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## CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

### INTERIM RESULTS

### FOR THE SIX MONTHS ENDED 30 JUNE 2024

#### INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Financial Leasing Group Limited (the “**Company**”) announces the unaudited condensed results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024. The unaudited condensed interim financial statements have not been audited by the Company’s auditor but have been reviewed by the Company’s audit committee.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<i>Note</i>	Six months ended 30 June 2024 (Unaudited) HK\$'000	Six months ended 30 June 2023 (Unaudited) HK\$'000
<b>Revenue</b>	3	360	353
Other income	5	1	20
Net loss on financial assets at fair value through profit or loss		(7,447)	(2,376)
Administrative expenses		(1,586)	(1,606)
<b>Loss from operations</b>		(8,672)	(3,609)
Finance costs		(7)	(9)
<b>Loss before income tax</b>	6	(8,679)	(3,618)
Income tax expense	7	–	–
<b>Loss for the period and other comprehensive income attributable to owners of the Company</b>		<b>(8,679)</b>	<b>(3,618)</b>

\* For identification purposes only

	<i>Note</i>	<b>Six months ended 30 June 2024 (Unaudited) <i>HK cents</i></b>	Six months ended 30 June 2023 (Unaudited) <i>HK cents</i> (Re-presented)
<b>Loss per share</b>	8		
– Basic		<u><u>2.67</u></u>	<u><u>2.01</u></u>
– Diluted		<u><u>2.67</u></u>	<u><u>2.01</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Note</i>	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		14	–
Right-of-use assets		493	–
Refundable rental deposit		60	60
		567	60
		567	60
<b>Current assets</b>			
Financial assets at fair value through profit or loss		68,338	58,591
Deposits and prepayments		26	446
Bank and cash balances		2,560	1,179
		70,924	60,576
		70,924	60,576
<b>Current liabilities</b>			
Other payable and accruals		–	373
Lease liabilities		290	93
		290	466
		290	466
<b>Net current assets</b>		70,634	60,110
<b>Total assets less current liabilities</b>		71,201	60,170
<b>Non-current liabilities</b>			
Lease liabilities		206	–
<b>Net assets</b>		70,995	60,170
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		13,876	6,938
Reserves		57,119	53,232
<b>Total equity</b>		70,995	60,170
			(Re-presented)
<b>Net asset value per share (HK cents per share)</b>	9	20.47	33.36

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The unaudited condensed interim financial statements for the six months ended 30 June 2024 of China Financial Leasing Group Limited and its subsidiaries have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). It was authorised for issue on 16 August 2024.

These unaudited condensed financial statements should be read in conjunction with the 2023 annual financial statements. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2023.

### 2. NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS

#### A. New and amended standards adopted by the Group

The Group has applied the following relevant amendments for the first time from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – HK Int 5 (Revised);
- Lease Liability in Sale and Leaseback – Amendments to HKFRS 16;
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the amended standards or revised interpretation.

## B. Impact of new and amended standards issued but not yet adopted by the Group

### *Amendments to HKAS 21– Lack of Exchangeability*

In September 2023, HKICPA amended HKAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025.

The management does not expect the amendment to have a material impact on the consolidated financial statements.

### *HKFRS 18 Presentation and Disclosure in Financial Statements*

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted.

HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information.

The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

## 3. REVENUE

Revenue recognised during the period is as follows:

	<b>Six months ended 30 June 2024 (Unaudited) HK\$'000</b>	Six months ended 30 June 2023 (Unaudited) HK\$'000
Bank Interest income	<b>18</b>	245
Bond Interest income	<b>40</b>	–
Dividend income	<b>302</b>	108
	<b>360</b>	353

The gross proceeds from trading of listed equity securities for the period amounted to approximately HK\$58,135,000 (2023: HK\$58,186,000). The realised gains and unrealised losses (2023: realised gains and unrealised losses) on financial assets at fair value through profit or loss for the six months ended 30 June 2024 were approximately HK\$1,418,000 (2023: realized gains HK\$3,806,000) and HK\$8,865,000 (2023: unrealized losses HK\$6,182,000) respectively, the aggregate of which is shown in the condensed consolidated statement of profit or loss and other comprehensive income under the line of “Net loss on financial assets at fair value through profit or loss”.

#### 4. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

For the six months ended 30 June 2023 and 30 June 2024, the Group has identified only one segment and the sole business of this segment is investment in listed and unlisted securities. No separate analysis of segment information by business segment is presented.

The Group's revenue from external customers and its non-current assets by geographical areas are not presented as the geographical segments other than Hong Kong are less than 10% of the aggregate amount of all segments.

#### 5. OTHER INCOME

	<b>Six months ended 30 June 2024 (Unaudited) HK\$'000</b>	Six months ended 30 June 2023 (Unaudited) HK\$'000
Government Grants	–	14
Rebates	<u>1</u>	<u>6</u>
	<b><u>1</u></b>	<b><u>20</u></b>

#### 6. LOSS BEFORE INCOME TAX

	<b>Six months ended 30 June 2024 (Unaudited) HK\$'000</b>	Six months ended 30 June 2023 (Unaudited) HK\$'000
Loss before income tax is arrived at after charging:		
Depreciation charges on right-of-use assets	<b>45</b>	–
Depreciation charges on property, plant and equipment	<b>1</b>	1
Staff costs (excluding directors' remuneration)		
Salary	<b>180</b>	397
Retirement benefits scheme contributions	<b>9</b>	16
	<b><u>9</u></b>	<b><u>16</u></b>

## **7. INCOME TAX EXPENSE**

No provision for Hong Kong profits tax has been made in the unaudited condensed interim financial statements as there is no estimated assessable profit for the six months ended 30 June 2024 (2023: Nil).

At 30 June 2024, the Group had unused tax losses of approximately HK\$374,935,000 (31 December 2023: HK\$374,787,000) available for offset against future profits and are subject to the approval of Inland Revenue Department. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. Under the current tax legislation, the tax losses can be carried forward indefinitely.

At the reporting date, the Group did not have any significant deferred tax liabilities (31 December 2023: Nil).

## **8. LOSS PER SHARE**

### **Basic loss per share**

The calculation of the basic loss per share is based on the loss for the period attributable to the owners of the Company of approximately HK\$8,679,000 (2023: HK\$3,618,000) and on the weighted average number of 324,543,979 shares (2023 (re-presented): 180,386,691 shares).

### **Diluted loss per share**

As the Company did not have any dilutive potential ordinary shares for the six months ended 30 June 2024 and 2023. Diluted loss per share were the same as the basic loss per share for the six months ended 30 June 2024 and 2023.

## **9. NET ASSET VALUE PER SHARE**

The calculation of net asset value per share is based on the net assets of approximately HK\$70,995,000 (31 December 2023: HK\$60,170,000) and on the weighted average number of 346,897,482 shares (31 December 2023 (re-presented): 180,386,691) as at 30 June 2024. The net asset value per share as at 30 June 2024 is approximately HK cents 20.47 (31 December 2023: HK cents 33.36).

## **10. INTERIM DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

## **11. EVENTS AFTER THE REPORTING PERIOD**

The realised gains and unrealised losses on financial assets at fair value through profit or loss from changes in fair value on financial assets at fair value through profit or loss held as at 30 June 2024 to the date of approval of this interim results were amounted to approximately HK\$2,534,000 and HK\$6,655,000 respectively.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND FUTURE PROSPECTS**

Hong Kong stock market finally encountered an upturn for the 6 month period, a feat that has not been accomplished in years, although the market has seen substantial ups and downs, negative sentiment continues to hammer market and investors confidence in general, prompting market turnover for the first half to remain relatively light, sparking a contrast to previous years. The Hang Seng Index (“**HSI**”) started off the year with continued weakness, as well as following last year liquidity crunch and sustained worries for the state of Chinese economic growth, furthermore a lack of effective policies from market consensus to revive the economy and low domestic spending saw the market in a rough situation. Late January saw the HSI drop to a low of 14,794 which was the lowest it had been since October 2022. Subsequently the index did rebound after the news of People’s Bank of China reducing the reserve requirement ratio, as well as rumors of state enterprises purchasing in the open market. During the same period though, other established markets such as US, Japan, Taiwan and India, all carried their strength from last year well into the first quarter of 2024, making local investors and Hong Kong market watchers pondering as to when the Hong Kong market will follow suit. Overseas tech giants such as Nvidia Corporation, Taiwan Semiconductor Manufacturing Company Limited and Apple all saw their share prices skyrocket in comparison to the significant underperformance by Chinese tech stocks sector.

It was not until mid April where the Hong Kong market finally enjoyed a powerful rally that saw the HSI surge over 3,000 pts in one month. Such lively resurgence was mainly attributed to the China’s State Council releasing of guidelines on strengthening regulation, forestalling risks, and promoting the high quality of development of the capital market. Being the first guideline to be released by the State Council in a decade, it had triggered significant market interest and also significantly revived investors confidence to the Hong Kong and China stock market. Strength in high yield stocks, as well as commodities and the new energy sector have propelled the HSI to reach high of 19,706 on May 20. Nonetheless, such rally could only be attained for a sustained period, as within a month the HSI resumed to its uneventful state, resulting in a relatively low trading volume. As the index slowly retreats, Hong Kong market investors are yet again left to wait for HSI’s next round of rejuvenation. HSI end up surging 671 points, or 3.9% to close at 17,718. Hang Seng Tech Index was down 209 points though, or 5.6%. Such performances remain laggard to the powerful gain of 14.5% in S&P 500 and 18.3% in Nikkei 225 index.

As we prepare for the rest of the year, there are underlying factors that will determine our performance. Firstly, the performance of the mainland economy remains a crucial factor, as we look for a reversal of a lack of consumer spending which has been derived from worries of deflation, as well as low consumer confidence, which has hampered the mainland. As for the current state of the HK stock market, valuation is low and constant shares buy back from selective blue chips will help support the market, but a lack of stimulus provided to increase valuation has left the market in a dire state. We will also



closely monitor the U.S. as Federal Reserve chair had hinted imminent interest rate cut could be on the table with signs of lower inflation as well as cooler job market, following footsteps of United Kingdom and Canada. Also in the U.S. are the upcoming presidential elections in November, which will shape the landscape of the economy as the outcome will impact the current anti-China policies set by the West. Massive selloff in worldwide equity markets in early August have certainly created possible buying opportunities in selected markets. Our group's financial position continues to stay very healthy without any gearing level, and as usual we will diligently monitor the market changes and explore suitable listed and unlisted investment opportunities, in an aim to enhance our investment return. On behalf of the Board, allow me to express our sincerest appreciation to the shareholders for their continuous support.

## **FINANCIAL RESULTS**

For the six months ended 30 June 2024, the Group recorded a loss of approximately HK\$8,679,000 (2023: HK\$3,618,000), which was mainly attributable to the net loss (realised gains and unrealised losses) on financial assets at fair value through profit or loss.

## **OPERATING REVIEW**

The Company is principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities. There was no change in the nature of the Group's principal activities during the six months ended 30 June 2024. As at 30 June 2024, the total fair value of the Group's investments was approximately HK\$68,338,000 (as at 31 December 2023: HK\$58,591,000).

The gross proceeds from trading of listed equity securities for the period amounted to approximately HK\$58,135,000 (2023: HK\$58,186,000). The realised gains and unrealised losses on financial assets at fair value through profit or loss for the six months ended 30 June 2024 is approximately HK\$1,418,000 (2023: realized gains HK\$3,806,000) and HK\$8,865,000 (2023: unrealized losses HK\$6,182,000) respectively.

## EQUITY INVESTMENTS

As at 30 June 2024, the Group held financial assets at fair value through profit or loss of approximately HK\$68,338,000. Listed below are the particulars of the Group's major listed securities:

Stock Code	Name of investees	Number of shares ('000)	Approximate percentage of interest held	As at 30 June 2024				For the six months ended 30 June 2024					
				Cost (HK\$'000)	Market prices (HK\$)	Market value/fair value (HK\$'000)	Approximate percentage of investment attributable to the Group's net assets	Dividend received (HK\$'000)	Dividend cover	Sales proceeds (HK\$'000)	Realised gain/(loss) (HK\$'000)	Unrealised gain/(loss) (HK\$'000)	Fair value gain/(loss) (HK\$'000)
a)	4252 HKGB RGB 2505 ("HKGB 2505")	100	less than 1%	9,851	99.100	9,910	13.96%	-	N/A	-	-	59	59
b)	1143 CHINA ENERGY STORAGE TECHNOLOGY DEVELOPMENT LIMITED ("China Energy Storage")	3,000	1.45%	4,121	2.190	6,570	9.25%	-	N/A	2,846	785	(595)	190
c)	2433 ZHONGTIAN CONSTRUCTION (HUNAN) GROUP LIMITED ("Zhongtian Construction")	28,000	4.86%	4,582	0.183	5,124	7.22%	-	N/A	-	-	542	542
d)	2130 CN LOGISTICS INTERNATIONAL HOLDINGS LIMITED ("CN Logistics")	1,269	less than 1%	9,667	3.900	4,949	6.97%	-	N/A	-	-	(2,766)	(2,766)
e)	1082 BRADAVVERSE EDUCATION (INT'L) INVESTMENTS GROUP LIMITED ("Bradaverse Education")	2,400	less than 1%	3,991	1.640	3,936	5.54%	-	N/A	-	-	240	240
f)	941 CHIN MOBILE LIMITED ("China Mobile")	50	less than 1%	3,507	77.000	3,850	5.42%	86	3.78	4,965	199	343	542
g)	8268 SMART CITY DEVELOPMENT HOLDINGS LIMITED ("Smart City")	9,952	4.15%	8,001	0.345	3,433	4.84%	-	N/A	-	-	(896)	(896)
h)	264 CHINA INTERNATIONAL DEVELOPMENT CORPORATION LIMITED ("China International Development")	2,064	less than 1%	1,551	1.590	3,282	4.62%	-	N/A	1,557	430	(295)	135
i)	3788 CHINA HANKING HOLDINGS LIMITED ("China Hanking")	3,800	less than 1%	2,753	0.860	3,268	4.60%	76	4.19	-	-	228	228
j)	386 CHINA PETROLEUM & CHEMICAL CORPORATION ("China Petroleum")	500	less than 1%	2,150	5.060	2,530	3.56%	-	N/A	-	-	485	485
k)	Other listed investments	N/A	N/A	48,496	N/A	21,486	30.26%	140	N/A	48,767	4	(6,210)	(6,206)
	Total	N/A	N/A	98,670	N/A	68,338	96.24%	302	N/A	58,135	1,418	(8,865)	(7,447)

The net fair value losses on listed investments amounted to approximately HK\$7,447,000 for the six months ended 30 June 2024.

For the listed investments held as at 30 June 2024, the net fair value losses attributable to realised gains and unrealised losses were approximately HK\$1,307,000 and HK\$9,294,000 respectively. For those listed investments held but were sold during the six months ended 30 June 2024, the net fair value gains attributable to realised gains and unrealised gains were approximately HK\$111,000 and HK\$429,000. The Group had no unlisted investment during the six months ended 30 June 2024.

(a) **HKGB 2505**

HKGB 2505 is a retail green bond issued by The Government of the Hong Kong Special Administrative Region of the People’s Republic of China, with the maturity date of 19 May 2025. It pays interest every 6 months and the coupon rate is based on the higher of (i) the floating rate, being the arithmetic average of the year-on-year rates of change in the Composite Consumer Price Index compiled and published by the Census and Statistics Department of HKSAR Government based on the results of the most recent Household Expenditure Survey at the relevant interest determination date (currently being the 2019/20-based Composite Consumer Price Index) for the 6 most recent preceding months, rounded to the nearest two decimal places; and (ii) the fixed rate of 2.50%.

The Investment Committee of the Company (the “**Investment Committee**”) believed the investment in the green bond is a very effective way of diversifying our portfolio and the effective interest rate return is comparable, if not more favourable to the fixed deposit rates in Hong Kong. Moreover, the instrument is listed and tradable with respectable liquidity, permitting us the option to adjust our holding depending on the situation within the equities and bonds market.

(b) **China Energy Storage**

China Energy Storage is a value-added service provider and electronics manufacturer focused on the “Belt and Road” cross-border supply chain, particularly integrates upstream and downstream resources around the value-added services of the targeted industry supply chain and selects key countries and cities along the Belt and Road route with high economic growth and high market development for strategic planning. The audited consolidated profit attributable to the owners of China Energy Storage for the year ended 31 December 2023 was approximately HK\$5,257,000. As at 31 December 2023, the audited consolidated net asset value attributable to owners of China Energy Storage was approximately HK\$486,663,000.

The Investment Committee noted that China Energy Storage posted strong results and a significant turn around during the 2023 financial year. The improvements were attributed to technological advancements, cost cutting from supply chains recovering from the COVID-19 pandemic, as well as reduced impairment losses recorded. These factors all contributed to a 8.1% increase in gross profit margins for Chinese Energy Storage.

The Investment Committee concurred that China Energy Storage’s collaborative efforts with the PRC government remains optimistic in efforts to make progress on green and low-carbon development, as well as continuously optimizing policies to achieve carbon peaking, and carbon neutrality goals under the new development philosophy, that their profitability of energy storage business can improve further. Completion of fund-raising exercises in April 2024 has also allowed them to boost their balance sheet, thus contributing to their promising development of alternative renewable energy charging solutions, specialized in electrical vehicles.

**(c) Zhongtian Construction**

Zhongtian Construction is a general contracting construction group in Hunan Province with over 40 years of operating history, primarily focus on the provision of construction services comprising (i) civil building construction services, provision of construction contracting mainly as general contractor for residential, industrial and commercial construction projects; (ii) municipal works construction services, which mainly consist of construction of urban roads, education institutions, sports stadiums and water supply works; (iii) foundation works services which include foundation construction as well as earthwork construction; (iv) prefabricated steel structure construction services; and (v) other specialised contracting works which includes building renovation and decoration construction specialised contracting. The audited consolidated profit attributable to owners of Zhongtian Construction for the year ended 31 December 2023 was approximately RMB45,277,000. As at 31 December 2023, the audited consolidated net asset value attributable to owners of Zhongtian Construction was approximately RMB501,824,000.

The Investment Committee noted that Zhongtian Construction's first full year financial results since their listing in March 2023, was relatively satisfactory. Although there was a dwindling of profits, mainly due to greater increase in the impairment on financial and contract assets, their core operations revenue and gross profit margin managed to remain stable despite a relatively harsh operating environment last year, with regards to mainland property market.

The Investment Committee acknowledges that Zhongtian Construction are looking ahead as they remain cautiously optimistic despite certain difficulties within FY2023. They are diligently monitoring market trends, as well as recognizing the importance of prudent financial management and will maintain a strict policy of thoroughly assessing risks associated with financial and contract assets. In terms of expanding their business, they take a disciplined approach and will continue to focus on operational efficiency, cost optimization, and prudent investment in strategical areas. Overall, their main goal is to enhance their market power long-term, and be a staple within the construction market.

**(d) CN Logistics**

CN Logistics is principally engaged in the provision of comprehensive logistics services, comprising air freight forwarding services, distribution and logistics services as well as ocean freight forwarding services, with a primary focus on high end fashion (including luxury and affordable luxury) and fine wine products. The audited consolidated profit attributable to owners of CN Logistics for the year ended 31 December 2023 was approximately HK\$48,278,000. As at 31 December 2023, the audited consolidated net asset value attributable to owners of CN Logistics was approximately HK\$363,049,000.

The Investment Committee acknowledged that CN Logistics' turnover shrink last year, which occurred due to the difficult operating environment, in which global logistics sector continued to face multiple headwinds, including the normalisation of freight rate, and negative externalities which arose from geopolitical conflicts. Recovery from consumer demand have been slow as well, so have their strategy in focusing on blooming industries such as tourism and emerging geographical regions of Southeast Asia.

The Investment Committee is confident on CN Logistics' financials and in a poised position to capture the recovery growth, such as their strategy to broaden its network in tapping into the Indonesian and Cambodian markets that further diversify their business portfolio. Their intention to capitalise on the market opportunities in cruise logistics segment could also prove to be profitable in long run given they have reliable partners in leading cruise operators, and are poised to win more drydocking services and replenishment projects in the years ahead.

**(e) Bradaverse Education**

Bradaverse Education is principally engaged in the provision of private educational services, which include primary tutoring services, skill course and test preparation courses, secondary tutoring services and English language training and test preparation courses. The audited consolidated loss attributable to owners of Bradaverse Education for the year ended 30 June 2023 was approximately HK\$28,541,000. As at 30 June 2023, the audited consolidated net asset value attributable to owners of Bradaverse Education was approximately HK\$111,608,000.

The Investment Committee acknowledged that Bradaverse Education's revenue has increased exponentially compared to the previous financial year due to significant growth in revenue derived from trading and services. Income from virtual reality and digital entertainment segment though as they continue to generate losses due to the impairment loss on both listed securities and private investments, with reference to the bearish sentiment in Hong Kong and global stock market, as well as impairment loss on trade and other receivables.

The Investment Committee has immense faith towards Bradaverse Education's strong growth as they strive on future aims such as protecting the environment, maximizing the well-being of employees, and make positive contributions towards society. To adopt to the societal preferences changing due to the COVID-19 pandemic, Bradaverse Education has launched online classes and other online learning modes to allow students to keep up with the pace of learning. Bradaverse Education only looks to exponentially grow as they further integrate the newest modern educational tools within their education services, such as the use of virtual technology.

**(f) China Mobile**

China Mobile is the leading telecommunications services provider in the mainland of China, providing full communications services in all 31 provinces, autonomous regions and directly-administered municipalities throughout the mainland of China and in Hong Kong, and boasts a world-class telecommunications operator with the world's largest network and customer base, a leading position in profitability and market value ranking. Its businesses primarily consist of mobile voice and data business, wireline broadband and other information and communications services. The audited consolidated profit attributable to owners of China Mobile for the year ended 31 December 2023 was approximately RMB131,766 Million. As at 31 December 2023, the audited consolidated net asset value attributable to owners of China Mobile was approximately RMB1,341,732 Million.

The Investment Committee has noted that China Mobile delivered yet another astounding result last year with its operating revenue surpassing RMB1,000 billion for the first time in history, and at the same time generating net profit margin of over 13%, another record high level. All its customer, home, business and new market segment line of operations enjoyed growth in the year, further reinforced their foundation and optimized revenue structure while seeing strong momentum from the “second curve” in generating growth, which formed a solid base for China Mobile sustainable development.

China Mobile's dividend payout ratio equates to around 71% for the year 2023, and management stated to gradually increase such ratio to around 75% over the coming three years. The dividend payout ratio certainly has had significant positive impact to its share price performance with China Mobile being one of the best performing blue chips stock in the first half of 2024. The Investment Committee has confidence in China Mobile's management as they continuously strive in the market, creating endless value for shareholders. We believe that this stock shall remain as one of our core holdings in our portfolio.

**(g) Smart City**

Smart City is principally engaged in the activities of construction business, as a main contractor and fitting out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau, and other construction related businesses. Their other business include investment in securities, property investment as well as money lending. The audited consolidated loss attributable to owners of Smart City for the year ended 31 March 2024 was approximately HK\$20,356,000. As at 31 March 2024, the audited consolidated net asset value attributable to owners of Smart City was approximately HK\$128,927,000.

The Investment Committee noted that while Smart City revenue enjoyed a substantial growth in the latest financial year, gross profit margin was under pressure due to the lower gross profit attributable to the construction segment as a result of lower contract price owing to the intensified market competition as well as higher labour cost due to shortage of skilled labour of construction segment.

The Investment Committee has observed that Smart City plans to uphold an on-going parallel development of its construction business (including building construction, interior fitting-out works and E&M works) in Hong Kong and Macau, and realises that they have been very diligent in developing a new prudent strategy in coping with the difficult construction market. Smart City is more than prepared to pursue the following key business strategies: (i) further expand the Group's service scope by application for additional licences, permits or qualifications which may be required; (ii) exercise more caution when tendering for new construction contracts and continue to selectively undertake new contracts; and (iii) further strengthen the Group's construction department through recruiting additional qualified and experienced staff.

#### **(h) China International Development**

China International Development is principally engaged in (i) manufacturing and distribution of leather products; (ii) retail of fashion apparel, footwear and leather accessories; and (iii) industrial hemp planting and production of hemp fabric products. The audited consolidated loss attributable to owners of China International Development for the year ended 31 December 2023 was approximately HK\$27,909,000. As at 31 December 2023, the audited consolidated net liabilities value attributable to owners of China International Development was approximately HK\$59,325,000.

The Investment Committee has noted that China International Development's revenue dropped rather significantly last year as the leather manufacturing business has deteriorated, due to consumers scaling back on retail spending and discretionary consumption because of high inflation rate, which has also led to a decrease in retailers' sales volume. Despite the difficult operating environment, the management had managed to keep its gross profit margin to a steady level to minimize the adverse impact on its bottom line.

The Investment Committee has monitored China International Development's plans to diversify into the businesses of industrial hemp planting and hemp fabric product production. China International Development has also obtained an important permit which allows them to plant industrial hemp and rented acres of land in Yunnan for the trial cultivation of industrial hemp. They have also secured the provision of the industrial hemp seeds. China International Development is still in its preliminary development stage but is committed to experimental cultivation of industrial hemp. They look forward to successful trial planting and the ability to manufacture and produce hemp fabrics in the future.

**(i) China Hanking**

China Hanking is principally engaged in the exploration, mining, processing and sale of mineral resources. The Company operates its business through three segments, namely, iron core, high-purity iron and gold. The audited consolidated profit attributable to owners of China Hanking for the year ended 31 December 2023 was approximately RMB151,796,000. As at 31 December 2023, the audited consolidated net asset value attributable to owners of China Hanking was RMB1,403,918,000.

The Investment Committee noted that China Hanking's revenue rebounded in 2023 after a drop in 2022, due to their achievement of an annual output of 1,000,000 metric tons of iron ore concentrate, representing a year-on-year increase of 29.4%, and an annual output of high-purity iron of 871,000 metric tons, representing a year-on-year increase of 31.2%. Such continuous and stable production has ensured a substantial increase in their product sales volume and sales revenue, and also reduced the cost per metric ton of product, all of which has contributed to the major turnaround of bottom line for 2023 over the previous financial year.

The Investment Committee has noted that China Hanking's gold business has plans to focus on financing and developing the Mt Bundy Gold Project in Northern Australia, as well as exploration, feasibility studies and government approval processes required for mining construction at the Cygnet Gold Project in Western Australia. The Company aims to become a gold production enterprise within three years. With a bright future of commencement on gold projects, a significant portion of their revenue and profits will stem from the gold business. As time goes on their gold mining assets will gradually manifest in financial statements, providing the Committee with clear insights into their value. Cheaper materials in other segments of their company where they look to develop will only boost their balance sheet further. China Hanking only to grow from here on, with different projects in different sectors, with all of the projects looking significant.

**(j) China Petroleum**

China Petroleum is one of the largest integrated energy and chemical companies in China. Its principal operations include the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre, and other chemical products; the import and export, including an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information. The audited consolidated profit attributable to owners of China Petroleum for the year ended 31 December 2023 was approximately RMB58,310 million. As at 31 December 2023, the audited consolidated net asset value attributable to owners of China Petroleum was approximately RMB802,989 million.



The Investment Committee has monitored that the operating environment for the petroleum sector and has found that the sector has picked up a steady upwards trend because of increased domestic market demand within 2023. Coupled with China Petroleum breakthroughs in increasing their oil and gas production, they were able to increase their dividend payout ratio to an impressive 75% in 2023.

The Investment Committee believes that China's economy can maintain the sustainable trend of recovery, domestic demand for natural gas, refined oil products, and chemicals are expected to maintain growth. Given China Petroleum's ample financial resources, they will be able to continue paying out generous dividends, and further possible mandates to buy back shares in the Hong Kong market will provide additional support to its share price performance.

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

As at 30 June 2024, the Group maintained bank and cash balances of approximately HK\$2,560,000 (31 December 2023: HK\$1,179,000) which were mainly denominated in Hong Kong dollars. The Group will monitor the exposure and take prudent measures when necessary.

As at 30 June 2024 and 31 December 2023, the Company did not have any interest-bearing liabilities, and therefore the Company did not have any gearing ratio which represents the ratio of the Group's total interest-bearing liabilities to the total equity of the Group.

As at 30 June 2024, the Group had net assets of approximately HK\$70,995,000 (31 December 2023: HK\$60,170,000). The Group had no borrowings or long-term liabilities as at 30 June 2024 and 31 December 2023.

## **CAPITAL STRUCTURE**

As at 30 June 2024, the Company's total number of issued shares was 346,897,482 (31 December 2023: 173,448,741 shares) at HK\$0.04 each.

On 1 December 2023, the Company entered into an underwriting agreement with Lego Securities Limited in respect of the rights issue up to 173,448,741 rights share at HK\$0.12 each to certain qualifying shareholders. The intended and actual use of proceeds from the Right Issue certain was for general working capital and investments.

The transaction was completed on 20 February 2024. A total of 173,448,741 shares were issued. The gross and net proceeds was approximately HK\$20,813,000 and HK\$19,503,000 respectively. The net price was approximately HK\$0.11 per right share.

## **USE OF PROCEEDS FROM RIGHT ISSUE**

The gross proceeds raised from the Rights Issue are approximately HK\$20.8 million and the net proceeds from the Rights Issue after expenses are approximately HK\$19.5 million. The Company applies HK\$18.2 million, being the approximately 93.33% of the net proceeds, for investment in listed securities and unlisted securities, and approximately HK\$1.3 million, being approximately 6.67% of the net proceeds, for general working capital of the Company, such as administrative and other expenses, including but not limited to office rent, salaries and allowances and legal and professional fees.

## **EVENTS AFTER THE REPORTING PERIOD**

The realised gains and unrealised losses on financial assets at fair value through profit or loss from changes in fair value on financial assets at fair value through profit or loss held as at 30 June 2024 to the date of approval of this interim results were amounted to approximately HK\$2,534,000 and HK\$6,655,000 respectively.

Except for above mentioned, there were no material events occurred after the financial report date.

## **EMPLOYEES**

As at 30 June 2024, the Group had 2 employees. Total salaries (excluding directors' remuneration) for the six months ended 30 June 2024 was approximately HK\$180,000 (2023: HK\$397,000).

## **CHARGES ON GROUP'S ASSETS**

As at 30 June 2024 and 31 December 2023, there were no charges on the Group's assets.

## **CONTINGENT LIABILITIES**

As at 30 June 2024, no contingent liabilities were noted by the Directors of the Company (31 December 2023: nil).

## **SIGNIFICANT INVESTMENTS**

As at 30 June 2024, the significant investments of the Group are included in the Management Discussion and Analysis under the section headed "Equity Investments".

## **INTERIM DIVIDEND**

The board of Directors resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (2023: nil).

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2024, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the “SFO”)) and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, according to the information publicly disclosed, persons who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Name of shareholders	Type of interests	Position	Number of ordinary shares held	Approximate percentage of the Company's total number of issued shares
Mr. Lam Shu Chung (“Mr. Lam”)	Beneficial owner	Long	95,706,441	27.59%
Ms. Choi Hing Lin Lori (“Ms. Choi”) (Note 1)	Interest of spouse	Long	95,706,441	27.59%
Like Capital Limited (Note 2)	Beneficial owner	Long	25,556,574	7.37%
Ethnocentric Investment Limited (Note 2)	Interest in a controlled corporation	Long	25,556,574	7.37%
Capital VC Limited (Note 2)	Interest in a controlled corporation	Long	25,556,574	7.37%

Note:

1. Ms. Choi is the spouse of Mr. Lam. Accordingly, Ms. Choi is deemed or taken to be interested in all the shares in which Mr. Lam is interested in for the purpose of the SFO.
2. Like Capital Limited is a private company directly wholly owned by Ethnocentric Investment Limited. Ethnocentric Investment Limited is a private company directly wholly owned by Capital VC Limited, which is a company listed on the Stock Exchange (stock code: 2324).

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2024.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**").

During the six months ended 30 June 2024, the Company was in compliance with the code provisions set out in the CG Code.

In the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code during the six months ended 30 June 2024.

## **AUDIT COMMITTEE**

The Company's audit committee (the "**Audit Committee**") was established with written terms of reference in compliance with the Listing Rules to review and provide supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Hui Yat On (chairman of the Audit Committee), Mr. Chan Pak Lam, Tom and Dr. Lau Kin Shing, Charles. The Audit Committee has reviewed the unaudited condensed interim financial statements of the Group for the six months ended 30 June 2024.

For and on behalf of the Board  
**CHINA FINANCIAL LEASING GROUP LIMITED**  
**Lui Cheuk Hang Henri**  
*Executive Director*

Hong Kong, 16 August 2024

*As at the date of this announcement, the board of Directors of the Company comprises Mr. Lui Cheuk Hang Henri and Mr. Chiu Tak Wai as executive Directors, Mr. Hui Yat On, Mr. Chan Pak Lam, Tom and Dr. Lau Kin Shing, Charles as independent non-executive Directors.*