CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

– Turnover for the six months ended 30 June 2020 amounted to approximately HK$527.04 million, representing an increase of approximately 4% as compared with that for the same period last year.

– Profit for the period attributable to owners of the Company amounted to approximately HK$14.92 million, representing a decrease of approximately 20% as compared with that for the same period last year.

– Consolidated gross profit margin was approximately 14%, representing an increase of approximately 3% as compared with that for the same period last year.

– Earnings per share was approximately HK0.26 cent, representing a decrease of approximately HK0.06 cent as compared with that for the same period last year.

– As at 30 June 2020, the cash (including pledged bank deposits, deposits in other financial institution, bank balances and cash) held by the Group amounted to approximately HK$683.13 million.

– As at 30 June 2020, the debt to equity ratio (expressed as interest-bearing loan divided by total equity) was approximately 10.8%, representing an increase of approximately 1.3% as compared with that as at 31 December 2019.

– The Board has resolved not to declare any interim dividend.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**527,035**	507,888
Cost of sales		**(453,497)**	(452,960)
Gross profit		**73,538**	54,928
Other income	*4*	**11,431**	27,575
Selling expenses		**(10,008)**	(7,937)
Administrative expenses		**(44,557)**	(41,553)
Gain on disposal of a subsidiary	*14*	**7,477**	–
Fair value loss on investment properties		**(4,631)**	–
Finance costs	*5*	**(3,908)**	(3,686)
Profit before income tax	*7*	**29,342**	29,327
Income tax expense	*6*	**(15,010)**	(12,145)
Profit for the period		**14,332**	17,182
Profit/(loss) for the period attributable to:			
Owners of the Company		**14,923**	18,733
Non-controlling interests		**(591)**	(1,551)
		14,332	17,182
Earnings per share for profit attributable to owners of the Company during the period	*9*	***HK cent***	*HK cent*
Basic and diluted		**0.26**	0.32

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June **2020** ***HK$'000***	 2019 *HK$'000*
Profit for the period	**14,332**	17,182
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss:		
Net change in fair value of equity investments at fair value through other comprehensive income	**(74,686)**	70,918
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	**(41,448)**	(184)
Exchange differences reclassified to profit or loss on disposal of a subsidiary	**(613)**	–
Total comprehensive income for the period	**(102,415)**	87,916
Total comprehensive income attributable to:		
Owners of the Company	**(99,937)**	89,453
Non-controlling interests	**(2,478)**	(1,537)
	(102,415)	87,916

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Unaudited At 30 June 2020 HK$'000	Audited At 31 December 2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**226,881**	241,834
Investment properties		**87,658**	93,939
Loans receivable	*10*	**1,000,670**	684,689
Other financial assets	*12*	**8,843**	4,267
		1,324,052	1,024,729
Current assets			
Properties held for sale		**40,276**	128,655
Properties under development		**172,588**	205,688
Properties held for development		–	260,661
Inventories		**11,087**	4,036
Trade and other receivables	*11*	**178,082**	136,054
Loans receivable	*10*	**508,350**	442,135
Amount due from a related party		**35,195**	34,431
Other financial assets	*12*	**242,029**	544,816
Taxation recoverable		**1,957**	1,846
Pledged bank deposits		**16,963**	4,462
Deposits in other financial institution		**64**	2,157
Bank balances and cash		**666,100**	732,356
		1,872,691	2,497,297
Assets classified as held for sale	*14*	**389,749**	78,635
		2,262,440	2,575,932

	Notes	Unaudited At 30 June 2020 HK$'000	Audited At 31 December 2019 HK$'000
Current liabilities			
Trade and other payables	*13*	**287,331**	173,648
Contract liabilities		**137,697**	134,637
Lease liabilities		**3,073**	3,528
Amount due to a related party		**17,784**	–
Amount due to a non-controlling shareholder of a subsidiary		**6,208**	–
Taxation payable		**17,285**	25,877
Bank borrowings		**276,300**	277,700
Unsecured other loan		**600**	600
		746,278	615,990
Liabilities associated with assets classified as held for sale	*14*	**4,196**	20,049
		750,474	636,039
Net current assets		**1,511,966**	1,939,893
Total assets less current liabilities		**2,836,018**	2,964,622
Non-current liabilities			
Lease liabilities		**5,059**	7,353
Deferred tax liabilities		**42,953**	43,053
		48,012	50,406
Net assets		**2,788,006**	2,914,216
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,185,876**	2,185,876
Reserves		**495,026**	594,963
		2,680,902	2,780,839
Non-controlling interests		**107,104**	133,377
Total equity		**2,788,006**	2,914,216

NOTES

For the six months ended 30 June 2020

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at 30 June 2020, the Company's immediate holding company is World Gain Holdings Limited, which is incorporated in the British Virgin Islands and the directors of the Company consider the Group's ultimate holding company to be China Chengtong Holdings Group Limited ("**CCHG**"), a company incorporated in the People's Republic of China (the "**PRC**").

The interim financial information is presented in Hong Kong Dollars ("**HK$**"), unless otherwise stated.

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

The interim financial information has been prepared with the same accounting policies adopted in the 2019 annual financial statements.

The interim financial information does not include all of the information required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

The financial information relating to the year ended 31 December 2019 that is included in the interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019 except as described below.

In the current interim period, the Group has adopted, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, which are relevant to and effective for the Group's financial year beginning on 1 January 2020:

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	*Interest Rate Benchmark Reform*
Revised Conceptual Framework	Amendments to References to the Conceptual Framework in HKFRS Standards

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

The HKICPA has issued a number of new or revised standards, interpretations and amendments to standards which are not effective for accounting period beginning on 1 January 2020 and the Group has not early adopted the rules.

3. TURNOVER AND SEGMENT INFORMATION

The information reported to the executive directors of the Company, being the chief operating decision makers for the purpose of resources allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. The Group's chief operating decision makers have identified the reportable segments of the Group as follows:

(1) Finance leasing — providing finance leasing services including arranging sale and leaseback transactions

(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

Segment revenue and results

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

	Finance leasing	Bulk commodity trade	Property development	Property investment	Marine recreation services and hotel	Total
	Unaudited For the six months ended 30 June 2020					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
Segment revenue						
– external sales and income	**59,752**	**443,771**	**17,812**	**699**	**5,001**	**527,035**
Results						
Segment results *(Note (a))*	**55,103**	**1,010**	**4,604**	**582**	**(13,886)**	**47,413**
Fair value loss on other financial assets measured at fair value through profit or loss ("**FVPL**")						**(176)**
Fair value loss on investment properties						**(4,631)**
Gain on disposal of a subsidiary						**7,477**
Unallocated finance costs						**(1,091)**
Unallocated corporate expenses						**(29,303)**
Unallocated corporate income						**9,653**
Profit before income tax						**29,342**

Note:

	Finance leasing	Bulk commodity trade	Property development	Property investment	Marine recreation services and hotel	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(a) Amounts included in measurement of segment results							
Interest income from deposits and other financial assets	**781**	**9**	**172**	**–**	**18**	**8,242**	**9,222**
Depreciation	**(40)**	**(2)**	**(19)**	**–**	**(7,877)**	**(2,970)**	**(10,908)**
Finance costs	**(2,490)**	**(212)**	**–**	**–**	**(115)**	**(1,091)**	**(3,908)**

	Unaudited For the six months ended 30 June 2019					
	Finance leasing	Bulk commodity trade	Property development	Property investment	Marine recreation services and hotel	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
Segment revenue						
– external sales and income	33,050	439,387	16,199	1,083	18,169	507,888
Results						
Segment results *(Note (a))*	28,227	471	3,681	927	(3,905)	29,401
Fair value gain on other financial assets measured at FVPL						404
Unallocated finance costs						(1,758)
Unallocated corporate expenses						(21,362)
Unallocated corporate income						22,642
Profit before income tax						29,327

Note:

	Finance leasing	Bulk commodity trade	Property development	Property investment	Marine recreation services and hotel	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(a) Amounts included in measurement of segment results							
Interest income from deposits and other financial assets	1,694	333	1,170	–	74	22,320	25,591
Depreciation	(77)	(428)	(17)	–	(6,999)	(1,701)	(9,222)
Finance costs	(1,702)	(57)	–	–	(169)	(1,758)	(3,686)

For the six months ended 30 June 2020 and 2019, unallocated corporate income mainly comprised interest income from deposits and other financial assets which are not directly attributable to the business activities of any operating segment.

For the six months ended 30 June 2020, unallocated corporate expenses mainly comprised staff costs, depreciation and legal and professional expenses of the Group's headquarter (for the six months ended 30 June 2019: mainly comprised staff costs and legal and professional expenses of the Group's headquarter) which are not directly attributable to the business activities of any operating segment.

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

Segment assets

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

	Unaudited At 30 June 2020 ***HK$'000***	Audited At 31 December 2019 *HK$'000*
Segment assets		
Finance leasing	**1,582,891**	1,267,759
Bulk commodity trade	**167,977**	173,417
Property development	**678,345**	684,739
Property investment*	**87,658**	93,939
Marine recreation services and hotel	**196,875**	211,142
Total segment assets	**2,713,746**	2,430,996
Unallocated		
– Other financial assets	**250,872**	549,083
– Deposits in other financial institution	**6**	6
– Bank balances and cash	**533,238**	526,160
– Other unallocated assets	**88,630**	94,416
Total assets	**3,586,492**	3,600,661

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

Set out below is the disaggregation of the Group's revenue for major services or products lines:

	Unaudited Six months ended 30 June	
	2020 ***HK$'000***	2019 *HK$'000*
Rental income	**699**	1,083
Sales of properties	**17,812**	16,199
Interest income from finance lease arrangements	**44,394**	24,913
Consultancy service income from finance lease arrangements	**15,358**	8,137
Bulk commodity trade	**443,771**	439,387
Marine recreation services and hotel	**5,001**	18,169
	527,035	507,888

4. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interest income from:		
– deposits and other financial assets	**9,222**	25,591
– a related party	**1,397**	–
	10,619	25,591
Fair value gain on other financial assets measured at FVPL	**–**	404
Gain on disposal of property, plant and equipment	**–**	195
Others	**812**	1,385
	11,431	27,575

5. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowings	**5,693**	5,318
Interest on loan from related parties	**697**	–
Interest on lease liabilities	**247**	226
	6,637	5,544
Less: Amounts capitalised on properties under development	**(2,729)**	(1,858)
	3,908	3,686

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong during the period. The subsidiaries established in the PRC are subject to enterprise income tax of 25%. The current tax for the period also included PRC land appreciation tax ("**LAT**"). The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Income tax expense comprises:		
Current tax	**14,283**	11,866
Deferred taxation	**727**	279
	15,010	12,145

7. PROFIT BEFORE INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Profit before income tax has been arrived at after charging/ (crediting):		
Depreciation:		
– property, plant and equipment (net of amount capitalised on properties under development)	**10,908**	9,222
Loss/(gain) on disposal of property, plant and equipment	**11**	(195)
Net impairment charge on financial assets	**57**	205
Exchange loss/(gain), net	**8,043**	(23)
Fair value loss/(gain) on other financial assets measured at FVPL	**176**	(404)
Expenses capitalised on properties under development:		
Depreciation	**5**	3
Finance costs	**2,729**	1,858
Staff costs	**1,219**	1,766

8. DIVIDENDS

The directors of the Company did not declare any interim dividend for the six months ended 30 June 2020 and 2019 and the Company did not recommend the payment of a dividend for the year ended 31 December 2019.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the earnings for the period attributable to owners of the Company of HK$14,923,000 (for the six months ended 30 June 2019: HK$18,733,000) and on the weighted average number of 5,796,985,000 (for the six months ended 30 June 2019: 5,796,985,000) ordinary shares in issue during the period excluding ordinary shares purchased by the Company for share award scheme.

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

10. LOANS RECEIVABLE

As at 30 June 2020, the Group had 25 (31 December 2019: 20) sale and leaseback agreements pursuant to which the customers (the "**lessees**") sold their equipment and facilities to the Group and leased back the equipment and facilities with the lease period of 2 to 6 years (31 December 2019: 1 to 6 years) from the date of inception. In addition, the ownership of the leased assets will be transferred to the lessees at a purchase option ranged from RMB1 to RMB10,000 (31 December 2019: ranged from RMB1 to RMB5,000) upon the settlement of the principal of 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. Rather, the arrangements have been accounted for as a secured loan and recognised as financial assets at amortised cost in accordance with HKFRS 9 Financial Instruments.

	Unaudited At 30 June 2020 *HK$'000*	Audited At 31 December 2019 *HK$'000*
Analysed for reporting purposes as:		
Current assets	**508,350**	442,135
Non-current assets	**1,000,670**	684,689
	1,509,020	1,126,824

As at 30 June 2020, effective interest rates ranged from approximately 4.90% to 8.77% (31 December 2019: 4.90% to 8.99%) per annum.

As at 30 June 2020, loans receivable of HK$24,144,000 had been past due (31 December 2019: HK$7,770,000). The loans receivable under the sale and leaseback arrangements are secured by the leased equipment and facilities. The Group has obtained guarantees provided by the related parties of the lessees under certain sale and leaseback arrangements. The Group is not permitted to sell or re-pledge the collateral 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, as at 30 June 2020, the loans receivable under certain sale and leaseback arrangements were secured by customers' deposits of HK$93,009,000 (31 December 2019: HK$80,784,000).

As at 30 June 2020, loss allowance of HK$122,000 was made against the gross amount of loans receivable (31 December 2019: HK$74,000).

11. TRADE AND OTHER RECEIVABLES

	Unaudited At 30 June 2020 *HK$'000*	Audited At 31 December 2019 *HK$'000*
Trade and bills receivables *(note a)*	**94,933**	710
Prepayments to suppliers	**44,045**	84,746
Other prepayments and deposits	**12,006**	16,673
Other receivables *(note b)*	**27,098**	33,925
	178,082	136,054

Notes:

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

As at 30 June 2020, trade and bills receivables mainly arose from bulk commodity trade business (31 December 2019: arose from marine recreation services and hotel business). For trade receivables, 30 days credit period was granted to customers. The bills receivables were due within 1 year.

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

As at 30 June 2020 and 31 December 2019, no loss allowance was made against the gross amount of trade and bills receivables.

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

	Unaudited At 30 June 2020 *HK$'000*	Audited At 31 December 2019 *HK$'000*
Within 90 days	**94,933**	710

(b) As at 30 June 2020, loss allowance of HK$185,000 (31 December 2019: HK$176,000) was made against the gross amount of other receivables.

12. OTHER FINANCIAL ASSETS

	Unaudited At 30 June 2020 *HK$'000*	Audited At 31 December 2019 *HK$'000*
Non-current:		
Financial assets measured at fair value through other comprehensive income ("FVOCI") (non-recycling)		
– Equity investments	**8,843**	4,267
Current:		
Financial assets measured at FVOCI (non-recycling)		
Equity investments		
– Shares listed in Hong Kong	**61,468**	134,620
Financial assets measured at FVPL		
– Shares listed in Hong Kong	**918**	1,040
– Unlisted investments	**146,780**	204,139
Financial assets at amortised cost		
– Structured bank deposits with interest ranging from 1.2% to 3.5% (2019: 3.5% to 3.9%) per annum	**32,863**	205,017
	242,029	544,816

13. TRADE AND OTHER PAYABLES

	Unaudited At 30 June 2020 *HK$'000*	Audited At 31 December 2019 *HK$'000*
Trade and bills payables *(note a)*	**100,536**	14,153
Other payables and accruals	**31,688**	40,560
Deposits received *(note b)*	**119,539**	80,784
Accrual of construction costs	**35,568**	38,151
	287,331	173,648

Notes:

(a) As at 30 June 2020, bills payables are secured by pledged bank deposits of HK$12,608,000 (31 December 2019: no bills payable).

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

	Unaudited At 30 June 2020 *HK$'000*	Audited At 31 December 2019 *HK$'000*
Within 1 year	**100,536**	11,306
Over 1 year but less than 2 years	**–**	–
Over 2 years but less than 3 years	**–**	2,847
	100,536	14,153

(b) As at 30 June 2020, deposits received represented:

— security deposits of HK$93,009,000 (2019: HK$80,784,000) arose from loans receivable (note 10). The deposits will be returned to the customers upon the settlement of the principal of loans receivable and the interest accrued under the contracts; and

— partial consideration received for the disposal of the entire equity interest of Chengtong Investment Group Limited ("**Chengtong Investment**") of HK$26,530,000. The disposal has not yet completed as at 30 June 2020 and the balance is non-interest bearing.

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

(a) On 26 June 2020, an ordinary resolution was passed in an extraordinary general meeting of the Company to approve the disposal of 100% of the equity interest of Chengtong Investment. The purchaser of this transaction is a wholly-owned subsidiary of CCHG, the ultimate holding company of the Company. The details of this transaction were set out in the circular of the Company dated 10 June 2020.

Chengtong Investment and its subsidiaries ("**Chengtong Investment Group**") are principally engaged in the business of property development in the PRC. As at 30 June 2020, the assets and liabilities attributable to Chengtong Investment Group, which were expected to be sold within twelve months from the reporting date, have been classified as assets classified as held for sale and liabilities associated with assets classified as held for sale and were presented separately in the condensed consolidated statement of financial position. Subsequent to the six months ended 30 June 2020, the disposal of Chengtong Investment was completed.

	Unaudited At 30 June 2020 ***HK$'000***
Assets classified as held for sale:	
Property, plant and equipment	**125**
Properties held for sale	**77,486**
Properties under development	**55,440**
Properties held for development	**255,965**
Trade and other receivables	**195**
Pledged bank deposits	**36**
Bank balances and cash	**502**
	389,749
Liabilities associated with assets classified as held for sale:	
Trade and other payables	**4,196**
	4,196

(b) 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 of this transaction is a non-wholly owned subsidiary of 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 condensed consolidated statement of financial position as at 30 June 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 were set out in the circular of the Company dated 6 December 2019.

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

	Unaudited
	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)**
Net assets disposed of	**49,121**
Total consideration – satisfied by cash	**27,377**
Gain on disposal of a subsidiary	
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 by Chengtong Energy during the transition period borne by the Group	**(1,499)**
Release of exchange reserve	**613**
Gain on disposal	**7,477**

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

	Audited At 31 December 2019 *HK$'000*
Assets classified as held for sale:	
Property, plant and equipment	1,326
Trade and other receivables	19,992
Bank balances and cash	57,317
	78,635
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
	20,049

15. CAPITAL COMMITMENTS

	Unaudited At 30 June 2020 ***HK$'000***	Audited At 31 December 2019 *HK$'000*
Contracted but not provided for		
Purchase of property, plant and equipment	**98**	250

16. CONTINGENT LIABILITIES

As at 30 June 2020, the Group had contingent liabilities in relation to guarantees of approximately HK$252,036,000 (31 December 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 are not accounted for in the interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

I. RESULTS AND DIVIDEND

For the six months ended 30 June 2020, the Group recorded a consolidated turnover of approximately HK$527.04 million (the corresponding period of last year: approximately HK$507.89 million), representing a year-on-year increase of approximately HK$19.15 million or approximately 4%. The increase in turnover was mainly due to a year-on-year increase in revenue from finance leasing business by approximately 81% to approximately HK$59.75 million (the corresponding period of last year: approximately HK$33.05 million). However, as seriously affected by the novel coronavirus disease 2019 ("**COVID-19**"), the Group's turnover from marine recreation services and hotel operation recorded a significant year-on-year decrease by approximately 72% to approximately HK$5.00 million (the corresponding period of last year: approximately HK$18.17 million).

For the six months ended 30 June 2020, the profit attributable to owners of the Company for the period amounted to approximately HK$14.92 million (the corresponding period of last year: approximately HK$18.73 million), representing a year-on-year decrease of approximately 20%. During the period under review, the Group completed the disposal of its 41% equity interest in Chengtong Energy, recording a gain on disposal of a subsidiary of approximately HK$7.48 million. Excluding the non-recurring gain on disposal of a subsidiary of approximately HK$7.48 million (the corresponding period of last year: nil) and the fair value loss on investment properties of approximately HK$4.63 million (the corresponding period of last year: nil), the profit before income tax for the first half of this year amounted to approximately HK$26.49 million (the corresponding period of last year: HK$29.33 million), representing a year-on-year decrease of approximately 10%, which was mainly due to a year-on-year decrease in other income by approximately 59% to approximately HK$11.43 million (the corresponding period of last year: approximately HK$27.58 million) and a year-on-year increase in selling expenses and administrative expenses by approximately 10% to approximately HK$54.57 million in aggregate (the corresponding period of last year: approximately HK$49.49 million). However, benefiting from the increase in revenue from finance leasing business, the consolidated gross profit increased by approximately 34% year-on-year to approximately HK$73.54 million (the corresponding period of last year: approximately HK$54.93 million), which partially offset the impacts from the decrease in other income and the year-on-year increase in selling expenses and administrative expenses.

II. BUSINESS REVIEW

Segment Revenue and Results

The revenue of the Group was derived from the five business segments, including finance 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) Finance Leasing

The Group has formulated finance leasing as the major direction of its future business development, and has determined that the operating strategies of the Group's wholly-owned subsidiary, Chengtong Financial Leasing Company Limited ("**Chengtong Financial 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 Financial Leasing. In the first half of the year, the Group leveraged on the existing resources to rapidly expand the scale of its finance leasing business and has completed a number of new domestic finance leasing projects in the PRC which mainly focused on business sectors such as energy saving and environment protection, public utilities, transport and logistics. In the meantime, in response to the operation 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 centers), 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.

With regard to industry supervision, the China Banking and Insurance Regulatory Commission officially issued the "Interim Measures for Supervision and Administration of Financial Leasing Companies" (《融資租賃公司監督管理暫行辦法》) on 9 June this year, defining a number of regulations on the degree of concentration of single group client financing and leverage multiple in the operation of finance leasing business. The issue of new regulatory stipulations will further guide the standards and healthy development of the finance leasing industry. Meanwhile, it will also speed up the reshuffle of the industry, further increasing the concentration level of the industry. Large scale finance leasing companies with sufficient capital and with strong capability in assets pricing and management will have their competitive edge. Chengtong Financial Leasing will comply with the regulatory requirements and will further enhance its compliance management, further strengthen its capital basis, develop more financing channels, improve leverage level and rapidly expand its business scale.

As at 30 June 2020, the loans receivable from finance leasing amounted to approximately HK$1,509.02 million, representing an increase of approximately 34% from loans receivable of approximately HK$1,126.82 million as at 31 December 2019. In addition, with the completion of several financing consultancy projects in the first half of the year, the turnover from finance leasing business increased by approximately 81% to approximately HK$59.75 million (the corresponding period of last year: approximately HK$33.05 million). The profit before tax was approximately HK$55.10 million (the corresponding period of last year: approximately HK$28.23 million), representing a year-on-year increase of approximately 95%, which was mainly due to: (i) the completion of a number of new leasing projects which contributed to a year-on-year increase of approximately HK$26.70 million in sales revenue, resulting in a year-on-year increase in interest income of approximately 78% to approximately HK$44.39 million (the corresponding period of last year: approximately HK$24.91 million) and a year-on-year increase in the revenue from financing consultancy service of approximately 89% to approximately HK$15.36 million (the corresponding period of last year: approximately HK$8.14 million); (ii) a year-on-year decrease in the administrative expenses by approximately 43% to approximately HK$3.17 million (the corresponding period of last year: approximately HK$5.60 million) due to the Group's continual enhanced efforts in costs control during the epidemic; (iii) a year-on-year decrease in the interest on bank deposits by approximately 54% to approximately HK$0.78 million (the corresponding period of last year: approximately HK$1.69 million) as a result of the decrease in bank deposits while increasing loans receivable with a higher yield; and (iv) a year-on-year increase in the finance costs by approximately 46% to approximately HK$2.49 million (the corresponding period of last year: approximately HK$1.70 million) resulting from increasing bank loans to finance the increase in loans receivable.

(2) Bulk Commodity Trade

During the period under review, the turnover from bulk commodity trade business segment was approximately HK$443.77 million (the corresponding period of last year: approximately HK$439.39 million), representing a year-on-year increase of approximately 1%. Segment profit before tax was approximately HK$1.01 million (the corresponding period of last year: approximately HK$0.47 million), representing a year-on-year increase of approximately 115%. 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 period under review, the Group has commenced international trading of bulk commodities. Given the uncertainties during the epidemic, the Group strictly selected upstream and downstream customers and required their letter of credit issuing banks to be mainstream banks in order to reduce credit risks. During the period under review, the sales volume of chemical products, steel and coal was approximately 100,000 tons, 31,000 tons and 32,000 tons respectively. The turnover of chemical products, steel and coal was approximately HK$122.04 million, HK$107.81 million and HK$25.61 million respectively, and the total turnover amounted to approximately HK$255.46 million (the corresponding period of last year: nil). Gross profit was approximately HK$2.44 million, together with other income of approximately HK$0.07 million, and net of selling expenses, administrative expenses and finance costs of approximately HK$1.56 million in total, the profit before tax was approximately HK$0.95 million (the corresponding period of last year: nil).

2.2 Domestic Trade:

i Trading of Steel:

During the period under review, the COVID-19 epidemic had a significant negative impact on domestic trade business in the PRC, which resulted in a decrease in the sales volume of domestic steel trading by approximately 37% year-on-year to approximately 37,000 tons (the corresponding period of last year: 59,000 tons), and a turnover of approximately HK$121.87 million (the corresponding period of last year: approximately HK$220.85 million), representing a year-on-year decrease of approximately 45%. In addition, the average unit selling price of steel decreased by approximately 10% from approximately RMB3,271 per ton in the corresponding period of last year to approximately RMB2,956 per ton during the period under review, which reduced the gross profit by approximately 64% year-on-year to approximately HK$1.32 million (the corresponding period of last year: approximately HK$3.67 million). Due to the decrease in turnover, the selling expenses decreased by approximately 50% year-on-year to approximately HK$1.19 million (the corresponding period of last year: approximately HK$2.36 million). The profit before tax was approximately HK$0.13 million (the corresponding period of last year: approximately HK$1.32 million), representing a year-on-year decrease of approximately 90%.

ii *Trading of Coal:*

During the period under review, the sales volume of coal trading was approximately 82,000 tons (the corresponding period of last year: approximately 320,000 tons), representing a year-on-year decrease of approximately 74%. The turnover was approximately HK$66.44 million (the corresponding period of last year: approximately HK$218.54 million), representing a year-on-year decrease of approximately 70%. The average unit selling price increased by approximately 22% from approximately RMB593 per ton in the corresponding period of last year to approximately RMB726 per ton during the period under review. However, due to the decrease in sales volume, the gross profit decreased by approximately 25% year-on-year to approximately HK$0.48 million (the corresponding period of last year: approximately HK$0.64 million). The loss before tax was approximately HK$0.07 million (the corresponding period of last year: loss of approximately HK$0.85 million), representing a year-on-year decrease of approximately 92%, which was mainly due to a decrease in administrative expenses.

On 12 November 2019, the Group entered into an equity transfer agreement with its related party, 中國誠通國際貿易有限公司 (unofficial English translation being China Chengtong International Co., Ltd.) ("**China Chengtong International**"), to dispose of its 41% equity interest in Chengtong Energy and gradually exit from the domestic trading of coal business. For details of the disposal of the aforementioned subsidiary, please refer to note 14(b) in this announcement and paragraph (1) under the sub-section headed "III. Disposal of Subsidiaries" in this announcement.

(3) Property Development

During the period under review, the Group had two property development projects, namely, the "CCT-Champs-Elysees" and "Chengtong International City" located in Zhucheng City of Shandong Province and in Dafeng District, Yancheng City of Jiangsu Province of the PRC respectively. During the period under review, the turnover from the property development segment was approximately HK$17.81

million (the corresponding period of last year: approximately HK$16.20 million), and the segment profit before tax was approximately HK$4.60 million (the corresponding period of last year: approximately HK$3.68 million), representing a year-on-year increase of approximately 10% and 25% respectively. Details of the two aforementioned projects 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 period under review, the turnover was less affected by the epidemic. The sales revenue of the project was approximately HK$17.81 million (the corresponding period of last year: approximately HK$16.20 million), representing a year-on-year increase of approximately 10%. The average unit selling price per square metre was approximately RMB6,893 (the corresponding period of last year: approximately RMB6,550), representing a year-on-year increase of approximately 5%. Due to the increase in average unit selling price per square metre, the gross profit increased by approximately 26% from approximately HK$7.03 million for the corresponding period of last year to approximately HK$8.85 million. However, given a year-on-year decrease in bank interests and other income by approximately 89% to approximately HK$0.14 million (the corresponding period of last year: approximately HK$1.24 million), and a year-on-year increase in selling expenses and administrative expenses by approximately 10% to approximately HK$3.46 million in aggregate (the corresponding period of last year: approximately HK$3.15 million), the impact on the profit brought by the year-on-year increase in gross profit was partially offset. The profit before tax was approximately HK$5.54 million (the corresponding period of last year: approximately HK$5.12 million), representing a year-on-year increase of approximately 8%.

As at 30 June 2020, the completed and unsold area of the CCT-Champs-Elysees project included residential area of approximately 8,389 square metres (as at 31 December 2019: approximately 10,483 square metres) and commercial area 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 construction and marketing of the CCT-Champs-Elysees project according to its plan. It is expected that the entire project will be completed and delivered in 2023.

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

During the period under review, the Group held 66.67% 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, Yacheng City, Jiangsu Province, the PRC with a total site area of approximately 118,974 square metres. During the period under review, no sales revenue was recorded from the project. The loss before tax was approximately HK$0.94 million (the corresponding period of last year: loss of approximately HK$1.44 million), representing a year-on-year decrease of approximately 35%, which was mainly due to a year-on-year decrease in the administrative expenses by approximately 34% to approximately HK$0.94 million (the corresponding period of last year: approximately HK$1.42 million) as the Group continued to exercise costs control during the epidemic.

On 5 May 2020, the Group entered into an equity transfer agreement with its related party, China Chengtong Hong Kong Company Limited ("**CCHK**"), a wholly-owned subsidiary of CCHG, to dispose of the entire equity interests in Chengtong Investment, thereby indirectly disposing of the Group's interest in Chengtong International City. The disposal was completed on 24 July 2020. For details of the aforesaid disposal, please refer to note 14(a) and paragraph (2) under the sub-section headed "III. Disposal of Subsidiaries" in this announcement.

(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 at 30 June 2020, the actual leased area of the properties was approximately 6,680 square metres (as at 31 December 2019: approximately 6,680 square metres). As affected by the COVID-19 epidemic, rental income decreased by approximately 35% year-on-year to approximately HK$0.70 million (the corresponding period of last year: approximately HK$1.08 million). The profit before tax was approximately HK$0.58 million (the corresponding period of last year: approximately HK$0.93 million), representing a year-on-year decrease of approximately 38%.

(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. During the period under review, as affected by the COVID-19 epidemic and the suspension of inter-province travels introduced by the state, the tourism business operation in Hainan became difficult. The turnover and results of the three businesses are set out below:

(i) Marine Recreation Services

The number of visitors received in marine recreation services business was approximately 20,000, representing a decrease by approximately 82% as compared to the corresponding period of last year. In addition to that, the Group actively responded to the urge of the state and granted rental reduction or exemption to various cooperating contractors for two or three months during the epidemic which amounted to approximately HK$1.09 million in total, resulting in a decrease in turnover by approximately 80% year-on-year. The Group adopted counter measures in response to the change of operating environment resulting from the epidemic, effectively reducing the cost of sales, selling expenses and administrative expenses by approximately HK$12.82 million in total, representing a year-on-year decrease of approximately 29%. As there is a significant decrease in turnover as compared to the corresponding period of last year, the loss before tax increased by approximately HK$8.80 million year-on-year to approximately HK$8.90 million (the corresponding period of last year: loss of approximately HK$0.10 million).

(ii) Hotel Operation:

The sales revenue of the hotel operation amounted to approximately HK$1.32 million, while no sales revenue was recorded for the corresponding period of last year as the hotel room renovation had not been completed. Though the Group has strengthened its costs control during the epidemic, the cost of sales, selling expenses and administrative expenses amounted to approximately HK$6.13 million in total, representing a year-on-year increase of approximately 70%, which was mainly due to the suspension of hotel operation for renovation in the corresponding period of last year. Due to the fact that turnover was seriously affected by the epidemic, the loss before tax amounted to approximately HK$4.75 million, representing a year-on-year increase of approximately 32%.

(iii) Travelling Agency Business:

During the period under review, the turnover of the travelling agency business was approximately HK$0.09 million, representing a year-on-year increase of approximately 80%. The loss before tax was approximately HK$0.24 million, representing a year-on-year increase of approximately 14%, which was mainly attributable to the year-on-year decrease in bank interests and other income.

The above three businesses contributed a total segment turnover of approximately HK$5.00 million to the Group (the corresponding period of last year: approximately HK$18.17 million), representing a year-on-year decrease of approximately 72%. The segment loss before tax amounted to approximately HK$13.89 million (the corresponding period of last year: loss of approximately HK$3.91 million), representing a year-on-year increase of approximately HK$9.98 million.

Other Income

Other income mainly included interest income from deposits and other financial assets of approximately HK$9.22 million (the corresponding period of last year: approximately HK$25.59 million). The aggregate amount of other income was approximately HK$11.43 million (the corresponding period of last year: approximately HK$27.58 million), representing a year-on-year decrease of approximately 59%, which was mainly due to the year-on-year decrease in interest income from deposits and other financial assets by approximately 64% to approximately HK$9.22 million (the corresponding period of last year: approximately HK$25.59 million) as the Group reduced bank deposits and other financial assets so as to increase loans receivable from finance leasing business which generate a higher yield.

Selling and Administrative Expenses

During the period under review, the selling expenses amounted to approximately HK$10.01 million (the corresponding period of last year: approximately HK$7.94 million), representing a year-on-year increase of approximately 26%. This was mainly due to the suspension of hotel rooms for the marine recreation services and hotel business during the corresponding period of last year, resulting in the saving of related costs and expenses, while the re-opening of the hotel business during the period under review caused an increase in labour costs and depreciation expenses.

During the period under review, the administrative expenses increased by approximately 7% year-on-year to approximately HK$44.56 million (the corresponding period of last year: approximately HK$41.55 million), which was mainly due to an exchange loss of approximately HK$8.04 million (the corresponding period of last year: exchange gain of approximately HK$0.02 million) resulting from the depreciation of RMB-denominated assets during the period under review. On the other hand, the Group proactively controlled costs, thereby reducing labour costs by approximately HK$2.10 million to approximately HK$22.70 million as compared to the corresponding period of last year. In addition, the state reduced or exempted land use tax and property tax due to the epidemic, resulting in a year-on-year decrease in the relevant tax expenses by approximately HK$0.92 million to approximately HK$0.71 million. Furthermore, the severe epidemic resulted in fewer employee business trips during the period, leading to a year-on-year decrease in traveling expenses by approximately HK$0.84 million to approximately HK$0.47 million. These have partially offset the impact caused by the exchange loss to the increase in administrative expenses.

Finance Costs

During the period under review, the finance costs consisted of interest on bank borrowings of approximately HK$5.69 million (the corresponding period of last year: approximately HK$5.32 million), interest on loan from related parties of approximately HK$0.70 million (the corresponding period of last year: nil), and interest on lease liabilities of approximately HK$0.25 million (the corresponding period of last year: approximately HK$0.23 million). Total finance costs amounted to approximately HK$6.64 million (the corresponding period of last year: approximately HK$5.55 million), representing a year-on-year increase of approximately 20%. Having capitalised the finance costs of approximately HK$2.73 million (the corresponding period of last year: approximately HK$1.86 million) during the period under review, the net finance costs were approximately HK$3.91 million (the corresponding period of last year: approximately HK$3.69 million), representing a year-on-year increase of approximately 6%.

III. DISPOSAL OF SUBSIDIARIES

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

(1) The Group gradually exited from the domestic trading of coal 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 being Chengtong Development Trading Co., Limited), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with China Chengtong International, a non-wholly owned subsidiary of CCHG, to dispose of 41% equity interest in Chengtong Energy at a consideration of approximately RMB24.66 million (equivalent to approximately HK$27.38 million). A gain of approximately HK$7.48 million was recorded from the disposal of interest in such subsidiary. Upon completion of the equity transfer on 28 February 2020, the Group only retained 10% equity interest in Chengtong Energy which ceased to be a subsidiary of the Company. For further 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 exit from the existing property development projects. On 5 May 2020, the Company entered into an equity transfer agreement with CCHK, a wholly-owned subsidiary of CCHG, to dispose of the entire equity interest in Chengtong Investment, thereby indirectly disposing of the Company's interest in 誠通大豐海港開發有限公司 (unofficial English translation being Chengtong Dafeng Harbour Development Limited) ("**Dafeng Harbour**"), which owns the project of Chengtong International City in Jiangsu Province of the PRC, at a consideration of RMB241,185,500 (equivalent to approximately HK$265,304,000). For further details, please refer to the announcement of the Company dated 5 May 2020 and the circular of the Company dated 10 June 2020. As at 30 June 2020, as the above equity transfer had not been completed, the relevant assets and liabilities were disclosed as "assets classified as held for sale" of approximately HK$389.75 million and "liabilities associated with assets classified as held for sale" of approximately HK$4.20 million in the condensed consolidated statement of financial position of the Company. 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.

IV. OUTLOOK

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

In respect of finance leasing, the Group will consolidate the existing resources in expanding finance leasing business. In the first half of the year, Chengtong Financial Leasing has recruited a senior management team with extensive industry experience and completed investment in several projects and hit a record high in terms of both investment scale and operating benefits. In the second half of the year, Chengtong Financial Leasing will continue to strengthen efforts in recruiting more professional staff and further increase its capital strength in response to business development needs. Under the premise of strict control over operational risks, Chengtong Financial Leasing will rapidly expand the scale of the finance leasing business. The Group will fully leverage on the strengths of the background of its ultimate controlling shareholder, aiming to develop Chengtong Financial Leasing into a finance leasing company with notable scale, distinctive business features, well-established internal control, leading integrated efficiency and an influential member of the industry as soon as possible.

With respect to bulk commodity trade, the Group's subsidiary, Chengtong World Trade Limited, actively seeks to develop the market in business sectors such as ferrous metal, oil and gas, and chemicals to form another core business of the Group.

In relation to property development and property investment, the Group's overall strategy is to exit the existing property development projects and recover cash resources to serve the Group's strategic transformation. In the first half of the year, 諸城鳳凰置地有限公司 (unofficial English translation being Zhucheng Phoenix Landmark Company Limited) has speeded up the construction of new sections of the projects as well as the sale of housing inventory with the intention to exit the project upon completion of its final development. In addition, the transfer of the Dafeng project in Jiangsu Province to the Company's controlling shareholder was completed on 24 July 2020.

Regarding marine recreation services and hotel, as affected by the epidemic in the first half of the year, the tourism industry in Hainan declined sharply. As the state released the favourable news in July this year that low-risk inter-province travels would be allowed, the Group will strengthen its marketing efforts, continuously expand sales channels, promote the popularity of scenic spots and the Group's hotels to increase the revenue in the second half of the year.

V. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As the COVID-19 epidemic 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 30 June 2020, the equity attributable to owners of the Company amounted to approximately HK$2,680.90 million (as at 31 December 2019: approximately HK$2,780.84 million), representing a decrease of approximately 4% as compared with the equity attributable to owners of the Company as at 31 December 2019.

As at 30 June 2020, the total assets of the Group amounted to approximately HK$3,586.49 million, representing a decrease of approximately 0.4% as compared to the total assets as at 31 December 2019. The total current assets of the Group was approximately HK$2,262.44 million, accounting for approximately 63% of the total assets and representing a decrease by approximately 12% as compared to the total current assets as at 31 December 2019, which was mainly due to the Group's reduction of bank deposits and other financial assets for an increase in high-yield loans receivable of finance leasing business of approximately HK$315.98 million under non-current assets during the period under review. The total non-current assets of the Group amounted to approximately HK$1,324.05 million, accounting for approximately 37% of the total assets and representing an increase of approximately 29% as compared to the total non-current assets as at 31 December 2019, which was mainly due to an increase in loans receivable of finance leasing business.

As at 30 June 2020, the total liabilities of the Group amounted to approximately HK$798.49 million, representing an increase of approximately 16% as compared to the total liabilities as at 31 December 2019, which was mainly due to an increase by approximately HK$93.72 million in bills payable of current liabilities resulted from the Group's international trading of bulk commodities during the period under review.

The total non-current liabilities of the Group amounted to approximately HK$48.01 million, accounting for approximately 6% of the total liabilities and representing a decrease of approximately 5% as compared to the total non-current liabilities as at 31 December 2019. The total current liabilities of the Group amounted to approximately HK$750.47 million, accounting for approximately 94% of the total liabilities and representing an increase of approximately 18% as compared to the total current liabilities as at 31 December 2019, which was mainly due to an increase in bills payable related to international trading of bulk commodities during the period. The current ratio (calculated as total current assets over total current liabilities) was approximately 3.0 times, representing a decrease of approximately 1.0 time as compared to the current ratio of approximately 4.0 times as at 31 December 2019. This shows that 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 to be able to cope with the possible impacts on the financial position of the Group from the ongoing COVID-19 epidemic.

As at 30 June 2020, the Group had cash and deposits (including pledged bank deposits, deposits in other financial institution and bank balances and cash) of approximately HK$683.13 million, primarily denominated in RMB, HKD and the United States dollars and accounting for approximately 19% and 25% of the total assets and the net assets respectively, and representing a decrease of approximately HK$55.85 million as compared to that as at 31 December 2019, which was mainly due to the fact that the Group reduced bank balances and cash during the period under review for an increase of loans receivable with a higher yield from finance leasing business. As at 30 June 2020, the bank borrowings of the Group amounted to approximately HK$276.30 million, representing a decrease of approximately 1% as compared to the bank borrowings as at 31 December 2019 of approximately HK$277.70 million. Bank borrowings of approximately HK$76.30 million were denominated in RMB with a term of one year and the remaining balance of HK$200 million was a revolving loan denominated in HKD with the final repayment date to be due at the end of June 2021. The effective interest rates of the bank borrowings ranged from approximately 3.11% to approximately 5.66% per annum. For the period under review, the interest coverage ratio (as calculated by dividing consolidated profit before income tax and finance costs by finance costs) was approximately 8.5 times (the corresponding period of last year: approximately 9.0 times), representing a year-on-year decrease of approximately 6%, which indicated that the Group's finance costs remained at a low level relative to the profit for the period under review.

VI. DEBT TO EQUITY RATIO

The debt to equity ratio (calculated by dividing total interest-bearing loans by total equity) as at 30 June 2020 was approximately 10.8%, representing an increase of approximately 1.3% as compared to the debt to equity ratio of approximately 9.5% as at 31 December 2019, which indicated a stable financial position and a low liability level of the Group.

VII. SIGNIFICANT INVESTMENTS

Details of the significant investments in the portfolio under other financial assets as at 30 June 2020 are as follows:

Description of investment	Approximate interest rate per annum	Approximate investment cost as at 30 June 2020	Fair value as at 30 June 2020 *(HK$'000)*	Approximate percentage to the Group's total assets as at 30 June 2020	Fair value loss in the first half of 2020 *(HK$'000)*
254,000,000 shares in Honghua Group Limited (Stock code: 196) *(Note 1)*	N/A	HK$195,580,000	61,468	1.7%	73,152 *(Note 2)*
Unlisted trust schemes and wealth management products managed by domestic banks in the PRC *(Note 3)*	5.0%–9.5%	RMB133,823,000	146,780	4.1%	53 *(Note 4)*
Interest bearing structured bank deposits in the PRC	1.2%–3.5%	RMB30,150,000	32,863	0.9%	–

Note 1: The principal businesses of Honghua Group Limited and its subsidiaries are developing, manufacturing and selling drilling rigs, rig parts and components and providing after-sales services. The Group held 254,000,000 shares of Honghua Group Limited, representing approximately 4.7% of the total issued shares of Honghua Group Limited as at 30 June 2020. During the period under review, the Group did not receive any dividend income from Honghua Group Limited.

Note 2: This financial asset is measured at FVOCI (non-recycling).

Note 3: These comprised a total of three unlisted trust schemes and wealth management products managed by domestic banks in the PRC.

Note 4: This financial asset is measured at FVPL.

For details of the Group's other financial assets, please refer to note 12 in this announcement. Looking ahead, the Group anticipates to receive investment income from these investments and intends to actively explore other potential investment opportunities 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 United States dollars, which exposes the Group to foreign currency risks. The HKD-denominated bank borrowings of the Group of HK$200 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 as and when appropriate for risk management and hedging purposes with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative financing transactions for speculative purposes. It is also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure including hedge funds or similar instruments.

IX. INTEREST RATE RISK

As at 30 June 2020, the Group's bank borrowings were denominated in HKD and RMB, of which the RMB-denominated bank borrowings of approximately HK$76.30 million were based on fixed interest rates, and the HKD-denominated borrowings of HK$200 million were based on floating interest rates. The floating interest rates are stable at a low level because the banks in Hong Kong have sufficient capital and strong liquidity and there is no urgent need to increase the interest rates. Although currently the Group does not have any hedging measures against such interest rate risks, the Group will continue to closely monitor the risks arising from such interest rate fluctuation. When interest rate rises, hedging instruments may be used in due course against the interest rate risks caused by the HKD-denominated bank borrowings which are based on floating interest rates.

X. FOREIGN EXCHANGE RISK

During the period under review, the Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Any fluctuation in the exchange rate of HKD against RMB may have an impact on the Group's results. As at 30 June 2020, the net assets of the Group's business within the territory of the PRC were approximately RMB1,976.50 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 decrease in foreign exchange reserve of the Group by approximately HK$39.56 million as a result of the depreciation of RMB during the period under review, there had been a decrease in net assets of the Group as at 30 June 2020. Although foreign currency fluctuations did not pose significant risks to the Group during the period under review and the Group does not have any hedging measures against such exchange risks currently, the Group will continue to closely monitor the risks arising from such currency fluctuations.

XI. PLEDGE OF ASSETS

As at 30 June 2020, the pledged bank deposits of the Group in the sum of approximately HK$4.08 million (as at 31 December 2019: approximately HK$4.19 million) were pledged as security for banking facilities granted to mortgagors. The remaining balance of approximately HK$12.88 million of the Group's pledged bank deposit (as at 31 December 2019: approximately HK$0.27 million) was guaranteed deposits.

XII. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2020, the Group's capital commitments consisted of purchase of property, plant and equipment, which will be funded by internal resources of the Group. Please refer to notes 15 and 16 in this announcement for details of the capital commitments and contingent liabilities of the Group.

XIII. HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2020, the Group employed a total of 267 employees (as at 31 December 2019: 291), of which 12 (as at 31 December 2019: 12) were based in Hong Kong and 255 (as at 31 December 2019: 279) were based in Mainland China. During the period under review, the total staff costs of the Group (including directors' emoluments and provident funds) were approximately HK$28.00 million. Employees' remunerations are determined in accordance with the employees' experiences, competence, qualifications, nature of duties, and current market trend so as to maintain competitiveness. Apart from basic salary, discretionary bonus and other incentives are offered to the employees of the Group as a reward for their performance and contributions. The emoluments of the directors of the Company ("**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 of Directors ("**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 programs 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 Rules Governing the Listing of Securities on the Stock Exchange ("**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 six months ended 30 June 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 standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model**

Code") as set out in Appendix 10 to the 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 six months ended 30 June 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 six months ended 30 June 2020.

The Company periodically reviews its corporate governance practices to ensure those continue to meet the requirements of the CG Code, and acknowledges the important role of the Board in providing effective leadership and direction to the Group's business, and ensuring operational transparency and accountability.

REVIEW OF ACCOUNTS

The Board is of the view that the disclosure of financial information in this announcement complies with Appendix 16 to the Listing Rules. The audit committee of the Company has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2020, which has also been reviewed by the Company's auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/chengtong. The 2020 interim report of the Company will be available on both websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 25 August 2020

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.