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## **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 2021**

### **FINANCIAL HIGHLIGHTS**

- Turnover for the six months ended 30 June 2021 amounted to approximately HK\$473.75 million, representing a decrease of approximately 10% as compared with that for the same period last year.
- Profit for the period attributable to owners of the Company amounted to approximately HK\$53.70 million, representing an increase of approximately 260% as compared with that for the same period last year.
- Consolidated gross profit and net interest income margin was approximately 26%, representing an increase of approximately 12% as compared with that for the same period last year.
- Earnings per share was approximately HK0.93 cent, representing an increase of approximately HK0.67 cent as compared with that for the same period last year.
- As at 30 June 2021, the cash (including pledged bank deposits and bank balances and cash) held by the Group amounted to approximately HK\$1,303.67 million.
- As at 30 June 2021, the debt to equity ratio (expressed as interest-bearing loan divided by total equity) was approximately 70.9%, representing an increase of approximately 58.8% as compared with that as at 31 December 2020.
- The Board has resolved not to declare any interim dividend.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Turnover</b>	3	<b>473,753</b>	527,035
Costs of revenue		<u>(352,934)</u>	<u>(453,497)</u>
<b>Gross profit and net interest income</b>		<b>120,819</b>	73,538
Other income	4	<b>17,908</b>	11,431
Selling expenses		<b>(8,258)</b>	(10,008)
Administrative expenses		<b>(48,070)</b>	(44,557)
Gain on disposal of a subsidiary		–	7,477
Fair value gain/(loss) on investment properties		<b>470</b>	(4,631)
Finance costs	5	<u>(1,979)</u>	<u>(3,908)</u>
<b>Profit before income tax</b>	7	<b>80,890</b>	29,342
Income tax expense	6	<u>(26,517)</u>	<u>(15,010)</u>
<b>Profit for the period</b>		<u><b>54,373</b></u>	<u>14,332</u>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		<b>53,703</b>	14,923
Non-controlling interests		<u><b>670</b></u>	<u>(591)</u>
		<u><b>54,373</b></u>	<u>14,332</u>
<b>Earnings per share for profit attributable to owners of the Company during the period</b>	9	<b>HK cent</b>	<b>HK cent</b>
Basic and diluted		<u><b>0.93</b></u>	<u>0.26</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>54,373</b>	14,332
<b>Other comprehensive income</b>		
Item that will not be reclassified subsequently to profit or loss:		
Net change in fair value of equity investments at fair value through other comprehensive income	<b>7,285</b>	(74,686)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	<b>10,441</b>	(41,448)
Exchange differences reclassified to profit or loss on disposal of a subsidiary	<u>—</u>	<u>(613)</u>
<b>Total comprehensive income for the period</b>	<b><u>72,099</u></b>	<b><u>(102,415)</u></b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>71,429</b>	(99,937)
Non-controlling interests	<u>670</u>	<u>(2,478)</u>
	<b><u>72,099</u></b>	<b><u>(102,415)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		<b>Unaudited</b>	Audited
		<b>At 30 June</b>	At 31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>328,685</b>	344,673
Investment properties		<b>90,363</b>	89,143
Deposits paid		<b>1,646</b>	700
Finance lease receivables and loans receivable	<i>10</i>	<b>2,206,645</b>	1,438,325
Other financial assets	<i>12</i>	<b>11,728</b>	11,200
Loan to a related party		<b>12,277</b>	–
		<b>2,651,344</b>	1,884,041
<b>Current assets</b>			
Properties held for sale		<b>163,268</b>	180,364
Properties under development		<b>114,835</b>	90,325
Inventories		<b>10,449</b>	4,756
Trade and other receivables	<i>11</i>	<b>134,369</b>	101,775
Finance lease receivables and loans receivable	<i>10</i>	<b>1,315,731</b>	634,378
Loan to a related party		<b>37,080</b>	36,404
Other financial assets	<i>12</i>	<b>69,850</b>	107,736
Taxation recoverable		<b>2,114</b>	1,794
Pledged bank deposits		<b>23,976</b>	5,556
Bank balances and cash		<b>1,279,689</b>	859,618
		<b>3,151,361</b>	2,022,706

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*  
*As at 30 June 2021*

		<b>Unaudited</b>	Audited
		<b>At 30 June</b>	At 31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current liabilities</b>			
Trade and other payables	13	414,121	349,524
Contract liabilities		168,512	124,420
Bank borrowings		619,180	338,420
Asset-backed securities	14	554,539	–
Loan from a related party		23,585	23,592
Unsecured other loan		600	600
Lease liabilities		3,967	3,729
Taxation payable		29,548	31,318
		<u>1,814,052</u>	<u>871,603</u>
<b>Net current assets</b>		<u>1,337,309</u>	<u>1,151,103</u>
<b>Total assets less current liabilities</b>		<u>3,988,653</u>	<u>3,035,144</u>
<b>Non-current liabilities</b>			
Asset-backed securities	14	932,401	–
Lease liabilities		493	3,311
Deferred tax liabilities		50,670	46,564
		<u>983,564</u>	<u>49,875</u>
<b>Net assets</b>		<u><u>3,005,089</u></u>	<u><u>2,985,269</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		2,185,876	2,185,876
Reserves		812,914	793,764
		<u>2,998,790</u>	<u>2,979,640</u>
<b>Non-controlling interests</b>		<u>6,299</u>	<u>5,629</u>
<b>Total equity</b>		<u><u>3,005,089</u></u>	<u><u>2,985,269</u></u>

## NOTES

*For the six months ended 30 June 2021*

### 1. CORPORATE INFORMATION AND BASIS OF PREPARATION

China Chengtong Development Group Limited (the “**Company**”) is a limited company incorporated in Hong Kong. The address of its registered office and its principal place of business is Suite 6406, 64/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company and its subsidiaries (collectively known as the “**Group**”) are principally engaged in investment holding, leasing, bulk commodity trading, property development and investment, marine recreation services and hotel.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). As at 30 June 2021, the immediate holding company is World Gain Holdings Limited, which is incorporated in the British Virgin Islands and the directors of the Company consider the Group’s ultimate holding company to be China Chengtong Holdings Group Limited (“**CCHG**”), a company incorporated in the People’s Republic of China (the “**PRC**”).

The interim financial information is presented in Hong Kong Dollars (“**HK\$**” or “**HKD**”), unless otherwise stated.

The interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The interim financial information has been prepared with the same accounting policies adopted in the 2020 annual financial statements.

The interim financial information does not include all of the information required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

The financial information relating to the year ended 31 December 2020 that is included in the interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to the statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s independent auditor has reported on those financial statements. The independent auditor’s report was unqualified, did not include a reference to any matters to which the independent auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under Sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020 except as described below.

In the current interim period, the Group has adopted, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, which are relevant to and effective for the Group's financial year beginning on 1 January 2021:

Amendment to HKFRS 16	<i>COVID-19 – Related Rent Concessions</i>
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. TURNOVER AND SEGMENT INFORMATION

The information reported to the executive directors of the Company, being the chief operating decision makers for the purpose of resources allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs.

For the six months ended 30 June 2021, the presentation of reportable segments of the Group is revised as detailed below as the Group's chief operating decision makers believe the current reportable segments could provide better summary to them in reviewing the Group's operating performance and making decision in resource allocation. Accordingly, the comparative segment information has been re-presented to conform to current period's presentation.

The Group's operations in relation to property development and property investment which were presented as separate reportable segments in the prior periods are considered as a single operating segment by the Group's chief operating decision makers in the current period. Accordingly, the information of these operations has been aggregated into a single reportable segment which is reported as “property development and investment” for segment reporting.

The Group's reportable segments for financial reporting purposes have been reorganised as follows:

- (1) Leasing – providing leasing services including finance lease, sale and leaseback and operating lease services
- (2) Bulk commodity trade – trading of steel and chemical products
- (3) Property development and investment – holding land for property development projects, providing rental services and holding investment properties for appreciation
- (4) Marine recreation services and hotel – providing marine recreation and hotel services

### 3. TURNOVER AND SEGMENT INFORMATION (Continued)

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments for the period under review:

	Unaudited				Total HK\$'000
	For the six months ended 30 June 2021				
	Leasing HK\$'000	Bulk commodity trade HK\$'000	Property development and investment HK\$'000	Marine recreation services and hotel HK\$'000	
Turnover					
Segment revenue					
– external sales and income	<u>121,917</u>	<u>306,332</u>	<u>32,632</u>	<u>12,872</u>	<u>473,753</u>
Results					
Segment results (Note (a))	<u>84,844</u>	<u>1,604</u>	<u>11,048</u>	<u>(10,285)</u>	<u>87,211</u>
Fair value gain on other financial assets measured at fair value through profit or loss (“FVPL”)					161
Fair value gain on investment properties (Note (b))					470
Unallocated finance costs					(1,238)
Unallocated corporate expenses					(20,641)
Unallocated corporate income					<u>14,927</u>
Profit before income tax					<u>80,890</u>

### 3. TURNOVER AND SEGMENT INFORMATION (Continued)

#### Segment revenue and results (Continued)

	Leasing HK\$'000	Bulk commodity trade HK\$'000	Property development and investment HK\$'000	Marine recreation services and hotel HK\$'000	Unallocated HK\$'000	Total HK\$'000
<i>Notes:</i>						
(a) Amounts included in the measure of segment results						
Interest income from deposits and other financial assets	1,332	-	166	12	5,429	6,939
Depreciation	(11,583)	(6)	(6)	(6,868)	(3,092)	(21,555)
Interest expenses (included in costs of revenue)	(11,202)	-	-	-	-	(11,202)
Finance costs	(9)	(651)	-	(81)	(1,238)	(1,979)
Loss on disposal of property, plant and equipment	-	-	-	(2)	-	(2)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance						
Fair value gain on investment properties	-	-	470	-	-	470

### 3. TURNOVER AND SEGMENT INFORMATION (Continued)

#### Segment revenue and results (Continued)

	Unaudited				Total HK\$'000
	For the six months ended 30 June 2020				
	Leasing HK\$'000	Bulk commodity trade HK\$'000	Property development and investment (Re-presented) HK\$'000	Marine recreation services and hotel HK\$'000	
Turnover					
Segment revenue					
– external sales and income	59,752	443,771	18,511	5,001	527,035
	<u>59,752</u>	<u>443,771</u>	<u>18,511</u>	<u>5,001</u>	<u>527,035</u>
Results					
Segment results (Note (a))	55,103	1,010	5,186	(13,886)	47,413
	<u>55,103</u>	<u>1,010</u>	<u>5,186</u>	<u>(13,886)</u>	<u>47,413</u>
Fair value loss on other financial assets measured at FVPL					(176)
Fair value loss on investment properties (Note (b))					(4,631)
Gain on disposal of a subsidiary					7,477
Unallocated finance costs					(1,091)
Unallocated corporate expenses					(29,303)
Unallocated corporate income					<u>9,653</u>
Profit before income tax					<u>29,342</u>

### 3. TURNOVER AND SEGMENT INFORMATION (Continued)

#### Segment revenue and results (Continued)

	Leasing	Bulk commodity trade	Property development and investment (Re-presented)	Marine recreation services and hotel	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Notes:

(a) Amounts included in the measure of segment results

Interest income from deposits and other financial assets	781	9	172	18	8,242	9,222
Depreciation	(40)	(2)	(19)	(7,877)	(2,970)	(10,908)
Finance costs	(2,490)	(212)	-	(115)	(1,091)	(3,908)
Loss on disposal of property, plant and equipment	-	-	-	(2)	(9)	(11)

(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance

Fair value loss on investment properties	<u>-</u>	<u>-</u>	<u>(4,631)</u>	<u>-</u>	<u>-</u>	<u>(4,631)</u>
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For the six months ended 30 June 2021, unallocated corporate income mainly comprised net exchange gain and interest income from deposits and other financial assets (for the six months ended 30 June 2020: mainly comprised interest income from deposits and other financial assets) which are not directly attributable to the business activities of any operating segment.

For the six months ended 30 June 2021 and 2020, unallocated corporate expenses mainly comprised staff costs, depreciation and legal and professional expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

Segment results do not include income tax expense, while segment assets include the tax recoverable except those recognised by the head office and the inactive subsidiaries.

### 3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

#### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Unaudited At 30 June 2021 <i>HK\$'000</i>	Audited At 31 December 2020 (Re-presented) <i>HK\$'000</i>
Segment assets		
Leasing	4,749,465	2,474,732
Bulk commodity trade	101,951	59,479
Property development and investment*	442,789	446,426
Marine recreation services and hotel	<u>184,358</u>	<u>186,292</u>
Total segment assets	5,478,563	3,166,929
Unallocated		
– Other financial assets	81,578	118,936
– Bank balances and cash	142,074	530,064
– Other unallocated assets	<u>100,490</u>	<u>90,818</u>
Total assets	<u><u>5,802,705</u></u>	<u><u>3,906,747</u></u>
	Unaudited At 30 June 2021 <i>HK\$'000</i>	Audited At 31 December 2020 (Re-presented) <i>HK\$'000</i>
Segment liabilities		
Leasing	1,881,896	383,969
Bulk commodity trade	88,870	48,201
Property development and investment	234,199	248,313
Marine recreation services and hotel	<u>44,907</u>	<u>42,622</u>
Total segment liabilities	2,249,872	723,105
Bank borrowings	460,505	160,000
Other unallocated liabilities	<u>87,239</u>	<u>38,373</u>
Total liabilities	<u><u>2,797,616</u></u>	<u><u>921,478</u></u>

\* Segment assets of property development and investment segment include investment properties but segment results excluded the related fair value change for the period/year.

### 3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Set out below is the disaggregation of the Group's turnover from major products and services:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sales of properties	32,293	17,812
Consultancy service income from leasing arrangements	32,082	15,358
Bulk commodity trade	306,332	443,771
Marine recreation services and hotel	<u>12,872</u>	<u>5,001</u>
Revenue from contract with customers	383,579	481,942
Rental income from investment properties	339	699
Rental income under operating lease in respect of owned machineries and equipment	17,692	–
Interest income from loans receivable	72,070	44,394
Finance lease income	<u>73</u>	<u>–</u>
	<u><b>473,753</b></u>	<u><b>527,035</b></u>

### 4. OTHER INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income from:		
– deposits and other financial assets	6,939	9,222
– related parties	1,357	1,397
	8,296	10,619
Fair value gain on other financial assets measured at FVPL	161	–
Government subsidies	382	–
Exchange gain, net	8,063	–
Others	<u>1,006</u>	<u>812</u>
	<u><b>17,908</b></u>	<u><b>11,431</b></u>

## 5. FINANCE COSTS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank borrowings	<b>6,094</b>	5,693
Interest on asset-backed securities	<b>7,608</b>	–
Interest on loan from related parties	<b>421</b>	697
Interest on lease liabilities	<b>164</b>	247
	<b>14,287</b>	6,637
Less:		
Amount capitalised on properties under development	<b>(1,106)</b>	(2,729)
Amount included in costs of revenue		
– Interest on bank borrowings	<b>(3,594)</b>	–
– Interest on asset-backed securities	<b>(7,608)</b>	–
	<b>1,979</b>	3,908

## 6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided in accordance with the two-tiered profits tax rate regime, whereby the first HK\$2,000,000 of assessable profits of the qualifying corporation is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% for both periods. The assessable profits of other subsidiaries in Hong Kong are taxed at 16.5%. The subsidiaries established in the PRC are subject to the PRC enterprise income tax of 25%. The current tax for the period also included PRC land appreciation tax (“LAT”). The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Income tax expense comprises:		
Current tax	<b>22,802</b>	14,283
Deferred taxation	<b>3,715</b>	727
	<b>26,517</b>	15,010

## 7. PROFIT BEFORE INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit before income tax has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	21,560	10,913
Less: Amounts capitalised on properties under development	<u>(5)</u>	<u>(5)</u>
	<u>21,555</u>	<u>10,908</u>
Contributions to retirement benefits schemes (including directors' emoluments)	5,624	2,347
Staff costs (including directors' emoluments)	<u>30,668</u>	<u>25,930</u>
Total staff costs	36,292	28,277
Less: Amounts capitalised on properties under development	<u>(1,148)</u>	<u>(1,219)</u>
	<u>35,144</u>	<u>27,058</u>
Cost of inventories sold (included in costs of revenue)	329,379	453,447
Impairment loss on financial assets	1,826	57
Loss on disposal of property, plant and equipment	2	11
Exchange (gain)/loss, net	(8,063)	8,043
Fair value (gain)/loss on other financial assets measured at FVPL	<u>(161)</u>	<u>176</u>

## 8. DIVIDENDS

The final dividend of HK0.9 cent per ordinary share for the year ended 31 December 2020 in totalling of approximately HK\$52,279,000 was approved in the annual general meeting of the Company on 25 June 2021. The eligible shareholders were given an option to elect, up to 30 July 2021, to receive wholly or partly an allotment and issue of the Company's shares credited as fully paid in lieu of cash payment. The final dividend payable of approximately HK\$52,279,000 was recognised in "other payables" as a liability as at 30 June 2021.

The directors of the Company did not declare any interim dividend for the six months ended 30 June 2021 and 2020.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the earnings for the period attributable to owners of the Company of HK\$53,703,000 (for the six months ended 30 June 2020: HK\$14,923,000) and on the weighted average number of 5,796,985,000 (for the six months ended 30 June 2020: 5,796,985,000) ordinary shares in issue during the period excluding ordinary shares purchased by the Company for share award scheme.

There were no potential dilutive ordinary share outstanding for both periods and therefore the dilutive earnings per share is the same as basic earnings per share.

## 10. FINANCE LEASE RECEIVABLES AND LOANS RECEIVABLE

	Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
Finance lease receivables	33,791	–
Loans receivable	<u>3,488,585</u>	<u>2,072,703</u>
	<u><u>3,522,376</u></u>	<u><u>2,072,703</u></u>
Analysed for reporting purposes as:		
Current assets	1,315,731	634,378
Non-current assets	<u>2,206,645</u>	<u>1,438,325</u>
	<u><u>3,522,376</u></u>	<u><u>2,072,703</u></u>

The Group engaged in finance lease business and sale and leaseback business.

For finance lease business, the ownership of the leased assets will be transferred to the lessees at a purchase option price upon settlement of the principal of finance lease receivables and the interest accrued under the finance lease arrangements.

Loans receivable arose from the sale and leaseback arrangements. Under these arrangements, customers (i.e. lessees) disposed of their equipment and facilities to the Group and leased back the equipment and facilities. In addition, the ownership of the leased assets will be transferred back to the lessees at a purchase option price upon settlement of the principal of the loans receivable and the interest accrued under the sale and leaseback arrangements. The lessees retain control of the equipment and facilities before and after entering into the sale and leaseback arrangements, which do not therefore constitute a lease for accounting purposes. As such, the sale and leaseback arrangements have been accounted for as a secured loan and recognised in accordance with HKFRS 9 Financial Instruments.

## 10. FINANCE LEASE RECEIVABLES AND LOANS RECEIVABLE *(Continued)*

As at 30 June 2021, effective interest rates ranged from approximately 4.73% to 8.77% (31 December 2020: 4.90% to 8.77%) per annum.

The finance lease receivables and loans receivable are secured by the leased equipment and facilities, land from the related party of the lessee, unlisted equity interest and account receivables from the lessees and the related parties of the lessees. The Group has obtained guarantees provided by the related parties of the lessees under certain finance lease and loans receivable arrangements. The lessees are obliged to settle the amounts according to the terms set out in the relevant contracts.

Also, as at 30 June 2021, certain finance lease receivables and loans receivable were secured by deposits received from customers of HK\$192,223,000 (31 December 2020: HK\$149,289,000) (note 13(b)).

As at 30 June 2021, loans receivable with carrying amount of approximately HK\$1,403,592,000 were pledged as collaterals for the Group's asset-backed securities (31 December 2020: nil) (note 14).

As at 30 June 2021, loans receivable of HK\$24,955,000 was past due (31 December 2020: HK\$22,129,000). Loss allowance of HK\$2,763,000 was made against the gross amount of finance lease receivables and loans receivable (31 December 2020: HK\$931,000).

## 11. TRADE AND OTHER RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>At 30 June</b>	At 31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade and bills receivables <i>(note a)</i>	24,459	37,165
Prepayments to suppliers	59,344	1,521
Other prepayments and deposits	5,912	4,698
Other receivables <i>(note b)</i>	44,654	58,391
	<u>134,369</u>	<u>101,775</u>

## 11. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) Details of the trade and bills receivables are as follows:

As at 30 June 2021, the amounts mainly represented (i) trade and bills receivables of HK\$22,192,000 (31 December 2020: HK\$34,277,000) from bulk commodity trade business and (ii) trade receivables of HK\$1,616,000 (31 December 2020: HK\$1,680,000) from operating lease business which was pledged as collaterals for the Group's asset-backed securities (31 December 2020: nil) (note 14).

The Group normally grants credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

As at 30 June 2021, loss allowance of HK\$6,000 was made against the gross amount of trade and bills receivables (31 December 2020: HK\$5,000).

The following is an ageing analysis of trade and bills receivables, presented based on the invoice date at the end of the reporting period.

	<b>Unaudited</b>	Audited
	<b>At 30 June</b>	At 31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<u><b>24,459</b></u>	<u>37,165</u>

(b) As at 30 June 2021, loss allowance of HK\$185,000 (31 December 2020: HK\$185,000) was made against the gross amount of other receivables.

## 12. OTHER FINANCIAL ASSETS

	<b>Unaudited</b>	Audited
	<b>At 30 June</b>	At 31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current:</b>		
<b>Financial assets measured at fair value through other comprehensive income (“FVOCI”)</b>		
– Equity investments	<u>11,728</u>	<u>11,200</u>
<b>Current:</b>		
<b>Financial assets measured at FVOCI</b>		
Equity investments		
– Shares listed in Hong Kong	69,850	62,992
<b>Financial assets measured at FVPL</b>		
– Shares listed in Hong Kong	–	1,639
– Unlisted investments	–	35,775
<b>Financial assets at amortised cost</b>		
– Structured bank deposits with interest rate of 0.8% per annum	<u>–</u>	<u>7,330</u>
	<u>69,850</u>	<u>107,736</u>

### 13. TRADE AND OTHER PAYABLES

	<b>Unaudited</b>	Audited
	<b>At 30 June</b>	At 31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade and bills payables ( <i>note a</i> )	<b>38,376</b>	19,887
Other payables and accruals	<b>51,609</b>	89,507
Dividend payable	<b>52,279</b>	–
Deposits received ( <i>note b</i> )	<b>192,223</b>	149,289
Accrual of construction costs	<b>79,634</b>	90,841
	<b><u>414,121</u></b>	<b><u>349,524</u></b>

*Notes:*

- (a) As at 30 June 2021, bills payables are secured by pledged bank deposits of HK\$19,656,000 (31 December 2020: HK\$1,280,000).

The following is an ageing analysis of trade and bills payables, presented based on the invoice date at the end of the reporting period.

	<b>Unaudited</b>	Audited
	<b>At 30 June</b>	At 31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 1 year	<b><u>38,376</u></b>	<b><u>19,887</u></b>

- (b) As at 30 June 2021, deposits received represented security deposits of HK\$192,223,000 (31 December 2020: HK\$149,289,000) arose from finance lease receivables and loans receivable customers (note 10). The deposits will be returned to the customers upon the settlement of the principal of finance lease receivables and loans receivable and the interest accrued under the contracts.

## 14. ASSET-BACKED SECURITIES

	Unaudited At 30 June 2021 <i>HK\$'000</i>	Audited At 31 December 2020 <i>HK\$'000</i>
<b>Analysed for reporting purposes as:</b>		
Current	554,539	–
Non-current	<u>932,401</u>	<u>–</u>
	<u><b>1,486,940</b></u>	<u><b>–</b></u>

On 21 May 2021, the Group publicly launched an asset-backed securities scheme known as Chengfeng Set Sail – Guojun Asset Management – Chengtong Leasing Phase I Asset-backed Securities Scheme. The purpose of the asset-backed securities scheme is to securitise the loans receivable and trade receivables under operating lease business of the Group and for the expansion of the leasing business of the Group.

The total issuance of the scheme was RMB1,490,000,000 (equivalent to HK\$1,788,000,000) and the asset-backed securities (“ABS”) are divided into (i) priority class with total principal of RMB1,420,000,000 (equivalent to HK\$1,704,000,000) which are listed and traded on the Shanghai Stock Exchange with expected maturity date ranging from 26 March 2022 to 26 March 2025 and with coupon rate ranging from 3.80% to 4.30% per annum. The principal and interest of the priority class ABS shall be repaid quarterly in 15 instalments in 4 years; and (ii) subordinated class with total principal of RMB70,000,000 (equivalent to HK\$84,000,000) with no coupon rate and with expected maturity date on 26 March 2026. The subordinated class ABS is not listed. As at 30 June 2021, the Group held all the subordinated class ABS.

As at 30 June 2021, the Group’s ABS with carrying amount of approximately HK\$1,486,940,000 (31 December 2020: nil) were collateralised by the loans receivable of the Group with an aggregate carrying amount of approximately HK\$1,403,592,000 (31 December 2020: nil) (note 10) and trade receivables under operating lease business with carrying amount of approximately HK\$1,616,000 (31 December 2020: nil) (note 11) and priority class ABS with carrying amount of HK\$929,146,000 were guaranteed by CCHG, the ultimate holding company of the Company.

## 15. CAPITAL COMMITMENTS

	<b>Unaudited</b>	Audited
	<b>At 30 June</b>	At 31 December
	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Contracted but not provided for		
Purchase of property, plant and equipment	<u><u>706</u></u>	<u><u>1,633</u></u>

## 16. CONTINGENT LIABILITIES

As at 30 June 2021, the Group had contingent liabilities in relation to guarantees of approximately HK\$209,398,000 (31 December 2020: HK\$212,924,000) given to banks in respect of mortgage loans granted to purchasers of certain property units.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties.

In the opinion of the directors of the Company, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in the interim financial information.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. RESULTS AND DIVIDEND

For the six months ended 30 June 2021, the Group achieved a consolidated turnover of approximately HK\$473.75 million, representing a decrease of approximately 10% as compared with the consolidated turnover of approximately HK\$527.04 million for the corresponding period of last year. The decrease in turnover was mainly due to the Group's withdrawal from coal trading under the domestic bulk commodity trade business after the completion of the disposal of 41% equity interest in 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited, "**Chengtong Energy**") by the Group in the previous year. In addition, the Group suspended the domestic bulk commodity trade business and only operated the international bulk commodity trade business during the period under review, resulting in a year-on-year decrease of approximately 31% in the turnover of the bulk commodity trade business to approximately HK\$306.33 million. However, the Group continued to focus on expanding the leasing business, including the further addition of experienced professionals in the leasing business last year, the completion of issuance of the ABS to raise fund of approximately HK\$1.8 billion during the period, and the increase of bank borrowings of approximately HK\$280.76 million, so that the Group had more abundant professional human resources and funds to complete a number of new leasing projects during the period under review, resulting in an increase of approximately 104% in the turnover of the leasing business to approximately HK\$121.92 million as compared with the corresponding period of last year. The Group accelerated the withdrawal from the property development business by adopting relatively substantial preferential policies to actively promote the sale of residential units of the projects in the inventory, resulting in a year-on-year increase of approximately 76% in the turnover of the property development and investment business to approximately HK\$32.63 million. The marine recreation services and hotel business also benefited from the gradual recovery of the tourism industry of Hainan Province as the epidemic abated. The turnover increased by approximately 157% year-on-year to approximately HK\$12.87 million, which partially offset the impact of the Group's suspension of the domestic bulk commodity trade business on the Group's consolidated turnover during the period under review.

For the six months ended 30 June 2021, the Group achieved a consolidated profit before income tax of approximately HK\$80.89 million (the corresponding period of last year: approximately HK\$29.34 million), representing a year-on-year increase of approximately 176%. The increase in profit was mainly attributable to: (i) the increase in turnover of the leasing business, property development and investment business, and marine recreation services and hotel business as compared to the corresponding period of last year, resulting in a year-on-year increase in consolidated gross profit and net interest income from leasing business by approximately 64% to approximately HK\$120.82 million (the corresponding period of last year: approximately HK\$73.54 million); (ii) the appreciation of Renminbi ("**RMB**") during the period, so that the Group recorded a net exchange gain under other

income of approximately HK\$8.06 million (the corresponding period of last year: net exchange loss of approximately HK\$8.04 million), resulting in a year-on-year increase of approximately 57% in other income to approximately HK\$17.91 million (the corresponding period of last year: approximately HK\$11.43 million); and (iii) the year-on-year decrease in selling expenses by approximately 17% to approximately HK\$8.26 million (the corresponding period of last year: approximately HK\$10.01 million), which was mainly due to the suspension of the domestic bulk commodity trade business of the Group during the period under review, which resulted in a year-on-year decrease in cost of sales of the domestic bulk commodity trade of approximately HK\$1.18 million; and the impairment allowance of equipment made for marine recreation services business last year, which resulted in a year-on-year decrease in equipment depreciation charges of approximately HK\$0.77 million. However, as the number of professional staff and employees increased due to the expansion of the Group's leasing business, staff costs increased year-on-year and administrative expenses increased by approximately 8% year-on-year to approximately HK\$48.07 million (the corresponding period of last year: approximately HK\$44.56 million). Profit for the period attributable to owners of the Company was approximately HK\$53.70 million (the corresponding period of last year: approximately HK\$14.92 million), representing a year-on-year increase of approximately 260%.

## II. BUSINESS REVIEW

### Segment Revenue and Results

During the period under review, the Group was principally engaged in four business segments, including leasing, bulk commodity trade, property development and investment, and marine recreation services and hotel. The details of segment revenue and results are as follows:

#### (1) *Leasing*

During the period under review, the Group completed a number of new projects in its leasing business such as projects related to clean energy, photovoltaic power generation, new energy vehicles and new infrastructure (focusing on Internet data centers). This enables the Group to further expand the scope of its green leasing businesses in line with the national policies related to carbon emission peak and carbon neutrality.

During the period under review, the profit before tax of the leasing business was approximately HK\$84.84 million (the corresponding period of last year: approximately HK\$55.10 million), representing a year-on-year increase of approximately 54%. The main reasons for the increase include: (i) there was an increase in interest income and equipment rental income of approximately 102% year-on-year to approximately HK\$89.84 million (the corresponding period of last year: approximately HK\$44.39 million) as a result of the completion of several new leasing projects during

the period, as well as an increase in consultancy service fee income of approximately 109% year-on-year to approximately HK\$32.08 million (the corresponding period of last year: approximately HK\$15.36 million) as a result of the completion of several finance consultancy projects during the period, resulting in a year-on-year increase in the turnover of the leasing business of approximately 104% to approximately HK\$121.92 million (the corresponding period of last year: approximately HK\$59.75 million); (ii) cost of sales and finance costs amounted to approximately HK\$22.62 million (the corresponding period of last year: approximately HK\$2.49 million), representing a year-on-year increase of approximately HK\$20.13 million, which was mainly attributable to the completion of the issuance of the ABS and the increase in bank borrowings during the period, leading to an increase in relevant interest expenses and fees; and operating lease business commenced during the period (as compared to the absence of such business in the corresponding period of last year), leading to the recognition of equipment depreciation provision, maintenance and insurance expenses of approximately HK\$11.27 million (the corresponding period of last year: HK\$0) under the operating lease business; (iii) administrative expenses increased by approximately HK\$12.62 million year-on-year to approximately HK\$15.79 million (the corresponding period of last year: approximately HK\$3.17 million), which was mainly due to the increase in staff costs as a result of the recruitment of an experienced professional team; and an expected credit loss of approximately HK\$1.83 million (the corresponding period of last year: approximately HK\$0.05 million) was incurred upon assessment of the expected credit loss for finance lease receivables and loans receivable, representing a year-on-year increase of approximately HK\$1.78 million.

## **(2) Bulk Commodity Trade**

Last year, the Group completed the disposal of 41% equity interest in Chengtong Energy and subsequently withdrew from coal trading under the domestic bulk commodity trade business. In addition, the Group suspended the domestic bulk commodity trade business and only operated the international bulk commodity trade business during the period under review, resulting in a year-on-year decrease of approximately 31% in the turnover of the bulk commodity trade business to approximately HK\$306.33 million (the corresponding period of last year: approximately HK\$443.77 million). Segment profit before tax increased by approximately 58% year-on-year to approximately HK\$1.60 million (the corresponding period of last year: approximately HK\$1.01 million). The results recorded according to the types of bulk commodities traded under international trade are as follows:

During the period under review, the prices of industrial products in international bulk commodities continued to rise, mainly due to the fact that following the COVID-19, the central banks of major countries around the world adopted liquidity easing fiscal policy(ies), which pushed up the prices of international bulk commodities. As the epidemic abated, the domestic production and daily life of different countries gradually resumed normal, and the slow-recovery of economy increased the demand for international bulk commodities.

The Group achieved sales volume of chemical products and steel of approximately 43,000 tons and 26,000 tons respectively, and turnover of chemical products and steel of approximately HK\$197.50 million and approximately HK\$108.83 million respectively, achieving a total turnover of approximately HK\$306.33 million (the corresponding period of last year: approximately HK\$255.46 million), representing a year-on-year increase of approximately 20%. As the prices of chemical products and steel continued to increase, gross profit from their sales increased by approximately 10% year-on-year during the period to approximately HK\$2.69 million (the corresponding period of last year: approximately HK\$2.44 million); together with interest and other income of approximately HK\$0.62 million (the corresponding period of last year: approximately HK\$0.07 million), and net of selling expenses, administrative expenses and finance costs of approximately HK\$1.71 million in total (the corresponding period of last year: approximately HK\$1.56 million), the profit before tax was approximately HK\$1.60 million (the corresponding period of last year: approximately HK\$0.95 million), representing a year-on-year increase of approximately 68%.

### **(3) *Property Development and Investment***

The Group's income from property development and investment was derived from the CCT-Champs-Elysees project, which is located at the northern side of Eastern Section of No. 1 Mizhou West Road, Zhucheng City, Shandong Province, the PRC (Lot No. 01213003). The project has a total site area of approximately 146,006 square metres and was developed in three phases. The project comprises commercial properties with a leasable area of approximately 7,565 square metres for investment purposes. The turnover and results of the property development and investment business for the period under review were as follows:

#### ***3.1. Property Development***

The first and second phases of the CCT-Champs-Elysees project with a total of 977 residential units have all been sold. The third phase is divided into three sections, of which the construction of the first section and the second section have been completed and the sales have been satisfactory, with only 109 residential units with a total area of approximately 14,763 square metres remaining under sale. During the period under review, the total recognised sales of 32 residential units pre-sold in the previous year amounted to approximately HK\$25.66 million, representing an increase of HK\$9.78 million as compared to the total recognised sales of 20 residential units pre-sold in the preceding year which amounted to approximately HK\$15.88 million for the corresponding period

of last year. Due to the relatively large number of residential units pre-sold in the previous years recognised as sales, the sales revenue of the project increased by approximately 81% year-on-year to approximately HK\$32.29 million (the corresponding period of last year: approximately HK\$17.81 million), and the gross profit increased by approximately 55% year-on-year to approximately HK\$13.72 million from approximately HK\$8.85 million for the corresponding period of last year, together with the total selling and administrative expenses of approximately HK\$3.14 million (the corresponding period of last year: approximately HK\$3.46 million) which decreased by approximately 9% year-on-year, the profit before tax increased by approximately 94% year-on-year to approximately HK\$10.75 million (the corresponding period of last year: approximately HK\$5.54 million).

As at 30 June 2021, the main construction of the CCT-Champs-Elysees project comprises 384 residential units and 12 commercial units in the third section, and the construction is expected to be basically completed in 2022. As the Group strengthens the construction and marketing of the CCT-Champs-Elysees project as planned, it is expected that the entire project will be completed in 2024.

### *3.2. Property Investment*

As at 30 June 2021, the actual leased area of the units of the CCT-Champs-Elysees project was approximately 4,885 square metres, representing a decrease of approximately 27% as compared to approximately 6,680 square metres as at 30 June 2020, resulting in a year-on-year decrease of approximately 51% in rental income to approximately HK\$0.34 million (the corresponding period of last year: approximately HK\$0.70 million). The profit before tax was approximately HK\$0.30 million (the corresponding period of last year: approximately HK\$0.58 million), representing a year-on-year decrease of approximately 48%.

The above two businesses contributed a total turnover of approximately HK\$32.63 million (the corresponding period of last year: approximately HK\$18.51 million) to the property development and investment segment of the Group, representing a year-on-year increase of approximately 76%. The segment profit before tax was approximately HK\$11.05 million (the corresponding period of last year: approximately HK\$5.19 million), representing a year-on-year increase of approximately 113%.

#### **(4) *Marine Recreation Services and Hotel***

The marine recreation services and hotel business mainly comprised (i) marine recreation services; (ii) hotel operation; and (iii) travelling agency business in Sanya City, Hainan Province, the PRC. During the period under review, the turnover and results of the three businesses were as follows:

##### *(i) Marine Recreation Services*

With the effective control of the epidemic in the PRC, the continuous relaxation of domestic travel restrictions and the orderly recovery of the tourism industry, the flow of tourists in and out of Sanya City increased year-on-year, resulting in a year-on-year increase of approximately 132% in the turnover of marine recreation services to approximately HK\$8.32 million (the corresponding period of last year: approximately HK\$3.59 million). The loss before tax was approximately HK\$6.41 million (the corresponding period of last year: loss of approximately HK\$8.90 million), representing a year-on-year decrease of approximately 28%, which was mainly attributable to the following: (i) the increase in turnover as compared to the corresponding period of last year, resulting in a year-on-year increase in gross profit to approximately HK\$1.79 million (the corresponding period of last year: gross loss of approximately HK\$0.24 million); and (ii) selling expenses and administrative expenses amounted to approximately HK\$8.67 million in aggregate, representing a decrease of approximately 4% from approximately HK\$9.00 million for the corresponding period last year which was mainly attributable to the decreases in staff costs and depreciation expenses of equipment following the provision for impairment of equipment made last year.

##### *(ii) Hotel Operation*

The hotel operation also benefited from the effective control of the epidemic in Sanya City, which led to an increase in the number of hotel guests, and family trips became the main travel mode. However, since the introduction of the Hainan Free Trade Port plan at the beginning of the year, top domestic tourism enterprises have also entered into Hainan Province to seek for development with their advantages in capital, management and talents, leading to fierce competition in the hotel business. The hotel operation recorded sales revenue of approximately HK\$4.52 million (the corresponding period of last year: approximately HK\$1.32 million), representing a year-on-year increase of approximately 242%. The loss before tax decreased by approximately 27% year-on-year to approximately HK\$3.48 million (the corresponding period of last year: loss of approximately HK\$4.75 million), which was mainly attributable to: (i) the increase in gross profit as compared to the corresponding period of last

year to approximately HK\$2.95 million (the corresponding period of last year: approximately HK\$0.20 million) as a result of the rebound of sales revenue; (ii) the increases in selling expenses and administrative expenses by approximately 32% year-on-year to approximately HK\$6.58 million in total (the corresponding period of last year: approximately HK\$5.00 million) as a result of the increase in staff costs and material consumption expenses.

*(iii) Travelling Agency Business*

During the period under review, the travelling agency business recorded a turnover of approximately HK\$0.03 million (the corresponding period of last year: approximately HK\$0.09 million), representing a year-on-year decrease of approximately 71% due to the fierce competition in the travel business and the fact that the mass tourism business was yet to fully recover from the impact of the epidemic. The loss before tax was approximately HK\$0.40 million (the corresponding period of last year: loss of approximately HK\$0.24 million), representing a year-on-year increase in loss of approximately HK\$0.16 million, which was mainly due to the increase in staff costs.

The above three businesses contributed a total segment turnover of approximately HK\$12.87 million (the corresponding period of last year: approximately HK\$5.00 million) to the Group, representing a year-on-year increase of approximately 157%. The segment loss before taxation was approximately HK\$10.29 million (the corresponding period of last year: loss of approximately HK\$13.89 million), representing a year-on-year decrease in loss of approximately 26%.

## **Other Income**

Other income mainly included net exchange gain of approximately HK\$8.06 million (the corresponding period of last year: net exchange loss of approximately HK\$8.04 million), interest income from deposits and other financial assets of approximately HK\$6.94 million (the corresponding period of last year: approximately HK\$9.22 million), and interest income from related parties of approximately HK\$1.36 million (the corresponding period of last year: approximately HK\$1.40 million). The total amount of other income was approximately HK\$17.91 million (the corresponding period of last year: approximately HK\$11.43 million), representing a year-on-year increase of approximately 57%. The increase was mainly attributable to the continuous appreciation of RMB against HKD during the period under review which resulted in a net exchange gain of approximately RMB8.06 million in respect of the RMB assets held by the Group in Hong Kong, while the continued depreciation of RMB against HKD during the corresponding period last year had resulted in a net exchange loss of approximately RMB8.04 million in respect of the RMB assets held by the Group in Hong Kong. However, interest income from deposits and other financial assets decreased by approximately 25% year-on-year to approximately HK\$6.94 million during the period, as the Group reduced investment in other financial assets in return for an increase in finance lease receivables and loans receivable which have a higher yield.

## **Selling and Administrative Expenses**

During the period under review, selling expenses decreased by approximately 17% year-on-year to approximately HK\$8.26 million (the corresponding period of last year: approximately HK\$10.01 million), which was mainly due to the suspension of the domestic bulk commodity trade business of the Group during the period under review, which resulted in a year-on-year decrease in selling expenses of the domestic bulk commodity trade of approximately HK\$1.18 million; and the impairment allowance of equipment made for marine recreation services business last year, which resulted in a year-on-year decrease in equipment depreciation charges of approximately HK\$0.77 million.

During the period under review, administrative expenses increased by approximately 8% year-on-year to approximately HK\$48.07 million (the corresponding period of last year: approximately HK\$44.56 million), which was mainly due to the increase in staff costs as a result of the addition of experienced professional staff and employees in the leasing business during the period.

## **Finance Costs**

During the period under review, the total finance costs amounted to approximately HK\$14.29 million (including interest expenses on bank borrowings of approximately HK\$3.59 million (the corresponding period of last year: nil) and interest expenses on the ABS of approximately HK\$7.61 million (the corresponding period of last year: nil) under costs of revenue; and interest on bank borrowings of approximately HK\$2.50 million (the corresponding period of last year: approximately HK\$5.69 million), interest expenses on loan from related companies of approximately HK\$0.42 million (the corresponding period of last year: HK\$0.7 million), and interest on lease liabilities of approximately HK\$0.17 million (the corresponding period of last year: approximately HK\$0.25 million) under finance costs), representing an increase of approximately 115% as compared with the total finance costs of approximately HK\$6.64 million for the corresponding period of last year. The increase in the finance costs was mainly due to the increase in the ABS liabilities of approximately HK\$1,486.94 million and the increase in bank borrowings of approximately HK\$342.88 million as at 30 June 2021 as compared to the same date of last year. Interest expenses under finance costs (after excluding the interest expenses under costs of revenue of approximately HK\$11.20 million and the capitalised finance costs of approximately HK\$1.11 million) amounted to approximately HK\$1.98 million (the corresponding period of last year: approximately HK\$3.91 million), representing a year-on-year decrease of approximately 49%.

### III. OUTLOOK

Currently, the Group is principally engaged in leasing, bulk commodity trade, property development and investment, marine recreation services and hotel.

In respect of leasing, the Group will continue to consolidate its existing resources to rapidly expand its finance leasing business. The increase in the registered capital of Chengtong Financial Leasing Company Limited (“**Chengtong Financial Leasing**”) under the Group from US\$40 million to RMB2,000 million was completed in early June this year, which enhanced its capital strength. As at the end of June, the Group completed a total of 14 new leasing projects, which led to a significant increase of approximately 70% in the balance of finance lease receivables and loans receivable from approximately RMB2,072.70 million as at 31 December 2020 to approximately RMB3,522.38 million as at 30 June 2021. In the first half of this year, the Group completed the issuance of the first asset-backed securitisation product, with a total size of approximately HK\$1.8 billion. The coupon rates of the securities range from 3.8% to 4.3% per annum. This has further broadened the Group’s financing channels and provided new funding channels for the sustainable development of the leasing business in the future. In the second half of the year, the Group will continue to accelerate the development of the leasing business and the leased asset management business on the basis of adhering to stringent risk control policies and enhancing operation in compliance with laws and regulations. In the future, the Group will focus on developing leasing projects of large-scale infrastructure, large-scale logistics and new infrastructure to rapidly expand the scale of the Group’s finance leasing business and market influence, and will at the same time strengthen cooperation with domestic and foreign banks as well as other financial institutions and strive to complete the issuance of the phase II ABS within this year.

With respect to bulk commodity trade, the Group will continue to focus on the bulk commodity sectors such as iron, steel and chemicals, identify and select large and reputable customers to develop sales marketplace and enhance its ability to cope with risks.

In relation to property development and investment, the Group will speed up the construction and sales progress of the final phase of the CCT-Champs-Elysees project as planned with a view to exiting the property development business after completion of the project.

In respect of marine recreation services and hotel, since the introduction of the Hainan Free Trade Port plan at the beginning of the year, domestic tourism enterprises have entered Hainan Province to seek for development, which has led to fierce competition in the tourism and hotel business. The Group will strive to reduce costs and continuously expand its sales channels, striving to turn loss into profit for this business.

#### IV. ASSET-BACKED SECURITIES

In May 2021, Chengtong Financial Leasing, a wholly-owned subsidiary of the Company, issued the first batch of the ABS with a total issue size of RMB1.49 billion (equivalent to approximately HK\$1.80 billion). The ABS are classified into priority and subordinated tranches of RMB1.42 billion and RMB70 million respectively according to their risks, interest income and duration. The coupon rate of the priority tranche ranges from 3.8% to 4.3% per annum and that of the subordinated tranche is 0%. The expected maturity date of the priority tranche ranges from 26 March 2022 to 26 March 2025 and that of the subordinated tranche is 26 March 2026. The priority tranche of securities were issued to qualified investors in the PRC during the period under review and listed and traded on the Shanghai Stock Exchange. The subordinated tranche of securities were all issued to Chengtong Financial Leasing and were not listed or traded on any stock exchange. The proceeds from the issuance of the ABS will be used as working capital of the Group for the expansion of its leasing business. During the period under review, the Group has repaid the principal and interest of certain priority tranche securities of approximately HK\$215.85 million in aggregate.

For credit enhancement, the Group undertakes the obligation to pay the shortfall if the ABS scheme has insufficient funds to settle all the expected returns and the principal amounts for the priority tranche of the ABS and all expenses of the ABS scheme (if any) which are outstanding and payable. CCHG, the ultimate holding company of the Company, undertakes the obligation to pay the shortfall if the fund of the ABS scheme together with the amount paid by Chengtong Financial Leasing pursuant to its relevant undertaking is insufficient to settle all the expected returns, the principal amounts, the redemption or resell price for classes 3 to 5 of the priority tranche of the ABS, and all costs of the ABS scheme (if any) which are outstanding and payable.

The main reason for the Group's issuance of the ABS was that the above securities are medium and long-term financing instruments and are more compatible to the medium and long-term receivables in the leasing business. It can not only effectively avoid the mismatch of the maturity of the Group's assets and liabilities and reduce liquidity risk, but can also reduce the Group's overall finance costs, expand financing channels, enable the Group to raise stable funds with flexible terms, and improve liquidity management capabilities. For details, please refer to note 14 in this announcement and the announcement of the Company dated 21 May 2021.

## V. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As the COVID-19 vaccination progresses and the epidemic continues to be under control, the economy will continue to recover. Coupled with the Group's profit growth during the period under review, the Group's asset quality and liquidity have been further strengthened and the Group continues to maintain a sound financial position. As at 30 June 2021, the equity attributable to owners of the Company amounted to approximately HK\$2,998.79 million, representing an increase of approximately 1% from approximately HK\$2,979.64 million as at 31 December 2020.

As at 30 June 2021, the total assets of the Group amounted to approximately HK\$5,802.71 million, representing an increase of approximately 49% as compared to approximately HK\$3,906.75 million as at 31 December 2020, which was mainly due to the issuance of the ABS by the Group of approximately HK\$1.8 billion and the increase in bank borrowings of approximately HK\$280.76 million during the period, providing the Group with sufficient funds to complete a number of new leasing projects during the period under review which led to an increase in finance lease receivables and loans receivable of approximately HK\$1,449.67 million. The total current assets of the Group amounted to approximately HK\$3,151.36 million, accounting for approximately 54% of the total assets and representing an increase of approximately 56% as compared to the total current assets of approximately HK\$2,022.71 million as at 31 December 2020. The increase in the total current assets was mainly due to the increase in finance lease receivables and loans receivable as well as bank balances and cash by approximately HK\$681.35 million and approximately HK\$420.07 million respectively as a result of the issuance of the ABS by the Group and the increase in bank borrowings during the period. The total non-current assets of the Group amounted to approximately HK\$2,651.34 million, accounting for approximately 46% of the total assets and representing an increase of approximately 41% as compared to the total non-current assets of approximately HK\$1,884.04 million as at 31 December 2020, which was mainly due to the increase in finance lease receivables and loans receivable of approximately HK\$768.32 million under non-current assets.

As at 30 June 2021, the total liabilities of the Group amounted to approximately HK\$2,797.62 million, representing a substantial increase of approximately 204% as compared to approximately HK\$921.48 million as at 31 December 2020 which was mainly due to the issuance of the ABS by the Group and the increase in bank borrowings during the period in order to expand the scale of leasing business. The total non-current liabilities of the Group amounted to approximately HK\$983.56 million, accounting for approximately 35% of the total liabilities and representing an increase of approximately HK\$933.68 million as compared to the total non-current liabilities of approximately HK\$49.88 million as at 31 December 2020. The total current liabilities of the Group amounted to approximately HK\$1,814.05 million, accounting for approximately 65% of the total liabilities and representing an increase of approximately 108% as compared to the total current liabilities

of approximately HK\$871.60 million as at 31 December 2020. Although the current ratio (calculated as total current assets over total current liabilities) was approximately 1.7 times as at 30 June 2021, representing a decrease of approximately 0.6 times as compared to that of approximately 2.3 times as at 31 December 2020, the liquidity of the assets of the Group remains sound. The Group expects that it will have adequate financial resources to cope with the commitments and liabilities in the coming year, and will be able to cope with the possible impacts brought by the ongoing COVID-19 epidemic on the financial position of the Group.

As at 30 June 2021, the Group had cash and deposits (including pledged bank deposits and bank balances and cash) of approximately HK\$1,303.67 million which were primarily denominated in RMB, HKD and the United States dollars, accounting for approximately 22% and 43% of the total assets and the net assets respectively, and representing an increase of approximately 51% as compared to approximately HK\$865.17 million as at 31 December 2020 which was mainly due to the completion of the issuance of the ABS by the Group in late May which resulted in the increase in bank balances and cash within a short period of time.

As at 30 June 2021, the balance of the ABS of the Group amounted to approximately HK\$1,486.94 million (as at 31 December 2020: nil), among which approximately HK\$554.54 million had a maturity date within one year and the remaining of approximately HK\$932.40 million had a maturity date beyond one year. The ABS were denominated in RMB and the final maturity date of the priority tranche securities is 26 March 2025. The coupon rates of the priority tranche securities ranged from 3.8% to 4.3% per annum. As at 30 June 2021, the bank borrowings of the Group amounted to approximately HK\$619.18 million, representing an increase of approximately 83% from approximately HK\$338.42 million as at 31 December 2020. Bank borrowings of approximately HK\$158.67 million were denominated in RMB with a term of three years and the final repayment date is in November 2023. The remaining balance of HK\$460.51 million was a revolving loan denominated in HKD with the final repayment date to be due at the end of June 2022. The effective interest rates of the bank borrowings ranged from approximately 1.99% to approximately 4.5% per annum. For the period under review, the interest coverage ratio (being consolidated profit before income tax and finance costs divided by finance costs) was approximately 7.1 times, representing a decrease of approximately 65% from approximately 20.2 times as at 31 December 2020 which was mainly due to the increase in interest expenses as a result of the issuance of the ABS by the Group and the increase in bank borrowings during the period, which however still indicated that the Group's finance costs remained at a low level relative to the profit for the period under review.

## **VI. DEBT TO EQUITY RATIO**

The debt to equity ratio (calculated by dividing total interest-bearing securities and borrowings by total equity) as at 30 June 2021 was approximately 70.9%, representing an increase of approximately 58.8% as compared to the debt to equity ratio of approximately 12.1% as at 31 December 2020 which was mainly due to the issuance of the ABS by the Group and the increase in bank borrowings during the period. Notwithstanding the increase in the debt to equity ratio, the liabilities of the Group still remained at a low level which reflect a stable financial position of the Group.

## **VII. SIGNIFICANT INVESTMENTS**

As at 30 June 2021, the Group had no significant investments which exceeded 5% of the total asset value. For details of the other financial assets of the Group, please refer to note 12 in this announcement. Looking forward, the Group has determined that leasing is the main direction of its business development and will consider the issuance of phase II ABS. The proceeds raised therefrom will be invested in the leasing business so as to grow high-yield business of finance lease and operating lease and to maximize shareholders' value.

## **VIII. TREASURY POLICIES**

The business activities and operation of the Group are mainly carried out in Mainland China and Hong Kong, with transactions denominated in RMB, HKD and the United States dollars, which expose the Group to foreign exchange risks. The HKD-denominated bank borrowings of the Group of approximately HK\$460.51 million were based on floating interest rates, which exposed the Group to interest rate fluctuation risks. The Group will use interest rate and foreign exchange swaps and forward foreign exchange contracts as and when appropriate for risk management and hedging purposes with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative financing transactions for speculative purposes. It is also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure including hedge funds or similar instruments.

## **IX. INTEREST RATE RISK**

As at 30 June 2021, the Group's ABS and bank borrowings were denominated in RMB and HKD, of which the RMB-denominated ABS of approximately HK\$1,486.94 million were based on fixed interest rates, and both the HKD-denominated bank borrowings of approximately HK\$460.51 million and RMB-denominated bank borrowings of approximately HK\$158.67 million were based on floating interest rates. The floating interest rates are stable at a low level because the banks in Hong Kong have sufficient capital and strong liquidity and there is no urgent need to increase the interest rates. Although currently the Group does not have any hedging measures against such interest rate risks, the Group will continue to closely monitor the risks arising from such interest rate fluctuation. When interest rate rises, hedging instruments may be used in due course against the interest rate risks caused by the HKD-denominated bank borrowings which are based on floating interest rates.

## **X. FOREIGN EXCHANGE RISK**

During the period under review, the Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in RMB and HKD. Any fluctuation in the exchange rate of HKD against RMB may have an impact on the Group's results. As at 30 June 2021, the net assets of the Group's business within the territory of the PRC were approximately RMB2,061.54 million. According to HKASs, such amount of net assets denominated in RMB should be converted at the exchange rate applicable as at the end of the reporting period. Due to the increase in foreign exchange reserve of the Group by approximately HK\$10.44 million as a result of the appreciation of RMB during the period under review, there had been an increase in net assets of the Group as at 30 June 2021. Although foreign currency fluctuations did not pose significant risks to the Group during the period under review and the Group does not currently have any hedging measures against such exchange risks, the Group will continue to closely monitor the risks arising from such currency fluctuations.

## **XI. PLEDGE OF ASSETS**

As at 30 June 2021, the pledged bank deposits of the Group amounted to approximately HK\$23.98 million, representing an increase of approximately 331% from approximately HK\$5.56 million as at 31 December 2020. Pledged bank deposits comprised pledged deposits of approximately HK\$4.21 million (as at 31 December 2020: approximately HK\$4.17 million) for banking facilities granted to mortgagors, guaranteed deposits of approximately HK\$19.66 million (as at 31 December 2020: nil) for issuing bills payable for leasing, and the remaining pledged bank deposits of approximately HK\$0.11 million (as at 31 December 2020: approximately HK\$0.11 million) were guaranteed deposits.

As at 30 June 2021, loans receivable of the Group with an aggregate carrying amount of approximately HK\$180.61 million (as at 31 December 2020: approximately HK\$199.99 million) were pledged to secure bank borrowings with a carrying amount of approximately HK\$158.68 million (as at 31 December 2020: approximately HK\$178.42 million), and loans receivable with a carrying amount of approximately HK\$1,403.59 million and trade receivables under operating leases with a carrying amount of approximately HK\$1.62 million were assigned to the manager acting on behalf of the asset-backed securities scheme as a guarantee for the ABS with a carrying amount of approximately HK\$1,486.94 million (as at 31 December 2020: nil).

## **XII. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

As at 30 June 2021, the Group's capital commitments consisted of purchase of property, plant and equipment, which will be funded by internal resources of the Group. Please refer to notes 15 and 16 in this announcement for details of the capital commitments and contingent liabilities of the Group.

## **XIII. FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this announcement, the Group does not have any future plans for other material investments or capital assets in the coming year.

## **XIV. EVENT AFTER THE REPORTING PERIOD**

No significant event has occurred after the end of the period under review.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted its own code of conduct ("**Code of Conduct**") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). Having made specific enquiry to each of the directors of the Company ("**Directors**"), the Company has received confirmations from all Directors that they have complied with the required standards as set out in the Code of Conduct and the Model Code during the six months ended 30 June 2021.

## **CORPORATE GOVERNANCE**

The board of Directors considers that good corporate governance is vital to the healthy and sustainable development of the Group. In the opinion of the Directors, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2021.

## **REVIEW OF ACCOUNTS**

The board of Directors is of the view that the disclosure of financial information in this announcement complies with Appendix 16 to the Listing Rules. The audit committee of the Company has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2021, which has also been reviewed by the Company's auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.irasia.com/listco/hk/chengtong](http://www.irasia.com/listco/hk/chengtong). The 2021 interim report of the Company will be available on both websites and will be despatched to the shareholders of the Company in due course.

By order of the Board  
**China Chengtong Development Group Limited**  
**Zhang Bin**  
*Chairman*

Hong Kong, 20 August 2021

*As at the date of this announcement, the executive Directors are Mr. Zhang Bin, Mr. Yang Tianzhou, Mr. Wang Tianlin and Mr. Li Shufang; and the independent non-executive Directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.*