:		
Hong Kong	**297**	(570)
PRC	**645**	–
	942	(570)
	4,276	(564)
Deferred taxation	**(905)**	(3,641)
Taxation charge (credit) for the year /period	**3,371**	(4,205)

9. **(Loss) Earnings Per Share**

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	1.1.2005 to 31.12.2005 *HK$'000*	1.4.2004 to 31.12.2004 *HK$'000* (restated)
(Loss) profit for the year and earnings for the purposes of basic and diluted earnings per share	**(45,997)**	99,714
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,687,104,968**	1,687,104,968
Effect of dilutive potential ordinary shares in respect of share options	**N/A**	1,976,336
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	1,689,081,304

FINAL DIVIDEND

The Board does not recommend any payment of final dividend for the year ended 31 December 2005 (nine months ended 31 December 2004: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 December 2005 ("the year"), the Group's audited consolidated loss before minority interests was HK$46 million (nine months ended 31 December 2004 ("the corresponding period"): profit of HK$100 million). Loss per share was HK$2.7 cents. The Group's turnover was HK$254 million, 20% higher than the corresponding period as sales revenue from one of the Group's major business, a Beijing residential project, was partially recognized, and gross profit also increased to HK$11 million compared to HK$1 million in the corresponding period. In the meantime, affected by the continue recession of cement industry in the

PRC, our strategic investment Suzhou Nanda Cement Company Limited ("Suzhou Nanda") recorded a decrease in turnover and an HK$24 million impairment loss on plant and equipment as some of its production facilities were terminated.

During the year, the Group continued to implement strict financial and cost control measures to control total administrative and operating expense.

BUSINESS REVIEW

Property Development

The Group acquired a 70% interest of a residential development project located in Beijing from China Chengtong Holdings Company ("CCHC") in 2004 and has become the Group's key business driver in 2005. The project construction was completed on schedule in October 2005. Taking the opportunity of an increasing commercial residential market price and a decrease in transaction volume in Beijing, the Group sold all residential units of the project during the period and has delivered the properties to most of the buyers in first quarter of 2006 according to the terms of sales agreement. Most of the project's revenue and profit will be recognized in 2006.

Property Investments

Through recovering of a non-performing debt, the Group acquired its wholly-owned subsidiary, Merry World, in 2003 which owns Property A and Property C of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, Guangzhou City, Guangdong, the PRC ("Property A" and "Property C" respectively). Merry World entered into property right litigations in 2004 and 2005 and amid an unfavorable litigation position, Merry World entered into two settlement agreements with Guangzhou Sui Nan Building Development Limited ("the Plaintiff") on 1 March 2006, where the Plaintiff and Merry World will each hold the title and right of receipt of Property A and Property C respectively. The entering into the settlement agreements enables the Group to retain Property C despite the dismissed appeal. Management of the Group has already made a provision of HK$33 million on this legal claim in year 2004 and a further HK$9 million provision was made this year. After entering into the settlement agreements, Property C is expected to contribute positive cash flow to the Group in 2006.

In January 2006, the Group through a wholly owned subsidiary has entered into a disposal agreement pursuant to which the Group has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire shareholding and the shareholder's loan of Price Sales Limited, a wholly owned subsidiary of the Company which owned an indirect investment interest in a Grade A office building located in Shanghai for US$24.7 million (equivalent to approximately HK$193 million). The Group's current asset will increase substantially after completion of the disposal agreement.

Strategic Investments

During the period, affected by an overall unfavorable cement industry in Mainland China, Suzhou Nanda has recorded a turnover of HK$46 million (the corresponding period: HK$82 million) and an operating loss of approximately HK$6 million. Suzhou Nanda also recorded a one time charge of impairment loss on property, plant and equipment due to termination of certain production facilities. The management of Suzhou Nanda has implemented a series of measures to control cost including substantial reduction of headcount and management's salary to minimize loss. Suzhou Nanda's operation has recently improved as the cement market of the PRC was stabilized.

Trading Business

Trading business recorded a turnover of HK$93 million. Since trading business only contributed to the Group minimal operating profit, to cope with the Group's strategic changes, general trading business was temporary ceased starting in 2006 in order to concentrate our resources on core business.

Financial Position

During the year financial position of the Group continued to improve as result of a strong sales progress of the Beijing residential project, the Group's stringent financial management as well as conservative and reasonable cash management. Both net current assets and liquidity improved compare to 2004. As at 31 December 2005, the Group had net current assets 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 will continue to employ conservative and sound financial planning, ensuring a solid financial position to support future growth of the Company.

PROSPECTS

During the year, the Group's property development business initiated a good start by completing its residential property development project in Beijing. The Group expected that demand for commercial and residential development and logistics property in Mainland China will continue to grow driven by an continue and rapid increase in residence income and urbanization process. This demand will bring enormous business opportunity to the Group's future development.

CCHC, the Group's ultimate controlling shareholder 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 the pilot state-owned asset operating company, which will assume significant role in the restructuring of pillar state-owned enterprises. During the period SASAC has assigned a few factories from a few pillar state-owned enterprises to CCHC for manage their assets. Under this circumstance, the Group will take advantage of CCHC's asset management and warehousing logistics resources, and continue to dispose non-core business asset in order to concentrate our resource to fully expand property and land resources development business.

PLEDGE OF ASSETS

As at 31 December 2005, the Group's plant and machinery with aggregate carrying value of approximately HK$9 million and no property under development has been pledged as securities for the Group's borrowing and banking facilities.

GEARING RATIO

As at 31 December 2005, the Group's gearing ratio calculated on the basis of total bank loans, loans from minority interests and other loans of approximately HK$44 million and total assets of approximately HK$694 million was 0.06.

LIQUIDITY AND CAPITAL RESOURCES

At 31 December 2005, the Group had current assets and current liabilities of HK$552 million and HK$403 million respectively (31 December 2004: HK$291 million and HK$195 million respectively). The Group had cash and bank balances amounting to HK$115 million as at 31 December 2005 (31 December 2004: HK$86 million).

At 31 December 2005, the Group had no bank borrowings secured on certain properties owned by the Group. (31 December 2004: HK$111 million) The Group had unsecured other loans of HK$7 million (31 December 2004: HK$7 million). The bank loans together with other loans of approximately HK$4 million are carrying interest at commercial rates while the remaining other loans are unsecured and interest free. The maturity profile of bank borrowings were nil for current year (31 December 2004: HK$17 million falling within one year, HK$94 million falling between two to five years).

The Company has not issued any additional share during the year ended 31 December 2005 (the corresponding period: nil).

TREASURY POLICY

The business activities of the Group were funded by bank borrowings, secured 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

At 31 December 2005, the Group employed a total of 203 employees, of which 14 were based in Hong Kong and 189 in the PRC. Employee's remunerations are determined in accordance with nature of their duties and remain competitive under current market trend.

AUDIT COMMITTEE

The Board of Directors has established the audit committee, the committee comprises all the independent non-executive Directors of the Company, namely Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan and the non-executive Directors, namely Mr. Hong Shuikun and Ms. Xu Zhen and Mr. Kwong Che Keung, Gordon is the chairman of the committee. The audit committee has reviewed the annual results for the year ended 31 December 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of all the directors of the Company, they confirmed that they have complied with the required standards as set out in the Model Code during the financial year ended 31 December 2005.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Code on Corporation Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the financial year ended 31 December 2005 except for the following deviations:

– With respect to Code Provision A.4.1, the non-executive directors of the Company have not been appointed for any specific terms since they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Memorandum and Articles of Association of the Company.

– No Remuneration Committee meeting has been held in 2005 as the board of the Company discussed the remuneration related matters in one of the board meetings. The first Remuneration Committee Meeting of the Company was held on 21 March 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period ended 31 December 2005, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk in due course.

By Order of the Board
China Chengtong Development Group Limited
Zhang Guotong
Managing Director

Hong Kong, 21 April 2006

As at the date of this announcement, the Company's executive Directors are Mr. Zhang Guotong and Mr. Wang Hongxin, the non-executive directors are Mr. Ma Zhengwu, Mr. Hong Shuikun, Mr. Gu Laiyun and Ms. Xu Zhen, the independent non-executive Directors are Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan.