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 2023

FINANCIAL HIGHLIGHTS

- Revenue for the Review Period decreased by 22% to approximately HK$372.82 million as the Group focused on the development of the leasing business during the Review Period and has suspended the bulk commodity trading activities from early 2023.

- Gross profit for the Review Period increased by approximately HK$31.24 million or 29% as the scale of the leasing business continued to expand and the marine recreation services and hotel business has gradually recovered.

- The total of selling and administrative expenses decreased by approximately HK$7.10 million which were mainly attributable to the effective cost control measures.

- Consolidated profit before and after tax for the Review Period increased and amounted to approximately HK$69.61 million and approximately HK$38.91 million respectively.

- The financial position of the Group remained stable as at 30 June 2023 with total assets of approximately HK$10,862.88 million. The net assets were slightly reduced to approximately HK$2,781.23 million which was mainly due to the impact of RMB depreciation against HKD on the Group's foreign exchange reserve.

- Interest coverage ratio (calculated by dividing consolidated profit before tax and finance costs (EBIT) by finance costs) remained sound which was approximately 6 times as at 30 June 2023.

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

The board ("**Board**") of directors ("**Directors**") of China Chengtong Development Group Limited ("**Company**") would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**372,817**	476,167
Cost of revenue		**(234,706)**	(369,298)
Gross profit and net interest income		**138,111**	106,869
Other income and gains, net	*5*	**10,065**	10,314
Selling expenses		**(5,806)**	(7,386)
Administrative expenses		**(57,038)**	(62,557)
Fair value loss on investment properties		**(707)**	(2,009)
Finance costs	*6*	**(15,017)**	(4,789)
Profit before tax	*8*	**69,608**	40,442
Income tax expense	*7*	**(30,703)**	(18,684)
Profit for the period		**38,905**	21,758
Profit for the period attributable to:			
Owners of the Company		**38,741**	21,082
Non-controlling interests		**164**	676
		38,905	21,758
Earnings per share			
Basic and diluted	*10*	**HK0.65 cent**	HK0.35 cent

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2023

	Unaudited Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Profit for the period	**38,905**	21,758
Other comprehensive expense		
Item that will not be reclassified to profit or loss:		
Net change in fair value of equity investments at fair value through other comprehensive income	**(30,291)**	(6,700)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(139,371)**	(132,886)
Total comprehensive expense for the period	**(130,757)**	(117,828)
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(130,921)**	(118,504)
Non-controlling interests	**164**	676
	(130,757)	(117,828)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	**Unaudited At 30 June 2023 *HK$'000***	Audited At 31 December 2022 *HK$'000* (Re-presented)
Non-current assets			
Property, plant and equipment		**615,854**	702,054
Investment properties		**80,655**	85,096
Finance lease receivables and loans receivable	*11*	**5,623,487**	4,989,666
Other financial assets		**6,267**	8,477
Deferred tax assets		**3,783**	3,958
		6,330,046	5,789,251
Current assets			
Properties held for sale		**32,128**	63,927
Properties under development		**182,124**	182,767
Inventories		**4,077**	6,861
Trade and other receivables	*12*	**70,873**	108,326
Finance lease receivables and loans receivable	*11*	**3,400,222**	3,227,908
Loans to related parties		**32,400**	33,900
Other financial assets		**32,512**	60,706
Tax recoverable		**1,636**	1,528
Pledged bank deposits		**4,878**	61,709
Bank balances and cash		**771,980**	472,852
		4,532,830	4,220,484
Current liabilities			
Trade and other payables	*13*	**224,083**	390,232
Contract liabilities		**141,290**	139,246
Lease liabilities		**1,030**	3,874
Tax payables		**23,128**	25,699
Bank borrowings		**2,347,258**	1,969,931
Asset-backed securities	*14*	**1,521,710**	1,472,916
Unsecured other loan		**600**	600
Loans from related parties		**140,400**	101,700
		4,399,499	4,104,198
Net current assets		**133,331**	116,286
Total assets less current liabilities		**6,463,377**	5,905,537

	Notes	Unaudited At 30 June 2023 HK$'000	Audited At 31 December 2022 HK$'000 (Re-presented)
Non-current liabilities			
Lease liabilities		**3,518**	4,399
Bank borrowings		**1,692,607**	1,197,074
Asset-backed securities	*14*	**1,601,737**	1,229,353
Loans from related parties		**27,000**	237,300
Other payables	*13*	**306,210**	252,529
Deferred tax liabilities		**51,074**	49,632
		3,682,146	2,970,287
Net assets		**2,781,231**	2,935,250
Capital and reserves			
Share capital		**2,214,624**	2,214,624
Reserves		**558,122**	712,305
Equity attributable to owners of the Company		**2,772,746**	2,926,929
Non-controlling interests		**8,485**	8,321
Total equity		**2,781,231**	2,935,250

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "**Interim Financial Reporting**" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Other than additional/change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the annual consolidated financial statements of the Group for the year ended 31 December 2022.

2 APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's financial period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

3 REVENUE

Disaggregation of the Group's revenue from contracts with customers

	Unaudited				
	For the six months ended 30 June 2023				
Segments	**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	–	–	41,367	–	41,367
– steel and chemical products	–	13,641	–	–	13,641
Consultancy service income from leasing arrangements	21,479	–	–	–	21,479
Marine recreation, hotel and travel agency services income	–	–	–	19,030	19,030
Revenue from contracts with customers	21,479	13,641	41,367	19,030	95,517
Rental income from investment properties	–	–	1,407	–	1,407
Rental income under operating lease in respect of owned machineries and equipment	66,352	–	–	–	66,352
Interest income from loans receivable	205,047	–	–	–	205,047
Finance lease income	4,494	–	–	–	4,494
Total	297,372	13,641	42,774	19,030	372,817

All revenue from contracts with customers are recognised at a point in time for the six months ended 30 June 2023.

3 REVENUE (CONTINUED)

Disaggregation of the Group's revenue from contracts with customers (continued)

	Unaudited For the six months ended 30 June 2022				
Segments	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	–	–	38,689	–	38,689
– steel and chemical products	–	240,724	–	–	240,724
Consultancy service income from leasing arrangements	16,438	–	–	–	16,438
Marine recreation, hotel and travel agency services income	–	–	–	9,115	9,115
Revenue from contracts with customers	16,438	240,724	38,689	9,115	304,966
Rental income from investment properties	–	–	1,537	–	1,537
Rental income under operating lease in respect of owned machineries and equipment	15,482	–	–	–	15,482
Interest income from loans receivable	149,741	–	–	–	149,741
Finance lease income	4,441	–	–	–	4,441
Total	186,102	240,724	40,226	9,115	476,167

All revenue from contracts with customers are recognised at a point in time for the six months ended 30 June 2022.

4 SEGMENT INFORMATION

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

The Group's reportable segments under HKFRS 8 "Operating Segments" 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

4 SEGMENT INFORMATION (CONTINUED)

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

Six months ended 30 June 2023 (unaudited)

	Leasing *HK$'000*	**Bulk commodity trade** *HK$'000*	**Property development and investment** *HK$'000*	**Marine recreation services and hotel** *HK$'000*	**Total** *HK$'000*
Revenue as presented in condensed consolidated statement of profit or loss	**297,372**	**13,641**	**42,774**	**19,030**	**372,817**
Results					
Segment results	**89,835**	**335**	**9,691**	**(1,763)**	**98,098**
Fair value loss on investment properties					**(707)**
Unallocated finance costs					**(13,379)**
Unallocated corporate expenses					**(17,521)**
Unallocated corporate income					**3,117**
Profit before tax					**69,608**

Six months ended 30 June 2022 (unaudited)

	Leasing *HK$'000*	Bulk commodity trade *HK$'000*	Property development and investment *HK$'000*	Marine recreation services and hotel *HK$'000*	Total *HK$'000*
Revenue as presented in condensed consolidated statement of profit or loss	186,102	240,724	40,226	9,115	476,167
Results					
Segment results	65,328	1,743	10,685	(11,365)	66,391
Fair value loss on investment properties					(2,009)
Unallocated finance costs					(3,813)
Unallocated corporate expenses					(22,803)
Unallocated corporate income					2,676
Profit before tax					40,442

5 OTHER INCOME AND GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Interest income from:		
– deposits and other financial assets	**7,001**	6,459
– related parties	**1,269**	1,722
Government subsidies	**263**	237
Gain on disposal of investment properties	**–**	391
Gain on disposal of property, plant and equipment	**57**	–
Others	**1,475**	1,505
	10,065	10,314

6 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Interest on bank borrowings	**79,990**	29,568
Interest on asset-backed securities	**58,302**	47,532
Interest on loans from related parties	**5,907**	2,368
Interest on lease liabilities	**87**	92
	144,286	79,560
Less:		
Amount capitalised on properties under development	**–**	(1,795)
Amount included in cost of revenue:		
– Interest on bank borrowings	**(66,651)**	(25,389)
– Interest on asset-backed securities	**(58,302)**	(47,532)
– Interest on loans from related parties	**(4,316)**	(55)
	15,017	4,789

The borrowing costs have been capitalised at a rate of nil (six months ended 30 June 2022: 2.40% per annum).

7 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2023 HK$'000	2022 HK$'000
Current tax:		
– Hong Kong Profits Tax	**–**	124
– Enterprise Income Tax ("**EIT**") of the People's Republic of China ("**PRC**")	**26,995**	20,442
– PRC Land Appreciation Tax	**75**	758
	27,070	21,324
Underprovision in prior years:		
– PRC EIT	**–**	125
	27,070	21,449
Deferred taxation	**3,633**	(2,765)
	30,703	18,684

8 PROFIT BEFORE TAX

	Unaudited Six months ended 30 June 2023 HK$'000	2022 HK$'000
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**54,460**	20,836
Less: Amounts capitalised on properties under development	**(1)**	(4)
	54,459	20,832
Staff costs (including directors' emoluments)	**32,722**	40,308
Contributions to retirement benefits schemes (including directors' emoluments)	**7,102**	7,366
Total staff costs	**39,824**	47,674
Less: Amounts capitalised on properties under development	**(543)**	(746)
	39,281	46,928
Cost of inventories sold (included in cost of revenue)	**48,683**	266,152
Loss on lease modification	**595**	–
Impairment losses (reversed)/recognised on financial assets, net (included in administrative expenses):		
– trade and other receivables	**(18)**	5
– finance lease receivables and loans receivable	**4,443**	2,667
	4,425	2,672
Exchange loss, net	**4,169**	4,259

9 DIVIDENDS

During the current interim period, a final dividend of HK0.39 cent per share in respect of the year ended 31 December 2022 (2022: HK0.54 cent per share in respect of the year ended 31 December 2021) was declared and approved at the annual general meeting of the Company on 26 June 2023. The aggregate amount of the final dividend declared in the interim period amounted to approximately HK$23,262,000 (2022: approximately HK$32,209,000).

The Directors have resolved that no dividend will be declared in respect of the current interim period.

10 EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to owners of the Company	**38,741**	21,082

	Unaudited	
	Six months ended 30 June	
	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	**5,952,885**	5,952,885

Diluted earnings per share were the same as the basic earnings per share as there were no potential dilutive equity instruments throughout the six months ended 30 June 2023 and 2022, respectively.

11 FINANCE LEASE RECEIVABLES AND LOANS RECEIVABLE

	Unaudited At 30 June 2023 ***HK$'000***	Audited At 31 December 2022 *HK$'000*
Finance lease receivables	**62,978**	90,492
Loans receivable	**8,980,752**	8,143,585
	9,043,730	8,234,077
Less: Allowance for credit losses	**(20,021)**	(16,503)
	9,023,709	8,217,574
Analysed for reporting purposes as:		
Current assets	**3,400,222**	3,227,908
Non-current assets	**5,623,487**	4,989,666
	9,023,709	8,217,574

The following is an ageing analysis of finance lease receivables and loans receivable, net of allowance for credit losses presented based on the respective due dates at the end of the reporting period:

	Unaudited At 30 June 2023 ***HK$'000***	Audited At 31 December 2022 *HK$'000*
Not yet past due	**9,012,330**	8,205,723
Past due but not credit impaired:		
– More than 1 year but less than 2 years	**–**	11,851
– More than 2 years but less than 3 years	**11,379**	–
	9,023,709	8,217,574

11 FINANCE LEASE RECEIVABLES AND LOANS RECEIVABLE (CONTINUED)

(a) Finance lease receivables

For finance lease business, the ownership of the leased assets will be transferred to the lessees at a purchase option price upon settlement of the principal of finance lease receivables and the interest accrued under the finance lease arrangements. The terms of the finance lease usually range from 2 to 4 years. As at 30 June 2023, effective interest rates of finance lease receivables ranged from 3.82% to 4.84% (31 December 2022: from 4.36% to 7.06%) per annum.

The finance lease receivables are due as follows:

	Unaudited At 30 June 2023		Audited At 31 December 2022	
	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	**35,867**	**32,995**	47,682	44,159
In the second year	**26,064**	**25,590**	36,599	34,927
In the third year	**4,456**	**4,393**	11,665	11,406
	66,387	**62,978**	95,946	90,492
Gross investment in the lease	**66,387**	**N/A**	95,946	N/A
Less: unearned finance income	**(3,409)**	**N/A**	(5,454)	N/A
Present value of minimum lease payment receivables	**62,978**	**62,978**	90,492	90,492
Less: Allowance for credit losses		**–**		(11)
		62,978		90,481
Analysed as:				
Current assets		**32,995**		44,148
Non-current assets		**29,983**		46,333
		62,978		90,481

11 FINANCE LEASE RECEIVABLES AND LOANS RECEIVABLE (CONTINUED)

(b) Loans receivable

Loans receivable arose from the sale and leaseback arrangements. Under these arrangements, customers (i.e. lessees) disposed of their equipment and facilities to the Group and leased back the equipment and facilities. In addition, the ownership of the leased assets will be transferred back to the lessees at a purchase option price upon settlement of the principal of the loans receivable and the interest accrued under the sale and leaseback arrangements. The lessees retain control of the leased assets before and after entering into the sale and leaseback arrangements, which do not therefore constitute a lease for accounting purposes. As such, the sale and leaseback arrangements have been accounted for as a secured loan and recognised in accordance with HKFRS 9 "Financial Instruments".

As at 30 June 2023, loss allowance of approximately HK$20,021,000 (31 December 2022: approximately HK$16,492,000) was provided against the gross amount of loans receivable.

As at 30 June 2023, included in the Group's loans receivable balance are debtors with aggregate carrying amount of approximately HK$11,379,000 (31 December 2022: approximately HK$11,851,000) which has been past due for 90 days or more. The Directors are of the view that there have been no significant increase in credit risk because these loans receivable are guaranteed by the related parties of the lessees and the recoverability of the debtors were reviewed and assessed by management semi-annually to ensure adequate working capital was held by the debtors for repayment.

As at 30 June 2023, effective interest rates of fixed-rate loans receivable and variable-rate loans receivable ranged from 4.08% to 8.07% (31 December 2022: 4.59% to 8.06%) per annum and from 3.87% to 7.09% (31 December 2022: 3.90% to 8.77%) per annum, respectively.

12 TRADE AND OTHER RECEIVABLES

	Unaudited At 30 June 2023 ***HK$'000***	Audited At 31 December 2022 *HK$'000*
Trade and bills receivables	**1,969**	21,643
Less: Allowance for credit losses	**(1)**	(19)
	1,968	21,624
Other prepayments and deposits	**3,312**	3,458
Other receivables	**14,627**	15,449
Other tax recoverable	**45,893**	64,337
Amount due from a related company	**4,684**	3,458
Amount due from a fellow subsidiary	**389**	–
	70,873	108,326

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:

	Unaudited At 30 June 2023 ***HK$'000***	Audited At 31 December 2022 *HK$'000*
0-30 days	**1,385**	2,616
31-90 days	**583**	18,991
Over 90 days	**–**	17
	1,968	21,624

13 TRADE AND OTHER PAYABLES

	Unaudited At 30 June 2023 HK$'000	Audited At 31 December 2022 HK$'000
Trade and bills payables *(note (a))*	**233**	192,778
Other payables and accruals	**138,204**	77,612
Deposits received *(note (b))*	**338,359**	292,043
Accrual of construction costs	**43,138**	64,712
Amount due to ultimate holding company	**10,144**	14,482
Amount due to immediate holding company	**–**	800
Amount due to a fellow subsidiary	**215**	334
	530,293	642,761

	Unaudited At 30 June 2023 HK$'000	Audited At 31 December 2022 HK$'000 (Re-presented)
Analysed for reporting purposes as:		
Current liabilities	**224,083**	390,232
Non-current liabilities	**306,210**	252,529
	530,293	642,761

Notes:

(a) 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:

	Unaudited At 30 June 2023 HK$'000	Audited At 31 December 2022 HK$'000
0 – 30 days	**117**	192,374
31 – 90 days	**18**	403
Over 90 days	**98**	1
	233	192,778

(b) The amounts represent deposits received from customers under finance lease and sale and leaseback arrangements which will be returned to the customers at the end of the lease terms. As at 30 June 2023, the deposits received amounted to approximately HK$32,149,000 and approximately HK$306,210,000 (31 December 2022 (re-presented): approximately HK$39,514,000 and approximately HK$252,529,000) are classified into current and non-current liabilities based on the final lease instalment due date stipulated in the finance lease and sale and leaseback agreements to align with industry practice. Accordingly, the comparative figures have been reclassified to conform with the current period's presentation.

14 ASSET-BACKED SECURITIES

	Unaudited At 30 June 2023	Audited At 31 December 2022
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**1,521,710**	1,472,916
Non-current liabilities	**1,601,737**	1,229,353
	3,123,447	2,702,269

During the current interim period, the Group publicly launched an asset-backed securities scheme known as "Phase Two of Chengtong Financial Leasing Stated-Owned Enterprise Asset-backed Securities Scheme" on the Shanghai Stock Exchange. The purpose of launching the asset-backed securities scheme 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. The total issuance of the scheme was RMB1,370,000,000 (equivalent to HK$1,548,100,000) and the asset-backed securities are divided into (i) priority class with total principal of RMB1,322,000,000 (equivalent to HK$1,493,860,000) which are listed and traded on the Shanghai Stock Exchange with maturity date ranging from 26 November 2023 to 26 August 2026 and with coupon rate ranging from 3.95% to 4.26% 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 RMB48,000,000 (equivalent to HK$54,240,000) with no coupon rate and with maturity date on 26 November 2027. The subordinated class asset-backed securities are not listed. As at 30 June 2023, the Group held all the subordinated class asset-backed securities.

15 CAPITAL COMMITMENTS

	Unaudited At 30 June 2023	Audited At 31 December 2022
	HK$'000	*HK$'000*
Contracted but not provided for:		
Purchase of property, plant and equipment	**128**	244

16 CONTINGENT LIABILITIES

As at 30 June 2023, the Group provided contingent liabilities in relation to guarantees of approximately HK$146,989,000 (31 December 2022: approximately HK$245,852,000) given to banks in respect of mortgage loans granted to purchasers of certain property units of the Group's 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, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in the condensed consolidated financial statements.

As at 30 June 2023 and 31 December 2022, 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 to be pending or threatened against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF FINANCIAL RESULTS

During the six months ended 30 June 2023 ("**Review Period**" or "**1H2023**"), the consolidated revenue was approximately HK$372.82 million, which represented a decrease of 22% as compared to that of the six-month period ended 30 June 2022 ("**1H2022**"), while the consolidated gross profit and the profit attributable to the shareholders for 1H2023 displayed an increase of 29% and 84% respectively from 1H2022.

The segment revenue for 1H2023 is analysed as follows:

Business segments	**1H2023**	1H2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
Leasing	**297,372**	186,102	60%
Bulk commodity trade	**13,641**	240,724	(94%)
Property development and investment	**42,774**	40,226	6%
Marine recreation services and hotel	**19,030**	9,115	109%
Total	**372,817**	476,167	(22%)

During the Review Period, the Group stayed focused on the development of its core leasing business, which remained the principal growth driver of the Group's business and its revenue surged by 60% from the corresponding period of last year. While the Group continued its rapid expansion in the leasing business, the Group's top priority is to establish a robust risk control framework that aligns with its expanding size and intricate nature. As at 30 June 2023, the amount of the Group's overall non-performing finance lease receivables and loans receivable (collectively, "**Leasing Receivables**") remained at a very low level.

The business volume of the bulk commodity trade decreased significantly during the Review Period as the Group was committed to the development of its leasing business instead. The property market in the PRC was still weak during the Review Period, yet the Group managed to achieve an increase in property sales through proactive marketing efforts, and brought the overall property development and investment segment's revenue to increase by 6% year-on-year. The marine recreation services and hotel business had a slight bounce-back and reported a modest recovery following the COVID-19 pandemic.

The consolidated cost of revenue comprised mainly interest expenses from leasing business and cost of goods sold from bulk commodity trade. The consolidated cost of revenue declined by 36% to approximately HK$234.71 million (1H2022: approximately HK$369.30 million) as a result of the substantial reduction in the bulk commodity trade's operation scale and thus the cost of goods sold.

The consolidated gross profit during the Review Period was about HK$138.11 million which represented 29% increase from HK$106.87 million in the corresponding period of last year. The overall gross profit margin of 1H2023 increased to 37% from 22% of 1H2022 as the scale of the low-margin bulk commodity trade was largely reduced.

Total selling and administrative expenses decreased by around HK$7.10 million or 10% to approximately HK$62.84 million (1H2022: approximately HK$69.94 million) mainly because of the effective cost control measures implemented in various business segments. The exchange loss brought by the depreciation of Renminbi ("**RMB**") against Hong Kong dollars ("**HKD**") was approximately HK$4.17 million in 1H2023 and was comparable to the amount recorded in 1H2022.

The finance costs in 1H2023 increased by three-fold from 1H2022 to nearly HK$15.02 million amid escalating borrowing interest rates in Hong Kong during the Review Period.

In light of the foregoing, the Group therefore reported a consolidated profit before tax of approximately HK$69.61 million in 1H2023, and exhibited an upthrust of 72% from approximately HK$40.44 million in 1H2022.

The Board has resolved not to declare any interim dividend for the Review Period.

II. BUSINESS REVIEW

A. Segment Performance

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

(1) Leasing

	1H2023 ***HK$'000***	1H2022 *HK$'000*	Increase
Interest income	**209,541**	154,182	36%
Consultancy service fee	**21,479**	16,438	31%
Rental income	**66,352**	15,482	329%
Segment revenue	**297,372**	186,102	60%
Cost of revenue	**(181,422)**	(97,706)	86%
Gross profit	**115,950**	88,396	31%
Gross profit margin	***38.99%***	*47.50%*	
Segment results	**89,835**	65,328	38%

During the Review Period, the Group's wholly-owned subsidiary, Chengtong Financial Leasing Company Limited ("**Chengtong Financial Leasing**"), continued to expand the scale of the leasing business and synergised cooperation with other state-owned enterprises to complete a number of new leasing projects in relation to environmental protection, clean energy vehicles, manufacturing and infrastructure.

During the Review Period, Chengtong Financial Leasing realised an increase in interest income from finance lease projects of approximately HK$55.36 million or 36% from 1H2022, to approximately HK$209.54 million in 1H2023. The consultancy service business has steadily improved and the respective fee income increased by 31% during the Review Period. The rental income from operating lease increased in 1H2023 as more operating lease projects were in place and performing during the Review Period. The total segment revenue for 1H2023 stood at approximately HK$297.37 million and represented an increase of 60% from 1H2022.

The segment cost of revenue in 1H2023 heightened to reach approximately HK$181.42 million (1H2022: HK$97.71 million), comprising the cost of revenue from finance lease and operating lease of about HK$136.74 million and about HK$44.68 million respectively. During the Review Period, in order to cope with the continuous expansion and development of the leasing business, Chengtong Financial Leasing obtained its operating funds mainly through short-term to medium-term bank loans and issuance of asset-backed securities ("**ABS**"). As at 30 June 2023, Chengtong Financial Leasing had total bank borrowings of approximately HK$3,539.87 million, representing an increment of 33% year-on-year. The cost of revenue from finance lease included mainly interest expenses for borrowings and guarantee fee for ABS and together rose by 59% year-on-year which was attributable to the increase in borrowings of Chengtong Financial Leasing. The cost of revenue from operating lease was primarily consisted of depreciation charge of the leased assets, which has proportionally increased with the Group's addition of leased assets. The other cost of revenue components mainly included insurance expenses.

Taking into account of the increase in total borrowings and cost of revenue, the overall gross profit margin of leasing segment reduced from 47.50% in 1H2022 to 38.99% in 1H2023.

The administrative expenses of leasing segment included manpower, office expenses, depreciation, sundry taxes and expected credit loss ("**ECL**") expenses (see below) and the total of which were about the same for both 1H2023 and 1H2022.

In view of the above, the segment results in leasing business for 1H2023 therefore went up by approximately HK$24.51 million or 38% to approximately HK$89.84 million (1H2022: approximately HK$65.33 million).

As at 30 June 2023, the net Leasing Receivables of the Group amounted to approximately HK$9,023.71 million, which has increased by 10% from that of approximately HK$8,217.57 million as at 31 December 2022, and represented 83% of the total assets as at 30 June 2023 (as at 31 December 2022: 82%).

The Group's Leasing Receivables as at 30 June 2023 were classified into 5 categories according to customers' repayment abilities, up-to-date repayment history, profitability and carrying values of underlying leasing projects, relevant security and enforcement measures against customers, with Category I being the lowest risk and Category V being the highest risk. Specific ECL provision was provided for each category.

		30 June 2023			31 December 2022	
Category	**Gross Leasing Receivables**	**Provision for ECL**	**Net Leasing Receivables**	Gross Leasing Receivables	Provision for ECL	Net Leasing Receivables
	HK\$'000	***HK\$'000***	***HK\$'000***	*HK\$'000*	*HK\$'000*	*HK\$'000*
I. Performing	**8,974,926**	**4,036**	**8,970,890**	8,163,655	2,829	8,160,826
II. Special Mention	**–**	**–**	**–**	–	–	–
III. Sub-standard	**68,804**	**15,985**	**52,819**	70,422	13,674	56,748
IV. Doubtful	**–**	**–**	**–**	–	–	–
V. Loss	**–**	**–**	**–**	–	–	–
Total	**9,043,730**	**20,021**	**9,023,709**	8,234,077	16,503	8,217,574

As at 30 June 2023, the Group maintained a portfolio of leasing customers mainly from different business sectors including mainly energy saving and environmental protection, new infrastructure, logistic and warehousing, manufacturing, and public utilities. Customers of the Group were mainly state-owned enterprises and non-performing exposures were comparatively low. The Group has adopted stringent risk management policies to monitor Leasing Receivables throughout their business cycle, so as to ensure that the Group has vigilant and prudent standards for credit risk taking, management and monitoring for all Leasing Receivables.

(2) Bulk Commodity Trade

	1H2023	1H2022	(Decrease)
	HK\$'000	*HK\$'000*	
Segment revenue	**13,641**	240,724	(94%)
Cost of revenue	**(13,442)**	(236,678)	(94%)
Gross profit	**199**	4,046	(95%)
Gross profit margin	***1.46%***	*1.68%*	
Segment results	**335**	1,743	(81%)

During the Review Period, the Group suspended the segment's trading activities after completing the sales orders on hand in early 2023. The segment business was carried out solely through its 51%-owned joint venture company, Chengtong World Trade Limited, and focused on international trade of steel and chemical products.

(3) Property Development and Investment

	1H2023	1H2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
Property sales	**41,367**	38,689	7%
Rental income	**1,407**	1,537	(8%)
Segment revenue	**42,774**	40,226	6%
Cost of revenue	**(29,837)**	(27,070)	10%
Gross profit	**12,937**	13,156	(2%)
Gross profit margin	***30.25%***	*32.71%*	
Segment results	**9,691**	10,685	(9%)

The Group's revenue from property development was entirely derived from its wholly owned CCT-Champs-Elysees project located in Zhucheng City of Shandong Province of the PRC. The sales increased by 7% and was attributable to the increase in floor area sold for Phase III of the project during the Review Period. The average selling price per square metre of the residential area for 1H2023 was approximately RMB5,413 (1H2022: approximately RMB5,524). As at 30 June 2023, the completed and unsold area of the project included residential area of approximately 6,433 square metres (as at 31 December 2022: approximately 12,421 square metres) and commercial spaces of approximately 926 square metres (as at 31 December 2022: approximately 926 square metres). All the construction works of CCT-Champs-Elysees project (Phase I to III) were completed in August 2022 and the final Section 3 of Phase III is undergoing the registration and filing processes before it is available for sale. The Group plans and targets to complete the sales of the project in 2024.

During the Review Period, the rental income from the property investment of the Group was generated from the leasing of the commercial properties of the CCT-Champs-Elysees project of approximately HK$0.23 million (1H2022: approximately HK$0.28 million) and certain office premises of the Group of approximately HK$1.18 million (1H2022: approximately HK$1.26 million).

The segment gross profit margin declined mainly because of the reduced unit selling price of the CCT-Champs-Elysees project. The segment results decreased by 9% year-on-year as more marketing expenses were incurred to promote the sale of the project.

(4) Marine Recreation Services and Hotel

	1H2023	1H2022	Increase
	HK$'000	*HK$'000*	
Segment revenue	**19,030**	9,115	109%
Cost of revenue	**(10,005)**	(7,844)	28%
Gross profit	**9,025**	1,271	610%
Gross profit margin	***47.43%***	*13.94%*	
Segment results	**(1,763)**	(11,365)	84%

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 services; and (iii) travel agency services. As the global economy gradually return to normal post COVID-19 pandemic, the segment's operations benefited from the uplift of travel restriction and steadily recovered during the Review Period. The segment revenue and results in 1H2023 increased by 109% and 84% respectively from 1H2022.

B. Other Income

During the Review Period, the Group's other income mainly comprised interest income from deposits, other financial assets and loans to related parties of approximately HK$8.27 million (1H2022: approximately HK$8.18 million). The total other income recorded in 1H2023 was approximately HK$10.07 million, and represented a decrease of 2% from 1H2022.

C. Selling and Administrative Expenses

	1H2023	1H2022	(Decrease)
	HK$'000	*HK$'000*	
Selling expenses	**5,806**	7,386	(21%)
Administrative expenses	**57,038**	62,557	(9%)

During the Review Period, the selling expenses decreased year-on-year by 21% to approximately HK$5.81 million (1H2022: approximately HK$7.39 million). This was primarily due to certain process optimisation and efficient resource allocation including manpower and utilisation of marine recreation facilities at our various Hainan premises which resulted in cost savings.

The administrative expenses also decreased by 9% year-on-year to approximately HK$57.04 million (1H2022: approximately HK$62.56 million), which was mainly attributable to the reduction in manpower costs stemming from streamlined operations which was partially set off by the increase in office expenses due to more business activities of Chengtong Financial Leasing and the increase in ECL expenses in connection with the increase in Leasing Receivables during the Review Period.

D. Finance Costs

	1H2023	1H2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
Total interest expenses	**144,286**	79,560	81%
Less: Interest expenses transferred to cost of revenue	**(129,269)**	(72,976)	77%
Less: Interest expenses capitalised	**–**	(1,795)	(100%)
Net finance costs	**15,017**	4,789	214%

In 1H2023, the finance costs comprised principally interest expenses on ABS of approximately HK$58.30 million (1H2022: approximately HK$47.53 million), interest expenses on bank borrowings of approximately HK$79.99 million (1H2022: approximately HK$29.57 million), and interest expenses on loans from related parties of approximately HK$5.91 million (1H2022: approximately HK$2.37 million). Total finance costs amounted to approximately HK$144.29 million (1H2022: approximately HK$79.56 million), representing a significant year-on-year increase of 81%. Having transferred the finance costs of the leasing business of approximately HK$129.27 million to the cost of revenue, the net finance costs during the Review Period were approximately HK$15.02 million (1H2022: approximately HK$4.79 million), representing a year-on-year increase of 214%, which was mainly due to the increase in interest expenses for bank borrowings in Hong Kong on the back of increasing interest rates. No finance costs for the CCT-Champs-Elysees Project was capitalised during the Review Period (1H2022: approximately HK$1.80 million) as all construction works of the said project was completed in August 2022.

III. OUTLOOK

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

Regarding the leasing business, despite continuing challenges posed by the macro-economic and geopolitical situation in the PRC, the Group has been taking a proactive approach to meet the impacts brought by various unfavourable factors, continued to pull resources together to expand its core leasing business in all aspects and maintained a steady growth. In 1H2023, there were 26 new projects in the leasing business with a new investment of approximately HK$3,083.77 million, and the Group recorded a segment revenue of approximately HK$297.37 million, representing an increase of 60% compared to the corresponding period of last year. The leasing business recorded segment results of approximately HK$89.84 million, representing an increase of 38% compared to the corresponding period of last year. Chengtong Financial Leasing completed an independent rating in 1H2023 and was assigned "AA+" general corporate credit rating with stable outlook by Lianhe Credit Rating, indicating a significant enhancement of its cash-generating ability and continuous reduction of financing costs. In 1H2023, the preparation works for the issuance of the RMB1,370 million Phase II shelf ABS have been completed. Meanwhile, we have been granted with RMB1,648 million of banking facilities, which better assured the capital supply for business investment. Chengtong Financial Leasing participated in the preparation of "Environmental, Social and Governance ("**ESG**") Reporting Guideline for Financial Leasing Enterprises", China's first ESG standard for the financial leasing industry, demonstrating its commitment to fulfill corporate social responsibility and to promote the development of a green and low-carbon industry. For the second half of this year, along with upholding our bottom line of risk and strengthening business compliance, Chengtong Financial Leasing will seize the development opportunities brought by the continuous recovery and overall improvement of the national economy and favourable policies that have been continuously launched for the solid promotion of high-quality development, and rely on the resource advantage of the controlling shareholder of the Company to explore the needs of the state-owned enterprise clients for industrial upgrading and diversified financing. Furthermore, we will strive to deepen our business presence in market segments like green and low carbon, new energy, new infrastructure, high-end equipment, intelligent logistics, and big data center etc., and to establish our industry features and market influences in specialised areas. At the same time, we will strengthen our communications and cooperation with both domestic and overseas banks and financial institutions. With the completion of the book-running works for the issuance of the RMB1,221 million Phase III shelf ABS in July 2023, we will commence the preparation works for the issuance of Phase IV shelf ABS according to the progress of the Group's business investment.

In respect of property development and investment, all the construction works of the CCT-Champs-Elysees project have been completed. In the next step, we will pay close attention to the specific measures taken by the PRC government to stabilise the housing market, seize the market opportunities, 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 principal business of leasing.

In respect of the marine recreation services and hotel business, 1H2023 saw a significant improvement in profitability benefiting from the recovery of tourism market in Sanya following the lifting of pandemic control. The Group will pay active attention to the government's initiatives related to the recovery and expansion of cultural and tourism consumption, so as to fully grasp the market opportunities in Hainan's tourism peak seasons which are generally in autumn and winter, continue to optimise the project operation and management mode to improve service quality, as well as accelerate the cultivation of internal impetus for market sales to expand revenue. At the same time, we will actively explore and promote subsequent asset restructuring to focus on the core leasing business.

In respect of the bulk commodity trade business, in view of the increasingly complex international environment and the more unstable and uncertain global supply chains, the Group will, based on the principle of prudent operation, continue to optimise resource allocation to focus on its principal business of financial leasing, and has suspended its international trading business of bulk commodity after the inventory was sold out.

IV. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group has been focusing on the expansion and development of leasing business since 2019, and has increased its gearing level. As at 30 June 2023, the Group continued to maintain a sound financial position in respect of its asset quality and capital liquidity. The equity attributable to owners of the Company amounted to approximately HK$2,772.75 million, representing a decrease of 5% from approximately HK$2,926.93 million as at 31 December 2022, which was mainly due to the depreciation of RMB against HKD during the Review Period.

The respective total assets and liabilities of the Group as at 30 June 2023 and 31 December 2022 are as follows:

	At 30 June 2023 *HK$'000*	At 31 December 2022 *HK$'000* (Re-presented)	Increase/ (decrease)
Non-current assets	**6,330,046**	5,789,251	9%
Current assets	**4,532,830**	4,220,484	7%
Total assets	**10,862,876**	10,009,735	9%
Current liabilities	**(4,399,499)**	(4,104,198)	7%
Non-current liabilities	**(3,682,146)**	(2,970,287)	24%
Total liabilities	**(8,081,645)**	(7,074,485)	14%
Total net assets	**2,781,231**	2,935,250	(5%)

As at 30 June 2023, the total assets of the Group amounted to approximately HK$10,862.88 million, of which 42% were current portion, and increased by 9% from that of 31 December 2022. Leasing Receivables remained as the largest component and accounted for 83% of the total assets. On the flip side, the total liabilities of the Group increased to approximately HK$8,081.65 million as at 30 June 2023 from approximately HK$7,074.49 million as at 31 December 2022 as the Group continued to gear up and used ABS and bank borrowings as main sources of debt financing, so as to support the growth of the leasing business. The current and non-current portions of total liabilities were 54% and 46% respectively as at 30 June 2023.

Both the current ratios (calculated as total current assets divided by total current liabilities) as at 30 June 2023 and 31 December 2022 (re-presented) were approximately 1.03 times and remained unchanged. The Group's leasing business has a strong customer base with little payment risk and very stable cash flow to meet its short-term payment obligations. Furthermore, the Group had ample of standby credit facilities of about HK$6,764.92 million in place as at 30 June 2023 and will continuously enhance relevant policies and procedures to monitor its liquidity position.

As at 30 June 2023, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK$776.86 million, which were primarily denominated in RMB and the remaining were denominated in HKD and the United States dollars ("**USD**"). The cash and deposits accounted for 17% and 7% of the current assets and total assets respectively.

The Group has increased both short-term and medium-term bank borrowings in the PRC in order to finance the development of leasing business. As at 30 June 2023, the bank borrowings of the Group amounted to approximately HK$4,039.87 million (as at 31 December 2022: approximately HK$3,167.01 million), represented a rise of 28%. As at 30 June 2023, about HK$3,539.87 million or 88% of the Group's total bank borrowings were denominated in RMB with effective annual interest rates ranging from 2.70% to 4.85% and repayment due dates ranging from 2023 to 2027. The remaining balance of HK$500 million of bank borrowings is denominated in HKD with annual interest rate of Hong Kong Interbank Offered Rate ("**HIBOR**") +1.35% and with maturity date in June 2024.

During the Review Period, the Group made timely repayments under the ABS schemes which are denominated in RMB. The outstanding balance of the priority class ABS amounted to approximately HK$3,123.45 million as at 30 June 2023, representing an addition of approximately HK$421.18 million from that of 31 December 2022. As at 30 June 2023, the priority class ABS had coupon rates ranging from 2.88% to 4.30% per annum and the expected maturity dates range from August 2023 to February 2027.

On 6 July 2023, the Group launched another ABS scheme known as "Phase Three of Chengtong Financial Leasing Stated-owned Enterprise Asset-backed Securities Scheme". The total issuance of the scheme was RMB1,221,000,000 (equivalent to HK$1,318,680,000) and the ABS were divided into (i) four priority classes with total principal of RMB1,161,000,000 (equivalent to HK$1,253,880,000) which are listed and traded on the Shanghai Stock Exchange with expected maturity dates ranging from 26 June 2024 to 26 December 2027 and with coupon rates ranging from 2.85% (the lowest amongst all the ABS issued by the Group) to 3.30% per annum. The principal and interest of the priority classes ABS shall be repaid quarterly in 17 instalments in 49 months; and (ii) subordinated class with total principal of RMB60,000,000 (equivalent to HK$64,800,000) with no coupon rate and with expected maturity date on 26 March 2029. The subordinated class ABS are held by the Group and are not listed.

V. FINANCIAL LEVERAGE RATIOS

	As at 30 June 2023	As at 31 December 2022
	Time(s)	*Time(s)*
Total debts/Total equity	**2.64**	2.12
Total debts/Total assets	**0.68**	0.62
Total debts/EBITDA	**26**	35
Interest coverage	**6**	9

As the Group increased bank borrowings to finance its leasing business, the total debts increased during the Review Period, but the debt to equity ratio (calculated as total interest-bearing loans divided by total equity) and debt to asset ratio (calculated as dividing total interest-bearing loans by total assets) remained approximately at the same level as that of 31 December 2022. During the Review Period, the interest coverage ratio (calculated as dividing consolidated profit before tax and finance costs (EBIT) by finance costs) dropped slightly as the Group's gearing increased and more finance costs were incurred. It was approximately 6 times, as compared to the ratio of approximately 9 times recorded as at 31 December 2022. The ratios demonstrate that the Group possesses the capacity to expand and thrive through external financing while maintaining a strong ability to repay borrowings and finance costs.

VI. SIGNIFICANT INVESTMENTS

The Group had no significant investment exceeding 5% of the total asset value of the Group as at 30 June 2023.

The Group will remain focused on and continue to invest in its core leasing business, while it will be prudent when investing in other financial assets to maximise shareholders' value.

VII. TREASURY POLICIES

The business activities and operation of the Group were mainly carried out in Mainland China and Hong Kong, with transactions denominated in RMB, HKD and USD, which exposed the Group to foreign currency risks. As at 30 June 2023, the Group had bank borrowings denominated in HKD and RMB with a total of approximately HK$4,039.87 million, thereby exposing the Group to interest rate risk and foreign exchange risk. The Group will, where appropriate, use interest rate and foreign currency swaps and forward foreign exchange contracts for risk management and hedging purposes, with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative financing transactions for speculative purposes. It is also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure, including hedge funds or similar instruments.

VIII. INTEREST RATE RISK

As at 30 June 2023, the Group's bank borrowings comprised RMB-denominated bank borrowings of approximately HK$3,539.87 million and HKD-denominated bank borrowings of HK$500 million. Among the total bank borrowings, approximately HK$2,615.08 million were based on floating interest rates and approximately HK$1,424.79 million were based on fixed interest rates. The floating interest rate for the HKD-denominated bank loan was based on HIBOR in Hong Kong which was escalating sharply during the Review Period, while the floating interest rates for the RMB-denominated bank loans were based on loan prime rates ("**LPRs**") in the PRC and were moving downward during the Review Period. The Group's ABS have different fixed coupon rates for different classes in the priority tranche.

Most of the Group's Leasing Receivables were carried at floating interest rates with reference to the prevailing LPRs and effectively hedged against the interest rate risks arising from bank borrowings in the PRC. Having said that, the Group will continue to closely monitor the risks arising from interest rate fluctuation and apply appropriate hedging strategies against the interest rate risks caused by the debt instruments which are based on floating interest rates.

IX. FOREIGN EXCHANGE RISK

During the Review Period, the Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Any fluctuation in the exchange rate of HKD against RMB may have an impact on the Group's results. As at 30 June 2023, the net assets of the Group's business in the PRC were approximately RMB3,004.86 million. According to the Hong Kong Accounting Standards, such amount of net assets denominated in RMB will be converted into HKD at the exchange rate applicable as at the end of the reporting period. The Group's foreign exchange reserve decreased by approximately HK$139.37 million during the Review Period. The Group currently does not have any hedging measures against foreign exchange risks. However, the Group will continue to closely monitor the possible risks arising from currency fluctuations.

X. PLEDGE OF ASSETS

As at 30 June 2023, the Group's pledged bank deposits amounted to approximately HK$4.88 million, representing a substantial decrease of 92% from approximately HK$61.71 million as at 31 December 2022 of which about HK$57.63 million was pledged as security for certain bills payables for leasing business which were duly settled during the Review Period. The pledged bank deposits of HK$4.88 million as at 30 June 2023 represented mainly security for banking facilities granted to mortgagors of the CCT-Champs-Elysees project (as at 31 December 2022: HK$3.97 million).

As at 30 June 2023, the Leasing Receivables of the Group with an aggregate carrying value of approximately HK$5,854.27 million (as at 31 December 2022: approximately HK$4,846.25 million) were charged as security for the Group's ABS and bank borrowings with carrying amounts of approximately HK$3,123.45 million (as at 31 December 2022: approximately HK$2,702.27 million) and approximately HK$3,539.87 million (as at 31 December 2022: approximately HK$2,661.76 million) respectively.

XI. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2023, 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 capital commitments and contingent liabilities respectively.

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. HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2023, the Group employed a total of 262 full-time and part-time employees (as at 31 December 2022: 269), of which 11 (as at 31 December 2022: 11) were based in Hong Kong and 251 (as at 31 December 2022: 258) were based in Mainland China. During the Review Period, the total staff costs of the Group (including directors' emoluments and provident funds) were approximately HK$39.82 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 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 China Chengtong Holdings Group Limited, the ultimate holding company of the Company.

During the Review Period, the Company had a share option scheme under which the Company might grant options to the Directors and eligible employees to subscribe for shares of the Company. The share option scheme has expired on 26 June 2023 and is currently under review.

In addition, the Group provides or subsidies 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 ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), accounting standards, risk management, labour regulations and the employees' code of conduct.

XIV. EVENT AFTER THE REPORTING PERIOD

No significant event has occurred after the end of the Review Period.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Review Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct ("**Code of Conduct**") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to each of the Directors, the Company has received confirmations from all the Directors that they have complied with the required standards as set out in the Code of Conduct and the Model Code during the Review Period.

CORPORATE GOVERNANCE

The Board considers that good corporate governance is vital to the healthy and sustainable development of the Group. In the opinion of the Directors, the Company has complied with all the code provisions set out in Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Review Period.

REVIEW OF ACCOUNTS

The Board is of the view that the disclosure of financial information in this announcement complies with Appendix 16 to the Listing Rules. The audit committee of the Company has reviewed the Group's unaudited interim financial information for the Review Period, which has also been reviewed by the Company's auditor, Baker Tilly Hong Kong 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 Hong Kong Institute of Certified Public Accountants.

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.hk217.com. The 2023 interim report of the Company will be available on both websites and will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 26 August 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.