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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 2020 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2020 amounted to approximately HK\$931.69 million, representing a year-on-year decrease of approximately 16%.
- Profit before income tax amounted to HK\$158.08 million, representing a year-on-year increase of approximately 76%.
- Gross profit margin was approximately 20%, representing a year-on-year increase of approximately 6%.
- Earnings per share was approximately HK2.09 cents, representing a year-on-year increase of approximately HK1.27 cents.
- As at 31 December 2020, the cash (including pledged bank deposits, bank balances and cash) held by the Group amounted to approximately HK\$865.17 million, which increased by approximately 17% as compared to that of approximately HK\$738.98 million (including pledged bank deposits, deposits in other financial institution, and bank balances and cash) as at 31 December 2019.
- As at 31 December 2020, the debt to equity ratio (expressed as interest-bearing loan divided by total equity) was approximately 12%, representing an increase of approximately 2% as compared to that as at 31 December 2019.
- The Board has resolved recommend the payment of a final dividend of HK0.9 cent per ordinary Share for the year ended 31 December 2020.

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 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Turnover	3	931,688	1,110,598
Cost of sales		<u>(745,472)</u>	<u>(955,942)</u>
Gross profit		186,216	154,656
Other income	4	70,038	59,006
Selling expenses		(23,534)	(20,519)
Administrative expenses		(105,532)	(92,076)
Gain on disposal of subsidiaries	14	50,229	–
Fair value loss on investment properties		(11,125)	(5,051)
Finance costs		<u>(8,212)</u>	<u>(6,007)</u>
Profit before income tax		158,080	90,009
Income tax expense	5	<u>(37,119)</u>	<u>(45,909)</u>
Profit for the year	6	<u>120,961</u>	<u>44,100</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		121,372	47,539
Non-controlling interests		<u>(411)</u>	<u>(3,439)</u>
		<u>120,961</u>	<u>44,100</u>
Earnings per share	8		
— Basic		<u>HK2.09 cents</u>	<u>HK0.82 cent</u>
— Diluted		<u>HK2.09 cents</u>	<u>HK0.82 cent</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	120,961	44,100
Other comprehensive income		
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	(71,811)	29,893
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	144,020	(61,823)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	5,209	–
Total comprehensive income for the year	198,379	12,170
Total comprehensive income attributable to:		
Owners of the Company	198,801	19,134
Non-controlling interests	(422)	(6,964)
	198,379	12,170

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		344,673	241,834
Investment properties		89,143	93,939
Deposits paid		700	–
Loans receivable	<i>9</i>	1,438,325	684,689
Other financial assets	<i>11</i>	11,200	4,267
		<u>1,884,041</u>	<u>1,024,729</u>
Current assets			
Properties held for sale		180,364	128,655
Properties under development		90,325	205,688
Properties held for development		–	260,661
Inventories		4,756	4,036
Trade and other receivables	<i>10</i>	101,775	136,054
Loans receivable	<i>9</i>	634,378	442,135
Amount due from a related party		36,404	34,431
Other financial assets	<i>11</i>	107,736	544,816
Taxation recoverable		1,794	1,846
Pledged bank deposits		5,556	4,462
Deposits in other financial institution		–	2,157
Bank balances and cash		859,618	732,356
		<u>2,022,706</u>	<u>2,497,297</u>
Assets classified as held for sale	<i>14</i>	<u>–</u>	<u>78,635</u>
		<u>2,022,706</u>	<u>2,575,932</u>

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>12</i>	349,524	173,648
Contract liabilities	<i>13</i>	124,420	134,637
Lease liabilities		3,729	3,528
Taxation payable		31,318	25,877
Bank borrowings		338,420	277,700
Unsecured other loan		600	600
Amount due to a related party		23,592	–
		871,603	615,990
Liabilities associated with assets classified as held for sale	<i>14</i>	–	20,049
		871,603	636,039
Net current assets		1,151,103	1,939,893
Total assets less current liabilities		3,035,144	2,964,622
Non-current liabilities			
Lease liabilities		3,311	7,353
Deferred tax liabilities		46,564	43,053
		49,875	50,406
Net assets		2,985,269	2,914,216
EQUITY			
Equity attributable to owners of the Company			
Share capital		2,185,876	2,185,876
Reserves		793,764	594,963
		2,979,640	2,780,839
Non-controlling interests		5,629	133,377
Total equity		2,985,269	2,914,216

NOTES

FOR THE YEAR ENDED 31 DECEMBER 2020

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, property investment and marine recreation services and hotel.

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 (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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\$**” or “**HKD**”) 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 2020 and 2019 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 2019 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 2020 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 standards, amendments and interpretations 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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting

The adoption of the new or amended 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. The Group’s chief operating decision makers have identified the reportable segments of the Group as follows:

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

During the year ended 31 December 2020, the Group has commenced the operating lease to generate rental income from leasing out owned machineries under the reportable segment of leasing. Accordingly, the comparative reportable segment of “finance leasing” is renamed to “leasing” to conform to current year’s presentation.

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 2020

	Leasing HK\$'000	Bulk commodity trade HK\$'000	Property development HK\$'000	Property investment HK\$'000	Marine recreation services and hotel HK\$'000	Total HK\$'000
Turnover as presented in consolidated income statement	<u>146,270</u>	<u>677,891</u>	<u>89,709</u>	<u>992</u>	<u>16,826</u>	<u>931,688</u>
Results						
Segment results (note (a))	<u>121,642</u>	<u>2,066</u>	<u>24,896</u>	<u>873</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 HK\$'000	Bulk commodity trade HK\$'000	Property development HK\$'000	Property investment HK\$'000	Marine recreation services and hotel HK\$'000	Unallocated HK\$'000	Total HK\$'000
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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) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance

Fair value loss on investment properties	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,125)</u>	<u>-</u>	<u>-</u>	<u>(11,125)</u>
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For the year ended 31 December 2019

	Leasing HK\$'000	Bulk commodity trade HK\$'000	Property development HK\$'000	Property investment HK\$'000	Marine recreation services and hotel HK\$'000	Total HK\$'000
Turnover as presented in consolidated income statement	<u>74,465</u>	<u>870,153</u>	<u>131,928</u>	<u>1,974</u>	<u>32,078</u>	<u>1,110,598</u>
Results						
Segment results (note (a))	<u>66,766</u>	<u>3,510</u>	<u>41,815</u>	<u>1,700</u>	<u>(13,042)</u>	100,749
Fair value loss on investment properties (note (b))						(5,051)
Unallocated finance costs						(3,209)
Unallocated corporate expenses						(52,797)
Unallocated corporate income						<u>50,317</u>
Profit before income tax						<u>90,009</u>

	Leasing HK\$'000	Bulk commodity trade HK\$'000	Property development HK\$'000	Property investment HK\$'000	Marine recreation services and hotel HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income from deposits and other financial assets	2,711	592	1,348	-	85	48,016	52,752
Depreciation	(124)	(1,206)	(37)	-	(14,486)	(3,778)	(19,631)
Finance costs	(2,407)	(94)	-	-	(297)	(3,209)	(6,007)
(Loss)/gain on disposal of property, plant and equipment	-	(19)	-	-	692	11	684

Notes:

- (a) Amounts included in the measure of segment results

Interest income from deposits and other

financial assets	2,711	592	1,348	-	85	48,016	52,752
Depreciation	(124)	(1,206)	(37)	-	(14,486)	(3,778)	(19,631)
Finance costs	(2,407)	(94)	-	-	(297)	(3,209)	(6,007)
(Loss)/gain on disposal of property, plant and equipment	-	(19)	-	-	692	11	684

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

Fair value loss on investment properties	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,051)</u>	<u>-</u>	<u>-</u>	<u>(5,051)</u>
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Set out below is the disaggregation of the Group's turnover from major products and services:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of properties	89,709	131,928
Consultancy service income from finance lease arrangements	41,736	23,559
Bulk commodity trade	677,891	870,153
Marine recreation services and hotel	16,826	32,078
	<u>826,162</u>	<u>1,057,718</u>
Revenue from contract with customers	826,162	1,057,718
Rental income from investment properties	992	1,974
Rental income under operating leasing in respect of owned machineries	4,606	–
Interest income from finance lease arrangements	99,928	50,906
	<u>931,688</u>	<u>1,110,598</u>

4. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income from:		
— deposits and other financial assets	20,800	52,752
— a related party	2,329	1,151
Fair value gain on other financial assets measured at fair value through profit or loss (“FVPL”)	669	858
Government subsidies (<i>note</i>)	1,252	153
Exchange gain, net	39,463	–
Gain on disposal of property, plant and equipment	3,351	684
Reversal of impairment loss on financial assets	–	46
Others	2,174	3,362
	<u>70,038</u>	<u>59,006</u>

Note:

Among the government subsidies, HK\$486,000 (2019: Nil) 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. 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 qualifying corporation is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% for both years.

Under the Law of the People's Republic of China ("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.

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
The taxation charge comprises:		
Current tax for the year:		
Hong Kong Profits Tax	126	–
PRC EIT	30,633	32,044
PRC LAT	5,930	11,576
	<u>36,689</u>	<u>43,620</u>
Under-provision in prior years:		
PRC EIT	–	421
	<u>36,689</u>	<u>44,041</u>
Deferred tax	<u>430</u>	<u>1,868</u>
Income tax expense	<u>37,119</u>	<u>45,909</u>

6. PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year is arrived at after charging/(crediting):		
Auditor's remuneration		
— audit services	1,070	1,070
— non-audit services	360	510
	<u>1,430</u>	<u>1,580</u>
Depreciation of property, plant and equipment	23,614	19,639
Less: Amounts capitalised on properties under development	(9)	(8)
	<u>23,605</u>	<u>19,631</u>
Contributions to retirement benefits schemes (including directors' emoluments)	6,902	9,423
Staff costs (including directors' emoluments)	60,093	49,635
	<u>66,995</u>	<u>59,058</u>
Less: Amounts capitalised on properties under development	(1,622)	(2,204)
	<u>65,373</u>	<u>56,854</u>
Cost of inventories recognised as expenses	725,344	955,101
Exchange (gain)/loss, net	(39,463)	11,214
Gain on disposal of property, plant and equipment	(3,351)	(684)
Impairment losses on property, plant and equipment	19,012	–
Impairment losses/(reversal of impairment losses) on financial assets	824	(46)
Direct operating expenses arising from investment properties	119	274
	<u>725,344</u>	<u>955,101</u>

7. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend proposed of HK0.9 cent (2019: nil) per ordinary share	<u>52,279</u>	<u>–</u>

No dividend was proposed during the year ended 31 December 2019.

The final dividend of HK0.9 cent per ordinary share proposed after the reporting date for the year ended 31 December 2020 (2019: nil) 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.

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\$121,372,000 (2019: HK\$47,539,000) and on the weighted average number of 5,796,985,000 (2019: 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. LOANS RECEIVABLE

Loans receivable are arose from the finance lease service business.

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed for reporting purposes as:		
Current assets	634,378	442,135
Non-current assets	1,438,325	684,689
	<u>2,072,703</u>	<u>1,126,824</u>

As at 31 December 2020, effective interest rates for the loans receivable ranged from approximately 4.90% to 8.77% (2019: 4.90% to 8.99%) per annum.

The loans receivable are secured by the leased equipment and facilities and land from the related party of the lessee, of which HK\$1,817,836,000 (2019: HK\$901,053,000) are guaranteed by the related parties of the lessees. The Group is not permitted to sell or re-pledge the collaterals in absence of default by the lessees. The lessees are obliged to settle the amounts according to the terms set out in the relevant contracts.

Also, certain loans receivable are secured by customers' deposits of HK\$149,289,000 (2019: HK\$80,784,000) (note 12(b)).

As at 31 December 2020, loss allowance of HK\$931,000 (2019:HK\$74,000) were made against the gross amount of loans receivable.

The ageing analysis of loans receivable at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Not yet past due	2,050,574	1,119,054
Past due but not credit impaired		
Within 3 months	–	7,770
Within 1 year	22,129	–
	<u>2,072,703</u>	<u>1,126,824</u>

10. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bills receivables (<i>note a</i>)	37,165	710
Prepayments to suppliers	1,521	84,746
Other prepayments and deposits	4,698	16,673
Other receivables (<i>note b</i>)	58,391	33,925
	<u>101,775</u>	<u>136,054</u>

Notes:

- (a) As at 31 December 2020, the amounts mainly represented trade and bills receivables of HK\$34,277,000 from bulk commodity trade business and rental receivables of HK\$1,680,000 from leasing out owned machineries (2019: HK\$710,000 from marine recreation services and hotel business). 0 to 30 days credit period was granted to customers for trade and bills receivables (2019: 30 days).

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

As at 31 December 2020, loss allowance of HK\$5,000 (2019:nil) were 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	<u>37,165</u>	<u>710</u>

- (b) As at 31 December 2020, loss allowance of HK\$185,000 (2019: HK\$176,000) were made against the gross amount of other receivables.

11. OTHER FINANCIAL ASSETS

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current:			
Financial assets measured at fair value through other comprehensive income (“FVOCI”) (non-recycling)			
— Equity investments		<u>11,200</u>	<u>4,267</u>
Current:			
Financial assets measured at FVOCI (non-recycling)			
Equity investments			
— Shares listed in Hong Kong		62,992	134,620
Financial assets measured at FVPL			
— Shares listed in Hong Kong		1,639	1,040
— Unlisted investments	(a)	35,775	204,139
Financial assets at amortised cost			
— Structured bank deposits with interest rate of 0.8% (2019: 3.5% to 3.9%) per annum		<u>7,330</u>	<u>205,017</u>
		<u>107,736</u>	<u>544,816</u>

Note:

- (a) The balances represented the trust products and wealth management products managed by PRC banks and financial institutions which invested in underlying assets without open or active quotations.

12. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bills payables (<i>note (a)</i>)	19,887	14,153
Other payables and accruals	89,507	40,560
Deposits received (<i>note (b)</i>)	149,289	80,784
Accrual of construction costs	90,841	38,151
	<u>349,524</u>	<u>173,648</u>

Notes:

- (a) As at 31 December 2020, bills payables were secured by pledged bank deposits of HK\$1,280,000 (2019: no bills payables).

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	19,887	11,306
Over one year but less than two years	–	–
Over two years but less than three years	–	2,847
	<u>19,887</u>	<u>14,153</u>

- (b) As at 31 December 2020 and 2019, deposits received arose from loans receivable (note 9) as security deposits. The deposits will be returned to the customers upon the settlement of the principal of loans receivable and the interest accrued by the customers under the contracts.

13. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract liabilities related to property sales	120,311	123,832
Contract liabilities related to bulk commodity trade	4,109	10,805
	<u>124,420</u>	<u>134,637</u>

14. DISPOSAL OF SUBSIDIARIES/ASSETS CLASSIFIED AS HELD FOR SALE/ LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

- (a) On 23 December 2019, an ordinary resolution was passed in an extraordinary general meeting of the Company to approve the disposal of 41% of the equity interest of 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited) (“**Chengtong Energy**”) at cash consideration of approximately HK\$27,377,000. The purchaser is a non-wholly owned subsidiary of China Chengtong Holdings Group Limited (“**CCHG**”), the ultimate holding company of the Company. The disposal was completed on 28 February 2020 and Chengtong Energy ceased to be a subsidiary of the Company. The Group recognised a gain on disposal of a subsidiary of approximately HK\$7,477,000. Upon completion of the disposal, the Group retained 10% equity interest in Chengtong Energy and accounted for as financial assets measured at FVOCI in the consolidated statement of financial position as at 31 December 2020.

Chengtong Energy was principally engaged in the domestic trading of coal business under the reportable segment of bulk commodity trading in the PRC. The details of this transaction have been set out in the circular of the Company dated 6 December 2019.

The net assets of Chengtong Energy as at the date of disposal were as follows:

	2020
	HK\$'000
Property, plant and equipment	1,326
Trade and other receivables	33,411
Bank balances and cash	47,813
Trade and other payables	(32,674)
Deferred tax liabilities	(45)
Lease liabilities	(710)
	<u>49,121</u>
Net assets disposed of	<u>49,121</u>
	<u>27,377</u>
	<u>27,377</u>
Gain on disposal of Chengtong Energy	
Consideration	27,377
Non-controlling interests	23,795
Net assets disposed of	(49,121)
Fair value of equity interest retained in Chengtong Energy	6,312
Amounts paid to the purchaser in respect of the loss incurred during the transition period borne by the Group	(1,499)
Release of exchange reserve	613
	<u>7,477</u>
Gain on disposal	<u>7,477</u>

As at 31 December 2019, the assets and liabilities attributable to Chengtong Energy were classified as assets classified as held for sale and liabilities associated with assets classified as held for sale respectively and were presented separately in the consolidated statement of financial position.

	At 31 December 2019 <i>HK\$'000</i>
Assets classified as held for sale:	
Property, plant and equipment	1,326
Trade and other receivables	19,992
Bank balances and cash	57,317
	<u>78,635</u>
Liabilities associated with assets classified as held for sale:	
Trade and other payables	8,876
Contract liabilities	10,310
Lease liabilities	847
Taxation payable	16
	<u>20,049</u>

- (b) On 26 June 2020, an ordinary resolution was passed in the extraordinary general meeting of the Company to approve the disposal of 100% of the equity interest of Chengtong Investment Group Limited (“**Chengtong Investment**”) at cash consideration of approximately HK\$267,716,000. The purchaser is a wholly-owned subsidiary of CCHG, the ultimate holding company of the Company. The disposal was completed on 24 July 2020 and Chengtong Investment ceased to be a subsidiary of the Company. The Group recognised a gain on disposal of a subsidiary of approximately HK\$42,752,000.

Chengtong Investment and its subsidiaries (“**Chengtong Investment Group**”) were principally engaged in property development in the PRC under the reportable segment of property development. The details of this transaction have been set out in the circular of the Company dated 10 June 2020.

The net assets of Chengtong Investment as at the date of disposal were as follows:

	2020
	HK\$'000
Property, plant and equipment	128
Properties held for sale	78,914
Properties under development	56,459
Properties held for development	260,661
Trade and other receivables	198
Pledged bank deposits	37
Bank balances and cash	358
Trade and other payables	<u>(83,049)</u>
Net assets disposed of	<u><u>313,706</u></u>
Total consideration – satisfied by cash	<u><u>267,716</u></u>
Gain on disposal of Chengtong Investment	
Consideration	267,716
Non-controlling interests	103,531
Net assets disposed of	(313,706)
Release of exchange reserve	(5,822)
Directly attributable cost	(6,322)
Amounts paid to the purchaser in respect of the loss incurred during the transitional period borne by the Group	<u>(2,645)</u>
Gain on disposal	<u><u>42,752</u></u>

15. CONTINGENT LIABILITIES

As at 31 December 2020, the Group had contingent liabilities in relation to guarantees of approximately HK\$212,924,000 (2019: HK\$207,145,000) given to banks in respect of mortgage loans granted to purchasers of certain property units.

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

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

As at 31 December 2020 and 2019, 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.

16. CAPITAL COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contracted but not provided for:		
Purchase of property, plant and equipment	<u>1,633</u>	<u>250</u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. RESULTS AND DIVIDEND

For the year ended 31 December 2020, the Group realised a consolidated turnover of approximately HK\$931.69 million, representing a decrease of approximately 16% as compared to approximately HK\$1,110.60 million last year. The global economy was severely impacted by the novel coronavirus disease 2019 (“**COVID-19**”) which led to a decrease in the Group’s turnover from bulk commodity trade business by approximately 22% as compared to that of last year to approximately HK\$677.89 million; a decrease in the turnover from marine recreation services and hotel business by approximately 48% year-on-year to approximately HK\$16.83 million; and a decrease in the turnover from property development business by approximately 32% year-on-year to approximately HK\$89.71 million. As the Group expanded its leasing business timely by increasing several new finance leasing projects, and commenced operating lease business during the year, the turnover from leasing business increased by approximately 96% as compared to that of last year to approximately HK\$146.27 million, partially offsetting the negative impact of the COVID-19 on the Group’s consolidated turnover.

During the year under review, the Group realised a consolidated profit before income tax of approximately HK\$158.08 million, representing an increase of approximately 76% from approximately HK\$90.01 million in last year, mainly resulted from (i) an increase in consolidated gross profit by approximately 20% year-on-year to approximately HK\$186.22 million (2019: approximately HK\$154.66 million) as a result of the increase in revenue from leasing business; (ii) the recording of a gain on disposal of subsidiaries during the year of approximately HK\$50.23 million (2019: nil); and (iii) the recording of a net exchange gain of approximately HK\$39.46 million (2019: a net exchange loss of approximately HK\$11.21 million) under other income benefiting from the appreciation of Renminbi (“**RMB**”).

The Directors have resolved to recommend the payment of a final dividend of HK0.9 cent per ordinary share of the Company (“**Share**”) in respect of the year ended 31 December 2020 to the shareholders whose names appear on the register of members of the Company on 7 July 2021 and also to recommend the offer to the shareholders the right to elect, as an alternative, to receive such final dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash (“**Scrip Dividend Scheme**”), subject to the approval of the shareholders on the payment of final dividend at the forthcoming annual general meeting of the Company and the granting by the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued pursuant to the Scrip Dividend Scheme. The final dividend is expected to be paid on Friday, 13 August 2021.

The Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares, except that they will not be entitled to the final dividend for the year ended 31 December 2020.

On condition that the payment of the above final dividend is approved by the shareholders at the annual general meeting, a circular containing details of the Scrip Dividend Scheme will be despatched to the shareholders shortly after the annual general meeting.

II. BUSINESS REVIEW

Segment Revenue and Results

The revenue of the Group was derived from five business segments, including leasing, bulk commodity trade, property development, property investment and marine recreation services and hotel. The details of segment revenue and results are as follows:

(1) Leasing

The Group has formulated leasing as the direction of the future development of its principal business, and has resolved that the Group's wholly-owned subsidiary, Chengtong Financial Leasing Company Limited ("**Chengtong Leasing**"), is to feature professional development based on strict risk control, with the initial business focus on expanding the scale of finance leasing, exploring the development of other leasing business, and establishing the brand and market influence of Chengtong Leasing. During the year under review, despite the impact of COVID-19 on the overall environment of the global economy, the Group leveraged on the existing resources timely to rapidly expand the scale of its leasing business, increased a number of professional staff, commenced operating lease business and completed a number of new finance leasing projects under strict risk control. In the meantime, in response to the operational risks brought by the epidemic, the Group has reorganized and formulated new strategic development plans and business strategies. In the future, it will focus on developing business sectors that have stable cash flow and are less affected by the epidemic such as energy saving and environmental protection, new infrastructure (focusing on Internet data centres), high-end equipment manufacturing, public utilities, and mass medical healthcare, to reduce the impact of the epidemic and to focus on business opportunities in national strategic areas such as new urbanization, Made-in-China 2025, new infrastructure, and the "Belt and Road" initiative.

The Group completed a number of sale and leaseback projects based on strict risk measures during the year and recorded loans receivable from finance leasing of approximately HK\$2,072.70 million as at 31 December 2020, which accounted for

approximately 53% and approximately 69% of the Group's consolidated total assets and consolidated net assets respectively and represented a significant increase of approximately 84% from finance leasing loans receivable of approximately HK\$1,126.82 million as at 31 December 2019, thereby achieving a profit before tax of approximately HK\$121.64 million, which represented an increase of approximately 82% from approximately HK\$66.77 million last year. The profit increase was mainly attributed to the combined effect of (i) a year-on-year increase in the turnover from leasing business by approximately 96% to approximately HK\$146.27 million (2019: approximately HK\$74.47 million) as a result of a year-on-year increase in finance lease interest income and rental income from leasing out owned machineries and equipments by approximately 105% to approximately HK\$104.53 million (2019: approximately HK\$50.91 million) due to the addition of several new finance lease and operating lease projects during the year and a year-on-year increase in consultancy service income by approximately 77% to HK\$41.74 million (2019: approximately HK\$23.56 million) due to the completion of several finance consultancy projects during the year; (ii) a year-on-year increase in administrative expenses during the year by approximately 108% to approximately HK\$20.15 million (2019: approximately HK\$9.68 million) , mainly due to a year-on-year increase in staff cost of approximately HK\$9.23 million as a result of an increase of the number of professional staff by 29 to 47 in the year arising from an expansion of the scale of leasing during the year; (iii) a year-on-year increase in the finance costs by approximately 88% to approximately HK\$4.52 million (2019: approximately HK\$2.41 million) resulting from increasing bank loans for the expansion of the finance lease business; (iv) a year-on-year decrease in interest and other income by approximately 54% to approximately HK\$2.04 million (2019: approximately HK\$4.39 million) as a result of a decrease in bank deposits to increase loans receivable with a higher yield; (v) an increase in cost of sales of approximately HK\$2 million (2019: nil) due to the recording of a depreciation provision in respect of owned machineries and equipments for operating lease and related insurance expenses in the aggregate amount of approximately HK\$2 million which was brought by the addition of new machineries and equipments of approximately HK\$123.30 million (2019: nil) for leasing to the lessees under the operating lease projects in the second half of the year.

(2) Bulk Commodity Trade

During the period under review, as affected by the COVID-19 epidemic, the turnover from bulk commodity trade business segment was only approximately HK\$677.89 million, representing a decrease of approximately 22% as compared to approximately HK\$870.15 million last year. Segment profit before tax decreased by approximately

41% year-on-year to approximately HK\$2.07 million (2019: approximately HK\$3.51 million). The results recorded according to the types of bulk commodities traded under international trade and domestic trade in the PRC are as follows:

2.1 International Trade:

During the year under review, the Group has commenced international trading of bulk commodities. Given the uncertainties during the epidemic, the Group tightened trade risk management, strictly selected upstream and downstream customers and required customers to make payment by letters of credit issued by banks to reduce credit risks. During the year, the sales volume of chemical products, steel and coal was approximately 150,000 tons, 100,000 tons and 30,000 tons respectively. The turnover of chemical products, steel and coal was approximately HK\$180.68 million, HK\$232.15 million and HK\$27.84 million respectively, which brought about the total turnover of approximately HK\$440.67 million and gross profit of approximately HK\$3.66 million. Taking into account interest and other income of approximately HK\$0.25 million and deducting selling expenses, administrative expenses and finance costs of approximately HK\$2.10 million in total, the profit before tax was approximately HK\$1.81 million.

2.2 Domestic Trade:

i Trading of Steel:

The COVID-19 epidemic had a negative impact on steel trade business in the PRC during the year, which resulted in the decrease in sales volume of domestic steel from approximately 110,000 tons last year by approximately 55% to approximately 50,000 tons this year. In addition, the average unit selling price of steel decreased by approximately 4% from approximately RMB3,190 per ton last year to approximately RMB3,056 per ton during the year under review, resulting in a year-on-year decrease in turnover by approximately 58% to approximately HK\$170.78 million (2019: approximately HK\$402.33 million). Due to the decrease in turnover, the gross profit decreased by approximately 77% year-on-year to approximately HK\$3.20 million (2019: approximately HK\$14.09 million) while the selling expenses accordingly decreased by approximately 64% year-on-year to approximately HK\$2.87 million (2019: approximately HK\$7.95 million). The profit before tax was approximately HK\$0.33 million, representing a decrease of approximately 95% as compared to approximately HK\$6.18 million last year.

ii Trading of Coal:

On 28 February 2020, the Group completed the disposal of 41% equity interest in Chengtong Energy and exited from the domestic trading of coal business. For details of the aforementioned disposal, please refer to note 14 and paragraph (1) under the sub-section headed “III. DISPOSAL OF SUBSIDIARIES” in this announcement. The sales volume of coal was approximately 82,000 tons (2019: approximately 710,000 tons). only during the year under review. The turnover was approximately HK\$66.44 million (2019: approximately HK\$467.82 million). The average unit selling price was approximately RMB726 per ton (2019: approximately RMB580 per ton). However, due to a decrease in the sales volume, gross profit decreased by approximately 66% year-on-year to approximately HK\$0.48 million (2019: approximately HK\$1.43 million). Loss before tax was approximately HK\$0.07 million (2019: loss of approximately HK\$2.67 million).

(3) Property Development

On 24 July 2020, the Group completed the disposal of Chengtong Investment, thereby indirectly disposing of the Group’s interest in “Chengtong International City” located in Dafeng District, Yancheng City of Jiangsu Province of the PRC. During the year under review, the Group’s revenue from property development was only derived from the “CCT-Champs-Elysees” project located in Zhucheng City of Shandong Province of the PRC. The turnover from the property development business segment decreased by approximately 32% year-on-year to approximately HK\$89.71 million (2019: approximately HK\$131.93 million) as affected by the COVID-19 epidemic. Segment profit before tax decreased by approximately 41% year-on-year to approximately HK\$24.90 million (2019: approximately HK\$41.82 million). Details of the Group’s property development business are as follows:

(i) Zhucheng City of Shandong Province — CCT-Champs-Elysees

The CCT-Champs-Elysees project, which is wholly owned by the Group, is located at the northern side of Eastern Section of No. 1 Mizhou West Road, Zhucheng City, Shandong Province, the PRC (Lot No. 01213003). The project has a total site area of approximately 146,006 square metres and was developed in three phases. The project is located in a county level city. During the year under review, the average unit selling price per square metre of residential area of the project rose by approximately 0.7% from approximately RMB5,866 last year to approximately RMB5,908 this year. As affected by COVID-19 epidemic, the residential area sold for the project decreased by approximately 34% year-on-year to approximately 13,419 square metres. The sales revenue of the project

was approximately HK\$89.71 million, representing a decrease of approximately 32% from approximately HK\$131.93 million last year, and resulted in a decrease in gross profit by approximately 37% from approximately HK\$48.79 million last year to approximately HK\$30.76 million for the year. During the year under review, interests and other income decreased year-on-year by approximately 31% to approximately HK\$1.19 million (2019: approximately HK\$1.72 million) and selling and administrative expenses was approximately HK\$5.96 million in aggregate (2019: approximately HK\$6.13 million), representing a year-on-year decrease of approximately 3%. The profit before tax was approximately HK\$25.99 million, representing a decrease of approximately 41% from approximately HK\$44.38 million last year.

As at 31 December 2020, the completed and unsold area of the CCT-Champs-Elysees project included residential area of approximately 36,214 square metres (as at 31 December 2019: approximately 10,483 square metres) and commercial spaces of approximately 1,410 square metres (as at 31 December 2019: approximately 1,410 square metres) (excluding the leasable area of approximately 7,565 square metres (as at 31 December 2019: approximately 7,565 square metres)). The Group will strengthen the development and marketing of the CCT-Champs-Elysees project as planned. It is expected that the entire project will be completed and delivered in 2024.

(ii) *Dafeng District, Yancheng City of Jiangsu Province — Chengtong International City*

On 24 July 2020, the Group, through completing the disposal of the entire interest in Chengtong Investment, indirectly disposed of its interest in “Chengtong International City”, which is located at North Portion of Lot No. 2, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng District, Yancheng City, Jiangsu Province, the PRC and with a total site area of approximately 118,974 square metres. For details of the said disposal, please refer to note 14 and paragraph (2) under the sub-section headed “III. DISPOSAL OF SUBSIDIARIES” in this announcement. No sales revenue was recorded for the project for the period under review. The loss before tax amounted to approximately HK\$1.09 million (2019: loss of approximately HK\$2.56 million).

(4) *Property Investment*

The rental income from the property investment of the Group was generated from the commercial properties of the CCT-Champs-Elysees project in Zhucheng City, Shandong Province, the PRC. The leasable area of the properties was approximately 7,565 square metres. As affected by the COVID-19 epidemic, as at 31 December 2020, the actual leased area of the properties was approximately 5,122 square metres, representing a decrease of approximately 23% as compared to approximately 6,680 square metres as at 31 December 2019. The rental income decreased by approximately 50% year-on-year to approximately HK\$0.99 million (2019: approximately HK\$1.97 million). The profit before tax was approximately HK\$0.87 million, representing a decrease of approximately 49% when compared to that of approximately HK\$1.70 million last year.

(5) *Marine Recreation Services and Hotel*

The marine recreation services and hotel business in Hainan Province, the PRC mainly consist of: (i) marine recreation services; (ii) hotel operation; and (iii) travelling agency business. The turnover and results of the three businesses for the year under review are set out below:

(i) *Marine Recreation Business*

As affected by the COVID-19 epidemic and extreme weather (hurricane), the operation of marine recreation business was facing an extremely difficult environment during the year. The Group granted appropriate rental reduction or concession, resulting in a decrease in turnover by approximately 65% year-on-year to approximately HK\$10.21 million (2019: approximately HK\$29.32 million). The Group recorded a loss before tax of approximately HK\$37.59 million (2019: loss of approximately HK\$3.92 million), representing a significant increase in loss by approximately HK\$33.67 million year-on-year, the main reasons of which include the following: (i) as affected by the COVID-19 epidemic and the extreme weather, the tourism market suffered severe setbacks, resulting in a year-on-year decrease in turnover by approximately HK\$19.11 million; (ii) the Jialong submersible equipment for marine tourism has not been approved for launching operations and further adjustment to the operation plan is needed, resulting in an impairment provision of approximately HK\$19.01 million after evaluation by an independent professional valuer; and (iii) an increase in selling expenses of approximately HK\$3.09 million resulting from the repair of coastal equipment which were damaged by hurricane. The Group has

implemented appropriate measures to respond to the change in operational environments resulting from the epidemic, effectively reducing selling and administrative expenses by approximately HK\$3.42 million. In addition, the Group disposed part of equipments during the year, resulting in an increase in other income of approximately HK\$4.09 million year-on-year, thereby reducing the loss of the year.

(ii) Hotel Operation:

The sales revenue of the hotel operation amounted to approximately HK\$5.14 million, representing an increase of approximately 227% as compared to approximately HK\$1.57 million last year, which was mainly because only five months' sales revenue was recorded last year following the completion of renovation of hotel rooms and trial operation in August. The loss before tax decreased by approximately 8% year-on-year to approximately HK\$8.36 million (2019: loss of approximately HK\$9.04 million), the main reasons of which include the following: (i) the tourism business has gradually returned to normal due to the control of the epidemic in the second half of the year, leading to a rebound in sales revenue; (ii) compared to the suspension of business for renovation for seven months last year, the number of business days increased during the year and the total cost and expenses of sales and administrative expenses increased by approximately 28% year-on-year to approximately HK\$13.58 million (2019: approximately HK\$10.63 million).

(iii) Travelling Agency Business:

During the year under review, the travelling agency business recorded turnover of approximately HK\$1.48 million (2019: approximately HK\$1.19 million), representing a year-on-year increase of approximately 24%. The profit before tax amounted to approximately HK\$0.03 million, representing a turnaround from loss to profit when compared to last year.

The above three businesses contributed to a total segment turnover of approximately HK\$16.83 million to the Group (2019: approximately HK\$32.08 million), representing a year-on-year decrease of approximately 48%. The segment loss before tax amounted to approximately HK\$45.93 million (2019: loss of approximately HK\$13.04 million), representing a year-on-year increase of approximately HK\$32.89 million.

Other Income

Other income mainly included a net exchange gain of approximately HK\$39.46 million (2019: a net exchange loss of approximately HK\$11.21 million), interest income from deposits and other financial assets of approximately HK\$20.80 million (2019: approximately HK\$52.75 million), and a gain on disposal of property, plant and equipment of approximately HK\$3.35 million (2019: approximately HK\$0.68 million). Other income amounted to approximately HK\$70.04 million (2019: approximately HK\$59.01 million) in aggregate, representing a year-on-year increase of approximately 19%. RMB continued to appreciate against HKD during the year, resulting in a net exchange gain of approximately HK\$39.46 million recorded on RMB-denominated assets held by the Group in Hong Kong. The Group reduced bank deposits and other financial assets so as to increase receivables from leasing business that generate a higher yield in the year, resulting in a decrease in the interest income from deposits and other financial assets by approximately 61% year-on-year to approximately HK\$20.80 million.

Selling and Administrative Expenses

During the year under review, selling expenses increased year-on-year by approximately 15% to approximately HK\$23.53 million (2019: approximately HK\$20.52 million), mainly due to an increase in selling expenses of approximately HK\$3.09 million resulting from the repair of coastal equipment for the marine recreation services which was damaged by the hurricane.

During the year under review, administrative expenses increased by approximately 15% year-on-year to approximately HK\$105.53 million (2019: approximately HK\$92.08 million), which was mainly attributable to an impairment provision of approximately HK\$19.01 million in respect of the Jialong submersible equipment for the marine recreation services and an increase in labour costs as a result of the increase of a number of professional staff for the leasing business in the year.

Finance Costs

During the period under review, the finance costs consisted of interest on bank borrowings of approximately HK\$10.21 million (2019: approximately HK\$10.09 million), interest expenses on loans from related parties of approximately HK\$1.10 million (2019: nil), and interest on lease liabilities of approximately HK\$0.44 million (2019: approximately HK\$0.44 million). Total finance costs amounted to approximately HK\$11.74 million (2019: approximately HK\$10.53 million), representing a year-on-year increase of approximately 11%, mainly as a result that the Group has increased bank loans for expanding finance leasing business in the future. Having capitalised the finance costs of approximately HK\$3.53 million (2019: approximately HK\$4.52 million) during the year under review, the net finance costs were approximately HK\$8.21 million (2019: approximately HK\$6.01 million), representing a year-on-year increase of approximately 37%.

III. DISPOSAL OF SUBSIDIARIES

During the year under review, the Group had completed the following material disposal of subsidiaries:

- (1) The Group gradually exited from the domestic coal trading business through the disposal of 41% equity interest in Chengtong Energy. On 12 November 2019, 誠通發展貿易有限公司 (unofficial English translation as Chengtong Development Trading Co., Ltd.), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with 中國誠通國際貿易有限公司 (unofficial English translation being China Chengtong International Co. Ltd.), a non-wholly owned subsidiary of CCHG, to dispose of 41% equity interest in Chengtong Energy for a consideration of approximately RMB24.66 million. Upon completion of the equity transfer on 28 February 2020, a gain of approximately HK\$7.48 million was recorded from the disposal of the equity interest in Chengtong Energy. The Group only retained 10% equity interest in Chengtong Energy which has ceased to be a subsidiary of the Company. For details, please refer to the announcement of the Company dated 12 November 2019 and the circular of the Company dated 6 December 2019.
- (2) The Group aimed to gradually exit from the existing property development project. On 5 May 2020, the Company entered into an equity transfer agreement with China Chengtong Hong Kong Company Limited, a wholly-owned subsidiary of CCHG, to dispose of the entire equity interest in Chengtong Investment for a consideration of approximately RMB241.19 million, thereby indirectly disposing of the Company's interest in 誠通大豐海港開發有限公司 (unofficial English translation as Chengtong Dafeng Harbour Development Limited) ("**Dafeng Harbour**"), which owns the project of "Chengtong International City" in Jiangsu Province of the PRC. For details, please refer to the announcements of the Company dated 5 May 2020 and 24 July 2020 and the circular of the Company dated 10 June 2020. The above equity transfer was completed on 24 July 2020 upon which Chengtong Investment and its subsidiaries including Dafeng Harbour ceased to be the subsidiaries of the Company. A gain of approximately HK\$42.75 million was recorded from the disposal of the equity interest in Chengtong Investment.

IV. OUTLOOK

Internationally, COVID-19, dealt a heavy blow to the global economy in 2020, leading to severe economic recession, industrial chain and supply chain disruptions, and shrinking of international trade. With the commencement of the use of vaccines for COVID-19, the epidemic is expected to be under control, and the global economy is expected to recover steadily. Domestically within the PRC, the epidemic was well-contained during the year and did not affect the foundation of China's long-term economic development. In 2020, China was a major economy that has recovered relatively rapidly under the influence of the epidemic. The long-term economic prosperity of China will continue to be in the direction of steady development.

Looking to the future, the current development environment in China and abroad is complex and difficult. The China economy will be supported by the dual-circulation strategy of "internal circulation as the primary structure, supplemented by domestic-and-international-dual". The internal circulation refers to the main deployment of promoting the domestic economic growth in China by the expansion of domestic demand and consumption in China. The domestic-and-international-dual refers to strengthening foreign and international trade by expanding opening to other countries. The dual circulation can optimize the composition of China's various industries, the connections and proportional relationships between industries, and the structure of the supply chain, and promote the economic development of China, through supply-side structural reforms, including reducing production capacity and inventories, de-leveraging, cost reduction, and quality assurance.

The Group will continuously and closely monitor the complicated and volatile situations that present both opportunities and challenges. While maintaining its epidemic prevention and control efforts, the Group will focus on the principal business of leasing, deepen reform and seize opportunities, thereby creating greater value to its shareholders.

As for leasing business, the Group will continue with its operational goals and positioning of business, further increase business expansion in professional fields such as energy conservation and environmental protection, public utilities, high-end equipment, and new infrastructure, and strengthen business collaboration with other central enterprises to achieve professional development. Meanwhile, the Group will further advance cooperation with financial institutions such as banks to enhance financing arrangement and scale, and achieve breakthrough in the work of financing, such as the issuance of asset-backed securities (also known as "ABS"). In terms of bulk commodity trade, the Group will continue to prudently develop business related to bulk commodity trade under strict risk control. For property development and property investment, the Group's overall strategy is to phase out property development business and ramp up marketing efforts for its Zhucheng project so as to obtain cash resources for the strategic transformation of the Group. As for marine recreation services and hotel business, the Group will intensify its marketing efforts to respond to the impact of COVID-19 while exploring and promoting further asset restructuring.

CCHG, a state-owned operating company and the controlling shareholder of the Group, is rapidly expanding its scale and strengthening its power and influence, and it will play a greater role in the optimisation and structural adjustment of the landscape of the state-owned sector. As CCHG's only platform listed overseas, the Group will leverage resources brought by its controlling shareholder, further strengthen strategic guidance, and devote resources to focus on the rapid development of the principal business of leasing, so as to create greater value to shareholders. The Board is confident about the future development of the Group.

V. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As the COVID-19 pandemic has a relatively small impact on the Group's asset quality and capital liquidity, the Group continues to maintain a sound financial position. As at 31 December 2020, the equity attributable to owners of the Company amounted to approximately HK\$2,979.64 million, representing an increase of approximately 7% from approximately HK\$2,780.84 million recorded as at 31 December 2019.

As at 31 December 2020, the total assets of the Group amounted to approximately HK\$3,906.75 million, representing a rise of approximately 9% as compared to the total assets of approximately HK\$3,600.66 million as at 31 December 2019. The total current assets of the Group was approximately HK\$2,022.71 million, accounting for approximately 52% of the total assets and representing a decrease of approximately 22% as compared to the total current assets of approximately HK\$2,575.93 million as at 31 December 2019, which was mainly due to the Group's reduction of other financial assets during the year for an increase of approximately HK\$753.64 million in high-yield loans receivable of finance leasing business under non-current assets. The Group's total non-current assets amounted to approximately HK\$1,884.04 million, accounting for approximately 48% of the total assets and representing an increase of approximately 84% as compared to the total non-current assets of approximately HK\$1,024.73 million as at 31 December 2019, which was largely because of a growth in loans receivable under non-current assets from the expansion of the scale of the Group's leasing business.

As at 31 December 2020, the Group's total liabilities amounted to approximately HK\$921.48 million, representing a rise of approximately 34% as compared to the total liabilities of approximately HK\$686.45 million as at 31 December 2019. The total non-current liabilities of the Group amounted to approximately HK\$49.88 million, accounting for approximately 5% of the total liabilities, which approximated to the total non-current liabilities of approximately HK\$50.41 million as at 31 December 2019. The Group's total current liabilities amounted to approximately HK\$871.60 million, accounting for approximately 95% of the total liabilities and representing an increase of approximately 37% as compared to the total current liabilities of approximately HK\$636.04 million as at 31 December 2019, which was mainly due to: (i) a rise in customers' deposit received

from newly transacted finance lease projects during the year; (ii) an increase in bank borrowings for the expansion of the leasing business; and (iii) an increase in trade payables related to the commencement of international trading of bulk commodities during the year. Although the current ratio (calculated as total current assets divided by total current liabilities) as at 31 December 2020 was approximately 2.3 times, representing a decrease of approximately 1.7 times as compared to the current ratio of approximately 4.0 times as at 31 December 2019, the liquidity of the assets of the Group remained sound. The Group expects to have adequate financial resources to cope with the commitments and liabilities in the coming year and the possible impacts on its financial position from the ongoing COVID-19 epidemic.

As at 31 December 2020, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK\$865.17 million, which were primarily denominated in RMB, HKD and the United States dollars (“USD”), accounting for approximately 22% and 29% of the total assets and the net assets respectively, and representing a growth of approximately 17% as compared to approximately HK\$738.98 million recorded as at 31 December 2019. This is mainly because the Group completed the sale of the entire equity interest in Chengtong Investment for a consideration of approximately RMB241.19 million on 24 July 2020. As at 31 December 2020, the bank borrowings of the Group amounted to approximately HK\$338.42 million, representing a rise of approximately 22% as compared to the bank borrowings of approximately HK\$277.70 million as at 31 December 2019. Bank borrowings of approximately HK\$178.42 million were denominated in RMB with a term of three years with the final repayment date to be due within 2023 and the remaining balance of HK\$160.00 million was a revolving loan denominated in HKD with the final repayment date to be due at the end of June 2021. The effective annual interest rates of the bank borrowings ranged from approximately 2.11% to approximately 4.5%. For the year under review, the interest coverage ratio (as calculated by dividing consolidated profit before income tax and finance costs by finance costs) was approximately 20.2 times, representing a year-on-year increase of approximately 26% as compared to the ratio of approximately 16.0 times recorded as at 31 December 2019, which indicated that the Group’s finance costs still remained at a low level relative to the profit for the year under review.

VI. DEBT TO EQUITY RATIO

The debt to equity ratio (calculated by dividing total interest-bearing loans by total equity) as at 31 December 2020 was approximately 12.1%, representing an increase of approximately 2.6% as compared to the debt to equity ratio of approximately 9.5% as at 31 December 2019 and the liability remained at a low level which indicated a stable financial position of the Group.

VII. SIGNIFICANT INVESTMENTS

The Group had no significant investment exceeding 5% of the total asset value of the Group as at 31 December 2020.

For details of the Group's other financial assets, please refer to note 11 in this announcement. Looking ahead, the Group has determined that leasing is the main direction of business development and will reduce investments in other financial assets to increase high-yield business of finance leasing and operating leasing so as to maximise shareholders' value.

VIII. TREASURY POLICIES

The business activities and operation of the Group are mainly carried out in Mainland China and Hong Kong, with transactions denominated in RMB, HKD and the USD, which exposed the Group to foreign currency risks. The Group's HKD-denominated bank borrowings of HK\$160 million were based on floating interest rates, which exposed the Group to interest rate risks. The Group will use interest rate and foreign currency swaps and forward foreign exchange contracts, when appropriate, for risk management and hedging purposes, with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative financing transactions for speculative purposes. It is also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure, including hedge funds or similar instruments.

IX. INTEREST RATE RISK

As at 31 December 2020, the Group's bank borrowings were denominated in HKD and RMB, of which both the RMB-denominated bank borrowings of approximately HK\$178.42 million and the HKD-denominated bank borrowings of approximately HK\$160 million were based on floating interest rates. The floating interest rates were stable at a low level because banks in Hong Kong had sufficient capital and strong liquidity and there was no urgent need to increase the interest rates. Although currently the Group does not have any hedging measures against such interest rate risks, it will continue to closely monitor the risks arising from such interest rate fluctuation. When interest rate rises, hedging instruments may be used in due course against the interest rate risks caused by the HKD-denominated bank borrowings which are based on floating interest rates.

X. FOREIGN EXCHANGE RISK

During the 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 2020, the net assets of the Group's business within the territory of the PRC were approximately RMB2,154.13 million. According to HKASs, such amount of net assets denominated in RMB should be converted at the exchange rate applicable as at the end of the reporting period. Due to the increase in the Group's foreign exchange reserve of approximately HK\$144.03 million as a result of the appreciation of RMB during the year under review, there had been a rise in the Group's net assets as at 31 December 2020. Although foreign currency fluctuations did not pose significant risks to the Group during the year under review and the Group currently does not have any hedging measures against such exchange risks, the Group will continue to closely monitor the possible risks arising from such currency fluctuations.

XI. PLEDGE OF ASSETS

As at 31 December 2020, the Group's pledged bank deposits amounted to approximately HK\$5.56 million, representing an increase of approximately 25% from approximately HK\$4.46 million pledged as at 31 December 2019. The pledged bank deposits included approximately HK\$4.17 million (as at 31 December 2019: approximately HK\$4.19 million) pledged as security for banking facilities granted to mortgagors, and approximately HK\$1.28 million (as at 31 December 2019: nil) as guaranteed deposits to banks that issued import letters of credit for the international bulk commodity trade business, and the remaining pledged bank deposit of approximately HK\$0.11 million (as at 31 December 2019: approximately HK\$ 0.27 million) was guaranteed deposit.

As at 31 December 2020, loans receivables of the Group with an aggregate carrying value of approximately HK\$199.99 million were charged as security for the Group's bank borrowings with a carrying amount of approximately HK\$178.42 million.

XII. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2020, the Group's capital commitments consisted of purchase of property, plant and equipment, which were funded by its internal resources. Please refer to notes 15 and 16 in this announcement for details of the Group's contingent liabilities and capital commitments.

XIII. FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

XIV. EVENT AFTER REPORTING PERIOD

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

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 31 December 2020, the Group employed a total of 288 employees (as at 31 December 2019: 291), of which 12 (as at 31 December 2019: 12) were based in Hong Kong and 276 (as at 31 December 2019: 279) were based in the PRC. During the year, the total staff costs of the Group (including directors' emoluments and provident funds) were approximately HK\$67.00 million. Employee's 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 and the individual performance of the Directors.

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 2020, 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 2020.

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 Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2020.

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 2020 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 2020, the register of members of the Company will be closed on Wednesday, 7 July 2021, on which day no transfer of Shares can 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 Tuesday, 6 July 2021.

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 2020 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 and the Company's website at www.irasia.com/listco/hk/chengtong. The annual report of the Company for the year ended 31 December 2020 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, 26 February 2021

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