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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 2022

FINANCIAL HIGHLIGHTS

- Turnover for the Review Period increased slightly by approximately 1% to approximately HK\$476.17 million as the impacts of the ongoing COVID-19 slowed down the global normal economic activities during the said period.
- Gross profit for the Review Period decreased by approximately HK\$13.95 million with a rise in the interest expenses and thus the cost of revenue of the leasing business.
- Administrative expenses (excluding exchange loss) increased by approximately HK\$10.23 million which was mainly attributable to the increase in staff costs of the professional team for the expanding leasing operation.
- Reversal of exchange difference from a gain of approximately HK\$8.06 million for the same period of last year to a loss of approximately HK\$4.26 million for the Review Period due to the depreciation of Renminbi against Hong Kong dollars.
- Consolidated profit before and after income tax for the Review Period decreased and amounted to approximately HK\$40.44 million and HK\$21.76 million respectively.
- The financial position of the Group remained sound as at 30 June 2022 with total assets and net assets stood at approximately HK\$8,146.80 million and HK\$2,991.67 million respectively.
- Interest coverage ratio (calculated as dividing consolidated profit before income tax and finance costs (EBIT) by finance costs) remained at a healthy level of 9 times as at 30 June 2022.
- The Board has resolved not to declare any interim dividend.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	476,167	473,753
Costs of revenue		<u>(369,298)</u>	<u>(352,934)</u>
Gross profit and net interest income		106,869	120,819
Other income	4	10,314	17,908
Selling expenses		(7,386)	(8,258)
Administrative expenses		(62,557)	(48,070)
Fair value (loss)/gain on investment properties		(2,009)	470
Finance costs	5	<u>(4,789)</u>	<u>(1,979)</u>
Profit before income tax	7	40,442	80,890
Income tax expense	6	<u>(18,684)</u>	<u>(26,517)</u>
Profit for the period		<u>21,758</u>	<u>54,373</u>
Profit for the period attributable to:			
Owners of the Company		21,082	53,703
Non-controlling interests		<u>676</u>	<u>670</u>
		<u>21,758</u>	<u>54,373</u>
Earnings per share for profit attributable to owners of the Company during the period			
	9	<i>HK cent</i>	<i>HK cent</i>
Basic and diluted		<u>0.35</u>	<u>0.93</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	21,758	54,373
Other comprehensive income		
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	(6,700)	7,285
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	(132,886)	10,441
Total comprehensive income for the period	(117,828)	72,099
Total comprehensive income attributable to:		
Owners of the Company	(118,504)	71,429
Non-controlling interests	676	670
	(117,828)	72,099

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited At 30 June 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
		282,391	307,371
Property, plant and equipment			
Investment properties		91,525	99,255
Deposits paid		–	1,015
Finance lease receivables and loans receivable	<i>10</i>	3,611,094	3,911,695
Other financial assets	<i>12</i>	9,614	11,658
Loan to a related party		36,492	36,600
		4,031,116	4,367,594
Current assets			
Properties held for sale		99,220	130,438
Properties under development		156,110	143,793
Inventories		58,329	23,332
Trade and other receivables	<i>11</i>	133,560	79,888
Finance lease receivables and loans receivable	<i>10</i>	2,221,443	1,953,411
Loan to a related party		12,051	12,200
Other financial assets	<i>12</i>	64,770	69,850
Taxation recoverable		1,879	2,628
Pledged bank deposits		4,218	4,413
Bank balances and cash		1,364,108	1,380,259
		4,115,688	3,800,212
Current liabilities			
Trade and other payables	<i>13</i>	423,784	373,265
Contract liabilities		214,969	136,724
Bank borrowings		1,643,188	1,374,675
Asset-backed securities	<i>14</i>	1,062,286	1,267,068
Unsecured other loan		600	600
Loans from related parties		47,223	47,556
Lease liabilities		1,913	3,098
Taxation payable		24,290	35,622
		3,418,253	3,238,608

		Unaudited	Audited
		At	At
		30 June	31 December
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
Net current assets		<u>697,435</u>	<u>561,604</u>
Total assets less current liabilities		<u>4,728,551</u>	<u>4,929,198</u>
Non-current liabilities			
Bank borrowings		325,890	67,100
Asset-backed securities	14	1,145,914	1,665,539
Loan from a related party		210,600	–
Lease liabilities		4,547	–
Deferred tax liabilities		<u>49,935</u>	<u>54,857</u>
		<u>1,736,886</u>	<u>1,787,496</u>
Net assets		<u><u>2,991,665</u></u>	<u><u>3,141,702</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		2,214,624	2,214,624
Reserves		<u>769,266</u>	<u>919,979</u>
		<u>2,983,890</u>	<u>3,134,603</u>
Non-controlling interests		<u>7,775</u>	<u>7,099</u>
Total equity		<u><u>2,991,665</u></u>	<u><u>3,141,702</u></u>

NOTES

For the six months ended 30 June 2022

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 and 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 2022, 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\$**”), 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 does not include all 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 2021.

The financial information relating to the year ended 31 December 2021 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 2021 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 2021 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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018–2020 Cycle

None of these amendments to HKFRSs 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 the 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, 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.

The Group's reportable segments for financial reporting purpose have been 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, chemicals and other commodity 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

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 For the six months ended 30 June 2022				
	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					
Segment revenue					
— external sales and income	<u>186,102</u>	<u>240,724</u>	<u>40,226</u>	<u>9,115</u>	<u>476,167</u>
Results					
Segment results (<i>Note (a)</i>)	<u>65,328</u>	<u>1,743</u>	<u>10,685</u>	<u>(11,365)</u>	66,391
Fair value loss on investment properties (<i>Note (b)</i>)					(2,009)
Unallocated finance costs					(3,813)
Unallocated corporate expenses					(22,803)
Unallocated corporate income					<u>2,676</u>
Profit before income tax					<u>40,442</u>

3 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Notes:

	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	5,698	1	154	22	584	6,459
Depreciation	(11,497)	(7)	(10)	(6,720)	(2,598)	(20,832)
Interest expenses (included in costs of revenue)	(72,976)	-	-	-	-	(72,976)
Finance costs	-	(950)	-	(26)	(3,813)	(4,789)
Impairment loss on financial assets	(2,667)	(5)	-	-	-	(2,672)
Gain on disposal of investment properties	-	-	391	-	-	391
(b) Amount regularly provided to the chief operating decision makers for the analysis of the segment's performance						
Fair value loss on investment properties	-	-	(2,009)	-	-	(2,009)

3 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	Unaudited				
	For the six months ended 30 June 2021				
	Leasing	Bulk commodity trade	Property development and investment	Marine recreation services and hotel	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 (<i>Note (a)</i>)	<u>84,844</u>	<u>1,604</u>	<u>11,048</u>	<u>(10,285)</u>	87,211
Fair value gain on other financial assets measured at fair value through profit or loss (“ FVPL ”)					161
Fair value gain on investment properties (<i>Note (b)</i>)					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)

Note:

	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
(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)
Impairment loss on financial assets	(1,824)	(2)	–	–	–	(1,826)
Loss on disposal of property, plant and equipment	–	–	–	(2)	–	(2)
(b) Amount regularly provided to the chief operating decision makers for the analysis of the segment's performance						
Fair value gain on investment properties	<u>–</u>	<u>–</u>	<u>470</u>	<u>–</u>	<u>–</u>	<u>470</u>

For the six months ended 30 June 2022, unallocated corporate income mainly comprised interest income from related parties and interest income from deposits (for the six months ended 30 June 2021: mainly comprised net exchange gain and 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 2022, unallocated corporate expenses mainly comprised net exchange loss, staff costs, depreciation and legal and professional expenses of the Group's headquarter (for the six months ended 30 June 2021: 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.

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 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
Segment assets		
Leasing	7,036,172	7,152,014
Bulk commodity trade	169,789	78,269
Property development and investment*	438,992	461,773
Marine recreation services and hotel	169,400	183,486
	<hr/>	<hr/>
Total segment assets	7,814,353	7,875,542
Unallocated		
— Other financial assets	74,384	81,508
— Bank balances and cash	165,440	120,670
— Other unallocated assets	92,627	90,086
	<hr/>	<hr/>
Total assets	8,146,804	8,167,806
	<hr/> <hr/>	<hr/> <hr/>
	Unaudited At 30 June 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
Segment liabilities		
Leasing	4,146,184	4,183,651
Bulk commodity trade	153,695	63,669
Property development and investment	240,800	237,644
Marine recreation services and hotel	43,102	42,950
	<hr/>	<hr/>
Total segment liabilities	4,583,781	4,527,914
Unallocated		
— Bank borrowings	500,499	460,319
— Other unallocated liabilities	70,859	37,871
	<hr/>	<hr/>
Total liabilities	5,155,139	5,026,104
	<hr/> <hr/>	<hr/> <hr/>

* 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:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of properties	38,689	32,293
Consultancy service income from leasing arrangements	16,438	32,082
Bulk commodity trade	240,724	306,332
Marine recreation services and hotel	9,115	12,872
	<hr/>	<hr/>
Revenue from contract with customers	304,966	383,579
Rental income from investment properties	1,537	339
Rental income under operating lease in respect of owned machineries and equipment	15,482	17,692
Interest income from loans receivable	149,741	72,070
Finance lease income	4,441	73
	<hr/>	<hr/>
	476,167	473,753
	<hr/> <hr/>	<hr/> <hr/>

4 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from:		
— deposits and other financial assets	6,459	6,939
— related parties	1,722	1,357
	8,181	8,296
Fair value gain on other financial assets measured at FVPL	–	161
Government subsidies	237	382
Exchange gain, net	–	8,063
Gain on disposal of investment properties	391	–
Others	1,505	1,006
	<hr/>	<hr/>
	10,314	17,908
	<hr/> <hr/>	<hr/> <hr/>

5 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	29,568	6,094
Interest on asset-backed securities	47,532	7,608
Interest on loans from related parties	2,368	421
Interest on lease liabilities	92	164
	<u>79,560</u>	<u>14,287</u>
Less:		
Amount capitalised on properties under development	(1,795)	(1,106)
Amounts included in costs of revenue		
— Interest on bank borrowings	(25,389)	(3,594)
— Interest on asset-backed securities	(47,532)	(7,608)
— Interest on loan from related parties	(55)	—
	<u>4,789</u>	<u>1,979</u>

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.

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income tax expense comprises:		
Current tax	21,449	22,802
Deferred taxation	(2,765)	3,715
	<u>18,684</u>	<u>26,517</u>

7 PROFIT BEFORE INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit before income tax has been arrived at after charging/ (crediting):		
Depreciation of property, plant and equipment	20,836	21,560
Less: Amounts capitalised on properties under development	(4)	(5)
	<u>20,832</u>	<u>21,555</u>
Contributions to retirement benefits schemes (including directors' emoluments)	7,366	5,624
Staff costs (including directors' emoluments)	40,308	30,668
Total staff costs	47,674	36,292
Less: Amounts capitalised on properties under development	(746)	(1,148)
	<u>46,928</u>	<u>35,144</u>
Cost of inventories sold (included in costs of revenue)	266,152	329,379
Impairment loss on financial assets	2,672	1,826
Loss on disposal of property, plant and equipment	–	2
Exchange loss/(gain), net	4,259	(8,063)
Fair value gain on other financial assets measured at FVPL	–	(161)

8 DIVIDENDS

The final dividend of HK0.54 cent per ordinary share for the year ended 31 December 2021 totalling HK\$32,209,000 was approved in the annual general meeting of the Company on 24 June 2022. The final dividend payable of HK\$32,209,000 was recognised in “other payables” as a liability as at 30 June 2022.

The directors of the Company did not declare any interim dividend for the six months ended 30 June 2022 and 2021.

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\$21,082,000 (for the six months ended 30 June 2021: HK\$53,703,000) and on the weighted average number of 5,952,885,000 (for the six months ended 30 June 2021: 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 dilutive potential 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 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
Finance lease receivables	199,351	141,214
Loans receivable	5,633,186	5,723,892
	5,832,537	5,865,106
	Unaudited At 30 June 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
Analysed for reporting purposes as:		
Current assets	2,221,443	1,953,411
Non-current assets	3,611,094	3,911,695
	5,832,537	5,865,106

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 2022, effective interest rates of finance lease receivables and loans receivable ranged from 3.92% to 8.77% (31 December 2021: 4.03% 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 as at 30 June 2022 and 31 December 2021. 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 2022, certain finance lease receivables and loans receivable were secured by deposits received from customers of HK\$227,123,000 (31 December 2021: HK\$226,588,000) (note 13(b)).

As at 30 June 2022, loss allowance of HK\$15,035,000 (31 December 2021: HK\$12,984,000) was made against the gross amount of finance lease receivables and loans receivable.

11 TRADE AND OTHER RECEIVABLES

	Unaudited At 30 June 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
Trade and bills receivables (<i>note a</i>)	36,738	30,062
Prepayments to suppliers	59,685	15,132
Other prepayments and deposits	17,222	4,921
Other receivables (<i>note b</i>)	19,915	29,773
	133,560	79,888

Notes:

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

As at 30 June 2022, the amounts mainly represented (i) trade and bills receivables of HK\$30,042,000 (31 December 2021: HK\$27,422,000) from bulk commodity trade business and (ii) HK\$2,043,000 (31 December 2021: HK\$2,145,000) 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 30 June 2022 and 31 December 2021.

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

As at 30 June 2022, loss allowance of HK\$6,000 (31 December 2021: HK\$1,000) was made against the gross amount of trade and bills receivables.

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

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

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

	Unaudited At 30 June 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
Within 90 days	36,410	30,062
Over 90 days	328	—
	36,738	30,062

(b) As at 30 June 2022, loss allowance of HK\$186,000 (31 December 2021: HK\$185,000) was made against the gross amount of other receivables.

12 OTHER FINANCIAL ASSETS

	Unaudited At 30 June 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
Non-current:		
Financial assets measured at fair value through other comprehensive income (“FVOCI”)		
Equity investments	9,614	11,658
Current:		
Financial assets measured at FVOCI		
Equity investments		
— Shares listed in Hong Kong	64,770	69,850

13 TRADE AND OTHER PAYABLES

	Unaudited	Audited
	At 30 June	At 31 December
	2022	2021
	HK\$'000	HK\$'000
Trade payables (<i>note a</i>)	9,533	1,296
Other payables and accruals	68,766	51,361
Dividend payable (<i>note 8</i>)	32,209	–
Deposits received (<i>note b</i>)	242,429	242,548
Accrual of construction costs	70,847	78,060
	<u>423,784</u>	<u>373,265</u>

Notes:

- (a) The ageing analysis of the trade payables presented based on the invoice date at the end of the reporting period is as follows:

	Unaudited	Audited
	At 30 June	At 31 December
	2022	2021
	HK\$'000	HK\$'000
Within 1 year	<u>9,533</u>	<u>1,296</u>

- (b) As at 30 June 2022, among the balance of deposits received, HK\$227,123,000 (31 December 2021: HK\$226,588,000) represented the deposits received from customers under finance lease arrangements and the sale and leaseback arrangements (*note 10*) as securities 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.

14 ASSET-BACKED SECURITIES (“ABS”)

	Unaudited At 30 June 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
Analysed for reporting purposes as:		
Current liabilities	1,062,286	1,267,068
Non-current liabilities	1,145,914	1,665,539
	<u>2,208,200</u>	<u>2,932,607</u>

As at 30 June 2022, the Group's ABS with carrying amount of HK\$2,208,200,000 (31 December 2021: HK\$2,932,607,000) were collateralised by the finance lease receivables and loans receivable of the Group with an aggregate carrying amount of HK\$1,783,601,000 (31 December 2021: HK\$2,632,215,000) (note 10) and trade receivables under operating lease business with carrying amount of HK\$2,043,000 (31 December 2021: HK\$2,145,000) (note 11) and priority class ABS with carrying amount of HK\$1,753,939,000 (31 December 2021: HK\$1,826,535,000) were guaranteed by CCHG, the ultimate holding company of the Company.

15 CAPITAL COMMITMENTS

	Unaudited At 30 June 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
Contracted but not provided for		
Purchase of property, plant and equipment	–	526

16 CONTINGENT LIABILITIES

As at 30 June 2022, the Group provided guarantees of HK\$226,045,000 (31 December 2021: HK\$224,455,000) 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 are not accounted for in the interim financial information.

As at 30 June 2022 and 31 December 2021, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (“**Board**”) of directors (“**Directors**”) of China Chengtong Development Group Limited (“**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022. These interim results have been reviewed by the Board’s audit committee, comprising a non-executive Director and all independent non-executive Directors, and by the Company’s auditor, BDO Limited.

I. RESULTS AND DIVIDEND

During the six months ended 30 June 2022 (“**Review Period**” or “**1H2022**”), the Group’s core leasing operation continued to grow its revenue and operating profit. The other business segments of the Group were impacted by the ongoing COVID-19 pandemic. The new wave of COVID-19 in 1H2022 which had caused major cities in the PRC including Beijing, Shanghai and Shenzhen to partially lock down and the various government measures implemented to prevent and control the spread of the virus had severely undermined the recovering economy and slowed down normal business activities in the PRC.

Overall Performance

The consolidated turnover for the Review Period was approximately HK\$476.17 million, which represented a slight increase of approximately 1% as compared to that of the six-month period ended 30 June 2021 (“**1H2021**”). The segment turnover was analysed as follows:

Business segments	1H2022 <i>HK\$’000</i>	1H2021 <i>HK\$’000</i>	Increase/ (decrease)
Leasing	186,102	121,917	53%
Bulk commodity trade	240,724	306,332	(21%)
Property development and investment	40,226	32,632	23%
Marine recreation services and hotel	9,115	12,872	(29%)
Total	476,167	473,753	1%

Leasing remained the main growth driver of the Group's operation and its revenue surged by approximately 53% from the corresponding period of last year. While expanding rapidly, the Group is keen to build a risk and control system appropriate for its size and complexity. As at 30 June 2022, the amount of the Group's non-performing assets remained at a very low level.

The overall revenue from other business segments decreased by approximately 18% in 1H2022 from 1H2021 amidst the ongoing impacts of COVID-19. The business of the bulk commodity trade was impeded during the Review Period as international transportation was severely disrupted and negatively impacted on the supply and demand of commodity products. The property market in the PRC was still weak during the Review Period, yet the Group managed to achieve an increase of revenue of approximately 23% in property development and investment segment mainly because of the increase in rental income. The marine recreation services and hotel business was vulnerable to the COVID-19 pandemic and had been interrupted intermittently during the Review Period by travel restriction and inbound control to Hainan Province as imposed by the PRC government.

During 1H2022, the Group generated a consolidated profit before income tax of approximately HK\$40.44 million, representing a decrease of approximately 50% from approximately HK\$80.89 million in 1H2021, which was mainly resulted from:

- (i) a decrease in consolidated gross profit of approximately HK\$13.95 million or 12% year-on-year to approximately HK\$106.87 million (1H2021: approximately HK\$120.82 million) by virtue of the increase in costs of revenue from the leasing business as the Group has been enhancing its financial structure since last year by using ABS and bank borrowings to ensure sufficient funds were made available to the leasing business;
- (ii) an increase in the administrative expenses (excluding exchange loss) by approximately HK\$10.23 million which was mainly attributable to the increase in staff costs of the professional team for the expanding leasing operation; and
- (iii) the reversal of exchange difference from a gain of approximately HK\$8.06 million in 1H2021 to a loss of approximately HK\$4.26 million in 1H2022 brought by the down-trending of Renminbi (“**RMB**”) exchange rate against Hong Kong dollars (“**HKD**”) during 1H2022.

Excluding the non-recurring item in (iii) above, the consolidated profit after income tax during the Review Period was approximately HK\$26.02 million, and represented a decrease of approximately 44% from the corresponding figure during 1H2021 of approximately HK\$46.31 million.

II. BUSINESS REVIEW

A. Segment Performance

The Group operated and derived its revenue from the core leasing business and other three business segments, including bulk commodity trade, property development and investment, and marine recreation services and hotel. The details of segment revenue and results during the Review Period were outlined as follows:

(1) Leasing

	1H2022	1H2021	Increase/ (decrease)
	HK\$'000	HK\$'000	
Interest income	154,182	72,143	114%
Consultancy service fee	16,438	32,082	(49%)
Rental income	15,482	17,692	(12%)
	<u>186,102</u>	<u>121,917</u>	
Segment revenue	186,102	121,917	53%
Cost of revenue	(97,706)	(22,608)	332%
	<u>88,396</u>	<u>99,309</u>	
Gross profit	88,396	99,309	(11%)
<i>Gross profit margin</i>	47.50%	81.46%	
Segment results	65,328	84,844	(23%)

During the Review Period, the Group's wholly-owned subsidiary, Chengtong Financial Leasing Company Limited (“**Chengtong Leasing**”), pursued to expand the scale of the business and completed a number of new leasing projects in relation to environmental protection, transportation and infrastructure. Chengtong Leasing continued to synergise cooperation with other state-owned enterprises and concluded new leasing arrangements. During the Review Period, Chengtong Leasing realised an increase in interest income from both new and existing finance lease projects to approximately HK\$154.18 million, representing an increase of approximately 114% from 1H2021. The consultancy service business, however, experienced a quiet period during the new wave of COVID-19 in 1H2022 and the relevant service fee income decreased by approximately 49% to approximately HK\$16.44 million during the Review Period. The rental income from operating lease was stable in 1H2022 but no new operating lease project was entered into during the Review Period. Nonetheless, the total segment revenue for 1H2022 stood at approximately HK\$186.10 million and represented an increase of approximately 53% from 1H2021.

The segment cost of revenue increased by approximately HK\$75.10 million or approximately 4.3 times from 1H2021 to approximately HK\$97.71 million for 1H2022. 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 ABS on the Shanghai Stock Exchange in 2021 respectively with a total issue size of RMB2,970 million (equivalent to HK\$3,564 million) (please refer to note 14 in this announcement for more details). Also, Chengtong Leasing arranged to pledge its finance lease receivables and loans receivable (collectively “**Leasing Receivables**”) to expand its credit facilities available in the Mainland China during the Review Period. The direct finance cost of the leasing business therefore increased significantly and amounted to approximately HK\$85.96 million in 1H2022 (1H2021: approximately HK\$11.34 million). The other cost of revenue components mainly included insurance expenses and depreciation of operating lease assets.

The administrative expenses during 1H2022 increased on the back of a general increase in salaries and staff benefits paid to the staff of Chengtong Leasing during the Review Period.

The segment results in leasing business for 1H2022 therefore reduced by approximately 23% to approximately HK\$65.33 million (1H2021: approximately HK\$84.84 million).

As at 30 June 2022, the net Leasing Receivables of the Group amounted to approximately HK\$5,832.54 million, which has slightly decreased by approximately 1% from that of approximately HK\$5,865.11 million as at 31 December 2021, and represented approximately 72% of the consolidated total assets as at 30 June 2022 (as at 31 December 2021: approximately 72%).

The Group’s Leasing Receivables as at 30 June 2022 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	30 June 2022			31 December 2021		
	Gross Leasing Receivables	Provision for ECL	Net Leasing Receivables	Gross Leasing Receivables	Provision for ECL	Net Leasing Receivables
I. Performing	5,776,535	2,267	5,774,268	5,805,648	2,371	5,803,277
II. Special Mention	-	-	-	-	-	-
III. Sub-standard	71,037	12,768	58,269	72,442	10,613	61,829
IV. Doubtful	-	-	-	-	-	-
V. Loss	-	-	-	-	-	-
Total	<u>5,847,572</u>	<u>15,035</u>	<u>5,832,537</u>	<u>5,878,090</u>	<u>12,984</u>	<u>5,865,106</u>

The Group has adopted stringent risk management policies to monitor the 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 the Leasing Receivables. The Group maintained a portfolio of leasing customers from different business sectors including mainly energy saving and environmental protection, new infrastructure, high-end equipment manufacturing, and public utilities. Customers of the Group were mainly state-owned enterprises and non-performing exposures were comparatively low.

(2) Bulk Commodity Trade

	1H2022 HK\$'000	1H2021 HK\$'000	Increase/ (decrease)
Segment revenue	240,724	306,332	(21%)
Cost of revenue	(236,678)	(303,641)	(22%)
Gross profit	4,046	2,691	50%
<i>Gross profit margin</i>	1.68%	0.88%	
Segment results	1,743	1,604	9%

During the Review Period, the Group carried out its bulk commodity trade business through its 51%-owned joint venture company, Chengtong World Trade Limited (“**World Trade**”) 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. Due to the enduring impacts of the COVID-19 pandemic, trade flow was severely affected. There were imbalances in the supply and demand of commodity products and there were uncertainties in the transportation logistics and the associated costs. Notwithstanding the segment revenue decreased by approximately HK\$65.61 million or approximately 21% from 1H2021, World Trade managed to achieve an increase in gross profit and segment results through more stringent cost control.

(3) Property Development and Investment

	1H2022 <i>HK\$'000</i>	1H2021 <i>HK\$'000</i>	Increase/ (decrease)
Property sales	38,689	32,293	20%
Rental income	1,537	339	353%
Segment revenue	40,226	32,632	23%
Cost of revenue	(27,070)	(18,573)	46%
Gross profit	13,156	14,059	(6%)
<i>Gross profit margin</i>	32.71%	43.08%	
Segment results	10,685	11,048	(3%)

The Group’s revenue from property development was entirely derived from its wholly owned project, namely the CCT-Champs-Elysees project, located in Zhucheng City of Shandong Province of the PRC. The project has a total site area of approximately 146,006 square metres and was developed in three phases. The property sales increased by approximately 20% and was attributable to the increase in floor area sold for Phase III of the project during the Review Period. The average selling price per square metre of the residential area for 1H2022 was approximately RMB5,524 and had no significant fluctuation from the last corresponding period (1H2021: approximately RMB5,506). As at 30 June 2022, the completed and unsold area of the project included residential area of approximately 19,661 square metres (as at 31 December 2021: approximately 25,171 square metres) and commercial spaces of approximately 1,410 square metres (as at 31 December 2021: approximately 1,410 square metres). It is the Group’s plan and target to complete the development and sales of the project in 2024.

During the Review Period, 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 of approximately HK\$0.28 million (1H2021: approximately HK\$0.34 million) and certain office premises of the Group of approximately HK\$1.26 million (1H2021: nil).

The segment gross profit margin dropped mainly because of the higher construction cost for Phase III of the CCT-Champs-Elysees project. The segment results decreased by approximately 3% year-on-year as more marketing expenses were incurred to promote the sale of the project.

(4) Marine Recreation Services and Hotel

	1H2022	1H2021	Increase/ (decrease)
	HK\$'000	HK\$'000	
Segment revenue	9,115	12,872	(29%)
Cost of revenue	(7,844)	(8,112)	(3%)
Gross profit	1,271	4,760	(73%)
<i>Gross profit margin</i>	14%	37%	
Segment results	(11,365)	(10,285)	(11%)

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. As the COVID-19 pandemic persisted, the segment's operation was difficult and had been interrupted intermittently due to travel restriction and inbound control measures imposed by the PRC government during the Review Period.

(i) Marine Recreation Services

During the Review Period, the turnover from marine recreation services decreased by about 24% and approximated to HK\$6.32 million (1H2021: approximately HK\$8.32 million). The gross profit dropped by approximately HK\$1.72 million in 1H2022, but was almost offset by savings of administrative expenses in 1H2022 in connection with the decrease in the number of visitors. The loss before tax was approximately HK\$6.56 million in 1H2022 (1H2021: loss of approximately HK\$6.41 million).

(ii) *Hotel Operation*

As the sales revenue from hotel operation in 1H2022 decreased to approximately HK\$2.31 million (1H2021: approximately HK\$4.52 million) while the cost of revenue for 1H2022 and 1H2021 were similar, a decrease in gross profit of approximately HK\$1.98 million was recorded for 1H2022. The loss before tax for the Review Period amounted to HK\$4.83 million (1H2021: approximately HK\$3.48 million).

(iii) *Travelling Agency Business*

During the Review Period, the travelling agency business improved and recorded a turnaround from loss to profit in 1H2022. The profit before tax for 1H2022 amounted to approximately HK\$0.02 million (1H2021: loss of approximately HK\$0.40 million).

The above three businesses contributed to a total segment turnover of approximately HK\$9.12 million to the Group (1H2021: approximately HK\$12.87 million), representing a year-on-year decrease of approximately 29%. The segment loss before tax amounted to approximately HK\$11.37 million (1H2021: loss of approximately HK\$10.29 million), representing a year-on-year increase of approximately 11%.

B. Other Income

	1H2022	1H2021	Increase/ (decrease)
	HK\$'000	HK\$'000	
Interest income	8,181	8,296	(1%)
Net exchange gain	–	8,063	(100%)
Gain on disposal of investment properties	391	–	n/a
Government subsidies	237	382	(38%)
Others	1,505	1,167	29%
	<u>10,314</u>	<u>17,908</u>	(42%)

During the Review Period, the Group's other income mainly comprised of interest income from deposits and loans to related parties of approximately HK\$8.18 million (1H2021: approximately HK\$8.30 million). The total other income recorded in 1H2022 was approximately HK\$10.31 million, and represented a drop of approximately 42% when compared with approximately HK\$17.91 million in 1H2021.

Although there was no material change in the Group's onshore RMB-denominated assets during the Review Period, no exchange gain was reported during the Review Period as RMB depreciated against HKD for about 4% from the exchange rate of 1.22 at the beginning of 2022 to 1.17 as at the end of June 2022, and thus resulting in an exchange loss during the Review Period.

C. Selling and Administrative Expenses

	1H2022 <i>HK\$'000</i>	1H2021 <i>HK\$'000</i>	Increase/ (decrease)
Selling expenses	<u>7,386</u>	<u>8,258</u>	(11%)
Administrative expenses	<u>62,557</u>	<u>48,070</u>	30%

During the Review Period, selling expenses decreased year-on-year by approximately 11% to approximately HK\$7.39 million (1H2021: approximately HK\$8.26 million). There was an increase in agency commission expense of approximately HK\$0.56 million to promote the sale of the CCT-Champs-Elysees project. However, the increase was offset by a saving in maintenance cost of approximately HK\$0.86 million for the Group's under-utilised marine recreation facilities in Hainan Province as a result of reduction of number of tourists during 1H2022.

The administrative expenses increased by approximately 30% year-on-year to approximately HK\$62.56 million (1H2021: approximately HK\$48.07 million), which was a combined effect of the following: (i) the increase in staff costs of approximately HK\$11.31 million due to the increase in the number of staff of the professional team of Chengtong Leasing for the expanding leasing business; (ii) the recording of an exchange loss of approximately HK\$4.26 million during the Review Period; and (iii) the reduction in travel and sundry expenses by approximately HK\$1.08 million during the Review Period as a result of the COVID-19 pandemic.

D. Finance Costs

	1H2022	1H2021	Increase/ (decrease)
	HK\$'000	HK\$'000	
Total interest expenses	79,560	14,287	457%
Less: Interest expenses transferred to cost of revenue	(72,976)	(11,202)	551%
Less: Interest expenses capitalised	(1,795)	(1,106)	62%
Net finance costs	<u>4,789</u>	<u>1,979</u>	142%

In 1H2022, the finance costs comprised principally interest expenses on ABS of approximately HK\$47.53 million (1H2021: approximately HK\$7.61 million), interest expenses on bank borrowings of approximately HK\$29.57 million (1H2021: approximately HK\$6.09 million) and interest expenses on loans from related parties of approximately HK\$2.37 million (1H2021: approximately HK\$0.42 million). Total finance costs amounted to approximately HK\$79.56 million (1H2021: approximately HK\$14.29 million), representing a significant year-on-year increase of approximately 457%. Having transferred the finance costs of the leasing business of approximately HK\$72.98 million to the cost of revenue (1H2021: approximately HK\$11.20 million) and capitalised the finance costs of approximately HK\$1.80 million (1H2021: approximately HK\$1.11 million) of the CCT-Champs-Elysees project, the net finance costs during the Review Period were approximately HK\$4.79 million (1H2021: approximately HK\$1.98 million), representing a year-on-year increase of approximately 142%, which was mainly due to the increase in interest expenses for bank borrowings in Hong Kong on the back of escalating interest rate.

III. OUTLOOK

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

Regarding the leasing business, the Group had been taking a proactive approach to meet the impacts brought by internal and external unfavourable factors, continued to pull resources together to expand its core leasing business in all aspects and maintained a steady growth. In 1H2022, there were 13 new projects in the leasing business and recorded a turnover of approximately HK\$186.10 million, representing an increase of approximately 53% compared to the corresponding period of last year. The leasing business recorded profit before tax of approximately HK\$65.33 million, representing a decrease of approximately 23% compared to the corresponding period of last year. Presently, the preparation works for the issuance

of a RMB5 billion shelf ABS has commenced, and we are actively expanding our bank credit facilities. We have been granted with RMB1,845 million of banking facilities in 1H2022, which better assured the capital supply for business investment. For the second half of this year, along with upholding our bottom line of risk and strengthening business compliance, Chengtong Leasing will rely on the resource advantage of our controlling shareholder to deepen our business presence in market segments like energy conservation and environmental protection, transportation and logistics, internet data centre and new energy etc. with an aim to establishing our features and market influences in specialised fields. At the same time, we will strengthen our communications and cooperation with both domestic and overseas banks and financial institutions and endeavor to complete the partial issuance of the shelf ABS within this year.

As for the bulk commodity trade business, the Group will continue to focus on advantageous commodities such as steel and chemicals and choose large customers with good reputation to develop the sales market. We will continue to carry out bulk commodity trade business prudently under stringent risk control.

For property development and investment business, section 3 in Phase III of the Zhucheng project has been largely completed. As a follow-up, the Group will expand its sales channels and make every effort to promote the sales of properties in its inventory while intensifying the withdrawal from this business.

Regarding marine recreation services and hotel business, the total turnover and profits dropped in 1H2022 compared to the corresponding period of last year due to the continuous impact of the COVID-19 pandemic and the challenging tourism market environment. Going forward, the Group will actively pursue the restructuring of the marine recreation services and hotel business.

Looking ahead, the Group will continuously strengthen its strategic guidance and further increase the effort in the divestment and exit from non-core and non-advantageous businesses. The Group will leverage the resource advantages of its controlling shareholder, focus on leasing as its principal business and responsibilities, and give full play to the function of serving the real economy.

IV. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group continued to maintain a sound financial position in respect of its asset quality and capital liquidity. The equity attributable to owners of the Company amounted to approximately HK\$2,983.89 million, representing a decrease of approximately 5% from approximately HK\$3,134.60 million as at 31 December 2021, which was mainly due to the decrease in exchange reserve for RMB-denominated assets and liabilities of approximately HK\$132.89 million during the Review Period.

The total assets and liabilities of the Group as at 30 June 2022 and as at 31 December 2021 are as follows:

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000	Increase/ (decrease)
Non-current assets	4,031,116	4,367,594	(8%)
Current assets	4,115,688	3,800,212	8%
Total assets	<u>8,146,804</u>	<u>8,167,806</u>	–
Current liabilities	(3,418,253)	(3,238,608)	6%
Non-current liabilities	(1,736,886)	(1,787,496)	(3%)
Total liabilities	<u>(5,155,139)</u>	<u>(5,026,104)</u>	3%
Total net assets	<u>2,991,665</u>	<u>3,141,702</u>	(5%)

As at 30 June 2022, the total assets of the Group amounted to approximately HK\$8,146.80 million, of which about 51% were current portion, and was barely changed over that of 31 December 2021. Leasing Receivables remained as the largest component and accounted for about 72% of the total assets. On the other hand, the total liabilities of the Group increased slightly to approximately HK\$5,155.14 million as at 30 June 2022 from approximately HK\$5,026.10 million as at 31 December 2021 as the Group maintained its gearing and used ABS and bank borrowings as sources of financing, so as to continuously support the growth of the leasing business. The current and non-current portions of total liabilities were approximately 66% and 34% respectively and were similar to that as at 31 December 2021.

The current ratio (calculated as total current assets divided by total current liabilities) as at 30 June 2022 was approximately 1.20 times (31 December 2021: approximately 1.17 times), showing that the liquidity of the Group remained at a healthy level.

As at 30 June 2022, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK\$1,368.33 million, which primarily represented net balance of payments and receipts from leasing business 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 46% of the total assets and the net assets respectively, and almost leveled with that of 31 December 2021.

As at 30 June 2022, the bank borrowings of the Group amounted to approximately HK\$1,969.08 million (“**Total Bank Borrowings**”) (as at 31 December 2021: approximately HK\$1,441.78 million), represented a rise of approximately 37%. It was one of the Group’s strategies to increase leverage in respect of both short-term and medium-term bank borrowings in the PRC in order to finance the development of leasing business. As at 30 June 2022, about HK\$1,441.02 million or approximately 73% of the Total Bank Borrowings were denominated in RMB with repayment due dates ranging from 2022 to 2026. Approximately HK\$500.50 million was denominated in HKD, among which a bank loan with a principal amount of HK\$500 million will mature in June 2023, and the balance of approximately HK\$27.56 million was denominated in USD and of trade-finance nature. The effective annual interest rates of the bank borrowings ranged from approximately 2.25% to approximately 4.90%.

The Group had launched two ABS schemes on the Shanghai Stock Exchange on 21 May 2021 and 24 November 2021 respectively with the total issue size of RMB2,970 million (equivalent to HK\$3,564 million). The ABS were classified into priority and subordinated tranches according to their risks, earnings and duration. The Group held all the subordinated tranches.

During the Review Period, the Group made timely repayments for priority tranches under the ABS schemes. As at 30 June 2022, the Group’s outstanding balance of the priority tranche ABS amounted to approximately HK\$2,208.20 million (31 December 2021: approximately HK\$2,932.61 million), and have coupon rates ranging from 3.4% to 4.3% per annum and the expected maturity dates ranging from July 2022 to January 2026.

V. FINANCIAL LEVERAGE RATIOS

	As at 30 June 2022 Times	As at 31 December 2021 Times
Total debts/Total equity	1.48	1.41
Total debts/Total assets	0.54	0.54
Total debts/EBITDA	67	20
Interest coverage	9	28

As the Group increased bank borrowings to finance its leasing business, the total debts increased during the Review Period, but 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) remained at the same level as that of 31 December 2021. During the Review Period, the interest coverage ratio (calculated as dividing consolidated profit before income tax and finance costs (EBIT) by finance costs) dropped as the Group's gearing increased and more finance costs were incurred. The interest coverage ratio was approximately 9 times as compared to the ratio of approximately 28 times recorded as at 31 December 2021. The ratios indicate that the Group is able to expand and grow through external financing yet still 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 30 June 2022.

The Group will remain focused on and to invest in its core leasing business, while it 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 USD, which exposed the Group to interest rates and foreign currency risks. As at 30 June 2022, the Total Bank Borrowings were denominated in the said currencies and were based on fixed and floating interest rates, thereby exposing the Group to interest rate and foreign exchange 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 RISK

As at 30 June 2022, out of the Total Bank Borrowings, RMB-denominated bank borrowings of approximately HK\$671.72 million and HKD-denominated bank borrowings of approximately HK\$500.50 million were based on floating interest rates. The floating interest rate for the HKD-denominated bank loan was based on Hong Kong Interbank Offered Rate (HIBOR) in Hong Kong which was escalating during the Review Period, while the floating interest rates for RMB-denominated bank loans in the PRC were based on loan prime rates (“LPRs”) in the PRC and were adjusted downward during the Review Period. The remaining bank borrowings of approximately HK\$796.86 million were based on fixed interest rates. The Group's ABS have different fixed coupon rates for different classes in the priority tranche.

Most of the Group's Leasing Receivables were carried at floating interest rates with reference to the prevailing LPRs 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 Review Period, 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 30 June 2022, the net assets of the Group's business in the PRC were approximately RMB2,765.46 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 decreased approximately by HK\$132.89 million during the Review Period. 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 30 June 2022, the Group pledged bank deposits of approximately HK\$4.22 million, as compared to the amount of approximately HK\$4.41 million as at 31 December 2021. The pledged bank deposits mainly included approximately HK\$4.11 million (as at 31 December 2021: approximately HK\$4.28 million) of security money for construction project quality, the payment of wages to rural migrant workers and bank facilities granted to mortgagors of the CCT-Champs-Elysees project.

As at 30 June 2022, the Leasing Receivables of the Group with an aggregate carrying value of approximately HK\$3,704.05 million (as at 31 December 2021: approximately HK\$3,907.63 million) and trade receivables under operating lease business with carrying amount of approximately HK\$2.04 million (as at 31 December 2021: HK\$2.15 million) were charged as security for the Group's ABS and bank borrowings with carrying amounts of approximately HK\$2,208.20 million (as at 31 December 2021: approximately HK\$2,932.61 million) and HK\$1,441.02 million respectively (as at 31 December 2021: approximately HK\$981.46 million).

As at 30 June 2022, the bill receivables of the Group with an aggregate carrying value of approximately HK\$24.01 million (as at 31 December 2021: nil) was charged as security for the Group's bank borrowings with carrying amounts of approximately HK\$27.56 million (as at 31 December 2021: nil)

XI. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no capital commitment. For contingent liabilities, please refer to note 16 to the financial statements in this announcement for details.

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 THE REPORTING PERIOD

On 20 July 2022, the Company entered into a finance lease services framework agreement (“**Framework Agreement**”) with its ultimate holding company, CCHG, pursuant to which the Group will provide finance lease services to the relevant members of the CCHG group by way of, including but not limited to, sale and leaseback service and direct finance lease service. The relevant member of the Group (as lessor) and the relevant member of the CCHG group (as lessee) will enter into individual agreements in respect of the leased assets pursuant to the terms of the Framework Agreement for such contract period and such amount of lease payments to be specified in the individual agreements. The principal and the lease payments (taking into account the aggregate amounts of interests and other payables (including handling fees)) receivable by the Group for the transactions contemplated under the Framework Agreement for the years ending 31 December 2022, 2023 and 2024 shall not exceed the annual caps as disclosed in the circular of the Company dated 22 August 2022.

The Framework Agreement and the transactions contemplated thereunder are conditional upon the approval by the independent shareholders of the Company at a general meeting convened to be held on 8 September 2022. Details of the Framework Agreement and the transactions contemplated thereunder are set out in the Company’s announcement dated 20 July 2022 and circular dated 22 August 2022.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Review Period, 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, the Company has received confirmations from all the Directors that they have complied with the required standards as set out in the Code of Conduct and the Model Code during the Review Period.

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 set out in Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Review Period.

REVIEW OF ACCOUNTS

The Board 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 Review Period, 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 and the Company's website at www.irasia.com/listco/hk/chengtong. The 2022 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, 26 August 2022

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