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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)**

## **ANNOUNCEMENT OF 2021 FINAL RESULTS**

### **FINANCIAL HIGHLIGHTS**

- Turnover for the year ended 31 December 2021 amounted to approximately HK\$1,172.68 million, representing a year-on-year increase of approximately 26%.
- Profit before income tax amounted to approximately HK\$169.81 million, representing a year-on-year increase of approximately 7%.
- Gross profit margin for core business was approximately 23%, representing a year-on-year increase of approximately 3%.
- Earnings per share was approximately HK1.78 cents, representing a year-on-year decrease of approximately HK0.31 cent.
- Total finance lease receivables and loans receivable surged approximately by 183% from last year to approximately HK\$5,865.11 million as at 31 December 2021, as the Group's leasing business rapidly stepped up.
- As at 31 December 2021, the debt to equity ratio (expressed as total interest-bearing loans divided by total equity) was approximately 1.41 times (as at 31 December 2020: 0.12 time).
- The board has resolved to recommend the payment of a final dividend of HK0.54 cent per ordinary share.

The board (“**Board**”) of directors (“**Directors**”) of China Chengtong Development Group Limited (“**Company**”) would like to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Turnover</b>	3	<b>1,172,679</b>	931,688
Costs of revenue		<u>(900,373)</u>	<u>(745,472)</u>
<b>Gross profit and net interest income</b>		<b>272,306</b>	186,216
Other income	4	<b>29,088</b>	70,038
Selling expenses		<b>(15,943)</b>	(23,534)
Administrative expenses		<b>(107,622)</b>	(105,532)
Gain on disposal of subsidiaries		–	50,229
Fair value loss on investment properties		<b>(1,656)</b>	(11,125)
Finance costs	5	<u><b>(6,361)</b></u>	<u>(8,212)</u>
<b>Profit before income tax</b>		<b>169,812</b>	158,080
Income tax expense	6	<u><b>(64,120)</b></u>	<u>(37,119)</u>
<b>Profit for the year</b>	7	<u><b>105,692</b></u>	<u>120,961</u>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		<b>104,222</b>	121,372
Non-controlling interests		<u><b>1,470</b></u>	<u>(411)</u>
		<u><b>105,692</b></u>	<u>120,961</u>
<b>Earnings per share</b>	8		
– Basic and diluted		<u><b>HK1.78 cents</b></u>	<u>HK2.09 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>105,692</b>	120,961
<b>Other comprehensive income</b>		
Items 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>7,031</b>	(71,811)
Revaluation surplus upon transfer of owner-occupied property to investment properties	<b>3,970</b>	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	<b>63,165</b>	144,020
Exchange differences reclassified to profit or loss on disposal of subsidiaries	–	5,209
<b>Total comprehensive income for the year</b>	<b><u>179,858</u></b>	<b><u>198,379</u></b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>178,388</b>	198,801
Non-controlling interests	<b><u>1,470</u></b>	<u>(422)</u>
	<b><u>179,858</u></b>	<b><u>198,379</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>307,371</b>	344,673
Investment properties		<b>99,255</b>	89,143
Deposits paid		<b>1,015</b>	700
Finance lease receivables and loans receivable	<i>11</i>	<b>3,911,695</b>	1,438,325
Other financial assets		<b>11,658</b>	11,200
Loan to a related party		<b>36,600</b>	–
		<b>4,367,594</b>	1,884,041
<b>Current assets</b>			
Properties held for sale		<b>130,438</b>	180,364
Properties under development		<b>143,793</b>	90,325
Inventories		<b>23,332</b>	4,756
Trade and other receivables	<i>10</i>	<b>79,888</b>	101,775
Finance lease receivables and loans receivable	<i>11</i>	<b>1,953,411</b>	634,378
Loan to a related party		<b>12,200</b>	36,404
Other financial assets		<b>69,850</b>	107,736
Taxation recoverable		<b>2,628</b>	1,794
Pledged bank deposits		<b>4,413</b>	5,556
Bank balances and cash		<b>1,380,259</b>	859,618
		<b>3,800,212</b>	2,022,706

	<i>Notes</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>373,265</b>	349,524
Contract liabilities		<b>136,724</b>	124,420
Lease liabilities		<b>3,098</b>	3,729
Taxation payable		<b>35,622</b>	31,318
Bank borrowings		<b>1,374,675</b>	338,420
Asset-backed securities	<i>13</i>	<b>1,267,068</b>	–
Unsecured other loan		<b>600</b>	600
Loan from a related party		<b>47,556</b>	23,592
		<b><u>3,238,608</u></b>	<u>871,603</u>
<b>Net current assets</b>		<b><u>561,604</u></b>	<u>1,151,103</u>
<b>Total assets less current liabilities</b>		<b><u>4,929,198</u></b>	<u>3,035,144</u>
<b>Non-current liabilities</b>			
Bank borrowings		<b>67,100</b>	–
Asset-backed securities	<i>13</i>	<b>1,665,539</b>	–
Lease liabilities		–	3,311
Deferred tax liabilities		<b>54,857</b>	46,564
		<b><u>1,787,496</u></b>	<u>49,875</u>
<b>Net assets</b>		<b><u><u>3,141,702</u></u></b>	<u><u>2,985,269</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>2,214,624</b>	2,185,876
Reserves		<b>919,979</b>	793,764
		<b>3,134,603</b>	2,979,640
Non-controlling interests		<b>7,099</b>	5,629
<b>Total equity</b>		<b><u><u>3,141,702</u></u></b>	<u><u>2,985,269</u></u>

## NOTES

*For the year ended 31 December 2021*

### 1. GENERAL

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 is an investment holding company. 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 31 December 2021, the Company’s 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 consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) and the provisions of the Hong Kong Companies Ordinance (Cap. 622) which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair value.

The consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”) and the functional currency of the Company is HK\$. The directors consider that HK\$ is the appropriate presentation currency since the Company is incorporated in Hong Kong with its shares listed on the Stock Exchange.

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance.

The Company has delivered the consolidated 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 Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2021 in due course.

The Company’s auditor has reported on the consolidated financial statements for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 2. ADOPTION OF HKFRSs

### 2.1 Adoption of new and revised HKFRSs

In the current year, the Group has applied for the first time the following new amendments (the “**new HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phases 2

The adoption of the new HKFRSs has no material impact on the Group’s financial statements.

## 3. SEGMENT INFORMATION

The information reported to the executive directors of the Company, who are 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 year ended 31 December 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 year’s presentation.

The Group’s operations in relation to property development and property investment which were presented as separate reportable segments in the prior years are considered as a single operating segment by the Group’s chief operating decision makers in the current year. 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 purpose have been re-presented 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, hotel and travel agency services

## Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

*For the year ended 31 December 2021*

	Leasing <i>HK\$'000</i>	Bulk commodity trade <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Marine recreation services and hotel <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover as presented in consolidated income statement	<u>314,693</u>	<u>755,431</u>	<u>80,175</u>	<u>22,380</u>	<u>1,172,679</u>
Results					
Segment results <i>(note (a))</i>	<u>197,270</u>	<u>3,623</u>	<u>21,181</u>	<u>(22,717)</u>	199,357
Fair value loss on investment properties <i>(note (b))</i>					(1,656)
Unallocated finance costs					(4,738)
Unallocated corporate expenses					(42,364)
Unallocated corporate income					<u>19,213</u>
Profit before income tax					<u>169,812</u>

	Leasing <i>HK\$'000</i>	Bulk commodity trade <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Marine recreation services and hotel <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
(a) Amounts included in the measure of segment results						
Interest income from deposits and other financial assets	6,364	1	381	24	5,793	12,563
Depreciation	(23,197)	(13)	(15)	(13,670)	(6,043)	(42,938)
Interest expenses (included in costs of revenue)	(58,103)	-	-	-	-	(58,103)
Finance costs	-	(1,491)	-	(132)	(4,738)	(6,361)
Loss on disposal of property, plant and equipment	-	-	-	(5)	-	(5)
(b) Amount regularly provided to the chief operating decision makers for the analysis of the segment's performance						
Fair value loss on investment properties	<u>-</u>	<u>-</u>	<u>(1,656)</u>	<u>-</u>	<u>-</u>	<u>(1,656)</u>

**For the year ended 31 December 2020**

	Leasing <i>HK\$'000</i>	Bulk commodity trade <i>HK\$'000</i>	Property development and investment (Re-presented) <i>HK\$'000</i>	Marine recreation services and hotel <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover as presented in consolidated income statement	<u>146,270</u>	<u>677,891</u>	<u>90,701</u>	<u>16,826</u>	<u>931,688</u>
Results					
Segment results (note (a))	<u>121,642</u>	<u>2,066</u>	<u>25,769</u>	<u>(45,927)</u>	103,550
Fair value loss on investment properties (note (b))					(11,125)
Gain on disposal of subsidiaries					50,229
Unallocated finance costs					(2,795)
Unallocated corporate expenses					(43,945)
Unallocated corporate income					<u>62,166</u>
Profit before income tax					<u>158,080</u>

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

(a) Amounts included in the measure of segment results

Interest income from deposits and other financial assets	1,264	9	326	27	19,174	20,800
Depreciation	(2,088)	(9)	(26)	(15,500)	(5,982)	(23,605)
Impairment losses on property, plant and equipment	-	-	-	(19,012)	-	(19,012)
Finance costs	(4,517)	(696)	-	(204)	(2,795)	(8,212)
Gain/(loss) on disposal of property, plant and equipment	-	-	-	3,366	(15)	3,351

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

Fair value loss on investment properties	<u>-</u>	<u>-</u>	<u>(11,125)</u>	<u>-</u>	<u>-</u>	<u>(11,125)</u>
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Set out below is the disaggregation of the Group's turnover from major products and services:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of properties	78,410	89,709
Consultancy service income from leasing arrangements	86,648	41,736
Bulk commodity trade	755,431	677,891
Marine recreation services and hotel	<u>22,380</u>	<u>16,826</u>
Revenue from contract with customers	942,869	826,162
Rental income from investment properties	1,765	992
Rental income under operating lease in respect of owned machineries and equipment	34,980	4,606
Interest income from loans receivable	189,989	99,928
Finance lease income	<u>3,076</u>	–
	<u><u>1,172,679</u></u>	<u><u>931,688</u></u>

#### 4. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income from:		
– deposits and other financial assets	12,563	20,800
– related parties	2,868	2,329
Fair value gain on other financial assets measured at fair value through profit or loss	161	669
Government subsidies ( <i>note</i> )	503	1,252
Exchange gain, net	9,927	39,463
Gain on disposal of investment properties	360	–
Gain on disposal of property, plant and equipment	–	3,351
Others	<u>2,706</u>	<u>2,174</u>
	<u><u>29,088</u></u>	<u><u>70,038</u></u>

*Note:*

For the year ended 31 December 2021, among the government subsidies, HK\$503,000 (2020: HK\$423,000) are government grants obtained from Mainland local government supporting the tourism business. The Group has complied with the requirements set out by the local government for the year ended 31 December 2021.

For the year ended 31 December 2020, among the government subsidies, HK\$486,000 are government grants obtained from the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time. The Group has complied with the requirements set out in the ESS for the year ended 31 December 2020.

## 5. FINANCE COSTS

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Interest on bank borrowings	23,916	10,210
Interest on asset-backed securities	41,720	–
Interest on loan from related parties	1,113	1,098
Interest on lease liabilities	<u>255</u>	<u>435</u>
	<b>67,004</b>	11,743
Less:		
Amounts capitalised on properties under development	(2,540)	(3,531)
Amounts included in costs of revenue		
– Interest on bank borrowings	(16,383)	–
– Interest on asset-backed securities	<u>(41,720)</u>	<u>–</u>
	<b><u>6,361</u></b>	<b><u>8,212</u></b>

The borrowing costs have been capitalised at a rate of 2.14% (2020: 3.0%) per annum.

## 6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided in accordance with 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 years. The assessable profits of other subsidiaries in Hong Kong are taxed at 16.5%.

Under the Law of the PRC on Enterprise Income Tax (“EIT”) and Implementation Regulation, the PRC subsidiaries are subject to a tax rate of 25%. The current tax also comprised land appreciation tax (“LAT”) which is estimated in accordance with 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The taxation charge comprises:		
Current tax for the year:		
Hong Kong Profits Tax	393	126
PRC EIT	50,816	30,633
PRC LAT	<u>5,919</u>	<u>5,930</u>
	57,128	36,689
Over-provision in prior years:		
Hong Kong Profits Tax	<u>(10)</u>	–
	57,118	36,689
Deferred tax	<u>7,002</u>	<u>430</u>
Income tax expense	<u><u>64,120</u></u>	<u><u>37,119</u></u>

## 7. PROFIT FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year is arrived at after charging/(crediting):		
Auditor's remuneration		
– audit services	1,250	1,070
– non-audit services	<u>360</u>	<u>360</u>
	<u>1,610</u>	<u>1,430</u>
Depreciation of property, plant and equipment	42,948	23,614
Less: Amounts capitalised on properties under development	<u>(10)</u>	<u>(9)</u>
	<u>42,938</u>	<u>23,605</u>
Contributions to retirement benefits schemes (including directors' emoluments)	12,011	6,902
Staff costs (including directors' emoluments)	<u>58,048</u>	<u>60,093</u>
Total staff costs	70,059	66,995
Less: Amounts capitalised on properties under development	<u>(1,821)</u>	<u>(1,622)</u>
	<u>68,238</u>	<u>65,373</u>
Cost of inventories sold (included in costs of revenue)	815,061	725,344
Exchange gain, net	(9,927)	(39,463)
Loss/(gain) on disposal of property, plant and equipment	5	(3,351)
Gain on disposal of investment properties	(360)	–
Impairment losses on property, plant and equipment	–	19,012
Impairment losses on financial assets	11,831	824
Direct operating expenses arising from investment properties	<u>264</u>	<u>119</u>

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the earnings for the year attributable to owners of the Company of HK\$104,222,000 (2020: HK\$121,372,000) and on the weighted average number of 5,857,209,000 (2020: 5,796,985,000) ordinary shares in issue during the year excluding ordinary shares purchased by the Company for share award scheme.

There were no potential dilutive ordinary shares outstanding during both years and hence the diluted earnings per share is the same as basic earnings per share.

## 9. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends proposed:		
Proposed final dividend of HK0.54 cent (2020: HK0.9 cent) per ordinary share	<u>32,209</u>	<u>52,279</u>
Dividends paid:		
Final dividend of HK0.9 cent per ordinary share in respect of financial year ended 31 December 2020	<u>52,173</u>	<u>–</u>

The final dividend of HK0.54 cent per ordinary share proposed after the reporting date for the year ended 31 December 2021 were not recognised as a liability at the end of the reporting date. In addition, the final dividend is subject to the shareholders' approval at the forthcoming annual general meeting.

In August 2021, a final dividend of HK0.9 cent per ordinary share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2020.

The breakdown of the final dividend paid is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends:		
Cash	23,425	–
Share alternative	<u>28,748</u>	<u>–</u>
	<u>52,173</u>	<u>–</u>

## 10. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills receivables ( <i>note a</i> )	30,062	37,165
Prepayments to suppliers	15,132	1,521
Other prepayments and deposits	4,921	4,698
Other receivables ( <i>note b</i> )	<u>29,773</u>	<u>58,391</u>
Total trade and other receivables	<u><u>79,888</u></u>	<u><u>101,775</u></u>

### Notes:

- (a) As at 31 December 2021, the amounts mainly represented trade and bills receivables of HK\$27,422,000 (2020: HK\$34,277,000) from bulk commodity trade business and HK\$2,145,000 (2020: HK\$1,680,000) from leasing out owned machineries and equipment under operating lease business. Credit period of 0 to 30 days was granted to customers for trade and bills receivables as at 31 December 2021 and 2020.

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

As at 31 December 2021, loss allowance of HK\$1,000 (2020: HK\$5,000) was made against the gross amount of trade and bills receivables.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	<u><u>30,062</u></u>	<u><u>37,165</u></u>

The ageing analysis of trade and bills receivables presented that are not considered to be credit-impaired is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Not yet past due	30,041	36,893
Less than one month past due	<u>21</u>	<u>272</u>
	<u><u>30,062</u></u>	<u><u>37,165</u></u>

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

## 11. FINANCE LEASE RECEIVABLES AND LOANS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance lease receivables	141,214	–
Loans receivable	<u>5,723,892</u>	<u>2,072,703</u>
	<u><b>5,865,106</b></u>	<u><b>2,072,703</b></u>
Analysed for reporting purposes as:		
Current assets	1,953,411	634,378
Non-current assets	<u>3,911,695</u>	<u>1,438,325</u>
	<u><b>5,865,106</b></u>	<u><b>2,072,703</b></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.

The finance lease receivables are due as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Not later than one year	31,440	–
Later than one year and not later than two years	35,198	–
Later than two years and not later than three years	30,515	–
Later than three years and not later than four years	29,516	–
Later than four years and not later than five years	<u>14,686</u>	<u>–</u>
	141,355	–
Less: loss allowance	<u>(141)</u>	<u>–</u>
	<u><b>141,214</b></u>	<u><b>–</b></u>

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.

As at 31 December 2021, effective interest rates of finance lease receivables and loans receivable ranged from approximately 4.03% to 8.77% (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 (2020: secured by the leased equipment and facilities and land from the related party of the lessee), of which HK\$4,464,212,000 (2020: HK\$1,817,836,000) are guaranteed by the related parties of the lessees. The lessees are obliged to settle the amounts according to the terms set out in the relevant contracts.

Also, certain finance lease receivables and loans receivable were secured by deposits received from customers of HK\$226,588,000 (2020: HK\$149,289,000).

The ageing analysis of finance lease receivables and loans receivable, based on their respective due dates, at the end of the reporting period is as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Not yet past due	<b>5,844,713</b>	2,050,574
Past due but not credit impaired		
Within 1 year	<b>5,033</b>	22,129
More than 1 year but less than 2 years	<b>15,360</b>	–
	<b><u>5,865,106</u></b>	<u>2,072,703</u>

As at 31 December 2021, loss allowance of HK\$12,984,000 (2020: HK\$931,000) was made against the gross amount of finance lease receivables and loans receivable.

## 12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills payables ( <i>note (a)</i> )	1,296	19,887
Other payables and accruals	51,361	89,507
Deposits received ( <i>note (b)</i> )	242,548	149,289
Accrual of construction costs	<u>78,060</u>	<u>90,841</u>
	<u><u>373,265</u></u>	<u><u>349,524</u></u>

### Notes:

- (a) As at 31 December 2021, bills payables were secured by pledged bank deposits of HK\$17,000 (2020: HK\$1,280,000).

The ageing analysis of the trade and bills payables presented based on the invoice date at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	<u><u>1,296</u></u>	<u><u>19,887</u></u>

- (b) As at 31 December 2021 and 2020, among the balance of deposits received, HK\$226,588,000 (2020: HK\$149,289,000) represented the deposits received from customers under the finance lease arrangements and the sale and leaseback arrangements (*note 11*) as security deposits. 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 by the customers under the contracts.

## 13. ASSET-BACKED SECURITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Analysed for reporting purposes as:		
Current liabilities	1,267,068	–
Non-current liabilities	<u>1,665,539</u>	–
	<u><u>2,932,607</u></u>	<u><u>–</u></u>

During the year ended 31 December 2021, the Group publicly launched two asset-backed securities schemes on the Shanghai Stock Exchange. The purpose of launching the asset-backed securities schemes is to securitise certain loans receivable and trade receivables under operating lease business of the Group and to fund the expansion of the leasing business of the Group. Details are as follows:

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 total issuance of the scheme was RMB1,490,000,000 (equivalent to HK\$1,788,000,000) and the asset-backed securities 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 asset-backed securities 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 asset-backed securities is not listed. As at 31 December 2021, the Group held all the subordinated class asset-backed securities.

On 24 November 2021, the Group publicly launched the second asset-backed securities scheme know as “CITIC Securities – Chengtong Financial Leasing Stated-owned Enterprise Green Asset-backed Securities Scheme”. The total issuance of the scheme was RMB1,480,000,000 (equivalent to HK\$1,776,000,000) and the asset-backed securities are divided into (i) priority class with total principal of RMB1,410,000,000 (equivalent to HK\$1,692,000,000) which are listed and traded on the Shanghai Stock Exchange with expected maturity date ranging from 26 July 2022 to 26 January 2026 and with coupon rate ranging from 3.40% to 3.70% per annum. The principal and interest of the priority class asset-backed securities shall be repaid quarterly in 16 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 October 2026. The subordinated class asset-backed securities is not listed. As at 31 December 2021, the Group held all the subordinated class asset-backed securities.

As at 31 December 2021, the Group’s asset-backed securities with carrying amount of approximately HK\$2,932,607,000 (2020: nil) were collateralised by the loans receivable of the Group with an aggregate carrying amount of approximately HK\$2,632,215,000 (2020: nil) (note 11) and trade receivables under operating lease business with carrying amount of approximately HK\$2,145,000 (2020: nil) (note 10) and priority class asset-backed securities with carrying amount of HK\$1,826,535,000 were guaranteed by CCHG, the ultimate holding company of the Company.

#### 14. CONTINGENT LIABILITIES

As at 31 December 2021, the Group had contingent liabilities in relation to guarantees of approximately HK\$224,455,000 (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 for repaying 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 were not accounted for in these financial statements.

As at 31 December 2021 and 2020, the Group was not involved in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the directors of the Company to be pending or threatened against the Group.

#### 15. CAPITAL COMMITMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted but not provided for:		
Purchase of property, plant and equipment	<u>526</u>	<u>1,633</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. RESULTS AND DIVIDEND

The Group achieved a stable progressing performance for the year ended 31 December 2021, even as the COVID-19 pandemic was clouded throughout the year and severely disrupted normal economic activity around the world. The results demonstrated the resilience of our core business and our ability to adapt quickly to the challenging operating environment and to provide quality services to our customers in the People's Republic of China ("PRC") and international markets.

#### Overall Performance

Underpinned by the growth of our leasing business, the Group's consolidated turnover for the year ended 31 December 2021 was approximately HK\$1,172.68 million, representing an increase of approximately 26% as compared to last year. The Group's segment revenue was analysed as follows:

	<b>2021</b>	2020	Increase/ (decrease)
	<b>HK\$'000</b>	HK\$'000	
Leasing	<b>314,693</b>	146,270	115%
Bulk commodity trade	<b>755,431</b>	677,891	11%
Property development & investment	<b>80,175</b>	90,701	(12%)
Marine recreation services and hotel	<b>22,380</b>	16,826	33%
Total	<b><u>1,172,679</u></b>	<b><u>931,688</u></b>	26%

The Group continued to expand its leasing business in 2021 and clocked up the leasing revenue to approximately 27% of the total turnover. Notwithstanding the persisting impact of the ongoing COVID-19 pandemic on international shipping and transportation, bulk commodity trade business remained stable. The revenue from bulk commodity trade increased by approximately 11% and contributed to approximately 64% of the total turnover. Revenue from other business segments accounted for approximately 9% of the total turnover.

For the year ended 31 December 2021, the Group realised a consolidated profit before income tax of approximately HK\$169.81 million, representing an increase of approximately 7% from approximately HK\$158.08 million last year. The increase was mainly due to the surge in consolidated gross profit by approximately HK\$86.09 million or 46% year-on-year to approximately HK\$272.31 million (2020: approximately HK\$186.22 million) brought by the increase in leasing revenue of approximately 115% in 2021. The increase in consolidated gross profit was however partially offset by: (i) the fact that no gain on disposal of subsidiaries was reported during the year (2020: approximately HK\$50.23 million); (ii) a decrease in net exchange gain by approximately HK\$29.53 million to approximately HK\$9.93 million due to the reduced size of Renminbi (“**RMB**”)-denominated assets in Hong Kong and relatively stable RMB exchange rate in 2021 (2020: net exchange gain of approximately HK\$39.46 million); (iii) a decrease in interest income from deposits and other financial assets which is accounted for under other income by approximately HK\$8.24 million; and (iv) the recording of a fair value loss on investment properties of approximately HK\$1.66 million (2020: approximately HK\$11.13 million). Excluding the effect of non-recurring items (i) and (ii) above, the consolidated profit before income tax for the year has increased by approximately HK\$91.50 million or 134% from that for last year.

The Board has resolved to recommend the payment of a final dividend of HK0.54 cent per ordinary share in respect of the year ended 31 December 2021 to the shareholders whose names appear on the register of members of the Company on Friday, 8 July 2022, subject to the approval of the shareholders on the payment of final dividend at the forthcoming annual general meeting of the Company. The final dividend is expected to be paid on Friday, 29 July 2022.

## II. BUSINESS REVIEW

### A. Segmental Performance

The Group operated and derived its revenue from four business segments, including leasing, bulk commodity trade, property development and investment, marine recreation services and hotel. The details of segment revenue and results were analysed as follows:

#### (1) *Leasing*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Increase
Interest income	<b>193,065</b>	99,928	93%
Consultancy service fee	<b>86,648</b>	41,735	108%
Rental income	<b>34,980</b>	4,607	659%
Segment revenue	<b>314,693</b>	146,270	115%
Cost of revenue	<b>(81,437)</b>	(2,000)	3,971%
Gross profit	<b>233,256</b>	144,270	62%
<i>Gross profit margin</i>	<b>74.12%</b>	98.63%	
Segment results	<b>197,270</b>	121,642	62%

During the year, the Group's wholly-owned subsidiary, Chengtong Financial Leasing Company Limited ("**Chengtong Leasing**"), accelerated to expand the scale of business and developed new business in line with the national policies and directions, in particular, to nourish green leasing business, and completed a number of new leasing projects in relation to clean energy, photovoltaic power generation, new energy vehicles and new infrastructure such as internet data centres. In addition, Chengtong Leasing continued to synergise cooperation with other state-owned enterprises and concluded new leasing arrangements. During the year, Chengtong Leasing completed 37 finance lease and sales and leaseback projects and 24 consultancy service projects, achieving an increase in project number of over 100% on a year-on-year basis, which in turn resulted in increase in both interest income and consultancy service fee of approximately 93% and 108% respectively from last year. Rental income from operating lease also surged by more than 6 times as compared with last year as more new operating lease contracts were signed in 2021 and 12 months' (i.e. full year) operation results (2020: 3 months) were recorded.

The segmental cost of revenue increased by approximately HK\$79.44 million or 40 times from last year to approximately HK\$81.44 million. The main reason for such increase was that, in order to cope with the rapid expansion and development of its leasing business, the Group, through Chengtong Leasing, issued two phases of asset-backed securities (“**ABS**”) on the Shanghai Stock Exchange in May and November 2021 respectively with a total issue size of RMB2,970 million (equivalent to HK\$3,564 million). Please refer to note 13 in this announcement for more details. The ABS were classified into priority and subordinated tranches according to their risks, earnings and duration. The coupon rates of the priority tranches ranged from 3.4% to 4.3% per annum and the expected maturity dates ranged from March 2022 to January 2026. At the same time, Chengtong Leasing also increased bank borrowings in the PRC by pledging its finance lease receivables and loans receivable (collectively “**Leasing Receivables**”) during the year. Consequently, the direct finance cost of leasing business increased significantly and amounted to approximately HK\$58.10 million in 2021 (2020: nil). The other cost of revenue components mainly included insurance expenses and depreciation of operating lease assets.

The administrative expenses such as manpower costs and traveling costs related to leasing business increased during the year as a result of the increase in number of staff and business activities.

The segment results in leasing business for the year were therefore elevated by approximately HK\$75.63 million or 62% to approximately HK\$197.27 million (2020: approximately HK\$121.64 million).

As at 31 December 2021, the net Leasing Receivables of the Group amounted to approximately HK\$5,865.11 million, which has significantly increased by approximately 183% from that of approximately HK\$2,072.70 million as at 31 December 2020, and represented approximately 72% of the total assets as at 31 December 2021 (as at 31 December 2020: approximately 53%).

The Group's Leasing Receivables as at 31 December 2021 were classified into 5 categories according to customers' repayment abilities, up-to-date repayment history, profitability and carrying values of underlying leasing projects, relevant security and enforcement measures against customers, with Category I being the lowest risk and Category V being the highest risk. Specific expected credit loss ("ECL") provision was provided for each category.

Category	31 December 2021			31 December 2020		
	Gross	Provision	Net	Gross	Provision	Net
	Leasing	for	Leasing	Leasing	for	Leasing
	Receivables	ECL	Receivables	Receivables	ECL	Receivables
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
I. Performing	5,805,648	2,371	5,803,277	2,051,505	931	2,050,574
II. Special Mention	-	-	-	-	-	-
III. Sub-standard	72,442	10,613	61,829	22,129	-	22,129
IV. Doubtful	-	-	-	-	-	-
V. Loss	-	-	-	-	-	-
Total	<u>5,878,090</u>	<u>12,984</u>	<u>5,865,106</u>	<u>2,073,634</u>	<u>931</u>	<u>2,072,703</u>

The Group had more than 60 active leasing customers which were from different business sectors including mainly energy saving and environmental protection, new infrastructure, high-end equipment manufacturing, and public utilities. Our customers were mainly state-owned enterprises and non-performing exposures were comparatively low. The Group has adopted stringent risk management policies to monitor Leasing Receivables throughout their business cycle, so as to ensure that the Group has robust and prudent standards for credit risk taking, management and monitoring for all Leasing Receivables.

(2) **Bulk Commodity Trade**

	<b>2021</b>	2020	Increase/ (decrease)
	<b>HK\$'000</b>	HK\$'000	
International	<b>755,431</b>	440,667	71%
Domestic	<u>–</u>	<u>237,224</u>	(100%)
Segment revenue	<b>755,431</b>	677,891	11%
Cost of revenue	<u>(749,124)</u>	<u>(670,559)</u>	12%
Gross profit	<b>6,307</b>	7,331	(14%)
<i>Gross profit margin</i>	<b>0.83%</b>	1.08%	
Segment results	<u><b>3,623</b></u>	<u>2,066</u>	75%

During the year, the Group carried out its bulk commodity trade business solely through its 51%-owned joint venture company, Chengtong World Trade Limited (“**World Trade**”). Since 2020, the Group gradually withdrew from domestic trade as planned and focused on international trade of steel, chemicals and other commodity products with tightened trade risk management to strictly select upstream suppliers and downstream customers. World Trade did not carry out any domestic trade in 2021 while the revenue from international trade has increased significantly by approximately 71% to approximately HK\$755.43 million for the year. The total segment revenue increased by approximately HK\$77.54 million or 11% from that of last year.

Though international transportation was severely disrupted in 2021, by leveraging on its shareholders' support, World Trade managed to expand its international bulk commodity trade business by strengthening its trading operation using upgraded enterprise resource planning (ERP) system, obtaining more trade finance facilities from banks and maintaining experienced personnel to develop procurement and sales network, especially in the Middle East and Southeast Asia. As a result, the trading of steel products and petroleum-related products grew during the year and the turnover from international bulk commodity trade increased by approximately HK\$314.76 million or 71% to approximately HK\$755.43 million. The composition of international bulk commodity trade was summarised below:

	<b>2021</b>	2020	Increase/ (decrease)
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	
Steel	<b>520,901</b>	285,793	82%
Chemicals	<b>225,278</b>	127,034	77%
Coal/others	<b><u>9,252</u></b>	<u>27,840</u>	(67%)
Total	<b><u><u>755,431</u></u></b>	<u><u>440,667</u></u>	71%

The overall gross profit margin in 2021 descended by approximately 0.25% when compared with that of last year (with both international and domestic trade), which resulted in a slight drop of gross profit by approximately HK\$1.02 million. The overall segment results increased by approximately HK\$1.56 million year-on-year to approximately HK\$3.62 million (2020: approximately HK\$2.07 million) which was benefited from the streamlined operation and reduced transportation and storage expenses of domestic trade.

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

	<b>2021</b>	2020	Increase/ (decrease)
	<b>HK\$'000</b>	HK\$'000	
Property sales	<b>78,410</b>	89,709	(13%)
Rental income	<u><b>1,765</b></u>	<u>992</u>	78%
Segment revenue	<b>80,175</b>	90,701	(12%)
Cost of revenue	<u><b>(53,515)</b></u>	<u>(58,954)</u>	(9%)
Gross profit	<b>26,660</b>	31,748	(16%)
<i>Gross profit margin</i>	<b>33.25%</b>	35.00%	
Segment results	<u><b>21,181</b></u>	<u>25,769</u>	(18%)

The Group's revenue from property development and investment in 2021 were derived from (i) the sales and rental income of the CCT-Champs-Elysees project located in Zhucheng City of Shandong Province of the PRC and (ii) the rental income of office premises in Beijing and Haikou City in the PRC. The segment revenue decreased by approximately 12% year-on-year as affected by the negative sentiment in the property market as well as the ongoing COVID-19 pandemic. Segment results decreased by approximately 18% year-on-year to approximately HK\$21.18 million.

#### (i) *Property Development*

In 2021, the property market in the PRC was weak due to the wave of market volatility caused by certain property developers' liquidity crisis. The sales revenue of the CCT-Champs-Elysees project was approximately HK\$78.41 million, representing a decrease of approximately 13% from approximately HK\$89.71 million last year, and the average unit selling price per square metre of the residential area of the project declined by approximately 9% to approximately RMB5,395 (2020: approximately RMB5,908). The segment gross profit dropped by approximately 19% to approximately HK\$24.90 million for the year from approximately HK\$30.76 million last year.

The CCT-Champs-Elysees project is wholly owned by the Group which is located in a country level city 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. As at 31 December 2021, the completed and unsold area of the project included residential area of approximately 25,171 square metres (as at 31 December 2020: approximately 36,214 square metres) and commercial spaces of approximately 1,410 square metres (as at 31 December 2020: approximately 1,410 square metres). The Group will continue the development and marketing of the CCT-Champs-Elysees project as planned and target to complete the entire project in 2024.

*(ii) Property Investment*

During the year, the rental income from the property investment of the Group was generated from the leasing of the commercial properties of the CCT-Champs-Elysees project and certain office premises of the Group. The leasable area of the CCT-Champs-Elysees project was approximately 7,362 square metres as at 31 December 2021 (as at 31 December 2020: approximately 7,565 square metres). The reduction was due to the sale of a commercial unit with an area of 203 square metres during the year (which gave rise to a sales revenue of approximately HK\$0.36 million). As affected by the COVID-19 pandemic, as at 31 December 2021, the total leased area of the properties was approximately 3,331 square metres, representing a decrease of approximately 35% as compared to approximately 5,122 square metres as at 31 December 2020.

The decrease in rental income from the CCT-Champs-Elysees project was however compensated by the increase of rental income from the Group's office premises. During the year, the Group leased out some of the area of the Beijing office (approximately 231 square metres) and the Group's Hanan Building (approximately 1,339 square metres) in Haikou City, Hainan Province, the PRC. The leased portion of the Beijing office was reclassified as investment property accordingly.

The rental income in 2021 therefore increased year-on-year by approximately 78% to approximately HK\$1.77 million (2020: approximately HK\$0.99 million).

During the year under review, interests and other income of the property development and investment business decreased year-on-year by approximately 16% to approximately HK\$1.03 million (2020: approximately HK\$1.22 million) and selling and administrative expenses were approximately HK\$6.87 million in aggregate (2020: approximately HK\$7.0 million), representing a year-on-year decrease of approximately 5%. The segment results were approximately HK\$21.18 million, representing a decrease of approximately 18% from approximately HK\$25.77 million of last year.

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

	<b>2021</b>	2020	Increase/ (decrease)
	<b>HK\$'000</b>	HK\$'000	
Marine recreation services	<b>13,772</b>	10,205	35%
Hotel operation	<b>6,599</b>	5,140	28%
Travelling agency business	<b>2,009</b>	1,481	36%
Segment revenue	<b>22,380</b>	16,826	33%
Cost of revenue	<b>(16,297)</b>	(13,959)	17%
Gross profit	<b>6,083</b>	2,867	112%
<i>Gross profit margin</i>			
– <i>marine recreation services</i>	<b>10%</b>	(3%)	
– <i>hotel operation</i>	<b>56%</b>	50%	
– <i>Travelling agency business</i>	<b>47%</b>	43%	
Segment results	<b>(22,717)</b>	(45,927)	(51%)

The Group operated its marine recreation services and hotel business in Hainan Province, the PRC, which was mainly consisted of: (i) marine recreation services; (ii) hotel operation; and (iii) travelling agency business, and the performance in 2021 was listed below:

(i) *Marine Recreation Services*

After suffering a setback brought by the COVID-19 pandemic and extreme weather condition in 2020, the marine recreation services business regained momentum in 2021 alongside the relaxation of domestic travelling restriction in the PRC. The number of visitors to Hainan Province increased in a controlled manner and the turnover from marine recreation services increased by about 35% and approximated to HK\$13.77 million (2020: approximately HK\$10.21 million).

The marine recreation services business recorded a loss before tax of approximately HK\$14.41 million in 2021 (2020: loss of approximately HK\$37.59 million), representing a reduction in loss by approximately HK\$23.18 million year-on-year, which was a result of the net effect of the following: (i) increase of gross profit from operation by approximately HK\$1.74 million in 2021; (ii) no gain from disposal of property, plant and equipment was recorded in other income in 2021 (2020: approximately HK\$3.35 million); (iii) no further impairment provision was required for the Jialong submersible equipment for marine tourism after evaluation by an independent professional valuer (2020: approximately HK\$19.01 million); and (iv) no repair and maintenance expenses was recorded in 2021 (2020: approximately HK\$3.20 million).

(ii) *Hotel Operation*

The hotel operation had a steady business growth and its sales revenue amounted to approximately HK\$6.60 million (2020: approximately HK\$5.14 million) and represented an increase of approximately 28% over last year, which was mainly due to the increase in visitors to Hainan Province in 2021. The total direct administrative and selling expenses of the business increased by approximately 13% to HK\$12.46 million (2020: approximately HK\$10.99 million). The loss before tax amounted to HK\$8.45 million and was similar to that for 2020 of approximately HK\$8.36 million.

(iii) *Travelling Agency Business*

During the year under review, the travelling agency business recorded a turnover of approximately HK\$2.01 million (2020: approximately HK\$1.48 million), representing a year-on-year increase of approximately 36%. The profit before tax amounted to approximately HK\$0.14 million (2020: approximately HK\$0.03 million) which showed improvement from last year.

The combined segment results in 2021 recorded a loss of approximately HK\$22.72 million (2020: loss of approximately HK\$45.93 million), which was reduced by approximately 51% from last year.

**B. Other Income**

	<b>2021</b>	2020	(Decrease)
	<b>HK\$'000</b>	HK\$'000	
Interest income	<b>15,431</b>	23,129	(33%)
Net exchange gain	<b>9,927</b>	39,463	(75%)
Gain on disposal of property, plant and equipment	–	3,351	(100%)
Others	<u><b>3,730</b></u>	<u>4,095</u>	(9%)
Total	<u><b>29,088</b></u>	<u>70,038</u>	(58%)

In 2021, the Group's other income mainly comprised of interest income from deposits, other financial assets and loans to related parties of approximately HK\$15.43 million (2020: approximately HK\$23.13 million), and net exchange gain of approximately HK\$9.93 million (2020: approximately HK\$39.46 million). The total other income recorded in 2021 was approximately HK\$29.09 million, and represented a drop of approximately 58% when compared with approximately HK\$70.04 million of last year.

The interest income and net exchange gain shrank approximately 33% and 75% respectively for the year which were mainly attributed to: (i) the reduction of interest earning deposits as the Group was actively expanding the leasing business using internal funds and reduced the bank deposit amount; and (ii) the decrease in onshore RMB-denominated assets during the year and the fact that RMB's exchange rate remained relatively stable against Hong Kong Dollars (“**HKD**”) in 2021, resulted in a decrease in net exchange gain recorded during the year.

### C. Selling and Administrative Expenses

	<b>2021</b>	2020	Increase/ (decrease)
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	
Selling expenses	<u><b>15,943</b></u>	<u>23,534</u>	(32%)
Administrative expenses	<u><b>107,622</b></u>	<u>105,532</u>	2%

During the year under review, selling expenses decreased by approximately 32% to approximately HK\$15.94 million (2020: approximately HK\$23.53 million), which was mainly due to the total cutback of transportation and storage costs for domestic bulk commodity trade from HK\$2.78 million in 2020 to nil in 2021 and a reduction of about HK\$3.20 million in maintenance cost of certain facilities employed in marine recreation services business in 2021.

On the other hand, the administrative expenses increased slightly by approximately HK\$2.09 million or 2% year-on-year to approximately HK\$107.62 million (2020: approximately HK\$105.53 million), which was mainly due to the fact that no further impairment provision was required in respect of the Jialong submersible equipment for marine recreation services in 2021 (2020: approximately HK\$19.01 million). This saving was nevertheless offset by: (i) an increase in ECL provision for leasing business of approximately HK\$11.01 million; (ii) an increase in travelling and office expenses of approximately HK\$5.00 million by Chengtong Leasing as a result of its business expansion; and (iii) an increase of legal and professional expenses of approximately HK\$1.44 million in association with the expansion of the leasing business activities.

## D. Finance Costs

	<b>2021</b>	2020	Increase/ (decrease)
	<b>HK\$'000</b>	HK\$'000	
Total interest expenses	<b>67,004</b>	11,743	471%
Less: Interest expenses transferred to cost of revenue	<b>(58,103)</b>	–	n/a
Less: Interest expenses capitalised	<u><b>(2,540)</b></u>	<u>(3,531)</u>	(28%)
Net finance costs	<u><b>6,361</b></u>	<u>8,212</u>	(23%)

In 2021, the finance costs were principally consisted of interest on ABS of approximately HK\$41.72 million (2020: nil), interest on bank borrowings of approximately HK\$23.92 million (2020: approximately HK\$10.21 million), interest expenses on loans from related parties of approximately HK\$1.11 million (2020: approximately HK\$1.10 million). Total finance costs amounted to approximately HK\$67.00 million (2020: approximately HK\$11.74 million), representing a significant year-on-year increase of approximately 471%. Having transferred the finance costs of approximately HK\$58.10 million to the cost of revenue and capitalised the finance costs of approximately HK\$2.54 million (2020: approximately HK\$3.53 million) for the CCT-Champs-Elysees project, the net finance costs in 2021 were approximately HK\$6.36 million (2020: approximately HK\$8.21 million), representing a year-on-year decrease of approximately 23%.

## III. OUTLOOK

Looking back at 2021, from the international perspective, the COVID-19 rebounded and continued to spread around the world, triggering a series of crises including supply chain crisis, energy crisis and inflation crisis. The global economy gradually recovered from rock bottom, the overall pattern, however, showed the characteristics of uneven and asynchronous recovery. From the domestic perspective, the PRC led the global economic recovery with effective epidemic prevention mechanism and the advantages of a complete industry chain, and continued to maintain stable and positive resilience. The PRC's gross national product for the year showed a year-on-year increase of 8.1%, with an average growth rate of 5.1% in the past two years, ranking top among the major economies in the world. However, amidst the recent outbreak of new COVID-19 variant (Omicron) which dealt a blow to the global economy, the PRC was facing the pressure of shrinking demand, supply shocks and weakening forecasts all at the same time.

Looking ahead, in the face of the continuous global spread of the COVID-19, harsh and volatile domestic and international environment, as well as uncertainties in the global economic growth, the PRC will adhere to coordinating the domestic and international situation and also the prevention and control of the pandemic and the socio-economic development, continuously promoting the comprehensive in-depth reform, striving to achieve a healthy development trend of “stable outset, steady improvement, quarterly recovery” for the domestic economy, accelerating the construction of a new development pattern that facilitates the domestic circulation and builds a domestic and international dual circulation system, with a view to striving to achieve high-level opening up and high-quality development.

The Group will closely monitor the complicated and volatile environment and situations that present us with both opportunities and challenges, focus on our principal business of leasing, deepen reform, seize opportunities and innovate, thereby creating greater value to its shareholders.

As for leasing business, the Group will actively respond to new changes in industry policies and patterns in accordance with the new external regulatory requirements. It will uphold the established business objectives and business positioning, focus on deepening the business development in four major areas, namely energy saving and environmental protection, transportation and logistics, internet data centre and new energy, and unleash industry characteristics in the market segments. The Group will focus on the strategy of servicing the Group and will strengthen cooperation with other state-owned enterprises. At the same time, the Group will steadily expand the cross-border leasing business and gradually open up domestic and overseas financing channels. For bulk commodity trade, the Group will continue to prudently carry out business under stringent risk control. For property development, the Group’s overall strategy is to gradually withdraw from the business, and to accelerate the construction and sales of the CCT-Champs-Elysees project at Zhucheng city. For the marine recreation services and hotel, on one hand, the Group will increase marketing effort to actively respond to the impact of the COVID-19 pandemic, and on the other hand, it will actively explore and promote subsequent assets restructuring.

China Chengtong Holdings Group Company Limited (“**CCHG**”), being the controlling shareholder of the Group and a company operated on state-owned capital, has been rapidly expanding its development scale, strength and market influential power in recent years, and it will play a greater role in the optimisation and structural adjustment of the landscape of the state-owned economy sector. The Group, being the only listed company’s platform of CCHG outside the PRC, and Chengtong Leasing, being a subsidiary of the Group and the only subsidiary of CCHG engaging in leasing business, will fully leverage the resources brought by CCHG and will further reinforce its strategic guidance and devote resources to focus on the rapid development of its core leasing business, so as to create greater value for shareholders. The Board is confident about the future development of the Group.

#### IV. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The COVID-19 pandemic had a relatively small impact on the Group's asset quality and capital liquidity and the Group continued to maintain a sound financial position. As at 31 December 2021, the equity attributable to owners of the Company amounted to approximately HK\$3,134.60 million and represented an increase of approximately 5% from approximately HK\$2,979.64 million recorded as at 31 December 2020.

The total assets and liabilities of the Group as at 31 December 2021 showed significant increment from last year:

	<b>2021</b>	2020	Increase
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	
Non-current assets	<b>4,367,594</b>	1,884,041	132%
Current assets	<b>3,800,212</b>	2,022,706	88%
Total assets	<b>8,167,806</b>	3,906,747	109%
Current liabilities	<b>(3,238,608)</b>	(871,603)	272%
Non-current liabilities	<b>(1,787,496)</b>	(49,875)	3,484%
Total liabilities	<b>(5,026,104)</b>	(921,478)	445%
Total net assets	<b><u>3,141,702</u></b>	<u>2,985,269</u>	5%

As at 31 December 2021, the total assets of the Group amounted to approximately HK\$8,167.81 million, of which about 47% were current portion, representing an upsurge of approximately 109% as compared to the total assets of approximately HK\$3,906.75 million as at 31 December 2020. This was largely because of the growth in Leasing Receivables recorded under current and non-current assets from the expansion of the scale of the Group's leasing business.

At the same time, the total liabilities of the Group increased to approximately HK\$5,026.10 million as at 31 December 2021 from approximately HK\$921.48 million as at 31 December 2020 as the Group obtained more external financing in 2021, including issuance of ABS on the Shanghai Stock Exchange and increasing bank borrowings in the PRC, so as to support the growth of the leasing business. The current and non-current portions of total liabilities were approximately 64% and 36% respectively.

The current ratio (calculated as total current assets divided by total current liabilities) as at 31 December 2021 was approximately 1.17 times (2020: approximately 2.32 times), showing that the liquidity of the Group remained at a healthy level.

As at 31 December 2021, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK\$1,384.67 million, which consisted of primarily the un-utilised balance from the proceeds of the ABS and were denominated in RMB. Other cash and deposits were denominated in HKD and the United States dollars (“USD”). The cash and deposits accounted for approximately 17% and 44% of the total assets and the net assets respectively, and represented an increase of approximately 60% as compared to approximately HK\$865.17 million as at 31 December 2020.

As at 31 December 2021, the bank borrowings of the Group amounted to approximately HK\$1,441.78 million (2020: approximately HK\$338.42 million), represented a rise of more than 4 times from last year. The Group increased both the short-term and medium-term bank borrowings in the PRC in order to finance the development of leasing business. As at 31 December 2021, about HK\$981.46 million or 68% of the Group’s total bank borrowings were denominated in RMB with repayment due dates ranging from 2022 to 2026. The remaining balance of approximately HK\$460.32 million of bank loans were denominated in HKD with the maturity dates falling due in March and June 2022. The effective annual interest rates of the bank borrowings ranged from approximately 1.99% to approximately 4.90%.

## V. FINANCIAL LEVERAGE RATIOS

	<b>2021</b>	2020
Total debts/Total equity	<b>1.41x</b>	0.12x
Total debts/Total assets	<b>0.54x</b>	0.09x
Total debts/EBITDA	<b>20x</b>	2x
Interest coverage	<b><u>28x</u></b>	<u>20x</u>

As the Group focused on developing and expanding the leasing business, the leverage of the Group increased significantly during the year. The debt to equity ratio (calculated as dividing total interest-bearing loans by total equity) and debt to asset ratio (calculated as dividing total interest-bearing loans by total assets) were approximately 1.41 times and 0.54 times respectively as at 31 December 2021. For the year under review, the interest coverage ratio (calculated as dividing consolidated profit before income tax and finance costs (EBIT) by finance costs) was approximately 28 times, representing a year-on-year increase of approximately 40% as compared to the ratio of approximately 20 times recorded as at 31 December 2020. Notwithstanding the increase in the leverage, the ratios still indicate that the Group has a strong ability to repay borrowings and finance costs.

## **VI. SIGNIFICANT INVESTMENTS**

The Group had no significant investment exceeding 5% of the total asset value of the Group as at 31 December 2021.

Looking ahead, the Group will remain focused on leasing business as the main direction of its business development and will be prudent when investing in other financial assets to maximise shareholders' value.

## **VII. TREASURY POLICIES**

The business activities and operation of the Group were mainly carried out in Mainland China and Hong Kong, with transactions denominated in RMB, HKD and the USD, which exposed the Group to foreign currency risks. As at 31 December 2021, the Group had bank borrowings denominated in HKD and RMB with a total of approximately HK\$1,441.78 million which were based on floating interest rates, thereby exposing the Group to interest rate risks. The Group will, where appropriate, use interest rate and foreign currency swaps and forward foreign exchange contracts 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.

## **VIII. INTEREST RATE RISKS**

As at 31 December 2021, the Group's bank borrowings, which comprised RMB-denominated bank borrowings of approximately HK\$981.46 million and the HKD-denominated bank borrowings of approximately HK\$460.32 million, were based on floating interest rates. The floating interest rates were relatively stable with Hong Kong Interbank Offered Rate (HIBOR) in Hong Kong and loan prime rates ("LPR") in the PRC fluctuated within a narrow range throughout 2021.

Most of the Group's Leasing Receivables were carried at floating interest rates with reference to the prevailing LPR and effectively hedged against the interest rate risks arising from bank borrowings in the PRC.

Having said that, the Group will continue to closely monitor the risks arising from interest rate fluctuation and apply appropriate hedging strategies against the interest rate risks caused by the debt instruments which are based on floating interest rates.

## **IX. FOREIGN EXCHANGE RISK**

During the year under review, the Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Any fluctuation in the exchange rate of HKD against RMB may have an impact on the Group's results. As at 31 December 2021, the net assets of the Group's business in the PRC were approximately RMB2,740.75 million. According to the Hong Kong Accounting Standards, such amount of net assets denominated in RMB will be converted into HKD at the exchange rate applicable as at the end of the reporting period. The Group's foreign exchange reserve increased approximately by HK\$63.17 million during the year. The Group currently does not have any hedging measures against foreign exchange risks. However, the Group will continue to closely monitor the possible risks arising from currency fluctuations.

## **X. PLEDGE OF ASSETS**

As at 31 December 2021, the Group had pledged bank deposits amounted to approximately HK\$4.41 million, representing a decrease of approximately 21% from approximately HK\$5.56 million as at 31 December 2020. The pledged bank deposits mainly included approximately HK\$4.28 million (as at 31 December 2020: approximately HK\$4.17 million) of security money for banking facilities granted to mortgagors of the CCT-Champs-Elysees project.

As at 31 December 2021, the Leasing Receivables of the Group with an aggregate carrying value of approximately HK\$3,907.63 million (as at 31 December 2020: approximately HK\$199.99 million) and trade receivables under operating lease business with carrying amount of approximately HK\$2.15 million (as at 31 December 2020: nil) were charged as security for the Group's ABS and bank borrowings with carrying amounts of approximately HK\$2,932.61 million (as at 31 December 2020: nil) and HK\$981.46 million respectively (as at 31 December 2020: approximately HK\$178.42 million).

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

As at 31 December 2021, the Group's capital commitments consisted of purchase of property, plant and equipment, which will be funded by its internal resources. Please refer to notes 14 and 15 in this announcement for details of the Group's contingent liabilities and capital commitments.

## **XII. 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.

## **XIII. EVENT AFTER REPORTING PERIOD**

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

## **HUMAN RESOURCES AND EMOLUMENT POLICY**

As at 31 December 2021, the Group employed a total of 278 employees (as at 31 December 2020: 288), of which 11 (as at 31 December 2020: 12) were based in Hong Kong and 267 (as at 31 December 2020: 276) were based in the PRC. During the year, the total staff costs of the Group (including directors' emoluments and provident funds) were approximately HK\$70.06 million. Employees' remunerations are determined in accordance with their experiences, competence, qualifications, nature of duties, and current market trend. Apart from basic salary, discretionary bonus and other incentives are offered to employees of the Group to reward their performance and contributions. The emoluments of the Directors are determined having regard to the Company's corporate goals, the individual performance of the Directors and their role and position (if any) in the group members of CCHG, the ultimate holding company of the Company.

The Company has adopted a share option scheme under which the Company may grant options to Directors and eligible employees to subscribe for shares of the Company. The Company has also adopted a share award scheme, under which shares of the Company will be awarded, with the approval of the Board, to selected employees to recognise their contribution and to give them incentives in order to retain them for the continual operation and development of the Group, as well as to attract suitable personnel for the growth and further development of the Group.

In addition, the Group provides or subsidises various training programmes and courses to its employees according to business needs, to ensure that its employees are kept updated with relevant laws and regulations, such as the Listing Rules, accounting standards, risk management knowledge, labour regulations and the employee's code of conduct.

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

During the year ended 31 December 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 standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to each of the 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 year ended 31 December 2021.

## **CORPORATE GOVERNANCE**

The Board 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 then prevailing Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2021, save as disclosed below:

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Due to other business commitment, Professor He Jia, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 25 June 2021.

## **AUDIT COMMITTEE**

The audit committee of the Company (“**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Lee Man Chun, Tony (chairman of the Audit Committee), Professor Chang Qing and Professor He Jia. The principal duties of the Audit Committee include the review of the Company’s financial reporting procedures, risk management and internal controls and results of the Group. The audited consolidated financial statements of the Company for the year ended 31 December 2021 have been reviewed by the Audit Committee.

## **REMUNERATION COMMITTEE**

The Company has established the remuneration committee (“**Remuneration Committee**”) which comprises two independent non-executive Directors, namely Professor He Jia (chairman of the Remuneration Committee) and Mr. Lee Man Chun, Tony, and an executive Director, namely Mr. Zhang Bin. The Remuneration Committee is primarily responsible for making recommendations to the Board on the remuneration policy and structure of the Company as well as on the remuneration packages of the members of the Board and the senior management of the Company.

## **NOMINATION COMMITTEE**

The Company has established a nomination committee (“**Nomination Committee**”) which comprises two independent non-executive Directors, namely Professor Chang Qing (chairman of the Nomination Committee) and Mr. Lee Man Chun, Tony, and an executive Director, namely Mr. Zhang Bin. The Nomination Committee is responsible for nominating potential candidates for directorship appointment and succession planning of the Board, reviewing the composition and structure of the Board from time to time and making appropriate recommendation to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the entitlement to the final dividend for the year ended 31 December 2021, the register of members of the Company will be closed on Friday, 8 July 2022, on which day no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all completed share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 7 July 2022.

## **SCOPE OF WORK OF BDO LIMITED ON THE PRELIMINARY RESULTS ANNOUNCEMENT**

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary results announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary results announcement.

## **PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This 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 annual report of the Company for the year ended 31 December 2021 will be available on both websites and 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, 4 March 2022

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