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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

ANNOUNCEMENT OF 2023 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- During the year ended 31 December 2023, the Group continued to focus on the development of leasing business and had suspended the bulk commodity trade business.

- The Group's consolidated revenue for the year decreased by 42% while the revenue from leasing business for the year increased by 46% to reach approximately HK$604 million, and accounted for 82% of the Group's consolidated revenue.

- The Group's overall gross profit margin for the year was 40%, representing a year-on-year increase of 20%, which was mainly due to the suspension of the bulk commodity trade business which has a lower margin.

- Profit before tax for the year was approximately HK$122 million and was similar to that for last year.

- As at 31 December 2023, the consolidated total assets of the Group amounted to approximately HK$10.6 billion, representing an increase of 6% from last year.

- The Group remains confident in its core business. The Board has resolved to recommend the payment of a final dividend of HK0.34 cent per ordinary share, representing the fourth consecutive year of dividend payment.

The board ("**Board**") of directors ("**Directors**") of China Chengtong Development Group Limited ("**Company**") would like to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** **HK$'000**	2022 HK$'000 (Re-presented)
Revenue	*3*	**740,011**	1,277,390
Cost of sales		**(443,275)**	(1,025,044)
Gross profit and net interest income		**296,736**	252,346
Other income and gains, net	*5*	**22,281**	24,829
Selling expenses		**(12,112)**	(12,528)
Administrative expenses		**(101,202)**	(116,013)
Impairment losses under expected credit loss model, net of reversal		**(48,584)**	(4,604)
Fair value loss on investment properties		**(4,541)**	(6,238)
Finance costs	*6*	**(31,077)**	(15,561)
Profit before tax		**121,501**	122,231
Income tax expense	*7*	**(53,084)**	(44,943)
Profit for the year	*8*	**68,417**	77,288
Profit for the year attributable to:			
Owners of the Company		**68,003**	76,066
Non-controlling interests		**414**	1,222
		68,417	77,288
Earnings per share			
– Basic and diluted	*10*	**HK1.14 cents**	HK1.28 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
Profit for the year	**68,417**	77,288
Other comprehensive (expense)/income, net of tax		
Items that will not be reclassified to profit or loss:		
Net change in fair value of equity investments at fair value through other comprehensive income	**(35,866)**	(11,526)
Revaluation surplus upon transfer of owner-occupied properties to investment properties	**1,049**	–
Item that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(81,810)**	(240,005)
Total comprehensive expense for the year	**(48,210)**	(174,243)
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(48,624)**	(175,465)
Non-controlling interests	**414**	1,222
	(48,210)	(174,243)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000 (Re-presented)
Non-current assets			
Property, plant and equipment		**577,482**	702,054
Investment properties		**80,993**	85,096
Finance lease receivables and loan receivables	*12*	**4,904,640**	4,989,666
Other financial assets		**4,656**	8,477
Loans to related parties		**27,500**	–
Deferred tax assets		**16,136**	3,958
		5,611,407	5,789,251
Current assets			
Properties held for sale		**198,869**	63,927
Properties under development		**–**	182,767
Inventories		**3,848**	6,861
Trade and other receivables	*11*	**52,899**	108,326
Finance lease receivables and loan receivables	*12*	**3,963,122**	3,227,908
Loans to related parties		**–**	33,900
Other financial assets		**27,686**	60,706
Tax recoverable		**1,814**	1,528
Pledged bank deposits		**11,972**	61,709
Bank balances and cash		**698,579**	472,852
		4,958,789	4,220,484
Current liabilities			
Trade and other payables	*13*	**239,374**	390,832
Contract liabilities		**136,065**	139,246
Lease liabilities		**3,767**	3,874
Tax payables		**31,589**	25,699
Bank borrowings		**2,018,666**	1,969,931
Asset-backed securities	*14*	**1,510,200**	1,472,916
Loans from related parties		**165,000**	101,700
		4,104,661	4,104,198
Net current assets		**854,128**	116,286
Total assets less current liabilities		**6,465,535**	5,905,537

	Notes	2023 HK$'000	2022 HK$'000 (Re-presented)
Non-current liabilities			
Lease liabilities		**3,227**	4,399
Bank borrowings		**1,729,237**	1,197,074
Asset-backed securities	*14*	**1,496,017**	1,229,353
Loans from related parties		**–**	237,300
Other payables	*13*	**333,191**	252,529
Deferred tax liabilities		**43,760**	49,632
		3,605,432	2,970,287
Net assets		**2,860,103**	2,935,250
Capital and reserves			
Share capital		**2,214,624**	2,214,624
Reserves		**640,419**	712,305
Equity attributable to owners of the Company		**2,855,043**	2,926,929
Non-controlling interests		**5,060**	8,321
Total equity		**2,860,103**	2,935,250

NOTES

For the year ended 31 December 2023

1 GENERAL AND BASIS OF PREPARATION

China Chengtong Development Group Limited (the "**Company**") is a public limited company incorporated in Hong Kong. The address of its registered office and its principal place of business is Suite 6406, 64/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (hereinafter referred to as the "**Group**") are principally engaged in investment holding, leasing, property development and investment, marine recreation services and hotel business. During the year ended 31 December 2023, the Group has suspended the bulk commodity trade business, which enable the Group to better focus on other core business.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at 31 December 2023, the Company's immediate holding company is China Chengtong Hong Kong Company Limited, which is incorporated in Hong Kong and the directors of the Company consider the Group's ultimate holding company to be China Chengtong Holdings Group Limited, a company incorporated in the People's Republic of China (the "**PRC**").

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

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

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance.

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2023 in due course.

The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

3 REVENUE

Disaggregation of the Group's revenue from contracts with customers:

	For the year ended 31 December 2023				
Segments	**Leasing**	**Bulk commodity trade**	**Property development and investment**	**Marine recreation services and hotel**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Types of goods or services					
Sales of:					
– properties	**–**	**–**	**84,067**	**–**	**84,067**
– steel and chemical products	**–**	**13,641**	**–**	**–**	**13,641**
Consultancy service income from leasing arrangements	**29,065**	**–**	**–**	**–**	**29,065**
Marine recreation, hotel and travel agency services income	**–**	**–**	**–**	**35,531**	**35,531**
Revenue from contracts with customers	**29,065**	**13,641**	**84,067**	**35,531**	**162,304**
Rental income from investment properties	**–**	**–**	**2,752**	**–**	**2,752**
Rental income under operating lease in respect of owned machineries and equipment	**128,494**	**–**	**–**	**–**	**128,494**
Interest income from loan receivables	**442,086**	**–**	**–**	**–**	**442,086**
Finance lease income	**4,375**	**–**	**–**	**–**	**4,375**
Total	**604,020**	**13,641**	**86,819**	**35,531**	**740,011**
Timing of revenue recognition:					
A point in time	**29,065**	**13,641**	**84,067**	**29,764**	**156,537**
Over time	**–**	**–**	**–**	**5,767**	**5,767**
	29,065	**13,641**	**84,067**	**35,531**	**162,304**

	For the year ended 31 December 2022				
Segments	Leasing	Bulk commodity trade	Property development and investment	Marine recreation services and hotel	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Types of goods or services					
Sales of:					
– properties	–	–	84,262	–	84,262
– steel and chemical products	–	761,745	–	–	761,745
Consultancy service income from leasing arrangements	54,763	–	–	–	54,763
Marine recreation, hotel and travel agency services income	–	–	–	14,017	14,017
Revenue from contracts with customers	54,763	761,745	84,262	14,017	914,787
Rental income from investment properties	–	–	2,788	–	2,788
Rental income under operating lease in respect of owned machineries and equipment	32,022	–	–	–	32,022
Interest income from loan receivables	316,756	–	–	–	316,756
Finance lease income	11,037	–	–	–	11,037
Total	414,578	761,745	87,050	14,017	1,277,390
Timing of revenue recognition:					
A point in time	54,763	761,745	84,262	9,875	910,645
Over time	–	–	–	4,142	4,142
	54,763	761,745	84,262	14,017	914,787

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 are as follows:

(1) Leasing – providing leasing services including finance lease, sale and leaseback and operating lease services

(2) Bulk commodity trade – trading of steel and chemical products

(3) Property development and investment – holding land for property development projects, sales of properties, and holding investment properties for appreciation and/or providing rental services

(4) Marine recreation services and hotel – providing marine recreation, hotel and travel agency services

Segment revenue and results

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

For the year ended 31 December 2023

	Leasing *HK$'000*	Bulk commodity trade *HK$'000*	Property development and investment *HK$'000*	Marine recreation services and hotel *HK$'000*	Total *HK$'000*
Revenue as presented in the consolidated statement of profit or loss	**604,020**	**13,641**	**86,819**	**35,531**	**740,011**
Segment results	**155,192**	**742**	**26,742**	**(3,732)**	**178,944**
Fair value loss on investment properties					**(4,541)**
Unallocated finance costs					**(29,353)**
Unallocated corporate expenses					**(29,144)**
Unallocated corporate income					**5,595**
Profit before tax					**121,501**

For the year ended 31 December 2022

	Leasing *HK$'000*	Bulk commodity trade *HK$'000*	Property development and investment *HK$'000*	Marine recreation services and hotel *HK$'000*	Total *HK$'000*
Revenue as presented in the consolidated statement of profit or loss	414,578	761,745	87,050	14,017	1,277,390
Segment results	176,315	3,253	24,060	(25,356)	178,272
Fair value loss on investment properties					(6,238)
Unallocated finance costs					(13,484)
Unallocated corporate expenses					(41,689)
Unallocated corporate income					5,370
Profit before tax					122,231

5 OTHER INCOME AND GAINS, NET

	2023 ***HK$'000***	2022 *HK$'000*
Interest income from:		
– deposits and other financial assets	**16,380**	13,680
– related parties	**2,248**	3,022
Dividend from equity instruments at fair value through other comprehensive income	**46**	63
Government subsidies *(note)*	**442**	989
Gain on disposal of investment properties	**255**	1,786
Others	**2,910**	5,289
	22,281	24,829

Note:

For the year ended 31 December 2023, HK$442,000 (2022: HK$797,000) are government grants obtained from Mainland local government supporting the tourism business. The Group has complied with the requirements set out by the local government for both years.

During the year ended 31 December 2022, among the government subsidies, HK$192,000 (2023: nil) represented government grants obtained from the Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not to reduce employee head count below prescribed levels as set out in the ESS.

6 FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on bank borrowings	**158,797**	75,423
Interest on asset-backed securities	**120,121**	89,715
Interest on loans from related parties	**9,389**	7,766
Interest on lease liabilities	**263**	224
	288,570	173,128
Less:		
Amounts included in cost of sales:		
– Interest on bank borrowings	**(129,532)**	(61,226)
– Interest on asset-backed securities	**(120,121)**	(89,715)
– Interest on loans from related parties	**(7,840)**	(4,830)
	(257,493)	(155,771)
Amounts capitalised on properties under development	**–**	(1,796)
	31,077	15,561

In 2022, the borrowing costs had been capitalised at a rate of 2.40% per annum.

7 INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**27**	283
PRC Enterprise Income Tax ("**EIT**")	**61,552**	47,358
PRC Land Appreciation Tax	**7,936**	2,641
	69,515	50,282
Under/(over)-provision in prior years:		
Hong Kong Profits Tax	**4**	(10)
PRC EIT	**–**	(56)
	4	(66)
Deferred tax	**(16,435)**	(5,273)
	53,084	44,943

8 PROFIT FOR THE YEAR

	2023	2022
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**106,054**	39,996
Less: Amounts capitalised on properties under development	**(1)**	(5)
	106,053	39,991
Staff costs (including directors' emoluments)	**59,851**	69,165
Contributions to retirement benefits schemes (including directors' emoluments)	**12,765**	14,359
Total staff costs	**72,616**	83,524
Less: Amounts capitalised on properties under development	**(1,123)**	(1,833)
	71,493	81,691
Impairment losses under expected credit loss model, net of reversal		
– trade and other receivables	**(18)**	18
– finance lease receivables and loan receivables	**48,602**	4,586
	48,584	4,604
Auditor's remuneration	**2,510**	2,080
Cost of commodities sold (included in cost of sales)	**13,442**	752,844
Cost of properties sold (included in cost of sales)	**51,689**	57,970
Exchange loss, net	**2,374**	7,584
Loss on disposal of property, plant and equipment, net	**123**	342
Gross rental income from investment properties	**(2,752)**	(2,788)

9 DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Dividends proposed:		
Proposed final dividend of HK0.34 cent (2022: HK0.39 cent) per ordinary share in respect of current financial year	**20,280**	23,262
Dividends paid in cash:		
Final dividend of HK0.39 cent (2021: HK0.54 cent) per ordinary share in respect of previous financial year	**23,262**	32,209

The final dividend of HK0.34 cent per ordinary share proposed after the reporting date for the year ended 31 December 2023 were not recognised as a liability at the end of the reporting date. In addition, the final dividend is subject to the shareholders' approval at the forthcoming annual general meeting.

10 EARNINGS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**68,003**	76,066

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,952,885**	5,952,885

Diluted earnings per share for the years ended 31 December 2023 and 2022 are not presented as there were no dilutive potential ordinary shares in issue during both years.

11 TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade and bills receivables	**4,067**	21,643
Less: Allowance for credit losses	**(1)**	(19)
	4,066	21,624
Other prepayments and deposits	**3,220**	3,458
Other receivables	**15,604**	15,449
Other tax recoverable	**28,338**	64,337
Amount due from a related company	**1,671**	3,458
	52,899	108,326

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

	2023	2022
	HK$'000	*HK$'000*
1 – 30 days	**2,447**	2,616
31 – 90 days	**1,619**	18,991
Over 90 days	**–**	17
	4,066	21,624

12 FINANCE LEASE RECEIVABLES AND LOAN RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Finance lease receivables	**44,612**	90,492
Loan receivables	**8,887,820**	8,143,585
	8,932,432	8,234,077
Less: Allowance for credit losses	**(64,670)**	(16,503)
	8,867,762	8,217,574
Analysed for reporting purposes as:		
Current assets	**3,963,122**	3,227,908
Non-current assets	**4,904,640**	4,989,666
	8,867,762	8,217,574

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

For finance lease business, the ownership of the leased assets will be transferred to the lessees at 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 (2022: 2 to 5 years).

The finance lease receivables are due as follows:

	2023		2022	
	Minimum lease payments	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Finance lease receivables comprise:				
Within one year	**35,569**	**34,038**	47,682	44,159
In the second year	**11,326**	**10,574**	36,599	34,927
In the third year	**–**	**–**	11,665	11,406
	46,895	**44,612**	95,946	90,492
Gross investment in the lease	**46,895**	**N/A**	95,946	N/A
Less: unearned finance income	**(2,283)**	**N/A**	(5,454)	N/A
Present value of minimum lease payment receivables	**44,612**	**44,612**	90,492	90,492
Less: Allowance for credit losses		**–**		(11)
		44,612		90,481
Analysed for reporting purposes as:				
Current assets		**34,038**		44,148
Non-current assets		**10,574**		46,333
		44,612		90,481

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 equipment and facilities before and after entering into the sale and leaseback arrangements, which do not therefore constitute a lease for accounting purposes. As such, the sale and leaseback arrangements have been accounted for as a secured loan and recognised in accordance with HKFRS 9.

	2023	2022
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**1,834,789**	1,913,516
Variable-rate loan receivables	**7,053,031**	6,230,069
	8,887,820	8,143,585
Less: Allowance for credit losses	**(64,670)**	(16,492)
	8,823,150	8,127,093
Analysed for reporting purposes as:		
Current assets	**3,929,084**	3,183,760
Non-current assets	**4,894,066**	4,943,333
	8,823,150	8,127,093

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

	2023	2022
	HK$'000	*HK$'000*
Fixed-rate loan receivables (gross carrying amount):		
Within one year	**1,065,013**	819,782
In more than one year but not more than two years	**662,321**	675,730
In more than two years but not more than five years	**107,455**	412,897
In more than five years	**–**	5,107
	1,834,789	1,913,516

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

	2023	2022
	HK$'000	*HK$'000*
Variable-rate loan receivables (gross carrying amount):		
Within one year	**2,928,742**	2,380,470
In more than one year but not more than two years	**2,541,316**	1,870,803
In more than two years but not more than five years	**1,582,973**	1,276,973
In more than five years	**–**	701,823
	7,053,031	6,230,069

13 TRADE AND OTHER PAYABLES

	2023 *HK$'000*	2022 *HK$'000* (Re-presented)
Trade and bills payables *(note (a))*	**70,492**	192,778
Other payables and accruals	**74,904**	78,212
Deposits received *(note (b))*	**391,345**	292,043
Accrual of construction costs	**22,782**	64,712
Amount due to ultimate holding company	**11,043**	14,482
Amount due to immediate holding company	**1,766**	800
Amounts due to fellow subsidiaries	**233**	334
	572,565	643,361
Analysed for reporting purposes as:		
Current liabilities	**239,374**	390,832
Non-current liabilities	**333,191**	252,529
	572,565	643,361

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:

	2023 *HK$'000*	2022 *HK$'000*
1 – 30 days	**70,377**	192,374
31 – 90 days	**115**	403
Over 90 days	**–**	1
	70,492	192,778

(b) The amounts mainly 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 31 December 2023, the deposits received amounting to approximately HK$333,191,000 (31 December 2022 (re-presented): approximately HK$252,529,000) 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. Accordingly, the comparative figures have been reclassified to conform with the current year's presentation.

14 ASSET-BACKED SECURITIES

	2023	2022
	HK$'000	*HK$'000*
Secured	**3,006,217**	2,702,269
Carrying amount of above asset-backed securities are repayable:		
Within one year	**1,510,200**	1,472,916
After one year but within two years	**1,149,742**	823,131
After two years but within five years	**346,275**	406,222
	3,006,217	2,702,269
Less: Amounts shown under current liabilities	**(1,510,200)**	(1,472,916)
Amounts shown under non-current liabilities	**1,496,017**	1,229,353

During the year ended 31 December 2023, the Group publicly launched two asset-backed securities scheme (2022: one asset-backed securities scheme) on the Shanghai Stock Exchange. The purpose of launching the asset-backed securities schemes is 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. Details are as follows:

On 16 February 2023, the Group publicly launched an asset-backed securities scheme known as "Phase Two of Chengtong Financial Leasing State-Owned Enterprise Asset-backed Securities Scheme". 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 a total principal of RMB1,322,000,000 (equivalent to HK$1,493,860,000) which are listed and traded on the Shanghai Stock Exchange with maturity date ranging from 26 November 2023 to 26 August 2026 and with coupon rate ranging from 3.95% to 4.26% per annum. The principal and interest of the priority class asset-backed securities shall be repaid quarterly; and (ii) subordinated class with a total principal of RMB48,000,000 (equivalent to HK$54,240,000) with no coupon rate and with maturity date on 26 November 2027. The subordinated class asset-backed securities are not listed. As at 31 December 2023, the Group held all the subordinated class asset-backed securities.

On 6 July 2023, the Group publicly launched another asset-backed securities scheme known as "Phase Three of Chengtong Financial Leasing State-Owned Enterprise Asset-backed Securities Scheme". The total issuance of the scheme was RMB1,221,000,000 (equivalent to HK$1,318,680,000) and the asset-backed securities are divided into (i) priority class with a total principal of RMB1,160,000,000 (equivalent to HK$1,253,800,000) which are listed and traded on the Shanghai Stock Exchange with maturity date ranging from 26 June 2024 to 26 September 2027 and with coupon rate ranging from 2.85% to 3.30% per annum. The principal and interest of the priority class asset-backed securities shall be repaid quarterly; and (ii) subordinated class with a total principal of RMB61,000,000 (equivalent to HK$65,880,000) with no coupon rate and with maturity date on 26 March 2029. The subordinated class asset-backed securities are not listed. As at 31 December 2023, the Group held all the subordinated class asset-backed securities.

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

The effective interest rate of the asset-backed securities ranged from 2.85% to 4.30% (as at 31 December 2022: 2.92% to 3.76%) per annum at 31 December 2023.

15 CONTINGENT LIABILITIES

As at 31 December 2023, the Group had contingent liabilities in relation to guarantees of approximately HK$233,118,000 (2022: HK$245,852,000) given to banks in respect of mortgage loans granted to purchasers of certain property units of CCT-Champs-Elysees project.

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

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

As at 31 December 2023 and 2022, the Group was not involved in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the directors of the Company to be pending or threatened against the Group.

16 CAPITAL COMMITMENTS

	2023	2022
	HK$'000	*HK$'000*
Contracted but not provided for:		
Purchase of property, plant and equipment	**140**	244

MANAGEMENT DISCUSSION AND ANALYSIS

I. RESULTS AND DIVIDEND

The Group is principally engaged in leasing, property development and investment, and marine recreation services and hotel businesses. During the year ended 31 December 2023 ("**FY2023**"), the Group had suspended the bulk commodity trade business to realign the Group's strategic direction as well as to optimise the business portfolio, which enable the Group to better focus on its core business and enhance profitability and stability.

In 2023, the global economic landscape exhibited a complex and dynamic environment. Notwithstanding the economy in the People's Republic of China ("**PRC**") continued to recover from the impacts of the COVID-19 pandemic with an improving trend, there was a slowdown in overall economic growth. The Group capitalised the market condition and directed its attention towards the further development and expansion of its core leasing business in the PRC. The Group made consistent efforts to strengthen this business segment, resulting in a notable annual growth in its leasing revenue. This growth reflects the successful implementation of our strategies and the increasing demand for our leasing services in the PRC market.

Group Performance

The consolidated revenue for FY2023 was approximately HK$740.01 million, reflecting a decrease of 42% as compared to that for the year ended 31 December 2022 ("**FY2022**"). The decline was mainly due to the suspension of bulk commodity trade business in early 2023 which resulted in a significant reduction in this segment's revenue by 98%. The details of the segmental revenue were provided below:

	2023	2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
Leasing	**604,020**	414,578	46%
Property development and investment	**86,819**	87,050	(0.3%)
Marine recreation services and hotel	**35,531**	14,017	153%
Bulk commodity trade	**13,641**	761,745	(98%)
Total	**740,011**	1,277,390	(42%)

In FY2023, the Group continued its impressive expansion in the leasing business and had led to a remarkable increase in the segment revenue from both finance lease and operating lease, which represented an overall increase of 46% as compared to the previous year. The total leasing revenue for FY2023 accounted for 82% of the Group's total revenue (FY2022: 32%).

As a result of the Group's further shifting of its business focus to leasing, the contribution of the total revenue from other business segments to the total revenue dropped to 18%. During FY2023, the revenue from bulk commodity trade dropped significantly; the property market in the PRC remained sluggish but the segment's revenue was relatively stable as compared to that of last year; the marine recreation services and hotel business demonstrated improved performance and a recovery from the impacts of the COVID-19 pandemic.

In FY2023, the Group achieved a consolidated gross profit of around HK$296.74 million, marking a significant growth of approximately HK$44.39 million or 18% compared to approximately HK$252.35 million in FY2022. Furthermore, the Group recorded a consolidated profit before income tax of approximately HK$121.50 million during the year, reflecting a slight decrease of approximately HK$0.73 million or 1% from the previous year's figure of around HK$122.23 million. The changes were primarily the combined result of the following factors:

(i) a rise in consolidated gross profit was primarily stemmed from the augmented leasing revenue, which exhibited a higher gross profit margin and contribution;

(ii) an increase in net impairment losses under expected credit loss model of about HK$43.98 million mainly in relation to finance lease receivables and loan receivables (collectively "**Leasing Receivables**") of leasing business (please refer to the analysis in respect of the leasing business in the "Business Review" section below), which was partially offset by (a) a decrease in staff salaries and benefits of approximately HK$7.49 million and other expenses of approximately HK$2.11 million under the administrative expenses by virtue of streamlined operations in Hong Kong and Beijing offices; and (b) a favourable change of exchange loss by approximately HK$5.21 million compared to the previous year, specifically, the exchange loss was approximately HK$2.37 million in FY2023 and approximately HK$7.58 million in FY2022 as depreciation of Renminbi ("**RMB**") against Hong Kong dollars ("**HKD**") was relatively moderate in FY2023;

(iii) an increase in finance costs of approximately HK$15.52 million, which was mainly driven by the increase in interest expenses on bank borrowings due to the escalated interest rates in Hong Kong; and

(iv) a decrease in the fair value loss on investment properties in the PRC by approximately HK$1.70 million.

The Directors have resolved to recommend the payment of a final dividend of HK0.34 cent per ordinary share in respect of FY2023 to the shareholders whose names appear on the register of members of the Company on Friday, 5 July 2024, subject to the approval of the shareholders on the declaration of final dividend at the forthcoming annual general meeting of the Company. The final dividend is expected to be paid on Friday, 19 July 2024.

II. BUSINESS REVIEW

A. Segmental Performance

The Group suspended its bulk commodity trade business in early 2023 and mainly focused on three business segments, namely, leasing, property development and investment, marine recreation services and hotel during FY2023. The breakdown of revenue and results from each segment was detailed as follows:

(1) Leasing

	2023	2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
Interest income	**446,461**	327,793	36%
Rental income	**128,494**	32,022	301%
Consultancy service fee	**29,065**	54,763	(47%)
Segment revenue	**604,020**	414,578	46%
Cost of sales	**(362,935)**	(200,565)	81%
Gross profit	**241,085**	214,013	13%
Gross profit margin	***40%***	*52%*	
Segment results	**155,192**	176,315	(12%)

During the year, the Group had been proactive in seizing market opportunities and continued to expand and optimise its leasing project portfolio. The Group's leasing business was mainly carried out through its wholly-owned subsidiary, Chengtong Financial Leasing Company Limited ("**Chengtong Financial Leasing**") as its principal business.

Chengtong Financial Leasing continuously sought to expand its leasing business in specific areas, including energy conservation, environmental protection, logistics and warehousing, clean energy and infrastructure etc. It looked for potential leasing opportunities in different business sectors and cities to meet market demand and expand its market share. It carefully studied market trends and identified projects with the greatest potential with a view to enhancing the existing profile and increasing capital efficiency and returns.

During the year, Chengtong Financial Leasing had increased 42 new leasing projects with lease principal of approximately HK$4.39 billion to its portfolio, in which Chengtong Financial Leasing collaborated mostly with other state-owned enterprises ("**SOE**"). In terms of industry segmentation, the new projects mainly relate as to: (i) 48% to infrastructure projects; (ii) 18% to the logistics and warehousing industry; (iii) 16% to the field of energy conservation and environmental protection; and (iv) 8% to traditional manufacturing industry. As at 31 December 2023, Chengtong Financial Leasing recorded an increase in its net Leasing Receivables to approximately HK$8,867.76 million, and represented an increase of 8% compared to that of the previous year.

Revenue

The interest income from leasing segment was approximately HK$446.46 million during FY2023, indicating a year-on-year increase of 36%. The interest income was derived from various sectors as outlined below:

	2023	2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
Infrastructure	**139,931**	60,452	131%
Logistics and warehousing	**98,863**	73,716	34%
Energy conservation and environmental protection	**84,092**	101,908	(17%)
Manufacturing	**72,458**	35,848	102%
Clean energy	**21,443**	32,589	(34%)
Internet data centre	**1,366**	6,085	(78%)
Others	**28,308**	17,195	65%
Total	**446,461**	327,793	36%

In 2023, China experienced a steady recovery in economic growth after the COVID-19 pandemic. Chengtong Financial Leasing capitalised the increased demand for financing and investment opportunities across various industries. Notably, the infrastructure and manufacturing sectors witnessed a remarkable surge in leasing revenue, with growth exceeding 100%.

The overall interest yield was as follows:

	2023	2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
Interest income	**446,461**	327,793	36%
Average Leasing Receivables balance *	**9,011,237**	6,588,790	37%
Yield	**4.95%**	4.98%	(0.03%)

* *Being the average of 12 months' balances of net Leasing Receivables*

In FY2023, Chengtong Financial Leasing experienced a growth in its interest income from the leasing business, which was in line with the expansion of its business scale. The majority of the Group's interest income from leasing services was based on variable interest rate which benchmarked to the loan prime rates as promulgated by the National Interbank Funding Center under the PRC (the "**LPR**") while the remaining portion was based on fixed interest rate. During the year, the applicable one-year LPR and five-year LPR were reduced by 10-20 basis points. As a consequence, the Group observed a slight decrease in the overall interest yield from the Leasing Receivables.

The Group diversified its leasing business into operating lease which helped spreading the risk and reliance on the finance lease market. Operating lease provides flexibility and resilience, ensuring the Group's leasing business remains responsive and competitive in a dynamic business environment. During FY2023, the rental income from operating lease increased by three-fold from that of last year, which was attributable to the expansion of the business scale and the Group's ability to capitalise the market demand.

The Group provided a diverse range of advisory services to our customers encompassing management and business consulting. In FY2023, Chengtong Financial Leasing attained fewer new consultancy service projects in the second half of the year and the consultancy service fee income exhibited a drop of 47% from that of last year to approximately HK$29.07 million. The primary reason for this decline was that the Group entered into new leasing projects mostly with SOE during the year to improve the quality of the Leasing Receivables so as to reduce credit risk. However, some of those SOE did not engage the Group for consultancy service and therefore resulted in a drop in consultancy service fee.

Cost of sales

The following table shows the breakdown of the cost of sales by its components:

	2023 ***HK$'000***	2022 *HK$'000*	Increase/ (decrease)
Interest expenses	**257,493**	155,771	65%
Depreciation of leased assets	**89,271**	20,645	332%
Guarantee fees	**5,258**	19,664	(73%)
Others	**10,913**	4,485	143%
Total	**362,935**	200,565	81%

The cost of sales for the leasing segment in FY2023 amounted to approximately HK$362.94 million, representing a substantial increase of approximately HK$162.37 million or 81% compared to that of the previous year. This significant rise was primarily driven by the expansion of business operations and an overall increase in the financing scale, leading to higher interest expenses and depreciation charges and was partly compensated by the decrease in guarantee fees.

The Group financed its leasing operation mainly through short-term and medium-term bank borrowings and issuance of asset-backed securities ("**ABS**"). The interest expenses increased year-on-year by 65% to reach approximately HK$257.49 million which was chiefly driven by the increase in average total borrowings which was in line with the Group's expansion scale in leasing business.

As of 31 December 2023, Chengtong Financial Leasing had launched a total of five ABS schemes with outstanding amount of approximately HK$3,006.22 million (as at 31 December 2022: approximately HK$2,702.27 million) of which the respective priority tranches are listed and traded on the Shanghai Stock Exchange. The repayments of matured ABS by Chengtong Financial Leasing have been timely. The total outstanding bank loans of Chengtong Financial Leasing as at 31 December 2023 were approximately HK$3,247.90 million (as at 31 December 2022: approximately HK$2,661.76 million). Despite the average total borrowings balance increased in FY2023, the effective annual borrowing rate for the leasing segment decreased as the LPR was adjusted downward during the year. An analysis is set out as follows:

	2023	2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
Interest expenses	**257,493**	155,771	65%
Average total borrowings balance *	**7,147,546**	4,106,223	74%
Effective annual borrowing rate	**3.60%**	3.79%	(0.19%)

* *Being the average of 12 months' aggregate balances of bank loans, ABS and other loans*

Guarantee fees were paid to the Company's ultimate holding company, China Chengtong Holdings Group Limited ("**CCHG**"), which undertakes the obligation to pay the shortfall if the funds of the relevant ABS schemes and Chengtong Financial Leasing are insufficient to settle the principal and other payable amounts for certain priority tranches in the relevant ABS schemes. The guarantee fees were calculated at a rate based on the outstanding balances of the guaranteed ABS. During FY2023, the guarantee fees expense recorded a decrease due to a reduction in the guarantee fees rate.

The depreciation charge of leased assets increased significantly as Chengtong Financial Leasing acquired more leased assets for operating lease services.

Expenses

The administrative expenses of leasing segment increased by approximately HK$45.13 million which was mainly due to the additional expected credit loss ("**ECL**") provision of HK$48.60 million during the year. In addition, the finance costs increased by approximately HK$1.48 million which comprised full-year interest expenses for a working capital loan borrowed in December 2022.

Segment Results

The segment results in leasing business for the year were therefore reduced by approximately HK$21.13 million or 12% to approximately HK$155.19 million (FY2022: approximately HK$176.32 million).

Leasing Receivables

As at 31 December 2023, the Group had approximately HK$8,867.76 million of net Leasing Receivables, which were moderately enlarged by 8% from that as at 31 December 2022 (as at 31 December 2022: approximately HK$8,217.57 million), and represented 84% of the total assets as at 31 December 2023 (as at 31 December 2022: 82%).

The Group's Leasing Receivables as at 31 December 2023 were classified into 5 categories according to customers' repayment abilities, up-to-date repayment history, profitability and carrying values of the 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 made for each category.

(Expressed in HK$'000)

	31 December 2023			31 December 2022		
Category	**Gross Leasing Receivables**	**Provision for ECL**	**Net Leasing Receivables**	Gross Leasing Receivables	Provision for ECL	Net Leasing Receivables
I. Performing	**8,418,034**	**2,589**	**8,415,445**	8,163,655	2,829	8,160,826
II. Special Mention	**442,885**	**16,909**	**425,976**	–	–	–
III. Sub-standard	**–**	**–**	**–**	70,422	13,674	56,748
IV. Doubtful	**53,236**	**26,895**	**26,341**	–	–	–
V. Loss	**18,277**	**18,277**	**–**	–	–	–
Total	**8,932,432**	**64,670**	**8,867,762**	8,234,077	16,503	8,217,574

The Group had identified a few customers during the year which had overdue balances and whose business operations were severely impacted by the COVID-19. In view of the respective industry conditions and prospects where the customers were operating in, as well as their payment history and the amounts of collaterals, the Group prudently adjusted the relevant Leasing Receivables to "Special Mention", "Doubtful" or "Loss" categories, as the case maybe, and the relevant impairment provision totalled to approximately HK$62.08 million. As a result, the ECL provision rate (as calculated by dividing provision for ECL by the gross Leasing Receivables) increased to 0.72% in FY2023 from 0.20% in FY2022.

The Group has implemented rigorous risk management policies to monitor Leasing Receivables at every stage of the business cycle, so as to ensure that the Group has robust and prudent standards for credit risk taking, management and monitoring for all Leasing Receivables.

Most of our customers were SOE and the non-performing exposures were comparably low. These customers made regular timely repayment for the matured Leasing Receivables during the year.

(2) Property Development and Investment

	2023	2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
Property sales	**84,067**	84,262	(0.2%)
Rental income	**2,752**	2,788	(1%)
Segment revenue	**86,819**	87,050	(0.3%)
Cost of sales	**(51,689)**	(57,970)	(11%)
Gross profit	**35,130**	29,080	21%
Gross profit margin	***40%***	*33%*	
Segment results	**26,742**	24,060	11%

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

The CCT-Champs-Elysees project is wholly owned by the Group, and is located in the Zhucheng City of Shandong Province of the PRC. The project had a total site area of approximately 146,006 square metres and was developed in three phases. All the construction works had been completed and the relevant sales permit for the final phase was granted in FY2023.

In 2023, the property market in the PRC continued to remain stagnant. The Group's revenue from property sales during the year was wholly derived from the sale of the residential units in Phase III of the CCT-Champs-Elysees project, and the revenue was about the same as that of last year. The average selling price per square metre of the residential area for FY2023 was almost levelled at approximately RMB5,387 (FY2022: approximately RMB5,416). As at 31 December 2023, the unsold area of the project under properties held for sale included residential area of approximately 53,161 square metres (as at 31 December 2022: approximately 12,421 square metres) and commercial space of approximately 926 square metres (as at 31 December 2022: approximately 926 square metres). Looking forward to 2024, the Group will continue to actively pursue the sale of the remaining area of the project.

In FY2023, the Group received stable rental income from properties leasing. The rental income generated from the leasing of the commercial properties of the CCT-Champs-Elysees project and certain office premises of the Group was approximately HK$0.33 million (FY2022: approximately HK$0.37 million) and approximately HK$2.42 million (FY2022: approximately HK$2.42 million) respectively.

The segmental gross profit margin for FY2023 improved chiefly due to certain cost adjustment upon the completion acceptance of the CCT-Champs-Elysees project which reduced the construction cost per square metre.

The segment's selling expenses increased by approximately HK$1.35 million to approximately HK$4.51 million (FY2022: approximately HK$3.16 million) for marketing and promotion purposes. No significant change in the administrative expenses was noted for FY2023. The overall segmental results for FY2023 was recorded at approximately HK$26.74 million, and represented an increase of 11% from that of FY2022.

(3) Marine Recreation Services and Hotel

	2023	2022	Increase/
	HK$'000	*HK$'000*	(decrease)
Marine recreation services	**27,183**	9,300	192%
Hotel operation	**7,448**	4,047	84%
Travelling agency business	**900**	670	34%
Segment revenue	**35,531**	14,017	153%
Cost of sales	**(15,208)**	(13,665)	11%
Gross profit	**20,323**	352	5,674%
Gross profit margin			
– marine recreation services	***59%***	*(15%)*	
– hotel operation	***53%***	*33%*	
– Travelling agency business	***46%***	*62%*	
Segment results	**(3,732)**	(25,356)	(85%)

The Group operated its marine recreation services and hotel business in Hainan Province, the PRC, which was mainly consisted of: (i) marine recreation services; (ii) hotel operation; and (iii) travelling agency business. According to the PRC government's statistic, the number of visitors traveled to the Hainan Province in 2023 was more than 90 million and represented an increase of 50% from that of previous year. The influx of visitors had benefited the segment operation. In 2023, the segment experienced upsurge in its total revenue post COVID-19 pandemic, and the segment results had steadily improved. During the year, the segment's total selling and administrative expenses did not experience significant change.

The segment recorded a loss of approximately HK$3.73 million for FY2023, which decreased by 85% from that in the previous year (FY2022: loss of approximately HK$25.36 million) and was mainly attributed to the better sale performance in marine recreation services.

(4) Bulk Commodity Trade

	2023	2022	(Decrease)
	HK$'000	*HK$'000*	
Segment revenue	**13,641**	761,745	(98%)
Cost of sales	**(13,443)**	(752,844)	(98%)
Gross profit	**198**	8,901	(98%)
Gross profit margin	***1.5%***	*1.2%*	
Segment results	**742**	3,253	(77%)

The Group made a strategic decision to suspend the bulk commodity trading business in early 2023 due to its inherent risk and low-margin characteristics, resulted in a decrease in the segment revenue by approximately HK$748.10 million. The gross profit margin for FY2023 was 1.5% which was similar to that in FY2022. As a result of the suspension, the operating expenses decreased by approximately HK$5.80 million. The trade receivables were fully settled during the year and placed as deposits in banks to generate interest income.

Bulk commodity trade involves significant market volatility and price risks. Prices can be influenced by global economic conditions, supply and demand dynamics and natural disasters. This unpredictability and variability can lead to potential risks and uncertainties, making the management of such business challenging. Therefore, having conducted a comprehensive evaluation and risk-reward analysis of the bulk commodity trading business, the Group decided to suspend this business and to reallocate its resources and efforts to the leasing business.

B. Other Income and Gains, net

	2023	2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
Interest income	**18,628**	16,702	12%
Government subsidies	**442**	989	(55%)
Gain on disposal of investment properties	**255**	1,786	(86%)
Others	**2,956**	5,352	(45%)
Total	**22,281**	24,829	(10%)

In 2023, the Group's other income mainly consisted of interest income from deposits and other financial assets and from loans to related parties of approximately HK$18.63 million (FY2022: approximately HK$16.70 million) the increase of which was offset by the reduction of gain on disposal of investment properties of approximately HK$1.53 million and the reduction of value added tax and other tax credit of approximately HK$2.75 million in relation to the purchase of the operating leased assets, resulting in a decrease in the total other income of approximately HK$2.55 million for the year.

C. Selling and Administrative Expenses

	2023	2022	(Decrease)
	HK$'000	*HK$'000*	
Selling expenses	**12,112**	12,528	(3%)
Administrative expenses	**101,202**	116,013	(13%)

For FY2023, selling expenses decreased by 3% to approximately HK$12.11 million (FY2022: approximately HK$12.53 million). As the Group actively pursued the sale of the CCT-Champs-Elysees project, agency commission expenses and marketing expenses for the property development and investment segment increased by approximately HK$0.24 million and approximately HK$1.20 million respectively. The increase was offset by the decrease of selling expenses in other segments. As the Group had suspended the bulk commodity trade business in early 2023, the selling expenses dropped by approximately HK$0.53 million in FY2023; and for the marine recreation services and hotel business segment, the selling expenses also declined by approximately HK$1.24 million due to streamlined operations in FY2023.

The administrative expenses decreased by approximately HK$14.81 million or 13% year-on-year to approximately HK$101.20 million (FY2022: approximately HK$116.01 million), which was mainly due to the reduction in staff salaries and benefits by approximately HK$7.49 million and other administrative expenses by approximately HK$2.11 million, as well as a favourable change in exchange loss by approximately HK$5.21 million during the year due to streamlined operations and relatively stable RMB to HKD exchange rate respectively.

D. Finance Costs

	2023	2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
Total interest expenses	**288,570**	173,128	67%
Less:			
Amounts included in the cost of sales	**(257,493)**	(155,771)	65%
Amounts capitalised on properties under development	**–**	(1,796)	(100%)
	31,077	15,561	100%

The total interest expenses for FY2023 reached approximately HK$288.57 million (FY2022: approximately HK$173.13 million), indicating a substantial year-on-year increase of 67%. This notable surge was principally attributed to the continuous growth of the leasing business which was largely financed by external financing, thereby leading to the increased interest expenses.

In FY2023, the total interest expenses primarily consisted of interest on bank borrowings of approximately HK$158.80 million (FY2022: approximately HK$75.42 million), interest on ABS of approximately HK$120.12 million (FY2022: approximately HK$89.72 million), and interest on loans from related parties of approximately HK$9.39 million (FY2022: approximately HK$7.77 million). After deducting the finance costs of approximately HK$257.49 million (FY2022: approximately HK$155.77 million) included in the cost of sales, the net finance costs during the year were approximately HK$31.08 million (FY2022: approximately HK$15.56 million, net of the amounts capitalised on properties under development), which accounted for a substantial year-on-year increase of 100%. Amongst it, interest expenses for bank loans in Hong Kong amounted to approximately HK$29.27 million (FY2022: approximately HK$12.40 million), which accounted for 94% of the net finance costs for FY2023 (FY2022: 80%) due to the high interest rate environment in Hong Kong.

IV. OUTLOOK

In 2023, despite numerous challenges such as inadequate effective demand, over-capacity in some industries and weak social expectations, as well as external factors such as strong interest rate hike by the Federal Reserve, constant frictions between China and the United States and the ongoing Russia-Ukraine war, the PRC economy withstood external pressures, overcame internal difficulties, and continued to rebound and improve. Looking forward to 2024, the support from the PRC macroeconomic policy is expected to continue to increase, and industrial upgrading is expected to continue to deepen. On the whole, the trend of China's economic recovery and long-term improvement will remain unchanged. The Group will proactively seize development opportunities, being persistent in seeking progress while maintaining stable growth and strengthening stability through progress, constantly optimise its asset structure, and implement various production and operation initiatives in a solid manner, with a view to promoting the Company's high-quality development in all aspects.

Regarding the leasing business, the Group will, on the premise of strict risk control, achieve stable operation on the basis of the existing business scale and continue to strengthen its self-financing capability. In terms of business expansion, the Group will continue to intensify its efforts to gradually form a professional and distinctive development path on the back of existing specific advantageous industries. In respect of business management, the Group will actively respond to changes in regulatory policies, strive to improve business compliance standards, and promote risk prevention and control as well as transformation in all aspects.

For property development and investment, the Group will continue to intensify its efforts and speed up the sale of the remaining property units in section 3 of Phase III of the CCT-Champs-Elysees project. Regarding marine recreation services and hotel business, the Group will actively seize the opportunity from the recovering tourism market in Hainan Province to improve the efficiency level while actively exploring and promoting subsequent asset restructuring.

The Group and Chengtong Financial Leasing, as the only overseas listed company platform and finance lease company respectively under CCHG, the Group's ultimate controlling shareholder, will further leverage on the resource advantages of the ultimate controlling shareholder, focus the resources on expanding the principal business of leasing and give full play to the synergy advantage of "industry + finance", so as to create greater value for the shareholders. The Board is full of confidence in the future development of the Group.

V. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's financial position remained stable and robust. The equity attributable to owners of the Company stood at approximately HK$2,855.04 million and represented a decrease of 2% from approximately HK$2,926.93 million recorded as at 31 December 2022. The decline was primarily caused by the depreciation of RMB during the year.

The total assets and liabilities of the Group as at 31 December 2023 were detailed as follows:

	31.12.2023	31.12.2022	Increase/ (decrease)
	HK$'000	*HK$'000*	
		(Re-presented)	
Non-current assets	**5,611,407**	5,789,251	(3%)
Current assets	**4,958,789**	4,220,484	17%
Total assets	**10,570,196**	10,009,735	6%
Current liabilities	**(4,104,661)**	(4,104,198)	0.01%
Non-current liabilities	**(3,605,432)**	(2,970,287)	21%
Total liabilities	**(7,710,093)**	(7,074,485)	9%
Total net assets	**2,860,103**	2,935,250	(3%)

As at 31 December 2023, the Group's total assets moderately increased to approximately HK$10.57 billion, representing a rise of 6% as compared to the total assets of approximately HK$10.01 billion as at 31 December 2022. Current assets constituted 47% of the total assets, while Leasing Receivables were the largest component of the assets, being 84% of the total assets.

The Group increased its total liabilities to approximately HK$7,710.09 million or by 9% as at 31 December 2023 from approximately HK$7,074.49 million as at 31 December 2022. The Group obtained further external financing such as issuance of ABS and bank borrowings in the PRC to support the growth of the leasing business. The current and non-current portions of the total liabilities were 53% and 47% respectively.

The current ratio (calculated as total current assets divided by total current liabilities) as at 31 December 2023 was 1.21 times (as at 31 December 2022: (re-presented) 1.03 times), indicating the Group had sufficient liquidity and a favorable solvency position. In addition, the Group had ample of standby credit facilities in place as at 31 December 2023 to enhance the liquidity when needed.

As at 31 December 2023, the Group had cash and deposits (including pledged bank deposits, and bank balances and cash) of approximately HK$710.55 million (as at 31 December 2022: approximately HK$534.56 million), which were primarily denominated in RMB. Other cash and deposits were denominated in HKD and the United States dollars ("**USD**"). The cash and deposits accounted for 7% of the total assets.

As at 31 December 2023, the bank borrowings of the Group amounted to approximately HK$3,747.90 million (as at 31 December 2022: approximately HK$3,167.01 million), represented a rise of 18% from that of last year. During FY2023, the Group has maintained a rather steady profile in respect of the bank borrowings in the PRC to finance the development of leasing business. As at 31 December 2023, about HK$3,247.90 million or 87% of the Group's total bank borrowings were denominated in RMB with repayment due dates ranging from 2024 to 2027. The remaining balance of HK$500 million was a bank loan denominated in HKD. The HKD bank loan is maturing in June 2024. The effective annual interest rates of the bank borrowings in FY2023 ranged from 2.70% to 6.75%.

As at 31 December 2023, the total outstanding balance of the ABS were approximately HK$3,006.22 million (as at 31 December 2022: approximately HK$2,702.27 million). Please refer to note 14 to the financial statements in this announcement for more details.

VI. FINANCIAL LEVERAGE RATIOS

	2023	2022
	Times	Times
Total debts/Total equity	**2.42**	2.12
Total debts/Total assets	**0.66**	0.62
Total debts/EBITDA	**27**	35
Interest coverage	**5**	9

As the Group further developed and expanded the leasing business, the Group's financial structure was slightly changed and resulted in an increase in leverage in 2023.

The debt to equity ratio (calculated by dividing total interest-bearing loans by total equity) and debt to asset ratio were 2.42 times and 0.66 times respectively as at 31 December 2023. In FY2023, the interest coverage ratio (as calculated by dividing consolidated profit before income tax and finance costs by finance costs) was 5 times which suggested that the Group still had safe margin to fulfill its interest payment obligation despite the interest rate in Hong Kong had increased considerably. The above set of ratios indicated that the Group's financial position was solid and possessed strong ability to generate income to cover its finance costs.

VII. SIGNIFICANT INVESTMENTS

The Group had no significant investment exceeding 5% of the total asset value of the Group as at 31 December 2023.

Looking ahead, the Group remains focused on leasing business as the main direction of its business development and will be prudent to invest in other financial assets to maximise shareholders' value.

VIII. 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 31 December 2023, the Group had bank borrowings denominated in HKD and RMB totalling approximately HK$3,747.90 million and were based on fixed and floating interest rates, which exposed the Group to interest rate risks. The Group will, where appropriate, use interest rate and foreign currency swaps and forward foreign exchange contracts for risk management and hedging purposes with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative financing transactions for speculative purposes. It is also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure, including hedge funds or similar instruments.

IX. INTEREST RATE RISKS

As at 31 December 2023, the Group's bank borrowings were denominated in HKD and RMB. Among the RMB-denominated bank borrowings of approximately HK$3,247.90 million, approximately HK$958.62 million was based on fixed interest rates and approximately HK$2,289.28 million was based on floating interest rates. The HKD-denominated bank borrowings of HK$500 million were based on floating interest rates.

In FY2023, the global inflation rate began to level off, however, the interest rates in most of the countries remained at high levels. The floating interest rates in Hong Kong, which are tied to Hong Kong Interbank Offered Rate, remained high in FY2023, while the LPR in the PRC continued to adjust downward during the year.

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

Given the persistently high interest rates and potential fluctuation, the Group will continue to closely monitor the risks arising from interest rate changes and apply appropriate hedging strategies to mitigate the interest rate risks caused by the debt instruments which are based on floating interest rates.

X. FOREIGN EXCHANGE RISK

During the year under review, the Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Any fluctuation in the exchange rate of HKD against RMB may have an impact on the Group's results. As at 31 December 2023, the net assets of the Group's business in the PRC were approximately RMB2,888.69 million. According to Hong Kong Accounting Standards, such amount of net assets denominated in RMB shall be converted at the exchange rate applicable as at the end of the reporting period. The Group's foreign exchange reserve decreased by approximately HK$81.81 million during the year and impacted the Group's net assets as at 31 December 2023. The Group currently does not have any hedging measures against foreign exchange risks. However, the Group will continue to closely monitor the possible risks arising from currency fluctuations.

XI. PLEDGE OF ASSETS

As at 31 December 2023, the Group's pledged bank deposits amounted to approximately HK$11.97 million, representing a decrease of 81% from the balance of approximately HK$61.71 million as at 31 December 2022. The pledged bank deposits mainly included approximately HK$9.31 million pledged as security for certain bills payables for leasing business (as at 31 December 2022: approximately HK$57.63 million), and approximately HK$2.56 million (as at 31 December 2022: approximately HK$3.97 million) pledged as security for banking facilities granted to mortgagors of the CCT-Champs-Elysees project.

As at 31 December 2023, the Leasing Receivables of the Group with an aggregate carrying value of approximately HK$6,776.88 million (as at 31 December 2022: approximately (re-presented) HK$4,844.73 million) were charged as security for the Group's ABS and bank borrowings with carrying amounts of approximately HK$3,006.22 million (as at 31 December 2022: approximately HK$2,702.27 million) and HK$2,915.40 million respectively (as at 31 December 2022: approximately HK$2,661.76 million).

XII. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2023, the Group's capital commitments consisted of purchase of property, plant and equipment, which will be funded by its internal resources. Please refer to notes 15 and 16 to the financial statements in this announcement for details of the Group's contingent liabilities and capital commitments.

XIII. 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.

XIV. EVENT AFTER REPORTING PERIOD

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

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 31 December 2023, the Group employed a total of 253 full-time and part-time employees (as at 31 December 2022: 269), of which 8 (as at 31 December 2022: 11) were based in Hong Kong and 245 (as at 31 December 2022: 258) were based in the PRC. During the year, the total staff costs of the Group (including directors' emoluments and provident funds) were approximately HK$72.62 million. Employees' remunerations are determined in accordance with their experiences, competence, qualifications, nature of duties, and current market trend. Apart from basic salary, discretionary bonus and other incentives may be offered to employees of the Group to reward their performance and contributions. The emoluments of the Directors are determined having regard to the Company's corporate goals, the roles and duties of the Directors in the Group as well as in the group members of the Company's ultimate holding company.

During FY2023, the Company had a share option scheme under which the Company might grant options to the Directors and eligible employees to subscribe for shares of the Company. The share option scheme expired on 26 June 2023.

In addition, the Group provides or subsidises various training programmes and courses to its employees according to business needs, to ensure that its employees are kept abreast of the updates in the relevant laws, regulations and guidelines, such as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), accounting standards, risk management knowledge, labour regulations and employees' code of conduct.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During FY2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct ("**Code of Conduct**") regarding Directors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 (renamed as Appendix C3 with effect from 31 December 2023) to the Listing Rules. Having made specific enquiry to each of the Directors, the Company has received confirmations from all Directors that they have complied with the required standards as set out in the Code of Conduct and the Model Code during FY2023.

CORPORATE GOVERNANCE

The Board considers that good corporate governance is vital to the healthy and sustainable development of the Group. In the opinion of the Directors, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 (renamed as Appendix C1 with effect from 31 December 2023) to the Listing Rules for FY2023.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company ("**Audit Committee**") which comprises three independent non-executive Directors, namely Mr. Lee Man Chun, Tony (chairman of the Audit Committee), Professor Chang Qing and Professor He Jia, has reviewed the audited consolidated financial statements of the Company for FY2023.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the final dividend for FY2023, the register of members of the Company will be closed on Friday, 5 July 2024, on which day no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all completed share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 4 July 2024.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2023 as set out in this preliminary results announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited ("**Baker Tilly**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly on the preliminary results announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.hk217.com. The annual report of the Company for FY2023 will be available on both websites in due course.

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

Hong Kong, 8 March 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.