中国金融租赁集团
CHINA FINANCIAL LEASING GROUP

ANNUAL REPORT

CHINA FINANCIAL LEASING GROUP LIMITED

2009

中國金融租賃集團有限公司 年報

STOCK CODE: 2312

Peace

after the storm–2010

After the global financial crisis hit the world, 2009 was a year full of challenge and opportunity as we expected. In 2009 we made cautious decisions and had made a smooth and stable transition through the year. Despite the global economic trend, China achieved a remarkable 87.5% growth over its performance in 2008, a delighted reflection of its change of stance towards the concept of leasing. With China approving more financial leasing companies and various government's stimulus packages we see lots of business opportunity in a very favorable market environment in the year 2010.

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COMPANY PROFILE

China Financial Leasing Group Limited (Stock Code: 2312, "CFLG" or the "Company", with its subsidiaries, collectively the "Group") is an investment company focusing on the financial leasing market in China. Incorporated in Cayman Islands, the Company's shares were listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange") since October 2002.

The Group has restructured terms with the auto leasing company to increase competitiveness and will be working on new deals with various planes and environmental energy companies in the upcoming years.

CFLG strives to create value for its shareholders, leveraging on favorable market conditions; added with strong government industry support, its unique investment approach, and its in-depth knowledge of China's financial leasing market, it would keep highly adaptive to market conditions and continuously look for opportunities in potential sectors.

VISION

To be the leading investor in China's rapid growing financial leasing market

MISSION

To generate maximum shareholder value through prudent investment in China's dynamic's financial leasing industry

VALUES

Visionary – Striving identifies and leverage on attractive investment opportunities

Knowledgeable – making investment decisions based on intimate market knowledge and first-hand industry experience

Prudent – following a cautious investment strategy that minimizes downside risks and maximizes upside potential

Patrick Choy. Mr. Choy Kwok Hung

"I am full for confidence that our team will take prompt, forceful and effective measures to ensure the health of the Group and bring long term benefits to our stakeholders."

CHAIRMAN'S STATEMENT

On to the 3rd year in the financial leasing industry, I am delighted to once again present the 2009 Annual Report of China Financial Leasing Group Limited ("CFLG" or the "Group") for the year ended 31 December 2009.

In the Chairman's statement of our 2008 Annual Report, I expressed my view that 2009 would be a mix of challenges and opportunities for the Group. We intended to grow our business through partnership, strategic investment and business diversification in facing challenges from the rapidly changing market conditions. During the past year, we worked closely with our auto leasing partner in re-negotiating a more stable term between the two parties. In the aircraft engine business, negotiation is still an on-going process and we are working on connecting with more related companies to widen our business scope. Many tasks remain to be accomplish in the coming year.

Taking into account the current sluggish economy and the growing competitive market, 2010 will be another challenging year for the Group. However, I am full for confidence that our team will take prompt, forceful and effective measures to ensure the health of the Group and bring long term benefits to our stakeholders.

Choy Kwok Hung, Patrick
Chairman
Hong Kong, 21 April 2010

MANAGERMENT DISCUSSION AND ANALYSIS

WHAT IS FINANCIAL LEASING?

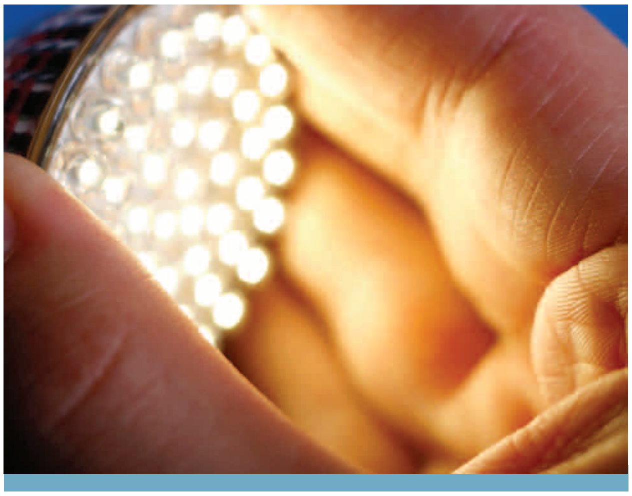
It is a contractual agreement between the financial leasing company (Lesser) and the client (Lessee) by which the Lessee is entitled to benefit from the leased assets during a specified period of time against periodical installments agreed upon beforehand (leasing installments), provided that the ownership of the leased assets is transferred at the end of the contract's duration to the lessee automatically, or against an already agreed upon amount with the "option to buy" the leased asset during the contract's duration. Developed in the 1950s in the USA, it is now one of the most effective tools available to businesses today. Assets that can be leased can be cars, medical equipment industrial equipments and machinery, office equipment, various means of transportation and any other asset. Any business can use financial leasing to finance any fixed asset, like machinery, equipments, buildings, etc. At present, finance difficulty is one of the bottlenecks limiting the development of medium and small size enterprises, while the financial leasing business will meet such requirement for them.

THE BIG PICTURE

Despite the global economic slowdown, China is believed to keep growing with the release of the reviving policies for 10 critical industries including equipment, energy resources, automobile, IT, Steel, non-ferrous metals, etc. Coupled with the 4,000 billion RMB stimulation package for the nations' infrastructure development and the implementation of China's healthcare reform, the bundle of measures is expected to help recover the confidence of vendors from different industries in their further growth in China. China revised its regulations on financial leasing companies in 2007, allowing financial institutions to participate in or set up financial leasing companies. While the government has made strides in developing a favorable equipment leasing environment, there still are impediments to a strong and structurally sound industry, including a complicated regulatory environment and what has been described as an arcane tax system.

By the end of 2009, the 12 domestic financial leasing companies' combined asset balances totaled to be 150.73 billion RMB, annual sales income of 7.779 billion RMB, total profit of 2.236 billion RMB, as compare to 2008 grew by 120%, 80%, and 61% respectively. In 2010 China Banking Regulatory Commission will approved the second batch of banks to join the financial leasing business.

In early 2007, the CBRC issued the "Measures for Administration of Financial Leasing Company", which allowed the banks to come in, the six major banks responded immediately by setting up their own financial leasing company in hopes of getting ahead start at this field. Financial leasing industry is still having huge potential because the existing penetration rate is only around 3-4% while the penetration rate of developed countries such as US is as high as 30%, Germany 18% and average rate at OECD is between 15% and 30%, according to the "World Leasing Yearbook".



The new value-added tax which took effect in the beginning of 2009 was supposed to stimulate the capital investments by corporations. However, corporation who purchased leased asset still may not gain from the tax reduction since the definition of "sales of assets" remains unclear to the law. Many of the big corporation is taking the "wait and see" approach and lots of projects are on hold until things get resolved.

LOOKING FORWARD

As China becoming one of the world's leading economy, its financial leasing marketing is growing tremendously. With more and more business people understanding the concept of financial leasing it has become a common practice for companies to free up more capital through the use of financial leasing. As government regulations become clearer and more information is gathered, financial leasing is undoubtedly one of the most important industries in China. The Group will be watching for more quality projects that are currently promoted by the government such as environment-friendly reconstruction project and energy recycling project. In the meantime, the group will be working closely with the auto and aircraft leasing companies.

FINANCIAL REVIEW

The Group recorded sales proceed from disposals of trading equity securities of approximately HK$6,263,000 for the year ended 31 December 2009 (2008: HK$5,269,000) and recorded a net profit on financial assets at fair value through profit or loss of approximately HK$1,079,000 (2008: net loss of HK$41,160,000).

Loss for the year was approximately HK$8,324,000 (2008: loss of HK$54,209,000) which was mainly contributed by the operating cost of the Group during the year ended 31 December 2009.

INVESTMENT EQUITY

As at 31 December 2009, the carrying value of the Group's listed equity investments was nil (2008: HK$3,706,000).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2009, the Group had cash and cash equivalents of approximately HK$41,463,000 (2008: HK$4,909,000) comprised a temporary receipt of HK$40,734,375 which was subsequent refunded in January 2010. The Group will monitor the exposure and take prudent measures when necessary.

The Group had net assets of approximately HK$3,134,000 (2008: HK$11,458,000) and there were no borrowings or long-term liabilities as at 31 December 2009.

CAPITAL STRUCTURE

On 19 December 2008, the Company consolidated every 5 issued and unissued shares of HK$0.05 each into one consolidated shares of HK$0.25 each (the "Share Consolidation"), and changed the board lot size for trading in the shares from 10,000 to 15,000 consolidated shares. Upon the Grant Court of the Cayman Islands granted the order on 27 March 2009, and fulfillment of other conditions precedent, the par value of each issued consolidated share was reduced from HK$0.25 to HK$0.01 by canceling the paid-up capital to the extent of HK$0.24 on each issued consolidated share and sub-divide every unissued share of HK$0.25 each into 25 shares of HK$0.01 each on 31 March 2009. As a result, HK$80,962,560 paid-up capital was cancelled which eliminated the accumulated loss of the Company.

SUBSEQUENT EVENTS

On 11 February 2010, the Company issued 67,455,000 shares under the placing agreement entered into between the Company and Metro Capital Securities Limited on 2 February 2010, and a net proceeds of approximately HK$5,801,000 was received by the Company on 10 February 2010.

On 12 April 2010, the Company has proposed an open offer to the existing shareholders to subscribe for new shares at a price of HK$0.057 per share on the basis of one offer share for every two existing shares held by qualifying shareholders on 30 April 2010. It is expected to raise approximately HK$11.5 million to HK$13.5 million. Details of which were disclosed in the announcement of the Company dated 12 April 2010.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

The Group has not made any material acquisition or disposal of subsidiaries during the year under review.

EMPLOYEE BENEFITS

As at 31 December 2009, the Group had 9 employees, including 2 Executive Directors. Total salary and housing cost for the year ended 31 December 2009 was HK$2,354,000 (2008: HK$2,318,000). The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice. During the year, no share options were granted to any directors or employees of the Group under the Company's share option scheme adopted on 7 October 2002.

CHARGES ON GROUP ASSETS

During the year, there were no charges on the Group's assets.

CONTINGENT LIABILITIES

During the year, there were no contingent liabilities noted by the Directors.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standards and procedures to ensure the integrity, transparency and quality of disclosure, thereby enhancing shareholder value.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which came into effect on 1 January 2005, as its own code of corporate governance practices.

During the year ended 31 December 2009, the Company was in compliance with the code provisions set out in the CG Code except for the deviations from code provisions A.4.1 and E.1.2.

Code provision A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors (except Mr. Chung Shu Kun, Christopher) are not appointed for a specific term but they are subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company (the "Articles").

Code provision E.1.2 of the CG Code provides that the chairman of the Board should attend the annual general meeting. Mr. Choy Kwok Hung, Patrick, the Chairman of the board of Directors of the Company (the "Board") did not attend the 2009 annual general meeting of the Company by the reason of business trip, and the Chairman has set aside time to attend the 2010 annual general meeting of the Company to be held on Tuesday, 1 June 2010.

Save as aforesaid and in the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code during the year ended 31 December 2009.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings regarding securities transactions by Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, investment and strategic decisions and performance. The Board delegated authority and responsibility for day-to-day portfolio management of the Group to the Investment Manager, while reserving certain key matters for the approval of the Board. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of five Directors including two executive Directors and three independent non-executive Directors:

Executive Directors
Mr. Choy Kwok Hung, Patrick (Chairman)
Mr. Chan Chi Hung (Managing Director)

Independent non-executive Directors
Mr. Chung Koon Yan
Mr. Chung Shu Kun, Christopher
Mr. Yue Man Yiu, Matthew

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out under the section headed "Biographical Details of Directors" on pages 16 to 19 of this report.

Chairman and Chief Executive Officer
The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Choy Kwok Hung, Patrick, the Chairman, is in charge of the management of the Board and strategic planning of the Group. Mr. Chan Chi Hung, the Managing Director, is responsible for the day-to-day management of the Group's business.

Independent non-executive Directors
The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications, and extensive experience in the fields of accounting, financial, cultural development, computer operation and civil affairs. With their extensive experience, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considered that they are independent under Rule 3.13 of the Listing Rules.

Mr. Chung Shu Kun, Christopher was appointed on 1 February 2009 for a term of two years, while the other two independent non-executive Directors are not appointed for a specific term, but they are all subject to retirement by rotation in accordance with the Articles.

Board Meetings
The Board has 4 scheduled meetings a year at quarterly intervals and additional meetings will be held as and when required. The 4 scheduled Board meetings for the year are planned in advance in order to make sure all Directors could plan in advance ther availability to attend the scheduled Board meetings. During the regular Board meetings of the Board, the Board reviewed the operation and financial performance, and reviewed and approved the annual and interim results.

During the year ended 31 December 2009, the Board held 6 meetings. All Directors are given an opportunity to include any matters in the agenda for regular Board meetings and are given sufficient time to review documents and information relating to matters to be discussed to matters to be discussed during Board meetings in advance.

Name of Directors	Number of meetings attended
Executive Director	
Mr. Choy Kwok Hung, Patrick (Chairman)	5/6
Mr. Chan Chi Hung (Managing Director)	6/6
Mr. Lim Siang Kai*	-
Independent Non-executive Director	
Mr. Chung Koon Yan	6/6
Mr. Chung Shu Kun, Christopher**	5/6
Mr. Yue Man Yiu, Matthew	6/6
Dr. Ching Yih-Gwo*	-

* Mr. Lim Siang Kai and Dr. Ching Yih-Gwo resigned on 1 February 2009, no meeting was held before their resignation.

** Mr. Chung Shu Kun, Christopher was appointed on 1 February 2009.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged in respect of relevant actions against its Directors.

NOMINATION OF DIRECTORS

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially in regard to their experience in the investment business.

Furthermore, the full Board is responsible for the selection and approval of candidates for appointment as Directors to the Board, therefore the Company has not established a Nomination Committee for the time being.

During the year ended 31 December 2009, the Board approved the appointment of Mr. Chung Shu Kun, Christopher as an independent non-executive Director by way of a written resolution.

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee (the "Remuneration Committee") on 28 June 2005 which currently consists of two independent non-executive Directors, namely Mr. Chung Koon Yan (as Chairman) and Mr. Yue Man Yiu, Matthew, and one executive Director, namely Mr. Chan Chi Hung with written terms of reference in compliance with the Listing Rules.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the matters relating to the Company's policy and structure for the remuneration of the Directors and senior management; and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

1 Remuneration Committee meeting was held during the year under review, with full attendance of the members, to discuss about the remuneration package of Directors, acting chief executive officer and senior management.

The Company adopted a share option scheme on 7 October 2002. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to any eligible participants, including Directors as incentives or rewards for their contribution to the Group. Details of the share option scheme are set out in the Report of the Directors and note 20 to the financial statements. Details of the Directors' remuneration are set out in note 12 to the financial statements.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Grant Thornton, is set out below:

	Fee paid/payable HK$'000
Services rendered	
Audit services	200
Non-audit services	-
	200

AUDIT COMMITTEE

The Company established an Audit Committee (the "Audit Committee") on 7 October 2002. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Yue Man Yiu, Matthew (as Chairman), Mr. Chung Koon Yan and Mr. Chung Shu Kun, Christopher.

The Audit Committee meets at least twice a year. The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system and internal control procedures.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee shall meet the external auditors to discuss any area of concern during the audit or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of standards, but also on the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

During the year ended 31 December 2009, the Audit Committee held 2 meetings and reviewed the interim and annual results of the Group together with the auditors of the Company. In the opinion of the Audit Committee, the preparation of such results complied with the applicable accounting standards and the Listing Rules.

Name of Members	**Number of meetings attended**
Mr. Yue Man Yiu, Matthew	2/2
Mr. Chung Koon Yan	2/2
Mr. Chung Shu Kun, Christopher *	1/2
Dr. Ching Yih-Gwo **	-

* Mr. Chung Shu Kun, Christopher was appointed on 1 February 2009.

** Dr. Ching Yih-Gwo resigned on 1 February 2009, no meeting was held before his resignation.

SHAREHOLDER RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The chairman of the Board committees attended the 2009 annual general meeting to answer questions at the meeting.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information about the Company is disseminated to the shareholders through:

- delivery of interim and annual results and reports to all shareholders;
- publication of announcements on interim and annual results on the websites of the Company and the Stock Exchange, and issuance of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is an effective communication channel between the Board and shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's account for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a proper and effective system of internal control of the Group. The internal control system includes safeguard of the interest of shareholders and the Group's assets. The Board has delegated to management for the implementation of all relevant financial, operational, compliance controls and risk management function within a defined framework. During the year ended 31 December 2009, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. Choy Kwok Hung, Patrick, aged 67, was appointed as the Chairman and a non-executive Director on 14 June 2007, and he has been re-designed as an executive Director of the Company with effective from 18 December 2008. He is responsible for strategic development of the Company and its subsidiaries (the "Group"). He is the founder and chairman of Global Strategy Group Limited and a Trustee and Board member of Majulah Connection Limited in Singapore. He is an independent non-executive Director of Solomon Systech (International) Limited, a company listed on the Stock Exchange. He has been an independent non-executive Director of Road King Infrastructure Limited, a company listed on the Stock Exchange, up to 21 May 2009 and an independent non-executive Director of Evergro Properties Limited, a company listed on the Stock Exchange of Singapore, up to 20 April 2009. He is a member of the National Committee of the Chinese People's Political Consultative Conference. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Choy and no specific term of length of service. Mr. Choy is subject to retirement by rotation at least once every three years in accordance with the Articles. He is entitled to a director's fee of HK$360,000 per annum, which is determined with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Choy does not have any relationship with any Director, senior management, substantial shareholders (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO").

EXECUTIVE DIRECTOR

Mr. Chan Chi Hung, aged 37, was appointed as an executive Director of the Company on 26 April 2007 and was appointed as the Managing Director of the Company on 12 April 2010. He is the sole director of each of the subsidiaries of the Company. He is also a member of the Remuneration Committee. He is responsible for setting out the business development strategy of and identifying investment opportunities for the Group. Mr. Chan was the managing Director of a leading foreign-owned leasing company in China. His expertise includes structuring of leveraged leasing and cross-broader leasing for overseas-listed State-owned Enterprises. Before his active participation in the financial leasing industry, Mr. Chan was previously the investment manager of Springfield Financial in charge of its private equity, fund-of-funds, and fixed-income investments portfolio. Prior to that, he was with J.P. Morgan Chase. He is currently a non-executive director of Build King Holdings Limited, a company listed on the Stock Exchange. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Chan and no specific term of length of service. He is subject to retirement by rotation at least once every three year in accordance with the Articles. Mr. Chan is entitled to a director's fee of HK$300,000 per annum which is determined with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Chan does not have any relationship with any other Director, senior management, substantial shareholders or controlling shareholders (as defined in the "Listing Rules") of the Company. He is interested in 199,000 shares of the Company within the meaning of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yue Man Yiu, Matthew, aged 48, was appointed as an independent non-executive Director of the Company on 4 June 2002. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. He graduated from the Chinese University of Hong Kong with a Bachelor's Degree of Business Administration in 1984. He is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. He has extensive experience in the financial control, project analysis and management functions. He is presently the director of a consultancy & investment company and chief financial officer of a company which engages in retail & wholesale sales business. Mr. Yue is currently an independent non-executive Director of Asia Cassava Resources Holdings Limited, a company listed on the Stock Exchange. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Yue and no specific term of length of service. He is subject to retirement by rotation at least once every three years in accordance with the Articles. Mr. Yue is entitled to a director's fee of HK$120,000 per annum which is determined with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Yue does not have any relationship with any Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Chung Koon Yan, aged 46, was appointed as an independent non-executive Director of the Company on 30 September 2004. He is also a member of the Audit Committee and the Chairman of the Remuneration Committee. Mr. Chung is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, and a member of The Institute of Chartered Accountants in England and Wales. He graduated from The Hong Kong Polytechnic University with a Master of Professional Accounting. Mr. Chung is a Director of an accounting firm, Chiu, Choy & Chung CPA Ltd., and has more than 19 years' experience in accounting, auditing and taxation. Mr. Chung is currently an independent non-executive director of Shenzhen High-Tech Holdings Limited, a company listed on the main board of the Stock Exchange, and Trasy Gold Ex Limited and Great World Company Holdings Limited, both companies listed on Growth Enterprise Market of the Stock Exchange. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Chung and no specific term of length of service. He is subject to retirement by rotation at least once every three years in accordance with the Articles. He is entitled to a director's fee of HK$120,000 per annum which is determined with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Chung does not have any relationship with any other Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and he does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Chung Shu Kun, Christopher, aged 53, was appointed as an independent non-executive Director of the Company on 1 February 2009. He is also a member of the Audit Committee. Mr. Chung has extensive experience in cultural development, computer operation and civil affairs. He is presently a member of the board of governors of Hong Kong Art Centre and Hong Kong Sinfonietta and also a Director of Hong Kong Repertory Theatre Limited, Public Art Hong Kong Limited and Hong Kong Art Development Council. From 2000 to 2007, Mr. Chung was the vice chairman of the governing council of Hong Kong Repertory Theatre Limited. Prior to these, he was a computer operator and a computer coordinator of The Chinese University of Hong Kong and Mass Transit Railway Corporation Limited respectively and a computer supervisor of Hong Kong Security Limited and The Hong Kong Jockey Club from 1982 to 1999. Mr. Chung has been a member of Election Committee of the National People's Congress in Hong Kong Area and Election Committee of the chief executive of the Hong Kong Special Administrative Region since 1997. He is currently the vice chairman and an elected member of Eastern District Council and was previously an elected member of Urban Council, a member of Liquor License Board, the chairman of Performing Companies Working Group Committee and the vice chairman of Libraries Select Committee. Besides, Mr. Chung engages in advisory and statutory consultative bodies. He is a member of Municipal Services Appeals Board, Advisory Committee on Agriculture and Fisheries and Engineering, Development & Maintenance SCS Drafting Sub-committee. Mr. Chung is also the full member of Hong Kong Computer Society and Internet Professional Association Limited. He holds a master degree of Science (e-business) in Glasgow Caledonia University and is currently a MBA candidate of University of Wales. Mr. Chung was awarded Medal of Honor and Bronze Bauhinia Star in 1999 and 2009, respectively. The Hong Kong SAR Government appointed Mr. Chung to be a Justice of the Peace in 2003. He did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Chung and the term of appointment of Mr. Chung as an independent non-executive Director is two years commenced from 1 February 2009. He is subject to retirement by rotation at least once every three years in accordance with the Articles. Mr. Chung is entitled to a director's fee of HK$120,000 per annum which is determined with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Chung does not have any relationships with any Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

The Board is pleased to submit their report together with the audited financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed securities in Hong Kong and overseas on a general perspective. During the year, the Group also focuses on the investment in the financial leasing business in the People's Republic of China.

Details of the principal activities of the subsidiaries are set out in note 14 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 December 2009 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 28 to 68.

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2009.

ANNUAL GENERAL MEETING

The 2010 annual general meeting of the Company ("AGM") will be convened and held on Tuesday, 1 June 2010.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 19 to the financial statements.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "SO Scheme") on 7 October 2002 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include any persons being employees, officers, agents, consultants or representatives of the Group. The SO Scheme became unconditional on 28 October 2002 upon the listing of the Company's shares on the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date.

The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (the "10% Limit") as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in a general meeting to refresh the 10% Limit at any time in accordance with the Listing Rules.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options shall remain open for acceptance for a period of 28 days from the date of the offer of the grant. The grant of share options is effective upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares.

The general limit on the grant of the options under the SO Scheme was refreshed to 33,734,400 shares pursuant to the resolution passed at the extraordinary general meeting of the Company held on 18 December 2008.

Further details of the SO Scheme are disclosed in the prospectus of the Company dated 15 October 2002.

No share option has been granted since the Adoption Date.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2009.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

Under the Companies Law (2007 Revision) of the Cayman Islands, the share premium account of the Company of HK$11,483,000 as at 31 December 2009, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Mr. Choy Kwok Hung, Patrick (Chairman)	
Mr. Chan Chi Hung (Managing Director)	
Mr. Lim Siang Kai	(resigned on 1 February 2009)

Independent Non-executive Directors

Mr. Yue Man Yiu, Matthew	
Mr. Chung Koon Yan	
Mr. Chung Shu Kun, Christopher	(appointed on 1 February 2009)
Dr. Ching Yih-Gwo	(resigned on 1 February 2009)

Pursuant to Article 88(1) of the Articles, Mr. Yue Man Yiu, Matthew and Mr. Chung Koon Yan will retire by rotation and, being eligible, offered themselves for re-election at the AGM.

INDEPENDENCE CONFIRMATION

The Company has received, from each of independent non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are being independent.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or its subsidiary was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2009, the interest or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Interests in shares, underlying shares and debentures of the Company

Name of Director	Type of interest	Long position/ short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Chan Chi Hung	Beneficial interest	Long position	199,000	0.05%

Save as disclosed above, as at 31 December 2009, none of the Directors and chief executives of the Company had any interests and short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those as disclosed above relating to the SO scheme adopted on 7 October 2002, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its subsidiary a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2009, there was no person had any interest or short position, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTION

During the year, the Company has paid HK$660,000 as investment management fee to Wealth Assets Management Limited ("Wealth Assets"), the investment manager of the Company which is owned as to approximately 83.33% by Mr. Chan Chi Hung, an executive Director of the Company, for the provision by Wealth Assets of investment management services to the Company at a monthly management fee of HK$55,000.

Details of the above connected transactions are disclosed in note 25 to the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the CG Code of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive Directors, Mr. Yue Man Yiu, Matthew (as Chairman), Mr. Chung Koon Yan and Mr. Chung Shu Kun, Christopher. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2009.

AUDITORS

A resolution will be submitted to the AGM for the re-appointment of Grant Thornton as auditors of the Company.

On behalf of the Board
Choy Kwok Hung, Patrick
Chairman

Hong Kong, 21 April 2010

Report of FINANCIAL STATEMENTS

CHINA FINANCIAL LEASING GROUP LIMITED

For the year ended 31 December 2009
(Stock code: 2312)

Grant Thornton
均富

Member of Grant Thornton International Ltd

TO THE MEMBERS OF CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Financial Leasing Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 68, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

21 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Revenue	5	**186**	674
Other income		**24**	-
Net gain/(loss) on financial assets at fair value through profit or loss		**1,079**	(41,160)
		1,289	(40,486)
Administrative expenses		**(9,613)**	(13,723)
Loss before income tax	7	**(8,324)**	(54,209)
Income tax expense	8	**-**	-
Loss for the year	9	**(8,324)**	(54,209)
Total comprehensive income for the year		**(8,324)**	(54,209)
		HK cents	HK cents
Loss per share for loss attributable to the owners of the Company during the year	10		
- Basic		**(2.47)**	(16.07)
- Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**511**	948
Loan receivables	17	**1,327**	-
		1,838	948
Current assets			
Financial assets at fair value through profit or loss	15	**-**	3,706
Other receivables, deposits and prepayments	16	**599**	3,382
Loan receivables	17	**1,723**	-
Cash and cash equivalents	18	**41,463**	4,909
		43,785	11,997
Current liabilities			
Other payables and accruals	28(i)	**42,489**	1,487
Net current assets		**1,296**	10,510
Total assets less current liabilities/Net assets		**3,134**	11,458
EQUITY			
Equity attributable to the owners of the Company			
Share capital	19	**3,373**	84,336
Reserves	21	**(239)**	(72,878)
Total equity		**3,134**	11,458

Choy Kwok Hung, Patrick
Director

Chan Chi Hung
Director

STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**511**	948
Interests in subsidiaries	14	**1**	1
		512	949
Current assets			
Financial assets at fair value through profit or loss	15	**-**	3,706
Other receivables, deposits and prepayments	16	**599**	420
Amounts due from subsidiaries	14	**2,634**	2,730
Cash and cash equivalents	18	**41,463**	4,909
		44,696	11,765
Current liabilities			
Other payables and accruals	28(i)	**42,477**	1,475
Net current assets		**2,219**	10,290
Total assets less current liabilities/Net assets		**2,731**	11,239
EQUITY			
Share capital	19	**3,373**	84,336
Reserves	21	**(642)**	(73,097)
Total equity		**2,731**	11,239

Choy Kwok Hung, Patrick
Director

Chan Chi Hung
Director

	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	84,336	11,483	-	(31,139)	64,680
Issuance of warrants (note 21(ii))	-	-	987	-	987
Transactions with owners	-	-	987	-	987
Loss for the year (Total comprehensive income for the year)	-	-	-	(54,209)	(54,209)
At 31 December 2008 and 1 January 2009	**84,336**	**11,483**	**987**	**(85,348)**	**11,458**
Capital reduction (note 19(ii))	**(80,963)**	**-**	**-**	**80,963**	**-**
Transactions with owners	**(80,963)**	**-**	**-**	**80,963**	**-**
Loss for the year (Total comprehensive income for the year)	**-**	**-**	**-**	**(8,324)**	**(8,324)**
At 31 December 2009	**3,373**	**11,483**	**987**	**(12,709)**	**3,134**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Cash flows from operating activities		
Loss before income tax	**(8,324)**	(54,209)
Adjustments for :		
Depreciation	**284**	245
Bank interest income	**(6)**	(462)
Dividend income	**-**	(17)
Loan and other interest income	**(180)**	(195)
Loss on disposal of property, plant and equipment	**140**	-
Operating loss before working capital changes	**(8,086)**	(54,638)
Decrease in financial assets at fair value through profit or loss	**3,706**	35,174
Increase in other receivables, deposits and prepayments	**(179)**	(129)
Decrease in amount due from a broker	**-**	5
Decrease in loan receivables	**75**	-
Increase in other payables and accruals	**41,002**	267
Cash generated from/(used in) operations	**36,518**	(19,321)
Bank interest received	**6**	470
Dividend income received	**-**	17
Loan and other interest income received	**17**	106
Net cash generated from/(used in) operating activities	**36,541**	(18,728)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(27)**	(680)
Proceeds on disposals of property, plant and equipment	**40**	-
Net cash generated from/(used in) operating activities	**13**	(680)
Cash flows from financing activities		
Proceeds from issuance of warrants	**-**	1,012
Warrants issue expenses	**-**	(25)
Net cash generated from financing activities	**-**	987
Net increase/(decrease) in cash and cash equivalents	**36,554**	(18,421)
Cash and cash equivalents at 1 January	**4,909**	23,330
Cash and cash equivalents at 31 December	**41,463**	4,909

Major non-cash transactions

During the year ended 31 December 2009, other receivables, deposits and prepayments of approximately HK$3,004,000 (2008: Nil) were assigned and transferred to loan receivables of the Group.

1. GENERAL INFORMATION

China Financial Leasing Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands. The address of its registered office and principal place of business are located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 4209, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed securities in Hong Kong and overseas on a general perspective. During the year, the Group also focuses on the loan financing business in the People's Republic of China (the "PRC").

The financial statements for the year ended 31 December 2009 were approved for issue by the board of directors on 21 April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 28 to 68 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see 2.3 below) made up to 31 December each year.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group assets sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

2.5 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following basis:

(i) interest income is recognised on a time-proportion basis using the effective interest method;
(ii) dividend income is recognised when the right to receive payment is established.

2.6 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Depreciation on property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Motor vehicles	4 years
Furniture and office equipment	4 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other cost, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of non-financial assets

Property, plant and equipment, prepayments and interests in subsidiaries are subject to impairment testing.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.8 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance lease. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line method over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payment made. Contingent rental are charged to the profit or loss in the accounting period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries are set out below.

The Group's financial assets include financial assets at fair value through profit or loss, other receivables, deposits, loan receivables and cash and cash equivalents. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.5 to these financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Accounting for income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium (net of any related income tax benefits) to the extent that they are incremental costs directly attributable to the equity transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Retirement benefit costs and short term employee benefits

(i) Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(ii) Short term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.14 Share-based employee compensation

All share-based payments arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in profit or loss with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

The Group did not grant any share-based compensation during the year and had no unvested share option as at reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial liabilities

The Group's financial liabilities include other payables and accruals.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.16 Warrants

Warrants issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.17 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The Group has identified the following reportable segments:

- investment in listed securities with revenue of dividend income received for the securities;
- provision of loan financing with revenue of interest income recognised.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

(i) gain/ loss on disposal of porperty, plant and equipment;
(ii) depreciation on property, plant and equipment;
(iii) income tax; and
(iv) corporate income and expenses which are not directly attributable to the business activities of any operating segment;

are not included in arriving at the operating results of the operating segment.

Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarters.

2.19 Related parties

For the purposes of these financial statements, a party is considered to be related to the group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group in making financial and operating policy decisions, or has joint control over the group;
(ii) the group and the party are subject to common control;
(iii) the party is an associate of the group or a joint venture in which the group is a venturer;
(iv) the party is a member of key management personnel of the group or the group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
(vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2009:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Amendments)	Cost of An Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendments)	Share-based Payment - Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or company statement of financial position at 1 January 2008 and accordingly this statement is not presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries, jointly controlled entity or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate (Continued)

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

There is no impact on the effect of the application of the amendments in respect of the Company's interest in subsidiaries and retained earnings at 31 December 2009 in the separate statement of financial position.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns.

HKFRS 7 (Amendments) Improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierachy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Company has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers/borrowers and current market conditions. Management reassesses the impairment of receivables at each reporting date.

(ii) Depreciation on property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line method over their estimated useful lives of four years, i.e. 25% per annum. The estimated useful lives reflect the directors' estimate of the period that the Group will derive future economic benefits from the use of the Group's property, plant and equipment.

5. REVENUE

Revenue, which is also the Group's turnover, recognised during the year is as follows:

	2009 HK$'000	2008 HK$'000
Bank interest income	**6**	462
Dividend income	**-**	17
Loan interest income	**138**	-
Other interest income	**42**	195
	186	674

The results arising from the fair valuation of financial assets at fair value through profit or loss are shown separately in the consolidated statement of comprehensive income under the line of "net gain/(loss) on financial assets at fair value through profit or loss". The gross proceeds from trading of securities for the year amounted to approximately HK$6,263,000 (2008: HK$5,269,000).

6. SEGMENT INFORMATION

On adoption of HKFRS 8 "Operating Segments", the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There are two business components/reportable segments in the internal reporting to the executive directors, which are investment in listed securities and provision of loan financing.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Investment in listed securities		**Provision of loan financing**		**Total**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Revenue						
From external customers	**-**	17	**138**	-	**138**	17
Reportable segment revence	**-**	17	**138**	-	**138**	17
Reportable segment gain/(loss)	**367**	(41,474)	**138**	-	**505**	(41,474)
Reportable segment assets	**509**	4,791	**3,050**	-	**3,559**	4,791
Additions to non-current segment assets during the year	**-**	-	**1,327**	-	**1,327**	-

6. SEGMENT INFORMATION (Continued)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements are as follows:

	2009 HK$'000	2008 HK$'000
Reportable segment revenue	**138**	17
Unallocated corporate revenue	**48**	657
Group revenue	**186**	674
Reportable segment gain/(loss)	**505**	(41,474)
Unallocated corporate income	**72**	657
Depreciation	**(284)**	(245)
Loss on disposal of property, plant and equipment	**(140)**	-
Unallocated corporate expenses	**(8,477)**	(13,147)
Loss before income tax	**(8,324)**	(54,209)
Reportable segment assets	**3,559**	4,791
Other corporate assets	**42,064**	8,154
Group assets	**45,623**	12,945
Reportable segment liabilities	**-**	-
Other corporate liabilities	**42,489**	1,487
Group liabilities	**42,489**	1,487

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Hong Kong (domicile)	**48**	674	**511**	948
The PRC	**138**	-	**1,327**	-
	186	674	**1,838**	948

6. SEGMENT INFORMATION (Continued)

The country of domicile is determined by referring to the country which the Group regards as its home country, has the majority of operations and centre of management.

The geographical location of customer is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the asset.

During the year ended 31 December 2009, approximately HK$138,000 or 74% of the Group's revenue depended on a single customer in loan financing business. At the reporting date, approximately HK$3,050,000 of loan receivables was due from this customer. (2008: nil)

7. LOSS BEFORE INCOME TAX

	2009 HK$'000	2008 HK$'000
Loss before income tax is arrived at after charging:		
Auditors' remuneration	**200**	187
Depreciation	**284**	245
Exchange loss, net	**82**	1,455
Operating lease charges in respect of land and buildings	**1,625**	974
Loss on disposal of property, plant and equipment	**140**	-

8. INCOME TAX EXPENSE

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands ("BVI") during the year (2008: Nil).

No Hong Kong profits tax has been provided as the Group did not generate any assessable profit arising in or derived from Hong Kong for the year (2008: Nil).

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2009 HK$'000	2008 HK$'000
Loss before income tax	**(8,324)**	(54,209)
Tax on loss before income tax, calculated at applicable rate of 16.5% (2008: 16.5%)	**(1,373)**	(8,944)
Tax effect of non-taxable income	**(43)**	(178)
Tax effect of non-deductible expenses	**165**	650
Tax effect on tax losses not recognised	**1,251**	8,472
Income tax expense	**-**	-

8. INCOME TAX EXPENSE (Continued)

At the reporting date, the Group has unused tax losses of HK$59,729,000 (2008: HK$52,147,000) available for offsetting against future taxable profits of the companies which incurred the losses. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. Under the current tax legislation, the tax losses can be carried forward indefinitely.

At the reporting date, the Group and the Company did not have any significant deferred tax liabilities (2008: Nil).

9. LOSS FOR THE YEAR

Of the consolidated loss for the year attributable to the owners of the Company of approximately HK$8,324,000 (2008: HK$54,209,000), a loss of approximately HK$8,508,000 (2008: HK$54,384,000) has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of approximately HK$8,324,000 (2008: HK$54,209,000) and on the weighted average number of 337,344,000 (2008: 337,344,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2008 and 2009 was not presented as the impact of the warrants was anti-dilutive.

11. EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTORS' REMUNERATION)

	2009 **HK$'000**	2008 HK$'000
Wages, salaries and other allowances	**2,281**	2,264
Pension costs – defined contribution plans	**73**	54
	2,354	2,318

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' emoluments

The emoluments paid or payable to the directors were as follows :

	Date of appointment /resignation during the year	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2009					
Executive directors					
Chan Chi Hung		**300**	**180**	**12**	**492**
Lim Siang Kai	Resigned on 1 February 2009	**18**	**7**	**1**	**26**
Choy Kwok Hung, Patrick		**360**	**218**	**-**	**578**
Independent non-executive directors					
Ching Yih-Gwo	Resigned on 1 February 2009	**10**	**-**	**-**	**10**
Chung Koon Yan		**120**	**-**	**-**	**120**
Yue Man Yiu, Matthew		**120**	**-**	**-**	**120**
Chung Shu Kun, Christopher	Appointed on 1 February 2009	**110**	**-**	**-**	**110**
		1,038	**405**	**13**	**1,456**
Year ended 31 December 2008					
Executive directors					
Kung Yiu Fai, Ronald	Resigned on 24 July 2008	101	910	7	1,018
Chan Chi Hung		480	415	12	907
Lim Siang Kai		205	95	10	310
See Lee Seng, Reason	Retired on 28 May 2008	123	-	5	128
Choy Kwok Hung, Patrick	Re-designated on 18 December 2008	-	-	-	-
Non-executive directors					
Choy Kwok Hung, Patrick	Re-designated on 18 December 2008	360	-	-	360
Independent non-executive directors					
Ching Yih-Gwo		120	-	-	120
Chung Koon Yan		120	-	-	120
Yue Man Yiu, Matthew		120	-	-	120
		1,629	1,420	34	3,083

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(Continued)

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2008: two) highest paid individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Wages, salaries and other allowances	**1,268**	1,060
Pension costs - defined contribution plans	**30**	21
	1,298	1,081

The emoluments fell within the following band :

	Number of individuals	
	2009	2008
Emolument band		
Nil - HK$1,000,000	**3**	2

During the year, no emoluments were paid by the Group to the Company's directors or any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2008: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Motor vehicles	Furniture and office equipment	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2008			
Cost	359	196	555
Accumulated depreciation	(30)	(12)	(42)
Net book amount	329	184	513
Year ended 31 December 2008			
Opening net book amount	329	184	513
Additions	403	277	680
Depreciation	(156)	(89)	(245)
Closing net book amount	576	372	948
At 31 December 2008 and 1 January 2009			
Cost	762	473	1,235
Accumulated depreciation	(186)	(101)	(287)
Net book amount	576	372	948
Year ended 31 December 2009			
Opening net book amount	**576**	**372**	**948**
Additions	**-**	**27**	**27**
Disposals	**(180)**	**-**	**(180)**
Depreciation	**(161)**	**(123)**	**(284)**
Closing net book amount	**235**	**276**	**511**
At 31 December 2009			
Cost	**403**	**500**	**903**
Accumulated depreciation	**(168)**	**(224)**	**(392)**
Net book amount	**235**	**276**	**511**

14. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

Company

	2009 **HK$'000**	2008 HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**2,651**	2,730
Less : Impairment loss recognised	**(17)**	-
	2,634	2,730

The movement in the impairment losses recognised for amounts due from subsidiaries is as follows:

	2009 **HK$'000**	2008 HK$'000
Balance at 1 January	**-**	-
Impairment loss recognised	**17**	-
Balance at 31 December	**17**	-

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The directors consider that the carrying amounts of the amounts due from subsidiaries approximate their fair values at the reporting dates because these amounts have short maturity periods on their inception, such that the time value of money impact is not significant.

Particulars of the subsidiaries at 31 December 2009 are as follows:

Name of subsidiaries	**Place of incorporation/ kind of legal entity**	**Particulars of issued and fully paid share capital**	**Percentage of issued capital held by the Company**	**Principal activities and place of operation**
			Directly	
China Financial Leasing Group (B.V.I.) Limited	BVI, limited liability company	1 ordinary share of US$1	100%	Provision of loan financing
China Financial Leasing Group (Hong Kong) Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	100%	Dormant

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	2009 HK$'000	2008 HK$'000
Equity securities held for trading, at market value		
Listed in Hong Kong	-	3,616
Listed outside Hong Kong	-	90
	-	3,706

Fair values of these investments have been determined by reference to their quoted bid prices at the reporting date. Financial assets at fair value through profit or loss are presented within the section on operating activities as a part of changes in working capital in the consolidated statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded as net gain/loss on financial assets at fair value through profit or loss in the consolidated statement of comprehensive income.

Particulars of the listed equity securities, disclosed pursuant to the Listing Rules and Section 129 of the Hong Kong Companies Ordinance, are as follows:

2009

Name	**Place of establishment/ incorporation**	**Particulars of equity interest held**	**Percentage of interest held**	**Cost HK$'000**	**Market value as at 31 December 2009 HK$'000**	**Percentage of the Group's total assets as at 31 December 2009**	**Percentage of the Company's total assets as at 31 December 2009**
Rubicon Japan Trust (note (i))	Australia	2,100,000 units (2008: 2,100,000 units)	Less than 1% (2008: less than 1%)	2,016 (2008: 2,016)	- (2008: 90)	- (2008: 0.67%)	- (2008: 0.71%)

Note:

(i) Rubicon Japan Trust was registered as a managed investment scheme with the Australian Securities & Investments Commission on 16 August 2006 and was listed on the Australian Securities Exchange on 31 October 2006. The Trust aims to generate long term income and capital growth from investing in stabilised real estate in Japan. The Trust is managed by Rubicon Asset Management Limited which is a financial services group with strong capabilities in creation, syndication and management of specialist funds. No dividend was received during the year (2008: Nil). The Trust was removed from official list on 23 December 2009 as per the notice from The Australian Securities Exchange. Rubicon Asset Management Limited that is responsible for running the trust is under liquidation process. The Group estimates the fair value of the financial asset is nil as at the reporting date.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Deposits	**273**	3,166	**273**	204
Prepayments	**326**	215	**326**	215
Other receivables	**-**	1	**-**	1
	599	3,382	**599**	420

For the year ended 31 December 2008, included in deposits of the Group was the payment made amounted to approximately HK$2,800,000 in connection with the subscription of secured convertible notes. The deposit bore interest at floating annual rates ranged from 5.86% to 7.57% per annum. The repayment terms of the deposit were negotiated on an individual basis. The maturity profile of the deposits at the reporting date, which was analysed by the remaining periods to their contractual maturity date, was over three months but less than one year. The deposits including interest of HK$204,000 with an aggregate balance of approximately HK$3,004,000 were assigned and transferred to the loan receivables (note 17) during the year ended 31 December 2009, which is a major non-cash transaction.

The directors consider that the carrying amounts of other receivables and deposits approximate their fair values at the reporting date because these amounts have short maturity periods on their inception, such that the time value of money impact is not significant.

17. LOAN RECEIVABLES

The analysis of the Group's loan receivables is as follows:

	Group	
	2009 **HK$'000**	2008 HK$'000
Due within one year	**1,723**	-
Due in the second to fifth years	**1,327**	-
	3,050	-
Less : Portion due within one year included in current assets	**(1,723)**	-
Non-current portion included in non-current assets	**1,327**	-

For the year ended 31 December 2009, the Group entered into loan agreements with an independent third party to provide loan financing in respect of motor vehicles rental business in the PRC. The deposits of approximately HK$3,004,000 were assigned and transferred from deposits paid (note 16) during the year ended 31 December 2009.

17. LOAN RECEIVABLES (Continued)

As at 31 December 2009, the loan receivables are denominated in HK$, repayable by instalments by no later than March 2012 and bear interest at fixed rates ranging from 6.76% to 7.76% per annum.

The loans receivables are effectively secured by the underlying assets as the rights to the assets would be reverted to the Group in the event of default payment.

18. CASH AND CASH EQUIVALENTS

Group and Company

Cash and cash equivalents include the following components:

	2009 HK$'000	2008 HK$'000
Cash at banks and in hand	**40,954**	816
Demand deposits	**509**	1,085
Short-term bank deposits	**-**	3,008
	41,463	4,909

Cash and cash equivalents comprise cash at banks and in hand, demand deposits, and short-term bank deposits with originally maturity of three months or less. The carrying amounts of the cash and cash equivalents approximate their fair values.

The short-term bank deposits carried an effective interest rate of 2.25% per annum for the years ended 31 December 2008 and 2009.

Cash and cash equivalents denominated in foreign currency are as follows:

	2009 AUD'000	2008 AUD'000
Australian dollars ("AUD")	**-**	561

19. SHARE CAPITAL

	Notes	Number of shares	HK$'000
Authorised:			
At 1 January 2008, ordinary shares of HK$0.05 each		6,000,000,000	300,000
Share consolidation of 5 ordinary shares of HK$0.05 each to 1 ordinary share of HK$0.25 each	(i)	(4,800,000,000)	-
At 31 December 2008 and 1 January 2009, ordinary shares of HK$0.25 each		1,200,000,000	300,000
Sub-division of 1 ordinary share of HK$0.25 each into 25 ordinary shares of HK$0.01 each	(ii)	28,800,000,000	-
At 31 December 2009, ordinary shares of HK$0.01 each		**30,000,000,000**	**300,000**
Issued and fully paid:			
At 1 January 2008, ordinary shares of HK$0.05 each		1,686,720,000	84,336
Share consolidation of 5 ordinary shares of HK$0.05 each to 1 ordinary share of HK$0.25 each	(i)	(1,349,376,000)	-
At 31 December 2008 and 1 January 2009, ordinary shares of HK$0.25 each		337,344,000	84,336
Capital reduction of 1 ordinary share of HK$0.25 each to 1 ordinary share of HK$0.01 each	(ii)	-	(80,963)
At 31 December 2009, ordinary shares of HK$0.01 each		**337,344,000**	**3,373**

Notes:

(i) Share consolidation on 19 December 2008

Pursuant to an ordinary resolution passed at the extraordinary general meeting on 18 December 2008, with effect from 19 December 2008, 5 ordinary shares of HK$0.05 each of the issued and unissued share capital of the Company were consolidated into 1 ordinary share of HK$0.25 each. The authorised share capital of the Company remained at HK$300,000,000 but was divided into 1,200,000,000 shares of HK$0.25 each.

(ii) Capital reduction and sub-division of shares on 31 March 2009

Pursuant to a special resolution passed on 18 December 2008, the issued share capital of the Company was proposed to reduce by reducing the par value of each share of the Company from HK$0.25 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.24 on each share in issue, the purpose was to eliminate the accumulated losses of the Company. The authorised share capital of the Company remained at HK$300,000,000 but was divided into 30,000,000,000 shares of HK$0.01 each. On 27 March 2009, Cayman Islands time, the Grand Court of the Cayman Islands granted the order to confirming the capital reduction of the Company and became effective on 31 March 2009.

20. SHARE-BASED EMPLOYEE COMPENSATION

The Company conditionally adopted a share option scheme (the "SO Scheme") on 7 October 2002 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include any persons being employees, officers, agents, consultants or representatives of the Group. The SO Scheme became unconditional on 28 October 2002 upon the listing of the Company's shares on the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date.

The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (the "10% Limit") as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in a general meeting to refresh the 10% Limit at any time in accordance with the Listing Rules.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within a 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options shall remain open for acceptance for a period of 28 days from the date of the offer of the grant. The grant of share options is effective upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares.

Further details of the SO Scheme are disclosed in the prospectus of the Company dated 15 October 2002.

20. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Pursuant to a resolution passed by the directors on 3 October 2008, 10,540,000 share options under the SO Scheme had been offered to Mr. Choy Kwok Hung, Patrick, a director of the Company, subject to the acceptance of the offer to be received on or before 2 January 2009. As at 31 December 2008, no acceptance of this offer had been received by the Company. Subsequent to the year end date, the offer had been expired and no share options being granted in this event.

Except for the event disclosed in above, at 31 December 2008 and, 2009 and up to the date of approval of these financial statements, no share options have been granted under the SO Scheme.

21. RESERVES

Group

	Notes	**2009 HK$'000**	2008 HK$'000
Share premium	(i)	**11,483**	11,483
Warrants reserve	(ii)	**987**	987
Accumulated losses		**(12,709)**	(85,348)
		(239)	(72,878)

The movement of the Group's reserves for the years are presented in the consolidated statement of changes in equity.

Reserves movements of the Company for the years are set out below:

Company

	Share premium HK$'000 Note (i)	**Warrants reserve HK$'000 Note (ii)**	**Accumulated losses HK$'000**	**Total HK$'000**
At 1 January 2008	11,483	-	(31,183)	(19,700)
Issuance of warrants (note (ii))	-	987	-	987
Transactions with owners	-	987	-	987
Loss for the year (total comprehensive income for the year)	-	-	(54,384)	(54,384)
At 31 December 2008 and 1 January 2009	**11,483**	**987**	**(85,567)**	**(73,097)**
Capital reduction (note 19(ii))	**-**	**-**	**80,963**	**80,963**
Transactions with owners	**-**	**-**	**80,963**	**80,963**
Loss for the year (total comprehensive income for the year)	**-**	**-**	**(8,508)**	**(8,508)**
At 31 December 2009	**11,483**	**987**	**(13,112)**	**(642)**

21. RESERVES (Continued)

Company

Notes:

(i) In accordance with the Companies Law (2007 Revision) of the Cayman Islands, the share premium is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

(ii) On 24 October 2008, the Company entered into six subscription agreements with six independent investors, namely Chan Ka Ling, Tang Man Lai, Ho Chuek Kan, Chong Wai Moon, Chong Wai Tim and Yeung Wai Chun for the issue of warrants. The Company issued 337,300,000 non-listed warrants at the issue price of HK$0.003 per warrant. The warrants will mature in 36-month period from the date of issue. Each warrant entitles the holder thereof to subscribe for one new share at exercise price of HK$0.05 per new share, payable in cash and subject to adjustment. Consideration of HK$987,000, net of issuance expenses of approximately HK$25,000, was received in respect of warrants in last year. After the share consolidation being effective on 19 December 2008, the exercise price per new share was adjusted from HK$0.05 to HK$0.25 and the number of warrants was adjusted from 337,300,000 to 67,460,000. Each warrant of the Company shall confer right to subscribe for 1 consolidated share of HK$0.25. After the capital reduction and share sub-division effective on 31 March 2009, by cancelling the paid-up capital to the extent of HK$0.24 on each share in issue, the exercise price per share was adjusted from HK$0.25 each to HK$0.01 and the number of warrants in issue remained unchanged. Each warrant of the Company shall confer right to subscribe for 1 consolidated share of HK$0.01 each effective on 31 March 2009.

The reason for the issues was to raise additional funds for the Group to invest in suitable investment opportunities.

As at 31 December 2009, the Company had outstanding 67,460,000 (2008: 67,460,000) warrants to be exercised at any time on or before 23 October 2011. Exercise in full of such warrants would result in the issue of 67,460,000 additional ordinary shares of HK$0.01 each.

22. OPERATING LEASE COMMITMENTS

Group and Company

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable by the Group / Company as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**899**	1,120
In the second to fifth years inclusive	**49**	310
	948	1,430

The Group/Company leases certain of its office properties under operating leases. The leases run for an initial period of one to two years, with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group/Company and the respective landlords/lessors. None of the leases include contingent rentals.

23. OTHER COMMITMENTS

As at 31 December 2009, the Group and the Company did not have any significant commitments.

As at 31 December 2008, the Group and the Company has commitments, authorised but not contracted for, in connection with the subscription of secured convertible notes in the respective principal amounts of up to RMB6 million and RMB3.5 million. Details were set out in the circular issued by the Company on 14 September 2007. The Group and the counterparty had mutually terminated the contracts in connection with the subscription of secured convertible notes on 16 March 2009.

24. CONTINGENT LIABILITIES

As at 31 December 2009 and 2008, the Group and the Company has no significant contingent liabilities.

25. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties:

	Notes	**2009 HK$'000**	2008 HK$'000
Investment management fee paid/payable to Wealth Assets Management Limited (formerly known as Redford Assets Management Limited)	(i)	**660**	150
Rental and property management expenses paid to Global Strategy Group Limited	(ii)	**301**	655

Notes :

(i) Pursuant to the investment management agreement dated 7 October 2002 (the "Investment Management Agreement") entered into between the Company and Wealth Assets Management Limited (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services (excluding general administrative services) for a three-year period commencing on 28 October 2002, the date of the commencement of the trading of the Company's shares on the Stock Exchange. The Investment Management Agreement will continue for successive periods of three years, unless terminated at any time by either the Company or the Investment Manager serving not less than six month's notice in writing to the other party, and will expire on the last day of the three-year period or any of the relevant successive periods.

With effect from 1 January 2009, the monthly management fee had been changed from HK$30,000 to HK$55,000 per month.

Mr. See Lee Seng, Reason, a former executive director of the Company who retired on 28 May 2008, has equity interests in the Investment Manager and is one of the directors of the Investment Manager. On 2 January 2009, Mr. Chan Chi Hung, an executive director of the Company, acquired the shares in the Investment Manager and he is one of the directors of the Investment Manager. So the Investment Manager is retreated as related party in the year.

25. RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

(ii) During the year ended 31 December 2009, property management expenses of approximately HK$301,000 for usage of fixed assets (2008 : rental and property management expenses of approximately HK$655,000 for office premises and usage of fixed assets) were paid to Global Strategy Group Limited. Mr. Choy Kwok Hung, Patrick, an executive director of the Company, is a substantial shareholder of Global Strategy Group Limited. This rental and property management expenses were made with reference to the terms negotiated between the relevant parties.

(b) Included in employee benefit expenses and directors' remuneration are key management personnel compensation and comprises the following categories:

	Group	
	2009 HK$'000	2008 HK$'000
Short term employee benefits	**2,351**	3,749
Contributions to defined contribution plans	**43**	55
	2,394	3,804

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS - GROUP

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market rise (including currency risk and interest risk), credit risk and liquidity risk.

The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not have any written risk management policies and guidelines. However, the board of directors meets periodically and cooperates closely with key management to analyse and formulate strategies to manage and monitor financial risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS - GROUP

(Continued)

(i) Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position related to the following categories of financial assets and financial liabilities:

	2009 HK$'000	2008 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**-**	3,706
Loans and receivables:		
Other receivables and deposits	**273**	3,167
Loan receivables	**3,050**	-
Cash and cash equivalents	**41,463**	4,909
	44,786	11,782
Financial liabilities		
Financial liabilities measured at amortised cost:		
Other payables and accruals	**42,489**	1,487

(ii) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise primarily from bank deposits, which are denominated in AUD.

The following table details the Group's exposures at the reporting date to foreign currency risk from recognised assets or liabilities denominated in a currency other than the functional currency of the entity.

	2009 HK$'000	2008 HK$'000
Cash and cash equivalents denominated in AUD	**-**	3,008

Apart from the above, all the Group's financial assets and liabilities are denominated in HK$.

Foreign currency sensitivity analysis

The following table indicates the approximate change in the Group's profit or loss after tax (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rate to which the Group has significant exposure at the reporting date.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS - GROUP (Continued)

(ii) Foreign currency risk (Continued)

	2009		2008	
	Other components of consolidated equity	**Net loss for the year**	Other components of consolidated equity	Net loss for the year
	HK$'000	**HK$'000**	HK$'000	HK$'000
AUD	**-**	**-**	-	(301)

The sensitivity analysis has been determined assuming that the reasonably possible change in foreign exchange rate had occurred at the reporting date and had been applied to each of the group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date with reference to the historical trend of HK$ against AUD. A 10% strengthening of HK$ against AUD at the reporting date would decrease in equity and profit or increase in loss by the amount shown above.

A 10% weakening of HK$ against AUD would have had the equal but opposite effect on the above currencies to the amounts shown above.

(iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has no borrowing which bears fixed or floating interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to cash and cash equivalents, loan receivables and deposits. The Group currently does not have any interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

The directors are of the opinion that the Group's sensitivity to the change in interest rate is low.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS - GROUP

(Continued)

(iv) Price risk

Equity price risk relates to the risk that the fair values of equity securities will fluctuate because of changes in the levels of equity indices and the values of individual securities. The Group is mainly exposed to equity price risk arising from the investments in listed equity securities classified as financial assets at fair value through profit or loss as at 31 December 2008 and 2009 as mentioned in note 15 which are valued at quoted market prices at the reporting date.

Equity price sensitivity analysis

For the equity securities listed on the Stock Exchange, an average volatility of 10.35% (2008: 48.28%) has been observed in the Heng Seng Index during 2009.

If equity prices had increased/decreased by 50% (2008: 50%) and all other variables were held constant, the Group's profit or loss after tax for the year would have been changed by approximately as follows:

	2009	**2009**	2008	2008
	+50%	**-50%**	+50%	-50%
	HK$'000	**HK$'000**	HK$'000	HK$'000
Net profit/(loss) for the year	**-**	**-**	1,808	(1,808)

(v) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2009 HK$'000	2008 HK$'000
Class of financial assets – carrying amounts		
Other receivables and deposits	**273**	3,167
Loan receivables	**3,050**	-
Cash and cash equivalents	**41,463**	4,909
Overall exposure	**44,786**	8,076

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS - GROUP (Continued)

(v) Credit risk (Continued)

The carrying amounts of other receivables and deposits, cash and cash equivalents and loan receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any. The Group minimises its exposure to the credit risk by rigorously selecting the counterparties and performing ongoing credit evaluation on the financial conditions. Follow-up actions are taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit risk on cash and cash equivalents is limited because the counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables and deposits and loan receivables are set out in notes 16 and 17 respectively.

The Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

(vi) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities.

The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the financial liabilities. Cash flows are closely monitored on an ongoing basis.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

All the Group's financial liabilities will be settled within 12 months from the reporting date. As at 31 December 2009, the Group has no borrowings. Based on the assessment of the directors, liquidity risk encountered by the Group is minimal.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS - GROUP (Continued)

(vii) Fair value measurements recognised in the statement of financial position

The Group adopted the amendments to HKFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 31 December 2009, no financial assets and liabilities measured at fair value in the statements of financial position in accordance with the fair value hierarchy.

27. CAPITAL MANAGEMENT - GROUP

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;
(ii) To support the Group's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

27. CAPITAL MANAGEMENT - GROUP (Continued)

The Group also balances its overall capital structure periodically. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group will also consider the raise of long-term borrowings as second resource of capital when investment opportunities arise and the return of such investments will justify the cost of debts from the borrowings.

The capital-to-overall financing ratio at reporting date was as follows:

	2009 HK$'000	2008 HK$'000
Total equity	**3,134**	11,458
Borrowings	**-**	-
Overall financing	**3,134**	11,458
Capital-to-overall financing ratio	**1:0**	1:0

The Group also endeavours to ensure the steady and reliable cash flow from the normal business operation. For both years ended 31 December 2009 and 2008, the Group did not raise any debts.

28. POST BALANCE SHEET EVENTS

(i) The Company has entered into a convertible notes placing agreement with a placing agent on 30 June 2009, in relation to the proposed issue of the convertible notes. The fund of approximately HK$40,734,000 was received and included in "other payables and accruals" of the Group and Company as at 31 December 2009. On 15 January 2010, the Company received a letter from the Stock Exchange indicating its rejection to grant for the listing approval for the conversion shares on the basis that the placing does not comply with the principles in Rule 2.03 of the Listing Rules. The fund received was then refunded to the placing agent afterwards.

(ii) The Company has entered into a placing agreement on 2 February 2010 with a placing agent. Pursuant to the placing agreement, the placing agent has agreed to procure placees to subscribe for an aggregate of 67,455,000 placing shares at a price of HK$0.086 per placing share. The fund of approximately HK$5,801,000 was received by the Company on 10 February 2010.

(iii) On 12 April 2010, the Company has proposed an open offer to the existing shareholders to subscribe for new shares at a price of HK$0.057 per share on the basis of one share for every two existing shares held by the qualifying shareholders on 30 April 2010. This proposed open offer is subject to the approval by the Stock Exchange.

A summary of the published results and of the assets and liabilities of the Group for last five financial years, as extracted from the audited financial statement, is set out below. The summary dose not form part of the audited financial statements.

RESULTS

	Year ended 31 December 2009 HK$'000	Year ended 31 December 2008 HK$'000	Year ended 31 December 2007 HK$'000	Year ended 31 December 2006 HK$'000	Year ended 31 December 2005 HK$'000
Revenue	**186**	674	730	678	468
(Loss)/Profit before income tax	**(8,324)**	(54,209)	33,238	(7,108)	(23,247)
Income tax expense	**-**	-	-	-	-
(Loss)/Profit attributable to the owners of the Company	**(8,324)**	(54,209)	33,238	(7,108)	(23,247)

ASSETS AND LIABILITIES

	At 31 December 2009 HK$'000	At 31 December 2008 HK$'000	At 31 December 2007 HK$'000	At 31 December 2006 HK$'000	At 31 December 2005 HK$'000
Total assets	**45,623**	12,945	65,900	32,356	40,356
Total liabilities	**(42,489)**	(1,487)	(1,220)	(914)	(1,806)
	3,134	11,458	64,680	31,442	38,550

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHOY Kwok Hung, Patrick *(Chairman)*
CHAN Chi Hung *(Managing Director)*

Independent Non-Executive Directors

CHUNG Koon Yan
CHUNG Shu Kun, Christopher
YUE Man Yiu, Matthew

COMPANY SECRETARY

TSE Kam Fai *ACIS, ACS, MHKIoD*

AUDIT COMMITTEE

YUE Man Yiu, Matthew *(Chairman)*
CHUNG Koon Yan
CHUNG Shu Kun, Christopher

REMUNERATION COMMITTEE

CHUNG Koon Yan *(Chairman)*
CHAN Chi Hung
YUE Man Yiu, Matthew

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4209, Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

INVESTMENT MANAGER

Wealth Assets Management Limited
Units 211-212, 2/F
Metro Centre 2
21 Lam Hing Street
Kowloon Bay
Hong Kong

SOLICITORS

As to Hong Kong laws:
Baker & McKenzie
Troutman Sanders

As to Cayman Islands laws:
Conyers Dill & Pearman

AUDITORS

Grant Thornton

CUSTODIAN

DBS Vickers (Hong Kong) Limited

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Standard Chartered Bank

STOCK CODE

2312

WEBSITE

http://www.cflg.com.hk