

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2022 amounted to approximately HK\$1,277.39 million, representing a year-on-year increase of approximately 9%, with revenue from leasing business increased by approximately 32%.
- Overall gross profit margin was approximately 20%, representing a year-on-year decrease of approximately 3%, which was mainly due to the increase in interest expenses in the costs of revenue.
- Profit before tax amounted to approximately HK\$122.23 million, representing a year-on-year decrease of approximately 28%.
- Earnings per share was approximately HK1.28 cents, representing a year-on-year decrease of approximately HK0.50 cent.
- As at 31 December 2022, the consolidated total assets of the Group amounted to approximately HK\$10.01 billion, representing an increase of approximately 23% as compared to last year which was mainly due to the continuing growth of leasing business and its asset.
- The Board has resolved to recommend the payment of a final dividend of HK0.39 cent per ordinary share.

The board (“**Board**”) of directors (“**Directors**”) of China Chengtong Development Group Limited (“**Company**”) would like to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Revenue	3	1,277,390	1,172,679
Costs of revenue		<u>(1,025,044)</u>	<u>(900,373)</u>
Gross profit and net interest income		252,346	272,306
Other income and gains, net	5	24,829	29,088
Selling expenses		(12,528)	(15,943)
Administrative expenses		(120,617)	(107,622)
Fair value loss on investment properties		(6,238)	(1,656)
Finance costs	6	<u>(15,561)</u>	<u>(6,361)</u>
Profit before tax		122,231	169,812
Income tax expense	7	<u>(44,943)</u>	<u>(64,120)</u>
Profit for the year	8	<u>77,288</u>	<u>105,692</u>
Profit for the year attributable to:			
Owners of the Company		76,066	104,222
Non-controlling interests		<u>1,222</u>	<u>1,470</u>
		<u>77,288</u>	<u>105,692</u>
Earnings per share			
– Basic and diluted	9	<u>HK1.28 cents</u>	<u>HK1.78 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	77,288	105,692
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss:		
Net change in fair value of equity investments at fair value through other comprehensive income	(11,526)	7,031
Revaluation surplus upon transfer of owner-occupied properties to investment properties	–	3,970
Item that may be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	<u>(240,005)</u>	<u>63,165</u>
Total comprehensive (expense)/income for the year	<u>(174,243)</u>	<u>179,858</u>
Total comprehensive (expense)/income attributable to:		
Owners of the Company	(175,465)	178,388
Non-controlling interests	<u>1,222</u>	<u>1,470</u>
	<u>(174,243)</u>	<u>179,858</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		702,054	307,371
Investment properties		85,096	99,255
Deposits paid		–	1,015
Finance lease receivables and loans receivable	<i>12</i>	4,989,666	3,911,695
Other financial assets		8,477	11,658
Loans to related parties		–	36,600
Deferred tax assets		3,958	–
		<u>5,789,251</u>	<u>4,367,594</u>
Current assets			
Properties held for sale		63,927	130,438
Properties under development		182,767	143,793
Inventories		6,861	23,332
Trade and other receivables	<i>11</i>	108,326	79,888
Finance lease receivables and loans receivable	<i>12</i>	3,227,908	1,953,411
Loans to related parties		33,900	12,200
Other financial assets		60,706	69,850
Tax recoverable		1,528	2,628
Pledged bank deposits		61,709	4,413
Bank balances and cash		472,852	1,380,259
		<u>4,220,484</u>	<u>3,800,212</u>

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Current liabilities			
Trade and other payables	13	642,761	373,265
Contract liabilities		139,246	136,724
Lease liabilities		3,874	3,098
Tax payables		25,699	35,622
Bank borrowings		1,969,931	1,374,675
Asset-backed securities	14	1,472,916	1,267,068
Unsecured other loan		600	600
Loans from related parties		<u>101,700</u>	<u>47,556</u>
		<u>4,356,727</u>	<u>3,238,608</u>
Net current (liabilities)/assets		<u>(136,243)</u>	<u>561,604</u>
Total assets less current liabilities		<u>5,653,008</u>	<u>4,929,198</u>
Non-current liabilities			
Lease liabilities		4,399	–
Bank borrowings		1,197,074	67,100
Asset-backed securities	14	1,229,353	1,665,539
Loans from related parties		237,300	–
Deferred tax liabilities		<u>49,632</u>	<u>54,857</u>
		<u>2,717,758</u>	<u>1,787,496</u>
Net assets		<u><u>2,935,250</u></u>	<u><u>3,141,702</u></u>
Capital and reserves			
Share capital		2,214,624	2,214,624
Reserves		<u>712,305</u>	<u>919,979</u>
Equity attributable to owners of the Company		2,926,929	3,134,603
Non-controlling interests		<u>8,321</u>	<u>7,099</u>
Total equity		<u><u>2,935,250</u></u>	<u><u>3,141,702</u></u>

NOTES

For the year ended 31 December 2022

1. GENERAL AND BASIS OF PREPARATION

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

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). As at 31 December 2022, the Company’s immediate holding company is China Chengtong Hong Kong Company Limited, which is incorporated in Hong Kong and the directors of the Company consider the Group’s ultimate holding company to be China Chengtong Holdings Group Limited (“**CCHG**”), a company incorporated in the People’s Republic of China (the “**PRC**”).

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

The consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”), which is also the functional currency of the Company.

The financial information relating to the years ended 31 December 2022 and 2021 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 2021 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 2022 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.

Going concern basis

As at 31 December 2022, the Group’s current liabilities exceeded its current assets by approximately HK\$136,243,000.

In view of such circumstances, the directors of the Company consider that the Group has adequate funds available to enable it to operate as a going concern, taken into account the past operating performance of the Group and the following:

- (i) at the date of approval of these consolidated financial statements for issue, the Group has a total of unused facilities amounting to approximately HK\$5,495,461,000 with maturity after 31 December 2023; and
- (ii) the Group's current liabilities comprise bank borrowings of approximately HK\$219,217,000 which are not repayable within the next 12 months but contain a repayment on demand clause. Without such reallocation, the Group will have net current asset of approximately HK\$82,974,000.

The directors of the Company are of the opinion that, taking into account the above, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2022. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

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 HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

The disaggregation of the Group's revenue from contracts with customers:

Segments	For the year ended 31 December 2022				Total HK\$'000
	Leasing HK\$'000	Bulk commodity trade HK\$'000	Properties development and investment HK\$'000	Marine recreation services and hotel HK\$'000	
Types of goods or services					
Sales of:					
– properties	-	-	84,262	-	84,262
– steel and chemical products	-	761,745	-	-	761,745
Consultancy service income from leasing arrangements	54,763	-	-	-	54,763
Marine recreation, hotel and travel agency services income	-	-	-	14,017	14,017
Revenue from contracts with customers	54,763	761,745	84,262	14,017	914,787
Rental income from investment properties	-	-	2,788	-	2,788
Rental income under operating lease in respect of owned machineries and equipment	32,022	-	-	-	32,022
Interest income from loans receivable	316,756	-	-	-	316,756
Finance lease income	11,037	-	-	-	11,037
Total	414,578	761,745	87,050	14,017	1,277,390

All revenue from contracts with customers are recognised at a point in time for the year ended 31 December 2022.

Segments	For the year ended 31 December 2021				
	Leasing HK\$'000	Bulk commodity trade HK\$'000	Properties development and investment HK\$'000	Marine recreation services and hotel HK\$'000	Total HK\$'000
Types of goods or services					
Sales of:					
– properties	–	–	78,410	–	78,410
– steel and chemical products	–	755,431	–	–	755,431
Consultancy service income from leasing arrangements	86,648	–	–	–	86,648
Marine recreation, hotel and travel agency services income	–	–	–	22,380	22,380
Revenue from contracts with customers	86,648	755,431	78,410	22,380	942,869
Rental income from investment properties	–	–	1,765	–	1,765
Rental income under operating lease in respect of owned machineries and equipment	34,980	–	–	–	34,980
Interest income from loans receivable	189,989	–	–	–	189,989
Finance lease income	3,076	–	–	–	3,076
Total	314,693	755,431	80,175	22,380	1,172,679

All revenue from contracts with customers are recognised at a point in time for the year ended 31 December 2021.

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers (“CODM”) for the purpose of resources allocation and assessment of performance, focuses on types of goods and services delivered or provided.

The Group’s reportable segments under HKFRS 8 are as follows:

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

Segment revenue and results

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

For the year ended 31 December 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>
Revenue as presented in consolidated statement of profit or loss	<u>414,578</u>	<u>761,745</u>	<u>87,050</u>	<u>14,017</u>	<u>1,277,390</u>
Results					
Segment results <i>(note (a))</i>	<u>176,315</u>	<u>3,253</u>	<u>24,060</u>	<u>(25,356)</u>	178,272
Fair value loss on investment properties <i>(note (b))</i>					(6,238)
Unallocated finance costs					(13,484)
Unallocated corporate expenses					(41,689)
Unallocated corporate income					<u>5,370</u>
Profit before tax					<u>122,231</u>

	Leasing <i>HK\$'000</i>	Bulk commodity trade <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Marine recreation services and hotel <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest income from deposits and other financial assets	11,220	5	551	57	1,847	13,680
Depreciation	(22,311)	(15)	(22)	(12,727)	(4,916)	(39,991)
Interest expenses (included in costs of revenue)	(155,771)	-	-	-	-	(155,771)
Finance costs	(100)	(1,952)	-	(25)	(13,484)	(15,561)
Loss on disposal of property, plant and equipment	-	-	-	(342)	-	(342)
(b) Amount regularly provided to the CODM for the analysis of the segment's performance						
Fair value loss on investment properties	<u>-</u>	<u>-</u>	<u>(6,238)</u>	<u>-</u>	<u>-</u>	<u>(6,238)</u>

Notes:

(a) Amounts included in the measure of segment results

For the year ended 31 December 2021

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

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

Notes:

(a) Amounts included in the measure of segment results

Interest income from deposits and other financial assets	6,364	1	381	24	5,793	12,563
Depreciation	(23,197)	(13)	(15)	(13,670)	(6,043)	(42,938)
Interest expenses (included in costs of revenue)	(58,103)	-	-	-	-	(58,103)
Finance costs	-	(1,491)	-	(132)	(4,738)	(6,361)
Loss on disposal of property, plant and equipment	-	-	-	(5)	-	(5)

(b) Amount regularly provided to the CODM for the analysis of the segment's performance

Fair value loss on investment properties	<u>-</u>	<u>-</u>	<u>(1,656)</u>	<u>-</u>	<u>-</u>	<u>(1,656)</u>
------------------------------------------	----------	----------	----------------	----------	----------	----------------

5 OTHER INCOME AND GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income from:		
– deposits and other financial assets	13,680	12,563
– related parties	3,022	2,868
Dividend from equity instruments at fair value through other comprehensive income	63	–
Fair value gain on other financial assets measured at fair value through profit or loss	–	161
Government subsidies (<i>note</i>)	989	503
Exchange gain, net	–	9,927
Gain on disposal of investment properties	1,786	360
Others	5,289	2,706
	<u>24,829</u>	<u>29,088</u>

Note:

For the year ended 31 December 2022, among the government subsidies, HK\$192,000 (2021: 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 as set out in the ESS for the year ended 31 December 2022.

For the year ended 31 December 2022, HK\$797,000 (2021: HK\$503,000) are government grants obtained from Mainland local government supporting the tourism business. The Group has complied with the requirements set out by the local government for the year ended 31 December 2022.

6 FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	75,423	23,916
Interest on asset-backed securities	89,715	41,720
Interest on loans from related parties	7,766	1,113
Interest on lease liabilities	<u>224</u>	<u>255</u>
	173,128	67,004
Less:		
Amounts capitalised on properties under development	(1,796)	(2,540)
Amounts included in costs of revenue		
– Interest on bank borrowings	(61,226)	(16,383)
– Interest on asset-backed securities	(89,715)	(41,720)
– Interest on loans from related parties	<u>(4,830)</u>	<u>–</u>
	<u>15,561</u>	<u>6,361</u>

The borrowing costs have been capitalised at a rate of 2.40% (2021: 2.14%) per annum.

7 INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	283	393
PRC Enterprise Income Tax (“EIT”)	47,358	50,816
PRC Land Appreciation Tax	<u>2,641</u>	<u>5,919</u>
	50,282	57,128
Over-provision in prior years:		
Hong Kong Profits Tax	(10)	(10)
PRC EIT	<u>(56)</u>	<u>–</u>
	50,216	57,118
Deferred tax	<u>(5,273)</u>	<u>7,002</u>
	<u>44,943</u>	<u>64,120</u>

8 PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year has been arrived at after charging/(crediting):		
Auditor's remuneration		
– audit services	1,180	1,250
– non-audit services	900	360
	<u>2,080</u>	<u>1,610</u>
Depreciation of property, plant and equipment	39,996	42,948
Less: Amounts capitalised on properties under development	(5)	(10)
	<u>39,991</u>	<u>42,938</u>
Contributions to retirement benefits schemes (including directors' emoluments)	14,359	12,011
Staff costs (including directors' emoluments)	69,165	58,048
	<u>83,524</u>	<u>70,059</u>
Less: Amounts capitalised on properties under development	(1,833)	(1,821)
	<u>81,691</u>	<u>68,238</u>
Cost of inventories sold (included in costs of revenue)	824,479	815,061
Exchange loss/(gain), net	7,584	(9,927)
Loss on disposal of property, plant and equipment, net	342	5
Impairment losses recognised/(reversed) on financial assets, net include in administrative expenses:		
– trade and other receivables	19	(4)
– finance lease receivables and loans receivable	4,586	11,835
	<u>4,605</u>	<u>11,831</u>
Direct operating expenses arising from investment properties	–	264
Expenses relating to short-term leases	–	1,255
	<u>–</u>	<u>1,255</u>

9 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
--	-------------------------	-------------------------

Earnings

Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>76,066</u>	<u>104,222</u>
-------------------------------------------------------------------------------------------------------	---------------	----------------

	2022 '000	2021 '000
--	--------------	--------------

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>5,952,885</u>	<u>5,857,209</u>
----------------------------------------------------------------------------------------	------------------	------------------

Diluted earnings per share for the years ended 31 December 2022 and 2021 are not presented as there were no dilutive potential ordinary shares in issue during both years.

10 DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
--	-------------------------	-------------------------

Dividends proposed:

Proposed final dividend of HK0.39 cent (2021: HK0.54 cent) per ordinary share	<u>23,262</u>	<u>32,209</u>
----------------------------------------------------------------------------------	---------------	---------------

Dividends paid:

Final dividend of HK0.54 cent (2020: HK0.9 cent) per ordinary share in respect of financial year ended 31 December 2021	<u>32,209</u>	<u>52,173</u>
-------------------------------------------------------------------------------------------------------------------------------	---------------	---------------

The final dividend of HK0.39 cent per ordinary share proposed after the reporting date for the year ended 31 December 2022 were not recognised as a liability at the end of the reporting date. In addition, the final dividend is subject to the shareholders' approval at the forthcoming annual general meeting.

In July 2022, a final dividend of HK0.54 cent (2020: HK0.9 cent) per ordinary share was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2021.

The breakdown of the final dividend paid is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends:		
Cash	32,209	23,425
Share alternative	–	28,748
	<u>32,209</u>	<u>52,173</u>

11 TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade and bills receivables	21,643	30,063
Less: Allowance for credit losses	(19)	(1)
	<u>21,624</u>	<u>30,062</u>
Prepayments to suppliers	–	15,132
Other prepayments and deposits	3,458	4,921
Other receivables	15,449	10,111
Other tax recoverable	64,337	19,662
Amount due from a related company	3,458	–
	<u>108,326</u>	<u>79,888</u>

The following is an ageing analysis of trade and bills receivables, net of allowance for credit losses presented based on the invoice date at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	2,616	29,447
31–90 days	18,991	615
Over 90 days	17	–
	<u>21,624</u>	<u>30,062</u>

12 FINANCE LEASE RECEIVABLES AND LOANS RECEIVABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance lease receivables	90,492	141,355
Loans receivable	8,143,585	5,736,735
	8,234,077	5,878,090
Less: Allowance for credit losses	(16,503)	(12,984)
	8,217,574	5,865,106
Analysed for reporting purposes as:		
Current assets	3,227,908	1,953,411
Non-current assets	4,989,666	3,911,695
	8,217,574	5,865,106

The Group is also 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 an option purchase price upon settlement of the principal of finance lease receivables and the interest accrued under the finance lease arrangements.

The terms of finance lease entered into usually range from 2 to 5 years.

The finance lease receivables are due as follows:

	2022		2021	
	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000
Finance lease receivables comprise:				
Within one year	47,682	44,159	33,084	31,440
In the second year	36,599	34,927	45,381	35,198
In the third year	11,665	11,406	33,777	30,515
In the fourth year	–	–	31,120	29,516
In the fifth year	–	–	14,896	14,686
	95,946	90,492	158,258	141,355
Gross investment in the lease	95,946	N/A	158,258	N/A
Less: unearned finance income	(5,454)	N/A	(16,903)	N/A
Present value of minimum lease payment receivables	90,492	90,492	141,355	141,355
Less: Allowance for credit losses		(11)		(141)
		90,481		141,214
Analysed as:				
Current assets		44,148		31,299
Non-current assets		46,333		109,915
		90,481		141,214

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 an option purchase 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fixed-rate loans receivable	1,913,516	994,641
Variable-rate loans receivable	<u>6,230,069</u>	<u>4,742,094</u>
	8,143,585	5,736,735
Less: Allowance for credit losses	<u>(16,492)</u>	<u>(12,843)</u>
	<u>8,127,093</u>	<u>5,723,892</u>
Analysed as:		
Current assets	3,183,760	1,922,112
Non-current assets	<u>4,943,333</u>	<u>3,801,780</u>
	<u>8,127,093</u>	<u>5,723,892</u>

The exposure of the Group's fixed-rate loans receivable to fair value interest rate risk and their contractual maturity dates are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fixed-rate loans receivable (gross carrying amount):		
Within one year	819,782	364,683
In more than one year but not more than two years	675,730	332,361
In more than two years but not more than five years	412,897	201,037
In more than five years	<u>5,107</u>	<u>96,560</u>
	<u>1,913,516</u>	<u>994,641</u>

The exposure of the Group's variable-rate loans receivable to cash flow interest rate risk and their contractual maturity dates are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Variable-rate loans receivable (gross carrying amount):		
Within one year	2,380,470	1,570,272
In more than one year but not more than two years	1,870,803	1,288,104
In more than two years but not more than five years	1,276,973	908,984
In more than five years	<u>701,823</u>	<u>974,734</u>
	<u>6,230,069</u>	<u>4,742,094</u>

13 TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade and bills payables (<i>note</i>)	192,778	1,296
Other payables and accruals	77,612	51,361
Deposits received	292,043	242,548
Accrual of construction costs	64,712	78,060
Amount due to the immediate holding company	800	–
Amount due to the ultimate holding company	14,482	–
Amount due to fellow subsidiaries	<u>334</u>	<u>–</u>
	<u>642,761</u>	<u>373,265</u>

Note:

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	192,374	980
31–90 days	403	315
Over 90 days	<u>1</u>	<u>1</u>
	<u>192,778</u>	<u>1,296</u>

14 ASSET-BACKED SECURITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Analysed for reporting purposes as:		
Current liabilities	1,472,916	1,267,068
Non-current liabilities	<u>1,229,353</u>	<u>1,665,539</u>
	<u>2,702,269</u>	<u>2,932,607</u>

During the year ended 31 December 2022, the Group publicly launched one asset-backed securities scheme (2021: two asset-backed securities schemes) on the Shanghai Stock Exchange. The purpose of launching the asset-backed securities schemes is to securitise certain loans receivable and trade receivables under operating lease business of the Group and to fund the expansion of the leasing business of the Group. Details are as follows:

On 21 May 2021, the Group publicly launched an asset-backed securities scheme known as “Chengfeng Set Sail – Guojun Asset Management – Chengtong Leasing Phase I Asset-backed Securities Scheme”. The total issuance of the scheme was RMB1,490,000,000 (equivalent to HK\$1,788,000,000) and the asset-backed securities are divided into (i) priority class with total principal of RMB1,420,000,000 (equivalent to HK\$1,704,000,000) which are listed and traded on the Shanghai Stock Exchange with maturity date ranging from 26 March 2022 to 26 March 2025 and with coupon rate ranging from 3.80% to 4.30% per annum. The principal and interest of the priority class asset-backed securities shall be repaid quarterly in 15 instalments in 4 years; and (ii) subordinated class with total principal of RMB70,000,000 (equivalent to HK\$84,000,000) with no coupon rate and with maturity date on 26 March 2026. The subordinated class asset-backed securities is not listed. As at 31 December 2022 and 2021, the Group held all the subordinated class asset-backed securities.

On 24 November 2021, the Group publicly launched the second asset-backed securities scheme known as “CITIC Securities – Chengtong Financial Leasing Stated-owned Enterprise Green Asset-backed Securities Scheme”. The total issuance of the scheme was RMB1,480,000,000 (equivalent to HK\$1,776,000,000) and the asset-backed securities are divided into (i) priority class with total principal of RMB1,410,000,000 (equivalent to HK\$1,692,000,000) which are listed and traded on the Shanghai Stock Exchange with maturity date ranging from 26 July 2022 to 26 January 2026 and with coupon rate ranging from 3.40% to 3.70% per annum. The principal and interest of the priority class asset-backed securities shall be repaid quarterly in 16 instalments in 4 years; and (ii) subordinated class with total principal of RMB70,000,000 (equivalent to HK\$84,000,000) with no coupon rate and with maturity date on 26 October 2026. The subordinated class asset-backed securities is not listed. As at 31 December 2022 and 2021, the Group held all the subordinated class asset-backed securities.

On 20 September 2022, the Group publicly launched the third asset-backed securities scheme known as “Phase One of Chengtong Financial Leasing Stated-owned Enterprise Asset-backed Securities Scheme”. The total issuance of the scheme was RMB1,405,000,000 (equivalent to HK\$1,573,600,000) and the asset-backed securities are divided into (i) priority class with total principal of RMB1,340,000,000 (equivalent to HK\$1,500,800,000) which are listed and traded on the Shanghai Stock Exchange with maturity date ranging from 26 August 2023 to 26 August 2026 and with coupon rate ranging from 2.88% to 3.09% per annum. The principal and interest of the priority class asset-backed securities shall be repaid quarterly in 12 instalments in 3 years; and (ii) subordinated class with total principal of RMB65,000,000 (equivalent to HK\$72,800,000) with no coupon rate and with maturity date on 26 February 2027. The subordinated class asset-backed securities is not listed. As at 31 December 2022, the Group held all the subordinated class asset-backed securities.

The effective interest rate of the asset-backed securities ranged from 2.92% to 3.76% (2021: 3.37% to 3.69%) per annum as at 31 December 2022.

15 CONTINGENT LIABILITIES

As at 31 December 2022, the Group had contingent liabilities in relation to guarantees of approximately HK\$245,852,000 (2021: HK\$224,455,000) given to banks in respect of mortgage loans granted to purchasers of certain property units of CCT-Champs-Elysses project.

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

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

As at 31 December 2022 and 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.

16 CAPITAL COMMITMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted but not provided for:		
Purchase of property, plant and equipment	<u>244</u>	<u>526</u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. RESULTS AND DIVIDEND

The Group is principally engaged in leasing, bulk commodity trade, property development and investment, and marine recreation services and hotel businesses. In particular, the Group has been focusing on the development and expansion of leasing business in the People's Republic of China (“**PRC**”) since 2019. In 2022, the Group continued to exert efforts to promote the leasing business and achieved consecutive growth, and the CAGR (compound annual growth rate) of the leasing revenue was approximately 77% during the years from 2019 to 2022.

The growth in leasing revenue was encouraging and symbolic as the impact of COVID-19 pandemic shocks, geopolitics disruptions, high inflation, rising interest rates of US dollars etc. continued to prevail in 2022 and the PRC economy faced unprecedented challenges. The other business segments showed quite static aggregated results in 2022 amidst the mix of challenges.

Group Performance

The consolidated revenue for the year ended 31 December 2022 (“**FY2022**”) was approximately HK\$1,277.39 million, representing an increase of approximately 9% as compared to the year ended 31 December 2021 (“**FY2021**”). The segmental revenue was analysed as follows:

	2022	2021	Increase/ (decrease)
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Leasing	414,578	314,693	32%
Bulk commodity trade	761,745	755,431	1%
Property development and investment	87,050	80,175	9%
Marine recreation services and hotel	14,017	22,380	(37%)
	<u>1,277,390</u>	<u>1,172,679</u>	9%

As the Group's key business segment, the scale of the leasing business was further expanded and forged ahead in FY2022, resulted in a boost of the leasing revenue and accounted for a approximately 32% of the total revenue (FY2021: approximately 27%) and approximately 32% increase from last year. The revenue from bulk commodity trade dropped in the first half of FY2022 but recovered in the second half due to the global recovery of the international trade activities. The annual revenue from bulk commodity trade increased by approximately 1% from FY2021 and attributed to approximately 60% of the total revenue (FY2021: approximately 64%). The other business segments accounted for approximately 8% (FY2021: approximately 9%) of the total revenue. During FY2022, the property market in the PRC was weak and the marine recreation services and hotel business performance was still stagnant by virtue of the impacts on tourism resulting from various COVID-19 preventive measures and travel restrictions in the PRC.

The Group reported a consolidated gross profit of approximately HK\$252.35 million for FY2022, which represented a decrease of approximately HK\$19.96 million from approximately HK\$272.31 million for FY2021. During FY2022, the Group recorded a consolidated profit before tax of about HK\$122.23 million, representing a decrease of roughly HK\$47.58 million or 28% from approximately HK\$169.81 million in FY2021, which was mainly the net effect of the following:

- (i) a decrease in consolidated gross profit which was mainly attributable to the higher costs of revenue resulting from the increased interest expenses of bank loans and asset-backed securities (“**ABS**”) as a result of the enlarged leasing business scale;
- (ii) an increase in administrative expenses of approximately HK\$13.00 million which was mainly attributable to the increase in staff costs of the professional team for the expanding leasing operation and the exchange loss brought by the depreciation of Renminbi (“**RMB**”) exchange rate against Hong Kong dollars (“**HKD**”) during FY2022;
- (iii) an increase in finance costs of approximately HK\$9.20 million from bank and other borrowings on the back of hiking interest rates in Hong Kong;
- (iv) a decrease in other income and gains of approximately HK\$4.26 million during FY2022;
- (v) a saving of selling expenses of approximately HK\$3.42 million during FY2022; and
- (vi) an increase in fair value loss on investment properties of approximately HK\$4.58 million due to the general decrease in property valuation in the PRC.

The Directors have resolved to recommend the payment of a final dividend of HK0.39 cent per ordinary share in respect of FY2022 to the shareholders whose names appear on the register of members of the Company on Friday, 7 July 2023, subject to the approval of the shareholders on the payment of final dividend at the forthcoming annual general meeting of the Company. The final dividend is expected to be paid on Friday, 21 July 2023.

II. BUSINESS REVIEW

A. Segmental Performance

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

(1) Leasing

	2022	2021	Increase/ (decrease)
	HK\$'000	HK\$'000	
Interest income	327,793	193,065	70%
Consultancy service fee	54,763	86,648	(37%)
Rental income	<u>32,022</u>	<u>34,980</u>	(8%)
Segment revenue	414,578	314,693	32%
Costs of revenue	<u>(200,565)</u>	<u>(81,437)</u>	146%
Gross profit	214,013	233,256	(8%)
<i>Gross profit margin</i>	51.62%	74.12%	
Segment results	<u>176,315</u>	<u>197,270</u>	(11%)

During the year, the Group's wholly-owned subsidiary, Chengtong Financial Leasing Company Limited (“**Chengtong Leasing**”) continued to expand the scale of its leasing business and its finance lease receivables and loans receivable (collectively “**Leasing Receivables**”) as at 31 December 2022 was approximately HK\$8,217.57 million, which represented an increase of approximately 40% from that of last year. Chengtong Leasing had signed 41 new leasing projects of approximately HK\$5.34 billion during the year. In terms of industry segment, the majority of the funds was applied as to: (i) about 32% to traditional manufacturing industry; (ii) about 23% to infrastructure projects; (iii) about 20% to the logistics and warehousing industry; and (iv) about 18% to energy conservation and environmental protection related industry.

During the year, Chengtong Leasing continued to pursue synergies with other state-owned enterprises and signed new leasing arrangements mostly with state-owned enterprises. In addition, Chengtong Leasing continued to support green leasing businesses, and has become a green enterprise since passing the green enterprise certification assessment with the highest level (G-AAA) in September 2022.

Leasing Revenue

The interest income from the leasing segment was approximately HK\$327.79 million during FY2022, which represented an increase of approximately 70% year-on-year. The interest income was derived from different industry sectors as follows:

	2022 HK\$'000	2021 HK\$'000	Increase
Energy conservation and environmental protection	101,908	64,656	58%
Logistics and warehousing	73,716	15,016	391%
Infrastructure	60,452	46,088	31%
Manufacturing	35,848	20,938	71%
Clean energy	32,589	31,023	5%
Internet data centre	6,085	4,786	27%
Others	17,195	10,558	63%
Total	<u>327,793</u>	<u>193,065</u>	70%

As for consultancy service, Chengtong Leasing obtained 17 new consultancy service projects in FY2022 and the consultancy service fee income experienced a drop of about 37% from FY2021 to approximately HK\$54.76 million in FY2022. The main reason for the drop was that some of the new leasing projects obtained in FY2022 were entered into with existing customers which therefore did not engage Chengtong Leasing for further consultancy service. Rental income from operating lease arrangement remained stable during FY2022 and the change was mainly due to the fluctuation of exchange rate between RMB and HKD.

Costs of Leasing Revenue

The segmental costs of revenue consisted mainly of interest expenses from bank and other borrowings, guarantee fees and depreciation charges. The segmental costs of revenue increased by approximately HK\$119.13 million or 146% from FY2021 to approximately HK\$200.57 million for FY2022, primarily due to the increase in the overall financing scale along with the expansion of the leasing business. The following table sets forth the breakdown of the costs of revenue of the leasing segment:

	2022	2021	Increase/ (decrease)
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Interest expenses	155,771	58,103	168%
Guarantee fees	19,664	–	n/a
Depreciation of leased assets	20,645	21,357	(3%)
Others	4,485	1,977	127%
Total	<u>200,565</u>	<u>81,437</u>	146%

The Group financed its leasing operation mainly through bank borrowings and issuance of ABS. Overall speaking, the borrowing rates in the PRC were trending downward in FY2022. The Group issued three ABS schemes in May 2021, November 2021 and September 2022 and the weighted average annual interest rates were 3.97%, 3.6% and 2.95% respectively while the effective annual interest rates for bank borrowings (calculated as total interest expenses divided by average outstanding balance of bank loans) for FY2022 and FY2021 were 4.90% and 3.61% respectively.

Guarantee fees were paid to the Company's ultimate holding company, China Chengtong Holdings Group Limited ("CCHG"), which undertakes the obligation to pay the shortfall if the funds of the relevant ABS schemes and Chengtong Leasing are insufficient to settle the principal and other payable amounts for certain priority tranches of the relevant ABS schemes. The guarantee fees were determined at 0.8% per annum on the outstanding balances of the guaranteed ABS tranches.

No significant fluctuation for the depreciation charge of leased assets was noted during the year.

Expenses

The operating expenses of the leasing segment increased by approximately HK\$10.12 million for FY2022 and was mainly attributable to additional staff costs of the professional team for the expanding leasing operation.

Segment Results

The segment results of the leasing business for the year reduced by approximately HK\$20.96 million or 11% to approximately HK\$176.32 million (FY2021: approximately HK\$197.27 million).

Leasing Receivables

As at 31 December 2022, the Group had approximately HK\$8,217.57 million of net Leasing Receivables, which were significantly enlarged by approximately 40% from approximately HK\$5,865.11 million as at 31 December 2021, and represented approximately 82% of the total assets (as at 31 December 2021: approximately 72%).

The Group's Leasing Receivables as at 31 December 2022 were classified into 5 categories according to customers' repayment abilities, up-to-date repayment history, profitability and carrying values of underlying leased assets, relevant security and enforcement measures against customers, with Category I being the lowest risk and Category V being the highest risk. Specific expected credit loss ("ECL") provision was provided for each category.

Category	31 December 2022			31 December 2021		
	Gross		Net	Gross		Net
	Leasing Receivables <i>HK\$'000</i>	Provision for ECL <i>HK\$'000</i>	Leasing Receivables <i>HK\$'000</i>	Leasing Receivables <i>HK\$'000</i>	Provision for ECL <i>HK\$'000</i>	Leasing Receivables <i>HK\$'000</i>
I. Performing	8,163,655	2,829	8,160,826	5,805,648	2,372	5,803,276
II. Special Mention	-	-	-	-	-	-
III. Sub-standard	70,422	13,674	56,748	72,442	10,612	61,830
IV. Doubtful	-	-	-	-	-	-
V. Loss	-	-	-	-	-	-
Total	<u>8,234,077</u>	<u>16,503</u>	<u>8,217,574</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 Leasing Receivables throughout their business cycle, so as to ensure that the Group has robust and prudent standards for credit risk exposure, management and monitoring for all Leasing Receivables. Most of the Group's customers were state-owned enterprises and the non-performing exposures were comparably low.

(2) Bulk Commodity Trade

	2022	2021	Increase/ (decrease)
	HK\$'000	HK\$'000	
Segment revenue	761,745	755,431	1%
Costs of revenue	<u>(752,844)</u>	<u>(749,124)</u>	0.5%
Gross profit	8,901	6,307	41%
<i>Gross profit margin</i>	1.17%	0.83%	
Segment results	<u>3,253</u>	<u>3,623</u>	(10%)

During the year, the Group continued to carry out its bulk commodity trade business solely through its 51%-owned joint venture company, Chengtong World Trade Limited and focused on international trade of steel and chemicals and tightened trade risk management to strictly select upstream suppliers and downstream customers. The business was negatively disrupted by the COVID-19 pandemic during the first half of FY2022, but as the COVID-19 pandemic was gradually contained in the second half of FY2022, the international trade regained momentum and the segment revenue for FY2022 almost levelled off with that of last year and there was a slight improvement in the overall gross profit margin. The administrative expenses went up by approximately HK\$1.61 million and the finance costs increased by approximately HK\$0.46 million. The overall segment results decreased slightly by approximately HK\$0.37 million year-on-year to approximately HK\$3.25 million (FY2021: approximately HK\$3.62 million).

(3) Property Development and Investment

	2022	2021	Increase
	HK\$'000	HK\$'000	
Property sales	84,262	78,410	7%
Rental income	2,788	1,765	58%
Segment revenue	87,050	80,175	9%
Costs of revenue	(57,970)	(53,515)	8%
Gross profit	29,080	26,660	9%
<i>Gross profit margin</i>	33.41%	33.25%	
Segment results	24,060	21,181	14%

The Group derived its revenue from this segment by means of property sales and rental income. Revenue from the property sales was entirely derived from the CCT-Champs-Elysees project while the rental income was generated from the leasing of the commercial properties of the CCT-Champs-Elysees project and certain office premises of the Group.

The CCT-Champs-Elysees project is wholly owned by the Group and is located in the Zhucheng City of Shandong Province of the PRC. The project had a total site area of approximately 146,006 square metres and was developed in three phases with all the construction works completed in August 2022.

The property market in the PRC was sluggish during FY2022. The property sales increased slightly by approximately 7% to approximately HK\$84.26 million during the year. The average selling prices per square metre of the residential area for FY2022 and FY2021 were stable at RMB5,416 and RMB5,395 respectively. As at 31 December 2022, the completed and unsold area of the CCT-Champs-Elysees project included residential area of approximately 12,421 square metres (as at 31 December 2021: approximately 25,171 square metres) and commercial spaces of approximately 926 square metres (as at 31 December 2021: approximately 1,410 square metres). About 54,295 square metres of the residential units in Section 3 of Phase 3 were undergoing completion filings and were recorded as property under development as at 31 December 2022. The Group will actively pursue the sale of the rest of the residential units in 2023.

During FY2022, the rental income of approximately HK\$0.37 million (FY2021: approximately HK\$0.28 million) and approximately HK\$2.42 million (FY2021: HK\$1.26 million) was generated from the leasing of the commercial properties of the CCT-Champs-Elysees project and the leasing of certain office premises of the Group respectively.

The segmental gross profit margin for FY2022 was steady and similar as that of last year. During the year under review, some commercial properties of the CCT-Champs-Elysees project were sold and income of HK\$1.79 million (FY2021: HK\$0.36 million) was recognised. In order to promote the sale of the project, selling expenses of approximately HK\$3.16 million (FY2021: approximately HK\$2.17 million) were incurred during the year. No significant change in the administrative expenses was noted for FY2022. The overall segmental profit for FY2022 was approximately HK\$24.06 million and represented an increase of approximately 14% from FY2021.

(4) Marine Recreation Services and Hotel

	2022	2021	Increase/ (decrease)
	HK\$'000	HK\$'000	
Marine recreation services	9,300	13,772	(32%)
Hotel operation	4,047	6,599	(39%)
Travelling agency business	670	2,009	(67%)
Segment revenue	14,017	22,380	(37%)
Costs of revenue	(13,665)	(16,297)	(16%)
Gross profit	352	6,083	(94%)
<i>Gross profit margin</i>			
– marine recreation services	(15%)	10%	
– hotel operation	33%	56%	
– Travelling agency business	62%	47%	
Segment results	<u>(25,356)</u>	<u>(22,717)</u>	12%

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 gloom of the COVID-19 pandemic lingered in 2022, the domestic travel restrictions and stringent quarantine policies were upheld in the PRC, which discouraged tourists activities and made the segment's operation very difficult. Consequently, the segment revenue deteriorated by approximately 37% compared with the previous year. With reduced business activities, the total segmental selling expenses therefore dropped to approximately HK\$8.84 million (FY2021: HK\$13.50 million), while the total segmental administrative expenses increased to approximately HK\$18.04 million for FY2022 (FY2021: HK\$16.20 million) which was mainly due to non-routine maintenance works to certain vessels of the Group.

The combined segment results in FY2022 recorded losses of HK\$25.36 million, which increased by 12% from that in last year (FY2021: Losses of HK\$22.72 million).

B. Other Income and Gains, net

	2022	2021	Increase/ (decrease)
	HK\$'000	HK\$'000	
Interest income	16,702	15,431	8%
Exchange gain, net	–	9,927	(100%)
Gain on disposal of investment properties	1,786	360	396%
Government subsidies	989	503	97%
Others	5,352	2,867	87%
	<u>24,829</u>	<u>29,088</u>	(15%)

In FY2022, the Group's other income and gains mainly comprised of interest income of approximately HK\$16.70 million (FY2021: approximately HK\$15.43 million) from bank deposits, other financial assets and loans to related parties. During the year, the Group obtained value added tax credits of approximately HK\$3.02 million for the purchase of operating lease assets.

No exchange gain was reported during the year as the RMB exchange rate against HKD depreciated for about 7% from 1.22 at the beginning of 2022 to 1.13 by the end of 2022. There was no material change in Hong Kong onshore RMB-denominated assets during the year under review.

The total other income and gains recorded in FY2022 was therefore approximately HK\$24.83 million, and represented a drop of approximately 15% from last year.

C. Selling and Administrative Expenses

	2022	2021	Increase/ (decrease)
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Selling expenses	<u>12,528</u>	<u>15,943</u>	(21%)
Administrative expenses	<u>120,617</u>	<u>107,622</u>	12%

During the year under review, selling expenses decreased by approximately 21% to approximately HK\$12.53 million (FY2021: approximately HK\$15.94 million), of which agency commission expenses for promoting the sales of the CCT-Champs-Elysees project increased by approximately HK\$1.06 million but was partially offset by the decrease in (i) travelling expenses of sales personnel of approximately HK\$0.77 million, (ii) maintenance cost of approximately HK\$1.57 million for the Group's marine recreation facilities and hotel operation, and (iii) consumable supplies of approximately HK\$0.58 million for the Group's hotel operation.

The administrative expenses increased by approximately HK\$13.00 million or 12% year-on-year to approximately HK\$120.62 million (FY2021: approximately HK\$107.62 million), which was mainly due to the increase of staff costs of approximately HK\$15.18 million and the recognition of exchange loss of approximately HK\$7.58 million. Such an increase was partly offset by the reduction of office expenses (including travelling, transportation, communications and fuel expenses) of approximately HK\$3.94 million and the reduction of ECL charges during the year for approximately HK\$7.23 million.

D. Finance Costs

	2022	2021	Increase/ (decrease)
	HK\$'000	HK\$'000	
Total interest expense	173,128	67,004	158%
Less:			
Amounts included in costs of revenue	(155,771)	(58,103)	168%
Amounts capitalised on properties under development	<u>(1,796)</u>	<u>(2,540)</u>	(29%)
	<u>15,561</u>	<u>6,361</u>	145%

The total interest expense in FY2022 amounted to approximately HK\$173.13 million (FY2021: approximately HK\$67.00 million), representing a significant year-on-year increase of approximately 158%. The upsurge was mainly attributable to the increase in the scale of the leasing business, which leveraged mainly on external financing.

The total interest expense comprised principally interest on ABS of approximately HK\$89.72 million (FY2021: approximately HK\$41.72 million), interest on bank borrowings of approximately HK\$75.42 million (FY2021: approximately HK\$23.92 million), interest on loans from related parties of approximately HK\$7.77 million (FY2021: approximately HK\$1.11 million). After deducting the amount of approximately HK\$155.77 million (FY2021: approximately HK\$58.10 million) included in the costs of revenue and capitalising the amount of approximately HK\$1.80 million (FY2021: approximately HK\$2.54 million) on the properties under development, the net finance costs for the year were approximately HK\$15.56 million (FY2021: approximately HK\$6.36 million), of which approximately HK\$12.40 million (FY2021: approximately HK\$5.00 million) was interest expense for bank loans in Hong Kong, representing a year-on-year increase of approximately 148% which was mainly due to the rising borrowing interest rates in Hong Kong during the year.

III. OUTLOOK

Looking back on 2022, the impact caused by the continuous multi-point spreading of the COVID-19 pandemic, the Ukraine crisis, high inflation, and the interest rate hike by the US Federal Reserve has exceeded expectations. The complexity, severity and uncertainty faced by the economic development had increased significantly. Meanwhile, the Chinese government achieved positive results in the efficient coordination of pandemic prevention and control as well as in socio-economic development, which stabilised the macro-economy and achieved continuous expansion in the total economic volume and steady improvement in the quality of development. Stepping into 2023, as the US Federal Reserve's interest rate hike is approaching to the end and with the normalisation of the pandemic preventive controls and the intensive introduction of policies to stabilise real estate and expand domestic demand, the mainland economy has begun to recover gradually and comprehensively, which is expected to bring new development opportunities.

Bounded by factors such as changes in industry regulations, downward economic cycle, and intensified competition in the industry, the number of entities in the financial leasing industry and the balance of financial leasing businesses both declined in 2022. The development of the industry entered a critical period of transformation and optimisation. Green transformation, digital economy and equipment upgrading continued to grow and added momentum to industry transformation. In the future, with the upgrading of domestic industries, the recovery of macro-economy and the gradual strengthening of the internal circle policies, coupled with the business transformation of financial leasing companies and the adjustment and adaptation of regulatory policies, it is expected that the financial leasing industry will maintain a healthy development and better contribute to the economic development during the "14th Five-Year Plan" period.

In such a complex and changing market situation, we see both opportunities and challenges. The Group will firmly adhere to its strategic direction, continue to focus on financial leasing as its main responsibility and principal business, constantly optimise its asset structure, work diligently and reorganise resources to create a new stage of high-quality development in all aspects.

In respect of financial leasing, Chengtong Leasing will continue to enhance its cooperation with other state-owned enterprises, promote its development in business areas such as energy conservation and environmental protection, transportation and logistics, internet data center, new energy, and highlight its industry characteristics in these market segments. Chengtong Leasing will further expand its financing channels, explore to develop independent rating to strengthen self-financing capability, and seek low-cost funds for business investment. Moreover, it will strengthen risk prevention and control, as well as build and improve the risk management system comprehensively. In respect of bulk commodity trade, the Group will carefully examine the market condition to determine the next step of development. In respect of property investment, all the construction works of the CCT-Champs-Elysees project have been completed. The next step will be to speed up the sales of the property units in section 3 of Phase III of the CCT-Champs-Elysees project, and utilise the recovered funds for the main business of financial leasing. In respect of the marine recreation services and hotel business, the Group will continue to optimise the project operation and management model and accelerate the cultivation of internal impetus for market sales on one hand, and will actively explore and promote subsequent asset restructuring on the other hand.

The Group is the only overseas listed company platform under CCHG, its ultimate controlling shareholder, and Chengtong Leasing is the only controlling financial leasing company under the Group. Chengtong Leasing will give full play to the resource advantages of the controlling shareholder of the Group, focus its resources on rapidly expanding the principal business of financial leasing and create greater value for the shareholders. The Board is full of confidence in the future development of the Group.

IV. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group continued to maintain a stable and sound financial position, the equity attributable to owners of the Company amounted to approximately HK\$2,926.93 million and represented a decrease of approximately 7% from approximately HK\$3,134.60 million recorded as at 31 December 2021 which was mainly due to the depreciation of RMB during the year.

The total assets and liabilities of the Group as at 31 December 2022 showed significant increment from last year:

	2022	2021	Increase/ (decrease)
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Non-current assets	5,789,251	4,367,594	33%
Current assets	4,220,484	3,800,212	11%
Total assets	10,009,735	8,167,806	23%
Current liabilities	(4,356,727)	(3,238,608)	35%
Non-current liabilities	(2,717,758)	(1,787,496)	52%
Total liabilities	(7,074,485)	(5,026,104)	41%
Total net assets	<u>2,935,250</u>	<u>3,141,702</u>	(7%)

As at 31 December 2022, the total assets of the Group amounted to approximately HK\$10.01 billion, of which about 42% were current assets, representing a rise of approximately 23% as compared to the total assets of approximately HK\$8.17 billion as at 31 December 2021. Leasing Receivables were the largest component of the assets, being roughly 82% of the total assets. The reason was largely due to the continuing growth in finance lease receivables and loans receivable recorded under current and non-current assets resulted from the swift expansion of the Group's leasing business scale.

On the flip side, the Group increased its total liabilities to approximately HK\$7,074.49 million as at 31 December 2022 from approximately HK\$5,026.10 million as at 31 December 2021. The Group obtained external financing by the issuance of ABS and bank borrowings in the PRC to fund the growth of the leasing business. The current and non-current portions of total liabilities were approximately 62% and 38% respectively.

The current ratio (calculated as total current assets divided by total current liabilities) as at 31 December 2022 decreased to approximately 0.97 time (2021: approximately 1.17 times) which was mainly due to the fact that bank borrowings of approximately HK\$219.22 million (2021: approximately HK\$332.89 million) (which are not repayable within the next 12 months) were classified as current liabilities in light of a repayment on demand clause. Nevertheless, the Group had ample of standby credit facilities in place and will set up relevant policies and procedures to actively monitor the liquidity position.

As at 31 December 2022, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK\$534.56 million (2021: approximately HK\$1,384.67 million), which were primarily denominated in RMB. Other cash and deposits were denominated in HKD and the United States dollars ("USD"). The cash and deposits accounted for approximately 5% (2021: approximately 17%) of the total assets.

As at 31 December 2022, the bank borrowings of the Group amounted to approximately HK\$3,167.01 million (2021: approximately HK\$1,441.78 million), represented a rise of approximately 120% from last year. The Group has increased both short-term and medium-term bank borrowings in the PRC to finance the development of its growing leasing business. As at 31 December 2022, about HK\$2,661.76 million or 84% of the Group's total bank borrowings were denominated in RMB with repayment due dates ranging from 2023 to 2026. The remaining balance of approximately HK\$505.25 million of the bank borrowings were denominated in HKD and USD. The HKD bank loan is maturing in June 2023 and the USD trade finance loan has matured in February 2023. The effective annual interest rates of the bank borrowings ranged from approximately 2.15% to approximately 6.77%.

On 21 February 2023, the Group launched the fourth ABS scheme known as "Phase Two of Chengtong Financial Leasing Stated-owned Enterprise Asset-backed Securities Scheme". The total issuance of the scheme was RMB1,370,000,000 (equivalent to HK\$1,561,800,000 on the launch date) and the ABS were divided into (i) four priority classes with total principal of RMB1,322,000,000 (equivalent to HK\$1,507,080,000) which are listed and traded on the Shanghai Stock Exchange with expected maturity date ranging from 26 November 2023 to 26 August 2026 and with coupon rates ranging from 3.95% to 4.26% per annum. The principal and interest of the priority class ABS shall be repaid quarterly in 14 instalments in 42 months; and (ii) subordinated class with total principal of RMB48,000,000 (equivalent to HK\$54,720,000) with no coupon rate and with expected maturity date on 26 October 2027. The subordinated class ABS are held by the Group and are not listed.

V. FINANCIAL LEVERAGE RATIOS

	2022	2021
	Times	Times
Total debts/Total equity	2.12	1.41
Total debts/Total assets	0.62	0.54
Total debts/EBITDA	35	20
Interest coverage	<u>9</u>	<u>28</u>

As the Group focused on developing and expanding the leasing business, the leverage of the Group increased significantly during the year. The debt to equity ratio (calculated by dividing total interest-bearing loans by total equity) and debt to asset ratio were approximately 2.12 times and 0.62 time respectively as at 31 December 2022. For the year under review, the interest coverage ratio (as calculated by dividing consolidated profit before tax and finance costs by finance costs) was approximately 9 times. Notwithstanding the increased leverage, the ratios still indicated that the Group had strong ability to generate income to pay its finance costs.

VI. SIGNIFICANT INVESTMENTS

The Group had no significant investment exceeding 5% of the total asset value of the Group as at 31 December 2022.

Looking ahead, the Group remains focused on leasing business as the main direction of its business development and will be prudent to invest 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 and the USD, which exposed the Group to foreign currency risks. As at 31 December 2022, the Group had bank borrowings denominated in RMB, HKD and USD totalling approximately HK\$3,167.01 million and were based on fixed and floating interest rates, exposing the Group to interest rate risks. The Group will, where appropriate, use interest rate and foreign currency swaps and forward foreign exchange contracts for risk management and hedging purposes with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative financing transactions for speculative purposes. It is also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure, including hedge funds or similar instruments.

VIII. INTEREST RATE RISK

As at 31 December 2022, the Group's bank borrowings were denominated in HKD, RMB and USD. Among the RMB-denominated bank borrowings of approximately HK\$2,661.76 million, approximately HK\$1,023.93 million was based on fixed interest rates and approximately HK\$1,637.83 million was based on floating interest rates. The HKD-denominated bank borrowings of HK\$500 million and USD-denominated bank borrowings of approximately HK\$5.25 million were based on floating interest rates.

As the global inflation rate swung high, the borrowing rates in different countries fluctuated. The floating interest rates in respect of Hong Kong Interbank Offered Rate (HIBOR) in Hong Kong escalated rapidly in 2022, while the loan prime rates ("LPR") in the PRC were adjusted downward in 2022.

Most of the Group's Leasing Receivables were accounted for using floating interest rates which were benchmarking to the prevailing LPR and effectively hedged against the interest rate risks arising from bank borrowings in the PRC.

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

IX. FOREIGN EXCHANGE RISK

During the year under review, the Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Fluctuation in the exchange rate of HKD against RMB may have an impact on the Group's results. As at 31 December 2022, the net assets of the Group's business in the PRC were approximately RMB2,845.17 million. According to Hong Kong Accounting Standards, such amount of net assets denominated in RMB will be converted at the exchange rate applicable as at the end of the reporting period. The Group's foreign exchange reserve decreased by approximately HK\$240 million during the year and impacted the Group's net assets as at 31 December 2022. The Group currently does not have any hedging measures against foreign exchange risks. However, the Group will continue to closely monitor the possible risks arising from currency fluctuations.

X. PLEDGE OF ASSETS

As at 31 December 2022, the Group's pledged bank deposits amounted to approximately HK\$61.71 million, representing a substantial increase compared to approximately HK\$4.41 million pledged as at 31 December 2021. The pledged bank deposits mainly included approximately HK\$57.63 million pledged as security for certain bills payables for leasing business (as at 31 December 2021: Nil), and approximately HK\$3.97 million (as at 31 December 2021: approximately HK\$4.28 million) pledged as security for banking facilities granted to mortgagors of the CCT-Champs-Elysees project.

As at 31 December 2022, the Leasing Receivables of the Group with an aggregate carrying value of approximately HK\$4,846.25 million (as at 31 December 2021: approximately HK\$3,906.59 million) were charged as security for the Group's ABS and bank borrowings with carrying amounts of approximately HK\$2,702.27 million (as at 31 December 2021: HK\$2,932.61 million) and HK\$2,661.76 million respectively (as at 31 December 2021: approximately HK\$981.46 million).

XI. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2022, the Group's capital commitments consisted of purchase of property, plant and equipment, which will be funded by its internal resources. Please refer to notes 15 and 16 to the financial statements in this announcement for details of the Group's contingent liabilities and capital commitments.

XII. FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

XIII. EVENT AFTER REPORTING PERIOD

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

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 31 December 2022, the Group employed a total of 254 employees (as at 31 December 2021: 278), of which 11 (as at 31 December 2021: 11) were based in Hong Kong and 243 (as at 31 December 2021: 267) were based in the PRC. During the year, the total staff costs of the Group (including directors' emoluments and provident funds) were approximately HK\$83.52 million. Employees' remunerations are determined in accordance with their experiences, competence, qualifications, nature of duties, and current market trend. Apart from basic salary, discretionary bonus and other incentives are offered to employees of the Group to reward their performance and contributions. The emoluments of the Directors are determined having regard to the Company's corporate goals, the individual performance of the Directors and their role and position (if any) in the group members of CCHG, the ultimate holding company of the Company.

The Company has adopted a share option scheme under which the Company may grant options to the Directors and eligible employees to subscribe for shares of the Company. The Company also had a share award scheme, under which shares of the Company could 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. The share award scheme has expired on 30 June 2022 and is currently under review.

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 abreast of the updates in the relevant laws, regulations and guidelines, 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 FY2022, 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 FY2022.

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 as set out in Appendix 14 to the Listing Rules for FY2022.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (“**Audit Committee**”) which comprises three independent non-executive Directors, namely Mr. Lee Man Chun, Tony (chairman of the Audit Committee), Professor Chang Qing and Professor He Jia, has reviewed the audited consolidated financial statements of the Company for FY2022.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the final dividend for FY2022, the register of members of the Company will be closed on Friday, 7 July 2023, on which day no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all completed share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 6 July 2023.

CHANGE OF AUDITORS

BDO Limited (“**BDO**”) has resigned as the auditors of the Company with effect from 25 November 2022. With the recommendation of the Audit Committee, the Board has resolved to appoint Baker Tilly Hong Kong Limited as the new auditors of the Company with effect from 25 November 2022 to fill the casual vacancy arising from the resignation of BDO and to hold office until the conclusion of the next annual general meeting of the Company.

Save as disclosed above, there was no other change in the auditors of the Company in any of the preceding three years.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED ON THE PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2022 as set out in this preliminary results announcement have been agreed by the Group’s auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong 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 of Hong Kong Limited at www.hkexnews.hk and the Company’s website at www.irasia.com/listco/hk/chengtong. The annual report of the Company for FY2022 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, 8 March 2023

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