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 2024

FINANCIAL HIGHLIGHTS

- Revenue for the Review Period decreased by 13% to approximately HK$323.47 million as the external economic environment turned challenging and was unfavourable for the Group to speedily expand its leasing business.

- Overall gross profit margin for the Review Period remained approximately the same at 37% despite the gross profit amount decreased by approximately HK$19.16 million or 14% as a result of the reducing size of the Group's Leasing Receivables upon completion of some leasing projects.

- The total selling and administrative expenses decreased by approximately HK$5.95 million which were mainly attributable to the further cost control measures adopted by the Group.

- The Group's investment property valuation was impacted by the downtrend of the overall real estate market in the PRC and recorded an increase in the fair value loss on investment properties by approximately HK$7.07 million.

- Consolidated profit before and after tax for the Review Period decreased and amounted to approximately HK$52.16 million and approximately HK$26.86 million respectively.

- The financial position of the Group as at 30 June 2024 remained stable. The total net assets were slightly reduced by 3% from 31 December 2023 to approximately HK$2,777.87 million which was mainly due to the impact of RMB depreciation against HKD on the Group's foreign exchange reserve.

- Interest coverage ratio (calculated as dividing consolidated profit before tax and finance costs (EBIT) by finance costs) remained sound which was approximately 4 times during the Review Period.

- 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 2024 ("**Review Period**" or "**1H2024**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**323,471**	372,817
Cost of sales		**(204,518)**	(234,706)
Gross profit and net interest income		**118,953**	138,111
Other income and gains, net	*5*	**11,015**	10,065
Selling expenses		**(5,608)**	(5,806)
Impairment losses under expected credit loss model, net of reversal		**(2,211)**	(4,425)
Administrative expenses		**(46,865)**	(52,613)
Fair value loss on investment properties		**(7,776)**	(707)
Finance costs	*6*	**(15,351)**	(15,017)
Profit before tax		**52,157**	69,608
Income tax expense	*7*	**(25,302)**	(30,703)
Profit for the period	*8*	**26,855**	38,905
Profit for the period attributable to:			
Owners of the Company		**26,694**	38,741
Non-controlling interests		**161**	164
		26,855	38,905
Earnings per share			
Basic and diluted	*10*	**HK0.45 cent**	HK0.65 cent

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited Six months ended 30 June **2024** ***HK$'000***	 2023 *HK$'000*
Profit for the period	**26,855**	38,905
Other comprehensive expense, net of tax		
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	**(7,848)**	(30,291)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(80,959)**	(139,371)
Total comprehensive expense for the period	**(61,952)**	(130,757)
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(62,113)**	(130,921)
Non-controlling interests	**161**	164
	(61,952)	(130,757)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2024

	Notes	**Unaudited At 30 June 2024 HK$'000**	Audited At 31 December 2023 HK$'000
Non-current assets			
Property, plant and equipment		**534,699**	577,482
Investment properties		**71,080**	80,993
Finance lease receivables and loan receivables	*11*	**3,608,584**	4,904,640
Other financial assets		**995**	4,656
Loans to related parties		**26,750**	27,500
Deferred tax assets		**15,696**	16,136
		4,257,804	5,611,407
Current assets			
Properties held for sale		**153,663**	198,869
Inventories		**3,853**	3,848
Trade and other receivables	*12*	**46,021**	52,899
Finance lease receivables and loan receivables	*11*	**3,421,183**	3,963,122
Other financial assets		**22,606**	27,686
Tax recoverable		**1,377**	1,814
Pledged bank deposits		**2,657**	11,972
Bank balances and cash		**944,083**	698,579
		4,595,443	4,958,789
Current liabilities			
Trade and other payables	*13*	**224,090**	239,374
Contract liabilities		**108,632**	136,065
Lease liabilities		**3,876**	3,767
Tax payables		**31,687**	31,589
Bank borrowings		**1,669,808**	2,018,666
Asset-backed securities	*14*	**1,006,618**	1,510,200
Loans from related parties		**351,845**	165,000
		3,396,556	4,104,661
Net current assets		**1,198,887**	854,128
Total assets less current liabilities		**5,456,691**	6,465,535

	Notes	**Unaudited At 30 June 2024** **HK$'000**	Audited At 31 December 2023 HK$'000
Non-current liabilities			
Lease liabilities		**1,933**	3,227
Bank borrowings		**1,563,424**	1,729,237
Asset-backed securities	*14*	**803,969**	1,496,017
Other payables	*13*	**269,728**	333,191
Deferred tax liabilities		**39,766**	43,760
		2,678,820	3,605,432
Net assets		**2,777,871**	2,860,103
Capital and reserves			
Share capital		**2,214,624**	2,214,624
Reserves		**558,026**	640,419
Equity attributable to owners of the Company		**2,772,650**	2,855,043
Non-controlling interests		**5,221**	5,060
Total equity		**2,777,871**	2,860,103

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial information does not include all the information required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

The financial information relating to the year ended 31 December 2023 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to the statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's independent auditor has reported on those financial statements. The independent auditor's report was unqualified, did not include a reference to any matters to which the independent auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under Sections 406(2), 407(2) or (3) of the Companies Ordinance.

2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Other than the change in accounting policies resulting from the application of 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 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following 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 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the 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

	Unaudited For the six months ended 30 June 2024			
	Leasing *HK$'000*	**Property development and investment** *HK$'000*	**Marine recreation services and hotel** *HK$'000*	**Total** *HK$'000*
Types of goods or services				
Sales of properties	–	58,373	–	58,373
Marine recreation and hotel services income	–	–	18,227	18,227
Revenue from contracts with customers	–	58,373	18,227	76,600
Rental income from investment properties	–	1,362	–	1,362
Rental income under operating lease in respect of owned machineries and equipment	54,942	–	–	54,942
Interest income from loan receivables	189,789	–	–	189,789
Finance lease income	778	–	–	778
Total revenue	245,509	59,735	18,227	323,471
Timing of revenue recognition				
A point in time	–	58,373	15,606	73,979
Over time	–	–	2,621	2,621
Total revenue from contracts with customers	–	58,373	18,227	76,600

3 REVENUE (CONTINUED)

Disaggregation of the Group's revenue (continued)

	Unaudited For the six months ended 30 June 2023				
	Leasing *HK$'000*	Property development and investment *HK$'000*	Marine recreation services and hotel *HK$'000*	Bulk commodity trade *HK$'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 and hotel services income	–	–	19,030	–	19,030
Revenue from contracts with customers	21,479	41,367	19,030	13,641	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 loan receivables	205,047	–	–	–	205,047
Finance lease income	4,494	–	–	–	4,494
Total revenue	297,372	42,774	19,030	13,641	372,817
Timing of revenue recognition					
A point in time	21,479	41,367	15,283	13,641	91,770
Over time	–	–	3,747	–	3,747
Total revenue from contracts with customers	21,479	41,367	19,030	13,641	95,517

4 SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers ("**CODM**"), for the purpose of resources allocation and assessment of 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) Property development and investment — holding land for property development projects, sales of properties, and holding investment properties for appreciation, and/or providing rental services

(3) Marine recreation services and hotel — providing marine recreation and hotel services

During the current interim period, the bulk commodity trade segment has ceased its revenue-generating activities. Therefore, to reflect the Group's future business development, the bulk commodity trade segment was no longer separately assessed or reviewed. Instead, the information reviewed by the CODM as at the end of the reporting period analyses the performance of the remaining business segments. Comparative figures have been re-presented to reflect the changes.

Segment revenue and results

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

Six months ended 30 June 2024 (unaudited)

	Leasing *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	**245,509**	**59,735**	**18,227**	**323,471**
Segment results	**73,878**	**14,232**	**(1,950)**	**86,160**
Fair value loss on investment properties				**(7,776)**
Unallocated finance costs				**(15,218)**
Unallocated corporate expenses				**(16,943)**
Unallocated corporate income				**5,934**
Profit before tax				**52,157**

4 SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2023 (unaudited)

	Leasing *HK$'000*	Property development and investment *HK$'000*	Marine recreation services and hotel *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue as presented in condensed consolidated statement of profit or loss	297,372	42,774	19,030	13,641	372,817
Segment results	89,835	9,691	(1,763)	–	97,763
Fair value loss on investment properties					(707)
Unallocated finance costs					(13,379)
Unallocated corporate expenses					(17,631)
Unallocated corporate income					3,562
Profit before tax					69,608

For the six months ended 30 June 2024 and 2023, unallocated corporate income mainly comprised interest income from deposits and a related party which are not directly attributable to the business activities of any operating segment.

For the six months ended 30 June 2024 and 2023, unallocated corporate expenses mainly comprised depreciation, staff costs and legal and professional expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

5 OTHER INCOME AND GAINS, NET

	Unaudited Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Interest income from:		
— deposits and other financial assets	**9,521**	7,001
— a related party	**1,116**	1,269
Government subsidies	**74**	263
Gain on disposal of property, plant and equipment	**26**	57
Others	**278**	1,475
	11,015	10,065

6 FINANCE COSTS

	Unaudited Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Interest on bank borrowings	**69,345**	79,990
Interest on asset-backed securities	**42,397**	58,302
Interest on loans from related parties	**4,048**	5,907
Interest on lease liabilities	**166**	87
	115,956	144,286
Less:		
Amount included in cost of sales:		
— Interest on bank borrowings	**(54,686)**	(66,651)
— Interest on asset-backed securities	**(42,397)**	(58,302)
— Interest on loans from related parties	**(3,522)**	(4,316)
	15,351	15,017

7 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Current tax:		
— PRC Enterprise Income Tax	**24,232**	26,995
— PRC Land Appreciation Tax	**3,099**	75
	27,331	27,070
Deferred tax	**(2,029)**	3,633
	25,302	30,703

8 PROFIT FOR THE PERIOD

	Unaudited Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**52,006**	54,460
Less: Amounts capitalised on properties under development	**–**	(1)
	52,006	54,459
Staff costs (including directors' emoluments)	**22,797**	32,722
Contributions to retirement benefits schemes (including directors' emoluments)	**6,444**	7,102
Total staff costs	**29,241**	39,824
Less: Amounts capitalised on properties under development	**–**	(543)
	29,241	39,281
Impairment losses recognised/(reversed) in respect of:		
— trade and other receivables	**1**	(18)
— finance lease receivables and loan receivables	**2,210**	4,443
	2,211	4,425
Cost of inventories sold (included in cost of sales)	**50,717**	48,683
Loss on lease modification	**–**	595
Exchange loss, net	**6,105**	4,169

9 DIVIDENDS

During the current interim period, a final dividend of HK0.34 cent per share in respect of the year ended 31 December 2023 (2023: HK0.39 cent per share in respect of the year ended 31 December 2022) was approved and declared at the annual general meeting of the Company on 21 June 2024. The aggregate amount of the final dividend declared in the current interim period amounted to HK$20,280,000 (2023: HK$23,262,000).

Subsequent to the end of the current interim period, 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	
	2024	2023
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to owners of the Company	**26,694**	38,741

	Unaudited Six months ended 30 June	
	2024	2023
	'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 2024 and 2023, respectively.

11 FINANCE LEASE RECEIVABLES AND LOAN RECEIVABLES

	Unaudited At 30 June 2024	Audited At 31 December 2023
	HK$'000	*HK$'000*
Finance lease receivables	**28,706**	44,612
Loan receivables	**7,066,161**	8,887,820
	7,094,867	8,932,432
Less: Allowance for credit losses	**(65,100)**	(64,670)
	7,029,767	8,867,762
Analysed for reporting purposes as:		
Current assets	**3,421,183**	3,963,122
Non-current assets	**3,608,584**	4,904,640
	7,029,767	8,867,762

11 FINANCE LEASE RECEIVABLES AND LOAN RECEIVABLES (CONTINUED)

The ageing analysis of finance lease receivables and loan receivables, based on the respective due dates, at the end of the reporting period is as follows:

	Unaudited At 30 June 2024 *HK$'000*	Audited At 31 December 2023 *HK$'000*
Not yet past due	**7,005,444**	8,841,421
Past due but not credit impaired:		
— Within one year	**24,323**	26,341
	7,029,767	8,867,762

The Group is engaged in finance lease arrangements and sale and leaseback arrangements.

For finance lease arrangements, 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 finance lease entered into usually range from 2 to 5 years (31 December 2023: 2 to 5 years).

The finance lease receivables are due as follows:

	Unaudited At 30 June 2024		Audited At 31 December 2023	
	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	**25,738**	**24,301**	35,569	34,038
In the second year	**4,465**	**4,405**	11,326	10,574
	30,203	**28,706**	46,895	44,612
Gross investment in the lease	**30,203**		46,895	
Less: unearned finance income	**(1,497)**		(2,283)	
Present value of minimum lease payment receivables	**28,706**		44,612	
Analysed as:				
Current assets		**24,301**		34,038
Non-current assets		**4,405**		10,574
		28,706		44,612

11 FINANCE LEASE RECEIVABLES AND LOAN RECEIVABLES (CONTINUED)

As at 30 June 2024, none of the balances included in the Group's finance lease receivables (31 December 2023: nil) are past due.

As at 30 June 2024, the effective interest rate of finance lease receivables ranged from 3.72% to 6.40% (31 December 2023: from 3.93% to 5.55%) per annum.

Loan receivables 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 loan receivables 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".

	Unaudited At 30 June 2024 *HK$'000*	Audited At 31 December 2023 *HK$'000*
Fixed-rate loan receivables	**1,220,457**	1,834,789
Variable-rate loan receivables	**5,845,704**	7,053,031
	7,066,161	8,887,820
Less: Allowance for credit losses	**(65,100)**	(64,670)
	7,001,061	8,823,150
Analysed for reporting purposes as:		
Current assets	**3,396,882**	3,929,084
Non-current assets	**3,604,179**	4,894,066
	7,001,061	8,823,150

As at 30 June 2024, included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK$24,323,000 (31 December 2023: HK$26,341,000) which are past due as at the reporting date, of which HK$24,323,000 (31 December 2023: nil) has been past due 90 days or more. Such amounts were not treated as default as the Directors considered that such amounts are still recoverable given the financial background of those customers.

11 FINANCE LEASE RECEIVABLES AND LOAN RECEIVABLES (CONTINUED)

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

	Unaudited At 30 June 2024	Audited At 31 December 2023
	HK$'000	*HK$'000*
Fixed-rate loan receivables (gross carrying amount):		
Within one year	**779,500**	1,065,013
In more than one year but not more than two years	**377,250**	662,321
In more than two years but not more than five years	**63,707**	107,455
	1,220,457	1,834,789

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

	Unaudited At 30 June 2024	Audited At 31 December 2023
	HK$'000	*HK$'000*
Variable-rate loan receivables (gross carrying amount):		
Within one year	**2,682,482**	2,928,741
In more than one year but not more than two years	**2,031,600**	2,541,317
In more than two years but not more than five years	**1,131,622**	1,582,973
	5,845,704	7,053,031

The above variable-rate loan receivables carry interest at a premium over the applicable loan prime rate in the PRC. As at 30 June 2024, effective interest rates of fixed-rate loan receivables and variable-rate loan receivables ranged from 3.81% to 8.87% (31 December 2023: 3.80% to 8.83%) per annum and from 1.50% to 6.69% (31 December 2023: 3.71% to 7.67%) per annum, respectively.

12 TRADE AND OTHER RECEIVABLES

	Unaudited At 30 June 2024 ***HK$'000***	Audited At 31 December 2023 *HK$'000*
Trade and bills receivables	**3,649**	4,067
Less: Allowance for credit losses	**(2)**	(1)
	3,647	4,066
Other prepayments and deposits	**2,861**	3,220
Other receivables	**14,749**	15,604
Other tax recoverable	**20,809**	28,338
Amount due from a related company	**644**	1,671
Amounts due from fellow subsidiaries	**3,311**	–
	46,021	52,899

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 2024 ***HK$'000***	Audited At 31 December 2023 *HK$'000*
0–30 days	**3,028**	2,447
31–90 days	**589**	1,619
Over 90 days	**30**	–
	3,647	4,066

13 TRADE AND OTHER PAYABLES

	Unaudited At 30 June 2024 *HK$'000*	Audited At 31 December 2023 *HK$'000*
Trade and bills payables *(note (a))*	**660**	70,492
Other payables and accruals	**115,375**	74,904
Deposits received *(note (b))*	**359,158**	391,345
Accrual of construction costs	**11,968**	22,782
Amount due to ultimate holding company	**4,734**	11,043
Amount due to immediate holding company	**10**	1,766
Amounts due to fellow subsidiaries	**1,913**	233
	493,818	572,565
Analysed for reporting purposes as:		
Current liabilities	**224,090**	239,374
Non-current liabilities	**269,728**	333,191
	493,818	572,565

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 2024 *HK$'000*	Audited At 31 December 2023 *HK$'000*
0–30 days	**–**	70,377
31–90 days	**638**	115
Over 90 days	**22**	–
	660	70,492

(b) The amounts represent deposits received from customers under operating lease, 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 2024, the deposits received amounting to HK$269,728,000 (31 December 2023: HK$333,191,000) are presented as non-current liabilities based on the final lease instalment due date stipulated in the finance lease and sale and leaseback agreements, which are beyond twelve months at the end of the reporting period.

14 ASSET-BACKED SECURITIES

During the current interim period, the Group has not issued any asset-backed securities. During the six months period ended 30 June 2023, 誠通融資租賃有限公司 (Chengtong Financial Leasing Company Limited) (the "**Issuer**"), a subsidiary of the Group, publicly launched an asset-backed securities scheme known as "Phase Two of Chengtong Financial Leasing State-Owned Enterprise Asset-backed Securities Scheme" on the Shanghai Stock Exchange. The purpose of launching the asset-backed securities scheme was to securitise certain loan receivables 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 were 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 and 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 and are subscribed by the Issuer.

15 CAPITAL COMMITMENTS

	Unaudited At 30 June 2024 *HK$'000*	Audited At 31 December 2023 *HK$'000*
Contracted but not provided for:		
Purchase of property, plant and equipment	**137**	140

16 CONTINGENT LIABILITIES

As at 30 June 2024, the Group was exposed to contingent liabilities in relation to guarantees of HK$223,916,000 (31 December 2023: HK$233,118,000) 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 2024 and 31 December 2023, 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 Review Period, the consolidated revenue was approximately HK$323.47 million, which represented a decrease of 13% as compared to that of the six-month period ended 30 June 2023 ("**1H2023**"). The consolidated gross profit and net interest income and the profit attributable to the shareholders for 1H2024 showed a decrease of 14% and 31% respectively from 1H2023.

	1H2024	1H2023	(Decrease)
	HK$'000	*HK$'000*	
Revenue	**323,471**	372,817	(13%)
Gross profit and net interest income	**118,953**	138,111	(14%)
Profit before tax	**52,157**	69,608	(25%)
Net profit attributable to the shareholders	**26,694**	38,741	(31%)

The breakdown of segment revenue for 1H2024 is as follows:

Business segments	**1H2024**	1H2023	Increase/ (decrease)
	HK$'000	*HK$'000*	
Leasing	**245,509**	297,372	(17%)
Property development and investment	**59,735**	42,774	40%
Marine recreation services and hotel	**18,227**	19,030	(4%)
Others	**–**	13,641	(100%)
Total	**323,471**	372,817	(13%)

During the Review Period, the continuous recovery of the economy in the People's Republic of China ("**PRC**") was challenged by risk factors such as price adjustments on real estate, local government debt and geopolitics tension. In this evolving landscape, there were uncertainties associated with the changing economic structure. The Group's core leasing business seized the opportunity to consolidate its market position and re-examine its business strategies following a period of robust growth.

Against this background, the Group's revenue from its leasing business during the Review Period recorded a moderate decrease. The core reason of the slowdown was, while the Group is committed to expand its leasing operation, the Group's primary strategy is to establish a resilient risk control framework that aligns with the expanding size and growing complexity of the business. This approach allows the Group to navigate the market uncertainties while exploring new avenues for sustainable expansion in the leasing business segment.

The consolidated cost of sales comprised mainly interest expenses for the leasing business. The consolidated cost of sales declined by 13% to approximately HK$204.52 million (1H2023: approximately HK$234.71 million) and was in line with the reduced business volume of the leasing business during the Review Period.

The consolidated gross profit and net interest income during the Review Period was about HK$118.95 million which represented 14% decrease from HK$138.11 million in the corresponding period of last year. The overall gross profit margin of 1H2024 was leveled at 37% and approximately the same as that of 1H2023.

Total selling and administrative expenses decreased by around HK$5.95 million or 10% to approximately HK$52.47 million (1H2023: approximately HK$58.42 million) mainly because of the further optimisation of manpower and pay structure across various business segments. The exchange loss, which was mainly brought by the depreciation of Renminbi ("**RMB**") against Hong Kong dollars ("**HKD**"), was approximately HK$6.11 million in 1H2024 compared with approximately HK$4.17 million in 1H2023.

The net impairment loss under the expected credit loss ("**ECL**") model for the Review Period was approximately HK$2.21 million and represented a decrease of 50% from 1H2023.

As the real estate market in the PRC has undergone dramatic changes in the supply and demand dynamics since 2021, the Group's investment property valuation was inevitably impacted by the downtrend of the overall real estate market in the PRC. During the Review Period, the fair value loss on investment properties was approximately HK$7.78 million (1H2023: approximately HK$0.71 million).

During 1H2024, finance costs saw a slight uptick and rose by approximately HK$0.33 million compared to 1H2023, reaching nearly HK$15.35 million.

Taking into account of the foregoing, the Group therefore reported a consolidated profit before tax of approximately HK$52.16 million in 1H2024, reflecting a reduction of 25% from approximately HK$69.61 million in 1H2023.

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 generated its revenue primarily from the core leasing business along with the other business segments including property development and investment, as well as marine recreation services and hotel. Below are the details of the segment revenue and results:

(1) Leasing

	1H2024	1H2023	(Decrease)
	HK$'000	*HK$'000*	
Interest income	**190,567**	209,541	(9%)
Consultancy service fee	**–**	21,479	(100%)
Rental income	**54,942**	66,352	(17%)
Segment revenue	**245,509**	297,372	(17%)
Cost of sales	**(153,802)**	(181,422)	(15%)
Gross profit and net interest income	**91,707**	115,950	(21%)
Gross profit margin	***37.35%***	*38.99%*	
Segment results	**73,878**	89,835	(18%)

During the Review Period, the Group's wholly-owned subsidiary, Chengtong Financial Leasing Company Limited ("**Chengtong Financial Leasing**"), continued to focus on the leasing operation and aimed to achieve balanced and steady development in different dimensions. Internally, Chengtong Financial Leasing reviewed its business models, recruited more talented people and enhanced its business processes, so to prepare for the future development. Externally, Chengtong Financial Leasing deepened cooperation with business partners, expanded its business scope and sought new development opportunities.

During the Review Period, Chengtong Financial Leasing had entered into 3 new sale and leaseback arrangements with lease principal of HK$572.40 million in aggregate. These new leasing projects featured lease terms spanning from 2 to 4 years, with floating interest rates ranging from 1.50% to 4.32% per annum which were benchmarked to the loan prime rates as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China ("**LPRs**"). These new leasing projects were secured by the leased assets which the ownership was vested in Chengtong Financial Leasing to safeguard any default during the lease term. Apart from these, the new leasing projects entered into during the Review Period were not secured by additional security money and/or corporate guarantees, as the customers were reputable state-owned enterprises ("**SOEs**") and the overall risks associated with them were low.

In 2023, Chengtong Financial Leasing had added 42 new leasing projects (which comprised finance lease arrangements and sale and leaseback arrangements) with lease principal of approximately HK$4,385.48 million to its portfolio with respective lease terms ranging from 1 to 5 years and charging floating interest rates ranging from 3.66% to 5.90% per annum which were also benchmarked to the LPR. The ownership of the leased assets under these new leasing projects was also vested in Chengtong Financial Leasing during the lease term. Among these new leasing projects, 11 of them were further secured by security money and/or corporate guarantees in an aggregate sum of approximately HK$86.72 million and approximately HK$1,299.44 million respectively.

The interest income from finance lease projects in 1H2024 decreased by approximately HK$18.97 million or 9% from 1H2023 to approximately HK$190.57 million, which was mainly due to the diminishing balances of finance lease receivables and loan receivables (collectively, "**Leasing Receivables**") upon completion of the previous projects. No consultancy service fee income was recorded during the Review Period. While Chengtong Financial Leasing had entered into one new operating lease during the Review Period, the rental income from operating lease recorded a decrease of 17% as compared with 1H2023 as some previous operating lease projects were completed during the Review Period.

The segment revenue for 1H2024 was approximately HK$245.51 million and represented a decrease of 17% from 1H2023.

In 1H2024, the segment cost of sales mainly comprised interest expenses of asset-backed securities ("**ABS**") and bank borrowings for financing the leasing business and its total decreased by 15% to approximately HK$153.80 million (1H2023: HK$181.42 million). Amongst the total segment cost of sales, the cost of sales from finance lease included mainly interest expenses and guarantee fee for borrowings and ABS which dropped by 22% year-on-year. The cost of sales from operating lease primarily consisted of depreciation charge of the leased assets, which was almost the same as that of last year. The decrease in total segment cost of sales was in line with the decreased balances of ABS and bank borrowings in the Review Period. As at 30 June 2024, Chengtong Financial Leasing had a total bank borrowings of approximately HK$2,923.35 million, representing a decrease of 17% year-on-year.

Based on the above changes, the overall gross profit margin of the leasing segment was reduced from 38.99% in 1H2023 to 37.35% in 1H2024.

The administrative expenses of the leasing segment included manpower, office expenses, depreciation and sundry taxes etc. and decreased by approximately HK$8.42 million in 1H2024 which was mainly resulted from the reduction of bonus to staff and streamlining of Chengtong Financial Leasing's salary structure.

The segment results of the leasing business for 1H2024 therefore declined by approximately HK$15.96 million or 18%, which amounted to approximately HK$73.88 million (1H2023: approximately HK$89.84 million).

As at 30 June 2024, the net Leasing Receivables of the Group amounted to approximately HK$7,029.77 million, which has decreased by 21% from that of approximately HK$8,867.76 million as at 31 December 2023, and represented 79% of the total assets as at 30 June 2024 (as at 31 December 2023: 84%).

The net Leasing Receivables concentration breakdown is summarised below:

	As at 30 June 2024	As at 31 December 2023
Due from the five largest customers	**24%**	20%
Due from the largest single customer	**7%**	4%
Due from the largest single customer group*	**8%**	9%

* *Customers are regarded as a "group" if one or more than one of them are subsidiaries, holding companies or fellow subsidiaries of the other.*

As of 30 June 2024, about 99% (31 December 2023: 99%) of the net Leasing Receivables were due from SOEs.

The Group adopts international accounting standard to assess impairment of its Leasing Receivables. The Group uses a 3-stage impairment model as well as the risk modelling approach which incorporates key parameters, including probability of default, loss given default and exposure at default to calculate ECL:

Stage 1: After initial recognition, Leasing Receivables without significant increase in credit risk were classified in this stage. ECL will be assessed and recognised in the next 12 months;

Stage 2: After initial recognition, Leasing Receivables with significant increase in credit risk but without objective evidence of impairment were classified in this stage. ECL will be measured over the whole period;

Stage 3: Leasing Receivables with objective evidence of impairment were classified in this stage. For such Leasing Receivables, ECL will be measured over the whole period.

There has been no significant change in the ECL assessment process during the Review Period.

The Group's Leasing Receivables as at 30 June 2024 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.

During the Review Period, the carrying amounts of the ECL provision for the respective categories were re-assessed and the overall movements were summarised below. The total provision for ECL has increased by 0.7% as at 30 June 2024 as compared to that as at 31 December 2023.

		30 June 2024			31 December 2023		
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	**6,584,303**	**1,892**	**6,582,411**	8,418,034	2,589	8,415,445
II.	Special Mention	**441,001**	**17,968**	**423,033**	442,885	16,909	425,976
III.	Sub-standard	**–**	**–**	**–**	–	–	–
IV.	Doubtful	**51,784**	**27,461**	**24,323**	53,236	26,895	26,341
V.	Loss	**17,779**	**17,779**	**–**	18,277	18,277	–
Total		**7,094,867**	**65,100**	**7,029,767**	8,932,432	64,670	8,867,762

As at 30 June 2024, the Group maintained a portfolio of leasing customers from different business sectors including mainly new infrastructure, logistic and warehousing, energy saving and environmental protection, manufacturing etc. The Group's customers were mainly SOEs 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) Property Development and Investment

	1H2024	1H2023	Increase/ (decrease)
	HK$'000	*HK$'000*	
Property sales	**58,373**	41,367	41%
Rental income	**1,362**	1,407	(3%)
Segment revenue	**59,735**	42,774	40%
Cost of sales	**(40,561)**	(29,837)	36%
Gross profit	**19,174**	12,937	48%
Gross profit margin	***32.10%***	*30.25%*	
Segment results	**14,232**	9,691	47%

During the Review Period, the Group's revenue from property development solely stemmed from its wholly owned CCT-Champs-Elysees project situated in Zhucheng City of Shandong Province of the PRC. The sales surged by 41% in 1H2024 and was chiefly driven by the additional marketing effort to promote the sales of the project. However, the average selling price per square metre of the residential area of the project for 1H2024 declined to approximately RMB5,189 from approximately RMB5,413 in 1H2023. As at 30 June 2024, the completed and unsold area of the project included residential space of approximately 42,775 square metres (as at 31 December 2023: approximately 53,161 square metres) and commercial space of approximately 926 square metres (as at 31 December 2023: approximately 926 square metres). The Group will strive to complete the sales of the project in the following years as soon as possible.

During the Review Period, among the total rental income from the property investment business of the Group, approximately HK$0.15 million (1H2023: approximately HK$0.23 million) was generated from the leasing of the commercial properties of the CCT-Champs-Elysees project and approximately HK$1.21 million (1H2023: approximately HK$1.18 million) was generated from the leasing of certain office premises of the Group.

Notwithstanding the decrease in the average selling price per square metre of the residential area of the CCT-Champs-Elysees project in 1H2024, the segment gross profit margin improved year-on-year which was mainly due to the reduction in the construction cost per square metre in 1H2024 following the upward adjustment of the total construction area of the project upon its completion acceptance, leading to a rise in the gross profit per square metre. The segment results therefore saw a substantial increase of 47% in 1H2024.

(3) Marine Recreation Services and Hotel

	1H2024 ***HK$'000***	1H2023 *HK$'000*	Increase/ (decrease)
Segment revenue	**18,227**	19,030	(4%)
Cost of sales	**(10,156)**	(10,005)	2%
Gross profit	**8,071**	9,025	(11%)
Gross profit margin	***44.28%***	*47.43%*	
Segment results	**(1,950)**	(1,763)	(11%)

The Group operated its marine recreation services and hotel business in Hainan Province, the PRC. The sales revenue from marine recreation services accounted for over 80% of the segment revenue. The overall segment revenue and results in 1H2024 decreased by 4% and 11% respectively from 1H2023.

B. Other Income and Gains

The Group's other income and gains mainly comprised interest income of approximately HK$10.64 million (1H2023: approximately HK$8.27 million) from deposits and other financial assets as well as from loans to a related party during the Review Period. The total other income and gains recorded in 1H2024 was approximately HK$11.02 million, and represented a rise of 9% from 1H2023.

C. Selling and Administrative Expenses

	1H2024	1H2023	(Decrease)
	HK$'000	*HK$'000*	
Selling expenses	**5,608**	5,806	(3%)
Administrative expenses	**46,865**	52,613	(11%)

During the Review Period, the selling expenses slightly decreased year-on-year by 3% to approximately HK$5.61 million (1H2023: approximately HK$5.81 million). Though the Group heightened marketing expenses to promote the sales of the CCT-Champs-Elysees project, the increment was offset by the strengthened cost control measures for the marine recreation operation.

The administrative expenses also decreased by 11% year-on-year to approximately HK$46.87 million (1H2023: approximately HK$52.61 million) which was mainly attributable to the reduction in manpower costs of HK$8.91 million across different business units. This decrease was partially set off by the increase in office expenses of approximately HK$0.98 million as well as an increase of exchange loss of approximately HK$1.94 million during the Review Period.

D. Finance Costs

	1H2024	1H2023	Increase/ (decrease)
	HK$'000	*HK$'000*	
Total interest expenses	**115,956**	144,286	(20%)
Less: Interest expenses transferred to cost of sales	**(100,605)**	(129,269)	(22%)
	15,351	15,017	2%

In 1H2024, the gross finance costs comprised principally interest expenses on ABS of approximately HK$42.40 million (1H2023: approximately HK$58.30 million), interest expenses on bank borrowings of approximately HK$69.35 million (1H2023: approximately HK$79.99 million), and interest expenses on loans from related parties of approximately HK$4.05 million (1H2023: approximately HK$5.91 million). Total gross finance costs amounted to approximately HK$115.96 million (1H2023: approximately HK$144.29 million), representing a year-on-year decline of 20% which was mainly due to the reduction in ABS balances upon maturity and repayment of certain bank loans. Having transferred the finance costs of the leasing business of approximately HK$100.61 million to the cost of sales, the net finance costs during the Review Period represented mainly the interest expenses on bank borrowings in Hong Kong and recorded at approximately HK$15.35 million (1H2023: approximately HK$15.02 million), representing an increase of 2% from the corresponding period of last year because of the high interest rate environment in Hong Kong during the Review Period.

III. OUTLOOK

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

In respect of the leasing business, in the face of the complicated domestic and international economic situation, the waves of standardisation brought by the stringent regulation of the industry, the continuous decline in interest rates in the PRC and the shortage of suitable leased assets in the market, the Group proactively responded to the various severe challenges, anchored in its goals, overcame the difficulties, optimised its asset structure and layout, and maintained a steady business development. In 1H2024, the leasing business launched 4 new projects with a total new investment outlay of approximately HK$599.97 million, recording a total segment revenue of approximately HK$245.51 million and a segment result of approximately HK$73.88 million. Chengtong Financial Leasing actively responded to the national “dual carbon” policy, gave full play to the service function of “facilitating industry development with finance”, strengthened the business exchanges and interactions with Lishen Battery (力神電池) and China Paper (中國紙業), which are owned by the ultimate controlling shareholder of the Group. It successfully implemented an operating lease project with Hongta Renheng (紅塔仁恒), an indirectly-held subsidiary of China Paper, in respect of a 12MW/24MWh energy storage power station. At the same time, Chengtong Financial Leasing entered into strategic co-operation agreements on storage power stations with several enterprises, including Lishen Battery, Yinhe Paper (銀河紙業) and Tiger Forest Paper (泰格林紙), to accelerate the strategic layout in emerging industries and to promote the development of new quality productivity forces. Chengtong Financial Leasing was awarded the “Best Innovative Financing Structure Design Award 2023” at the 1st Conference on the High-quality Development of the Securitisation of Financial Lease Assets (融資租賃資產證券化高質量發展大會). Chengtong Financial Leasing properly maintained its existing ratings and proactively strengthened the communication with the rating agencies, and continued to maintain credit rating of AA+ from Lianhe Credit Rating, which lays the foundation for steady enhancement of its self-financing ability.

In 1H2024, Chengtong Financial Leasing completed the internal approval procedures for the new issue of RMB5 billion shelf ABS and the first issuance of corporate bonds. The issuance-related work is progressing steadily. At the same time, Chengtong Financial Leasing continued to break through the financing support of major state-owned banks, with a net new addition of credit facilities of RMB1 billion, which has better ensured the supply of funds for its business investment. In the second half of the year, Chengtong Financial Leasing will actively expand diversified financing channels, strengthen in-depth communication and co-operation with domestic and overseas banks and other financial institutions, and continue pushing forward the preparation work for the issuance of the new tranche of shelf ABS and the first tranche of corporate bonds. It will strengthen risk control and solidify the foundation for its high-quality development by further improving the risk management mechanism for legal compliance. At the same time, it will continue to maintain strategic focus, increase efforts in transformation and development, and accelerate the return to the origin of leasing. On the basis of strictly adhering to the bottom line of risk and strengthening compliance operations, we will seize the historical opportunity to develop new quality productive forces, actively deploy strategies in emerging industries, focus on enhancing the effectiveness of serving the real economy, persist in making progress amidst stability, and strive to achieve stable operation in the diversified and dynamic market environment.

In respect of property development and investment, the Group increased the marketing efforts for the CCT-Champs-Elysees project in 1H2024 and achieved the set target under the severe market environment. In the next step, we will pay close attention to the industry policies, actively seize the market opportunities, speed up the sales of its property stock, and utilise the recovered funds for the principal business of leasing.

In respect of the marine recreation services and hotel business, the Group's operating efficiency in 1H2024 was steady and improving through the adoption of various measures such as strengthening marketing strategies, enhancing the development of new businesses and improving the quality and efficiency of operations. In the next step, the Group will adhere to market orientation, deepen the integration of culture and tourism, and endeavor to explore new customers. At the same time, we will actively explore and promote subsequent asset restructuring.

IV. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As the Group adjusted its expansion pace during the Review Period, both the assets and liabilities saw reduction in scale. As at 30 June 2024, the Group remained to have a solid financial position in terms of its asset quality and capital liquidity. The equity attributable to owners of the Company amounted to approximately HK$2,772.65 million, representing a decrease of 3% from approximately HK$2,855.04 million as at 31 December 2023, which was chiefly 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 2024 and 31 December 2023 are as follows:

	At 30 June 2024 *HK$'000*	At 31 December 2023 *HK$'000*	(Decrease)
Non-current assets	**4,257,804**	5,611,407	(24%)
Current assets	**4,595,443**	4,958,789	(7%)
Total assets	**8,853,247**	10,570,196	(16%)
Current liabilities	**(3,396,556)**	(4,104,661)	(17%)
Non-current liabilities	**(2,678,820)**	(3,605,432)	(26%)
Total liabilities	**(6,075,376)**	(7,710,093)	(21%)
Total net assets	**2,777,871**	2,860,103	(3%)

As at 30 June 2024, the total assets of the Group stood at approximately HK$8,853.25 million, with 52% representing current portion. The figure decreased by approximately HK$1,716.95 million or 16% compared to that of 31 December 2023. Leasing Receivables remained as the largest component, constituting 79% of the total assets. Concurrently, the Group's total liabilities decreased by approximately HK$1,634.72 million from that of 31 December 2023 to approximately HK$6,075.38 million as at 30 June 2024, which lowered the Group's gearing level. The current and non-current portions of total liabilities were 56% and 44% respectively as at 30 June 2024.

The current ratios (calculated as total current assets divided by total current liabilities) as at 30 June 2024 and 31 December 2023 were approximately 1.35 times and 1.21 times respectively. The Group's leasing business has a strong customer base with low default risk and stable cash flow which enables the Group to meet its short-term payment obligations. Furthermore, the Group had ample of standby credit facilities of more than HK$11 billion in place as at 30 June 2024 and will enable the Group to steadily grow its businesses while preserving its liquidity.

As at 30 June 2024, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK$946.74 million, which were primarily denominated in RMB with a minority portion denominated in HKD and the United States dollars ("**USD**"). The cash and deposits accounted for 21% and 11% of the current assets and total assets respectively.

As at 30 June 2024, the Group's total borrowings mainly comprised bank borrowings and ABS. The Group has reduced both short-term and medium-term bank borrowings for its leasing business in the PRC. As at 30 June 2024, the bank borrowings of the Group fell to approximately HK$3,233.23 million (as at 31 December 2023: approximately HK$3,747.90 million), represented a drop of 14%. All bank borrowings were denominated in RMB with effective annual interest rates ranging from 2.50% to 4.60% and repayment due dates ranging from 2024 to 2027.

During the Review Period, the repayments under the ABS schemes were on schedule. The outstanding balance of the priority class of ABS amounted to approximately HK$1,810.59 million as at 30 June 2024, compared to HK$3,006.22 million as at 31 December 2023. All ABS were denominated in RMB. As at 30 June 2024, the priority class ABS had coupon rates ranging from 2.99% to 4.30% per annum and the expected maturity dates range from October 2024 to September 2027.

V. FINANCIAL LEVERAGE RATIOS

	As at 30 June 2024	As at 31 December 2023
	Time(s)	*Time(s)*
Total debts/Total equity	**1.94**	2.42
Total debts/Total assets	**0.61**	0.66
Total debts/EBITDA	**23**	27
Interest coverage	**4**	5

As the Group reduced bank borrowings to finance its leasing business, the total debts decreased during the Review Period, which brought down the debt to equity ratio (calculated as dividing total interest-bearing loans by total equity) and debt to asset ratio (calculated as dividing total interest-bearing loans by total assets) accordingly. During the Review Period, the interest coverage ratio (calculated as dividing consolidated profit before tax and finance costs (EBIT) by finance costs) was 4 times which indicated that the Group had a comfortable buffer to meet its interest payment obligation securely.

VI. SIGNIFICANT INVESTMENTS

The Group had no significant investment exceeding 5% of the total asset value of the Group as at 30 June 2024.

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 2024, the Group had borrowings denominated in RMB and USD, thereby exposing the Group to interest rate risk and foreign exchange risk.

(a) Interest Rate Risk

As at 30 June 2024, the Group's bank borrowings comprised RMB-denominated bank borrowings of approximately HK$3,233.23 million. Among the bank borrowings, approximately HK$2,582.97 million were based on floating interest rates and approximately HK$650.26 million were based on fixed interest rates. The floating interest rates for the RMB-denominated bank loans were based on LPRs in the PRC and borrowing cost of offshore Chinese Yuan in Hong Kong. The Group's ABS have different fixed coupon rates for different classes in the priority tranche.

In addition, as at 30 June 2024, the Group had borrowings from related parties denominated in RMB and USD of HK$160.50 million and approximately HK$191.35 million respectively, all of which were based on fixed interest rates.

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.

(b) 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 2024, the net assets of the Group's business in the PRC were approximately RMB2,918.48 million and were converted into HKD at the exchange rate applicable as at the end of the reporting period. As RMB depreciated against HKD during the Review Period, the Group's foreign exchange reserve decreased by approximately HK$80.96 million as at 30 June 2024.

Currently, the Group does not take out any hedging measures against the fore-mentioned risks but will closely monitor the movements of interest rate and foreign currency exchange rate, and will use interest rate and foreign currency swaps and forward foreign exchange contracts for risk management and hedging purposes, where appropriate, with a view to managing the Group's exposure to those risks. The Group has adopted a conservative treasury 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. PLEDGE OF ASSETS

As at 30 June 2024, the Group's pledged bank deposits amounted to approximately HK$2.66 million (as at 31 December 2023: HK$11.97 million). Most of the said pledged bank deposits represented the security for banking facilities granted to mortgagors of the CCT-Champs-Elysees project (as at 31 December 2023: HK$2.56 million). As at 31 December 2023, bank deposits of HK$9.31 million were pledged as security for certain bills payables for leasing business and were settled during the Review Period.

As at 30 June 2024, the Leasing Receivables of the Group with an aggregate carrying value of approximately HK$5,440.81 million (as at 31 December 2023: approximately HK$6,776.88 million) were charged as security for the Group's ABS and bank borrowings with carrying amounts of approximately HK$1,810.59 million (as at 31 December 2023: approximately HK$3,006.22 million) and approximately HK$2,923.35 million (as at 31 December 2023: approximately HK$2,915.40 million) respectively.

IX. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2024, 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.

X. 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.

XI. HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2024, the Group employed a total of 245 full-time and part-time employees (as at 31 December 2023: 253), of which 8 (as at 31 December 2023: 8) were based in Hong Kong and 237 (as at 31 December 2023: 245) 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$29.24 million. Employees' remunerations are determined in accordance with the employees' experiences, competence, qualifications, nature of duties, and current market trend. Apart from basic salary, discretionary bonus and other incentives may be 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 roles and duties of the Directors in the Group as well as in the group members of the Company's ultimate holding company.

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, regulations and guidelines, 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 knowledge, labour regulations and the employees' code of conduct.

XII. 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 C3 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 C1 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 D2 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 2024 interim report of the Company will be available on both websites in due course.

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

Hong Kong, 26 August 2024

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