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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The Board of Directors of China Chengtong Development Group Limited (the "Company") would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 together with the comparative figures for the six months ended 30 June 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2006

		Six months ended 30 June	
	NOTES	**2006** *HK$'000* **(Unaudited)**	2005 *HK$'000* (Unaudited)
Continuing operations			
Turnover	*3*	**247,739**	29,980
Cost of sales		**(190,389)**	(33,222)
Gross profit (loss)		**57,350**	(3,242)
Other income		**2,469**	1,341
Distribution costs		**(6,751)**	(462)
Administrative expenses		**(9,071)**	(12,991)
Provision for legal claims	*4*	**–**	(52,078)
Share of result of associates		**–**	(1)
Finance costs	*5*	**(737)**	(13)
Profit (loss) before taxation	*6*	**43,260**	(67,446)
Taxation (charge) credit	*7*	**(16,096)**	4,385
Profit (loss) for the period from continuing operations		**27,164**	(63,061)
Discontinued operations			
(Loss) profit for the period from discontinued operation	*8*	**(3)**	5
Profit (loss) for the period		**27,161**	(63,056)
Attributable to:			
Shareholders of the Company		**17,270**	(61,913)
Minority interests		**9,891**	(1,143)
		27,161	(63,056)
Earnings (loss) per share	*9*		
From continuing and discontinued operations:			
Basic		**HK 1.0 cent**	HK(3.7) cents
Diluted		**HK 1.0 cent**	N/A
From continuing operations:			
Basic		**HK 1.0 cent**	HK(3.7) cents
Diluted		**HK 1.0 cent**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	NOTES	**30.6.2006**	31.12.2005
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		**54,762**	55,650
Investment properties		**44,910**	86,400
Interests in jointly controlled entity		**74,594**	–
Interests in associates		**263**	263
		174,529	142,313
Current assets			
Inventories		**6,873**	4,536
Properties held for sales		**54,968**	230,162
Trade and other receivables	*10*	**15,981**	31,784
Bills receivables		**1,182**	144
Tax recoverable		**284**	2,414
Amounts due from minority interests		**2,799**	1,359
Amounts due from related companies		**5,324**	5,282
Amount due from a jointly controlled entity		**16,320**	–
Restricted bank balance		**4,200**	–
Bank balances and cash		**101,247**	115,058
		209,178	390,739
Assets classified as held for sale		**152,344**	161,080
		361,522	551,819
Current liabilities			
Trade and other payables	*11*	**138,757**	128,391
Deposits received on sale of properties		**3,318**	189,435
Provision for legal claims	*4*	**–**	41,490
Loan from a related company		**33,033**	15,000
Amount due to a minority shareholder		**3,978**	3,978
Taxation payable		**14,421**	–
Other loans		**7,196**	7,196
Bank loans, secured		**17,616**	17,616
		218,319	403,106
Net current assets		**143,203**	148,713
Total assets less current liabilities		**317,732**	291,026
Non-current liabilities			
Deferred tax liabilities		**(5,239)**	(5,694)
Net assets		**312,493**	285,332
Capital and reserves			
Share capital		**168,710**	168,710
Reserves		**101,626**	84,356
Equity attributable to shareholders of the Company		**270,336**	253,066
Minority interests		**42,157**	32,266
Total equity		**312,493**	285,332

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2006

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair value, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2005 except as described below.

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) Financial Guarantee Contracts which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 Financial Instruments: Recognition and Measurement as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

In relation to a financial guarantee granted to a bank in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties, no financial guarantee contract was recognised as the fair value of these guarantees was insignificant.

Joint ventures

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (new "HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard amendment or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-INT 8	Scope of HKFRS 2[3]
HK(IFRIC)-INT 9	Reassessment of embedded derivatives[4]

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 March 2006.

[3] Effective for annual periods beginning on or after 1 May 2006.

[4] Effective for annual periods beginning on or after 1 June 2006.

3. TURNOVER AND SEGMENT INFORMATION

Business segments

The Group's principal activities are trade and manufacture of cement, property investment and property development. These business segments are the basis on which the Group reports its primary segment information. During the period ended 30 June 2006, the Group discontinued its trade of goods business. Segments information about these business is presented as below:

	Continuing operations			**Discontinued operations**	
	Trade and manufacture of cement	**Property investment**	**Property development**	**Trade of goods**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2006					
Turnover	16,738	–	231,001	–	247,739
Result					
Segment result	402	820	49,638	(3)	50,857
Unallocated corporate expenses					(6,863)
Finance costs					(737)
Profit before taxation					43,257
Taxation charge					(16,096)
Profit for the period					27,161

	Continuing operations			**Discontinued operations**	
	Trade and manufacture of cement	**Property investment**	**Property development**	**Trade of goods**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2005					
Turnover	29,980	–	–	78,962	108,942
Result					
Segment result	(4,559)	(32)	592	5	(3,994)
Unallocated corporate expenses					(11,355)
Provision for legal claims	–	(52,078)	–	–	(52,078)
Share of results of associates					(1)
Finance costs					(13)
Loss before taxation					(67,441)
Taxation credit					4,385
Loss for the period					(63,056)

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:

	Continuing operation		**Discontinued operation**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**–**	78,962
Mainland China	**247,739**	29,980	**–**	–
	247,739	29,980	**–**	78,962

4. PROVISION FOR LEGAL CLAIMS

	HK$'000
Balance at 1 January 2006	41,490
Utilisation of provision upon the transfer of Property A	(41,490)
Balance at 30 June 2006	–

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.

On 1 March 2006, Merry World 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. During the period, the legal procedures for the transfer of Property A were completed.

5. FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**(737)**	(2,525)
Less: Amount capitalised in the cost of properties under development	**–**	2,512
	(737)	(13)

6. PROFIT (LOSS) BEFORE TAXATION

	Continuing operations Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**890**	2,300
and after crediting:		
Gain on disposal of property, plant and equipment	**335**	243

7. **TAXATION (CHARGE) CREDIT**

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
The (charge) credit comprises:		
Continuing operations		
Current tax		
Hong Kong	**284**	(292)
PRC	**(16,834)**	–
Deferred taxation	**454**	4,677
Taxation (charge) credit for the period	**(16,096)**	4,385

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both periods. The tax credit (charge) represents the over (under) provision in previous years.

PRC Enterprise Income Tax is provided for with reference to the applicable tax rates prevailing in the respective regions of the Mainland China on the estimated assessable profits of the Group's PRC subsidiaries.

8. **DISCONTINUED OPERATION**

The results of the discontinued operations are analysed as follows:

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
(Loss) profit for the period in respect of trading of goods	**(3)**	5

The results of trade of goods business for the period, which have been included in the condensed consolidated income statements, were as follows:

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Turnover	**–**	78,962
Other income	**–**	3
Cost of sales and other operating expense	**(3)**	(78,960)
(Loss) profit for the period	**(3)**	5

The carrying amounts of the assets and liabilities of the trading business is insignificant.

9. **EARNINGS (LOSS) PER SHARE**

From continuing and discontinued operations

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

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Earnings		
Earnings (loss) for the purposes of basic and diluted earnings per share	**17,270**	(61,913)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,687,104,968**	1,687,104,968
Effect of dilutive potential ordinary shares in respect of share options	**4,004,339**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,691,109,307**	N/A

No diluted loss per share has been presented for the prior period as the exercise of the Company's outstanding share options would reduce loss per share.

10. TRADE AND OTHER RECEIVABLES

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Trade receivables	**8,143**	11,758
Prepayments and deposits	**2,336**	2,259
Other receivables	**5,502**	17,767
	15,981	31,784

The Group allows an average credit period of 30 days (31 December 2005: 30 days) to its trade customers on open account credit terms. The aged analysis of the trade receivables at 30 June 2006 is as follows:

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Current	**703**	8,510
One to three months	**105**	128
Over three months	**7,335**	3,120
	8,143	11,758

11. TRADE AND OTHER PAYABLES

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Trade payables	**55,239**	78,702
Other deposits received, other payables and accruals	**83,518**	49,689
	138,757	128,391

The aged analysis of the trade payables at 30 June 2006 is as follows:

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Current	**4,621**	717
One to three months	**679**	9,788
Over three months	**49,939**	68,197
	55,239	78,702

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group's turnover amounted to approximately HK$248 million for the period under review, representing a significant increase when compared to that recorded in the corresponding period in 2005. The rise in the Group's turnover was mainly attributable to the sales revenue of Zhongshi Investment Company Limited ("Zhongshi"), its subsidiary, for the period under review.

The Group recorded a net profit attributable to shareholders of approximately HK17.3 million for the period under review as compared to a net loss of HK$61.9 million for the corresponding period in 2005. It was mainly due to the profit contribution from Zhongshi and the decrease in the share of loss of Suzhou Nanda Cement Company Limited ("Nanda Cement"), its subsidiary, for the period under review as compared to that for the corresponding period in 2005. Also, a provision for a legal claim against one of the Group's wholly owned subsidiaries for its properties in Guangzhou of approximately HK$52 million was recognized in the corresponding period in 2005.

Property Development

Zhongshi Investment Company Limited

The Group's residential development project located at Xicheng District, Beijing completed on schedule in October 2005. It achieved a remarkable result by contributing a net profit of approximately HK$23 million to the Group for the period under review. Together with the sales made in 2005, all the residential units and 103 car parks of the project were sold and most of them had been delivered to the purchasers at 30 June 2006.

Huzhou Land
To further enhance the Group's property development business in Mainland China, in June 2006, at a consideration of approximately RMB27.5 million, the Group acquired the entire equity interests of Great Royal International Limited, which is one of the equity owners of Huzhou Wangang United Estate Company Limited ("Huzhou Land Company"), a sino-foreign equity joint venture established in Mainland China, and has a capital commitment of 50% to the registered capital of Huzhou Land Company.

Huzhou Land Company is solely engaged in the development, construction and operation of a piece of vacant land of site area of approximately 214,000 square metres at Nos. 19, 20A of West Southern District of Huzhou City of the Zhejiang Province ("Huzhou Land"), which will be developed as a residential and commercial development for the re-housing of local farmers with a total building floor area of approximately 290,000 square metres. The whole development of Huzhou Land will be purchased by Huzhou People's Government upon its completion at an agreed consideration.

Cement Business
Nanda Cement recorded a turnover of HK$16.7 million for the period under review, representing a decrease of 44% as compared to that for the corresponding period in 2005. Despite the decrease in total turnover, Nanda Cement could still manage to achieve a decrease of approximately HK$4 million in its loss for the period under review as compared to that for the corresponding period in 2005. The drop in loss was mainly attributable to its successful cost control measures.

The sales has picked up since March 2006 due to the overall improved market condition for cement industry in Suzhou. The management of Nanda Cement will continue to implement strict cost control measures and policies to improve its profitability.

Disposal of the entire shareholding and shareholder loan of Price Sales Limited
In January 2006, the Group entered into a conditional disposal agreement ("Disposal Agreement") for the disposal of a wholly owned subsidiary of the Group, Prices Sales Limited, and the shareholder's loan to that subsidiary to an independent third party at a consideration of approximately US$24.7 million (equivalent to approximately HK$193 million). Prices Sales Limited is the owner of a 32% interest in Goodwill (Overseas) Limited. The Group and the Purchaser have not come to an agreement on the terms of the formal agreement, as such, no formal agreement has been entered into and payment of the further deposit in the sum of US$4.5 million (equivalent to approximately HK$35.1 million) and completion of the disposal are still pending. The Group is seeking to resolve the matter as appropriate.

Settlement Agreements in relation to Merry World Associates Limited
In March 2006, a wholly owned subsidiary of the Group, Merry World Associates Limited ("Merry World"), entered into two settlement agreements with Guangzhou Sui Nan Building Development Limited ("Plaintiff"), putting an end to the disputes and ensuing litigations between them in relation to Zone A ("Property A") and Zone C ("Property C") both of Level 3 of Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, Guangzhou City, Guangdong Province, the PRC. Pursuant to the settlement agreements, among other matters, Property A was transferred to the Plaintiff in the period under review and the Plaintiff had discontinued and withdrawn all its claims made and legal proceedings instituted against Merry World in relation to Property C and confirmed the title of Merry World to Property C. The entering into of the two settlement agreements enables the Group to retain Property C despite the judgment of the relevant court in the PRC ordering the transfer of Property C by Merry World to the Plaintiff.

Capital Reduction
On 20 June 2006, the High Court of the Hong Kong Special Administrative Region made an order confirming the cancellation of the entire sum standing to the credit of the share premium account of the Company as at 31 December 2004 and set off with the accumulated loss of the Company (the "Capital Reduction"). A credit amount of HK$939,273,144.96 arising from the Capital Reduction has been applied to write off the accumulated losses of HK$938,308,422.76 of the Company as at 31 December 2004 and the balance of HK$964,722.20 has been transferred to a special capital reserve created by the Company.

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 a capital structure that would permit the payment of dividends to its shareholders as and when appropriate.

Outlook
Following the stringent macro-economic control measures implemented by the central government in the second half of 2005, sales turnover of the property market in Mainland China has become stable. In the long run, these measures will contribute to bring about sustained economic growth and influx of foreign investments, eventually leading to a healthier property market in the Mainland China.

In view of the favourable environment of the capital market, the Group had in August conducted a fund raising activity and an aggregate of 332,000,000 shares of the Company were placed to three independent investors in a top-up placing, raising a net proceeds of approximately HK$98.1 million. The net proceeds from the placing are intended to be used for the Group's property development business in Mainland China and for general working capital of the Group.

China Chengtong Holdings Group Limited ("CCHG") (formerly known as China Chengtong Holdings Company), the Group's ultimate holding company, is the largest integrated warehousing logistics service enterprise in Mainland China, and has been selected by the State-owned Assets Supervision and Administration Commission of the State Council as a state-owned asset operating company. It was assigned a group of state-owned factories which further increased its land reserve.

Further to the dedicated efforts on the disposals of non-core and not well performed assets in the past two years, the Group is now in a position to explore appropriate investment opportunities in Mainland China in order to enhance our growth. With the immense support from CCHG, the Group will endeavour to broaden its quality portfolio in its property development business. The Board is confident of the Group's prospects.

Pledge of Assets
As at 30 June 2006, the Group's plant and machinery with aggregate carrying value of approximately HK$9 million was pledged as securities for the Group's borrowing and banking facilities.

Gearing Ratio
As at 30 June 2006, the Group's gearing ratio calculated on the basis of total bank loans, loans from minority interests and other loans of approximately HK$62 million and total assets of approximately HK$536 million, was 0.12 (31 December 2005: 0.06).

Liquidity and Capital Resources
The Group's financial position remained healthy during the period under review.

At 30 June 2006, the Group had cash and bank balances amounting to HK$105 million (31 December 2005: HK$115 million), and current assets and current liabilities of HK$362 million and HK$218 million respectively (31 December 2005: HK$552 million and HK$403 million respectively). Out of the cash and bank balances of HK$105 million at 30 June 2006, a sum of HK$4.2 million was deposited in a new and segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at its effective date.

At both 30 June 2006 and 31 December 2005, the Group's bank borrowings amounted to approximately HK$17.6 million which is repayable within one year with interest at commercial rate and were secured by the Group's plant and machinery with aggregate carrying value of approximately HK$9 million. At 30 June 2006, except the loan due to a related company of approximately HK$18 million that is unsecured and bears interest at the rate of 3.5% per annum, all the other loans due by the Group are unsecured and interest free. The Group anticipates that it has adequate financial resources to meet its obligations for the coming year.

The Group will continue to employ conservative and sound financial planning, ensuring a solid financial position to support its future growth.

The Company has not issued any additional shares during the period ended 30 June 2006 (corresponding period in 2005: nil).

Foreign Exchange Risk Management
The business activities and operation of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Group considers that fluctuations in exchange rates 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 30 June 2006, the Group employed a total of 181 employees, of which 13 were based in Hong Kong and 168 were based in Mainland China. Employee's remunerations are determined in accordance with nature of their duties and remain competitive under current market trend.

CAPITAL COMMITMENTS

At 30 June 2006, the Group had capital commitments in respect of investment in jointly controlled entity in the amount of HK$23 million (31 December 2005: Nil).

POST BALANCE SHEET EVENT

On 8 August 2006, the Company, the substantial shareholder of the Company (the "Substantial Shareholder") and an agent ("Placing Agent") entered into a placing and subscription agreement in relation to the placing of a total of 332,000,000 existing shares (the "Placing Shares") of the Company held by the Substantial Shareholder to the placees which represented approximately 19.68% of the total issued share capital of the Company (the "Placing") and the subscription by the Substantial Shareholder of 332,000,000 new shares of the Company (the "Subscription Shares") after the Placing completed (the "Subscription").

The Placing Shares were placed to three independent third parties at HK$0.3 each in the proportion of 166,000,000 shares, 99,600,000 shares and 66,400,000 shares respectively. The Placing Agent charged a placing commission of 1% of the aggregate placing price. The Subscription Shares were issued to the Substantial Shareholder at HK$0.3 each. The completion of Placing and Subscription took place on 11 August 2006 and 18 August 2006, respectively.

The shareholdings in the Company immediately before completion of the Placing and the Subscription, immediately after completion of the Placing but before completion of the Subscription, and immediately after the Subscription are as follows:

Shareholders	No. of Shares held as at the date of the Placing and Subscription Agreement	%	No. of Shares held immediately after completion of the Placing but before the Subscription	%	No. of Shares held immediately after completion of the Placing and the Subscription *(Note)*	%
The Substantial Shareholder	608,201,500	36.05	276,201,500	16.37	608,201,500	30.12
Sub-total	608,201,500	36.05	276,201,500	16.37	608,201,500	30.12
Public (excluding placees)	1,046,703,468	62.04	1,046,703,468	62.04	1,046,703,468	51.84
Placees						
Mr. Hua Sheng	32,200,000	1.91	98,600,000	5.85	98,600,000	4.89
Mr. Dai Fan	Nil	Nil	99,600,000	5.90	99,600,000	4.93
Benemo Corporation	Nil	Nil	166,000,000	9.84	166,000,000	8.22
Total	1,687,104,968	100.00	1,687,104,968	100.00	2,019,104,968	100.00

The details of the Placing and the Subscription were set out in the announcement of the Company dated 8 August 2006 and 18 August 2006.

Note: No accounts has been taken in respect of any share options which have been or may be granted by the Company under its share option scheme.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2006, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 six months ended 30 June 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with provisions of Rules 3.10(1) and 3.10(2) of the Listing Rules that a sufficient number of independent non-executive directors shall be appointed by listed issuers and that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. For the detailed profile of the independent non-executive directors of the Company, please see the annual report of the Company for the year 2005.

CORPORATE GOVERNANCE

The directors consider that the Company has complied with the Code on Corporate Governance Practices (the "Code ")as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006, with deviations from the code provision A.4.1 of the Code in respect of the service term and rotation of directors.

Under the Code provision A.4.1 non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all directors of the Company (executive and non-executive) are subject to the retirement provisions under Article 105 of the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporation governance practices are no less exacting than those in the Code.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, including Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan, and two non-executive directors, including Mr. Hong Shuikun and Ms. Xu Zhen. The principal duties of the Audit Committee include the review of the Company's financial reporting procedures, internal controls and results of the Group. The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee and Deloitte Touche Tohmatsu, the auditors of the Company.

REMUNERATION COMMITTEE

Pursuant to the provisions of the Code as set out in Appendix 14 of the Listing Rules, the Board of Directors has established the remuneration committee on 29 March 2005. The Remuneration Committee subsequently met on 21 March 2006. The committee comprises the non-executive Chairman, Mr. Ma Zhengwu, the Managing Director, Mr. Zhang Guotong, and three Independent Non-executive Directors, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Lao Youan. Mr. Tsui is the Chairman of the committee.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The information required by paragraphs 46(1) to 46(9) inclusive of Appendix 16 to 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
Vice Chairman and Managing Director

Hong Kong, 11 September 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.