



中国金融租赁集团
CHINA FINANCIAL LEASING GROUP

INTERIM REPORT

CHINA FINANCIAL LEASING GROUP LIMITED

2010



STOCK CODE: 2312

INTERIM RESULTS

The board (the "Board") of directors (the "Director") of China Financial Leasing Group Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010.

The unaudited condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 (Unaudited) HK\$'000	Six months ended 30 June 2009 (Unaudited) HK\$'000
Revenue	3	123	97
Other operating income		3	–
Net (loss)/ gain on financial assets at fair value through profit or loss		(609)	1,125
Administrative expenses		(5,409)	(4,877)
Loss before income tax	5	(5,892)	(3,655)
Income tax expense	6	–	–
Loss for the period		(5,892)	(3,655)
Total comprehensive income for the period		(5,892)	(3,655)
Loss per share for loss attributable to the owners of the Company	7		
- Basic		HK(1.37) cents	HK\$(1.08) cents
- Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		453	511
Loan receivables	9	810	1,327
		1,263	1,838
Current assets			
Financial assets at fair value through profit or loss	8	2,049	–
Other receivables, deposits and prepayments		525	599
Loan receivables	9	4,862	1,723
Cash and cash equivalents	10	7,262	41,463
		14,698	43,785
Current liabilities			
Other payables and accruals		1,718	42,489
Net current assets		12,980	1,296
Total assets less current liabilities/Net assets		14,243	3,134
EQUITY			
Equity attributable to the owners of the Company			
Share capital	11	6,072	3,373
Share premium		25,785	11,483
Warrants reserve		987	987
Accumulated losses		(18,601)	(12,709)
Total equity		14,243	3,134

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital HK\$'000	Share premium HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2009 (Audited)	84,336	11,483	987	(85,348)	11,458
Loss for the period (Total comprehensive income for the period)	–	–	–	(3,655)	(3,655)
Capital deduction	(80,963)	–	–	80,963	–
At 30 June 2009 (Unaudited)	3,373	11,483	987	(8,040)	7,803
	Share capital HK\$'000	Share premium HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2010 (Audited)	3,373	11,483	987	(12,709)	3,134
Loss for the period (Total comprehensive income for the period)	–	–	–	(5,892)	(5,892)
Issue of new shares	2,699	14,302	–	–	17,001
At 30 June 2010 (Unaudited)	6,072	25,785	987	(18,601)	14,243

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June 2010 (Unaudited) HK\$'000	Six months ended 30 June 2009 (Unaudited) HK\$'000
Net cash used in operating activities	(50,987)	(2,903)
Net cash used in investing activities	(215)	(27)
Net cash generated from financing activities	17,001	–
Net decrease in cash and cash equivalents	(34,201)	(2,930)
Cash and cash equivalents at beginning of period	41,463	4,909
Cash and cash equivalents at end of period	7,262	1,979

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 of China Financial Leasing Group Limited (the "Company") and its subsidiaries (collectively known as the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

2. ADOPTION OF NEW AND AMENDED HKFRSs

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the annual financial statements of the Group for the year ended 31 December 2009.

In the current period, 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 2010.

HKFRS 3 (Revised 2008)	Business Combinations
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
Various	Annual Improvements to HKFRSs 2009

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Significant effects on the current period or prior periods arising from the first-time adoption of these new requirements are described below.

The accounting policies have been applied consistently throughout the Group for the purpose of preparation of these unaudited condensed consolidated interim financial statements.

HKFRS 3 (Revised 2008) – Business Combinations

The revised standard introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in the revised standard are as follows:

- Acquisition-related costs of the combination are recorded as an expense in the consolidated income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- The assets acquired and liabilities assumed are generally measured at their acquisition date fair value under the revised standard provides an exception and specific measurement rules.
- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

The revised standard has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The Group did not have business combination occurred in the current period and therefore the adoption of the revised standard did not have any impact on the current interim results and financial position.

HKAS 27 (Revised 2008) – Consolidated and Separate Financial Statements

The adoption of HKFRS 3 (Revised 2008) required that the HKAS 27 (Revised 2008) is adopted at the same time. The revised standard introduced changes to the accounting requirements for transactions with non-controlling (formerly known as “minority”) interests and the loss of control of a subsidiary. Similar to HKFRS 3 (Revised 2008), the adoption of the revised standard is applied prospectively. The Group did not have transactions with non-controlling interests in the current period and did not dispose of any of its equity interests in its subsidiaries. Therefore, the adoption of the revised standard did not have any impact on the current interim results and financial position.

3. REVENUE AND TURNOVER

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

	Six months ended 30 June 2010 (Unaudited) HK\$'000	Six months ended 30 June 2009 (Unaudited) HK\$'000
Bank and other interest income	123	97

The gross proceeds from trading of securities for the period amounted to HK\$11,986,000 (2009: HK\$1,931,000).

For the six months ended 30 June 2009, the amount of the other interest income of approximately HK\$50,000 had been reclassified from other operating income to revenue.

4. SEGMENT INFORMATION

Under 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.

4. SEGMENT INFORMATION (Continued)

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	
	Six months ended 30 June 2010 (Unaudited) HK\$'000	Six months ended 30 June 2009 (Unaudited) HK\$'000	Six months ended 30 June 2010 (Unaudited) HK\$'000	Six months ended 30 June 2009 (Unaudited) HK\$'000	Six months ended 30 June 2010 (Unaudited) HK\$'000	Six months ended 30 June 2009 (Unaudited) HK\$'000
Revenue from external customers	–	–	72	50	72	50
Reportable segment revenue	–	–	72	50	72	50
Reportable segment (loss)/gain	(939)	772	72	50	(867)	822
	Investment in listed securities		Provision of loan financing		Total	
	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Reportable segment assets	3,551	509	3,122	3,050	6,673	3,559

4. 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:

	Six months ended 30 June 2010 (Unaudited) HK\$'000	Six months ended 30 June 2009 (Unaudited) HK\$'000
Reportable segment revenue	72	50
Unallocated corporate revenue	51	47
Group revenue	123	97
Reportable segment (loss)/gain	(867)	822
Unallocated corporate income	54	47
Depreciation	(110)	(157)
Loss on disposal of property, plant and equipment	(163)	–
Unallocated corporate expenses	(4,806)	(4,367)
Loss before income tax	(5,892)	(3,655)

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Reportable segment assets	6,673	3,559
Other corporate assets	9,288	42,064
Group assets	15,961	45,623
Reportable segment liabilities	–	–
Other corporate liabilities	1,718	42,489
Group liabilities	1,718	42,489

5. LOSS BEFORE INCOME TAX

	Six months ended 30 June 2010 (Unaudited) HK\$'000	Six months ended 30 June 2009 (Unaudited) HK\$'000
Loss before income tax is arrived at after charging:		
Operating lease charges in respect of land and buildings	721	730
Staff costs (excluding directors' remuneration)		
Wages	1,193	1,171
Retirement benefits scheme contributions	42	41
Loss on disposal of property, plant and equipment	163	–
Depreciation	110	157

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the interim financial statements as there were no assessable profits for the six months ended 30 June 2010 (2009: Nil).

At 30 June 2010, the Group had unused tax losses of approximately HK\$65,346,000 (31 December 2009: HK\$59,729,000). Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. Under the current tax legislation, the tax losses can be carried forward indefinitely.

At the reporting date, the Group did not have any significant deferred tax liabilities (31 December 2009: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to the owners of the Company of approximately HK\$5,892,000 (2009: loss of HK\$3,655,000) and on the weighted average number of 431,266,300 (2009: 337,344,000) ordinary shares.

No diluted loss per share has been presented as the impact of the warrants was anti-dilutive.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Listed equity securities held for trading, at markets value	2,049	–

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 (loss)/gain on financial assets at fair value through profit or loss in the consolidated statement of comprehensive income.

9. LOAN RECEIVABLES

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

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Due within one year	4,862	1,723
Due in the second to fifth years	810	1,327
	5,672	3,050
Less: Portion due within one year included in current assets	(4,862)	(1,723)
Non-current portion included in non-current assets	810	1,327

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 for the year ended 31 December 2009.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Cash at banks and in hand	3,711	40,954
Demand deposits	3,551	509
	7,262	41,463

11. SHARE CAPITAL

	Notes	Number of shares	HK\$'000
Authorised:			
At 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	(i)	28,800,000,000	–
At 31 December 2009 and 30 June 2010, ordinary shares of HK\$0.01 each		30,000,000,000	300,000
Issued and fully paid:			
At 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	(i)	–	(80,963)
At 31 December 2009, ordinary shares of HK\$0.01 each		337,344,000	3,373
Placing of new share of 1 ordinary share of HK\$0.086 each	(ii)	67,455,000	675
Open offer of new share of 1 ordinary share of HK\$0.057 each	(iii)	202,399,500	2,024
At 30 June 2010, ordinary shares of HK\$0.01 each		607,198,500	6,072

Notes:

- (i) 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.

11. SHARE CAPITAL (Continued)

Notes: (Continued)

- (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 202,399,500 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. All the 202,399,500 new shares have been subscribed in May 2010.

12. COMMITMENTS

Operating lease commitments

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within one year	1,593	899
In the second to fifth years inclusive	2,550	49
	4,143	948

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

13. RELATED PARTY TRANSACTIONS

- (a) During the period, in addition to the transactions and balances disclosed elsewhere in these interim financial statements, the Group had the following significant related party transactions:

	Notes	Six months ended 30 June 2010 (Unaudited) HK\$'000	Six months ended 30 June 2009 (Unaudited) HK\$'000
Investment management fee paid/payable to Wealth Assets Management Limited	(i)	330	330
Rental and property management expenses paid to Global Strategy Group Limited	(ii)	75	151

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 months' 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.

Mr. Chan Chi Hung, an executive Director of the Company, has equity interests in the Investment Manager and is one of the directors of the Investment Manager.

13. RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

- (ii) During the period, property management expenses of approximately HK\$75,000 (2009 : HK\$151,000) for 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 expense was made with reference to the terms negotiated between the relevant parties.
- (b) Included in employee benefit expenses and director's remuneration are key management personnel compensation and comprises the following categories:

	30 June 2010 (Unaudited) HK\$'000	30 June 2009 (Unaudited) HK\$'000
Short term employee benefits	1,193	1,061
Contributions to defined contribution plans	16	19
	1,209	1,080

14. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2010 (2009:Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 June 2010, the Group recorded a net loss of approximately HK\$5,892,000 compared to a net loss of HK\$3,655,000 of last corresponding period, representing an increase of HK\$2,237,000. This was mainly due to a conservative investment strategy adopted by the Group which resulted in an increasing of net loss. The net asset value of the Group was approximately HK\$14,243,000 as at 30 June 2010 (31 December 2009: HK\$3,134,000).

Operating Review

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 period, the Group also focuses on the investment in the financial leasing business in the People's Republic of China (the "PRC"). There was no change in the nature of the Group's principal activities during the period ended 30 June 2010. As at 30 June 2010, the total fair value of the Group's investments was HK\$ 2,049,000 (as at 31 December 2009: Nil).

The Group recorded revenue of HK\$123,000 for the six months ended 30 June 2010 (2009: HK\$97,000). Fair value loss on financial assets at fair value through profit or loss for the period was HK\$609,000 (2009: a gain of HK\$1,125,000) which was mainly contributable by the fair value loss of the equity securities as mentioned above.

Liquidity, Financial Resources and Funding

As at 30 June 2010, the Group maintained cash and cash equivalents of approximately HK\$7,262,000 (31 December 2009: HK\$41,463,000) which were mainly denominated in Hong Kong dollars. The Group will monitor the exposure and take prudent measures when necessary. The Group had net assets of HK\$14,243,000 (31 December 2009: HK\$3,134,000) and there were no borrowings or long-term liabilities as at 30 June 2010 (31 December 2009: Nil).

Capital Structure

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.

On 12 April 2010, the Company has proposed an open offer to the existing shareholders to subscribe for 202,399,500 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. The fund of approximately HK\$11,200,000 was received by the Company on 18 May 2010.

Material Acquisitions and Disposals of Subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries during the period.

Employees

As at 30 June 2010, the Group had 10 employees, including 2 executive Directors. Total salary (excluding Directors' remuneration) for the six months ended 30 June 2010 was HK\$1,192,700 and Directors' fees and remuneration were HK\$734,100. The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice.

During the period, 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.

Charge on Group Assets

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

Contingent Liabilities

As at 30 June 2010, no contingent liabilities were noted by the Directors.

Significant Investments

The Group has conducted serious evaluation on financial leasing investment opportunities in the PRC, and a possible transaction with an aircraft engine leasing company in the PRC, which had been announced in September 2007 and November 2007 respectively. However, the investment size, as restricted by our net asset value, did not reach an economics of scale, the aircraft engine leasing transaction cannot be concluded.

BUSINESS REVIEW AND FUTURE PROSPECTS

In the last six months, the Group invested in few environmental and infrastructure shares. However, due to the overall regression in the equity and financial markets, our performance was not satisfactory and recorded a total fair value loss of approximately HK\$609,000 (2009: a gain of HK\$1,125,000).

Last year, the Board had reviewed the investment strategy of the Group and had decided that the Company would focus on the lease financing market in the PRC. With law and regulations governing lease financing in the PRC becoming more comprehensive, the Board believes that investing in this market can generate greater returns to our shareholders. The Board will continue to identify investment opportunities in the lease financing market in the PRC.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

At 30 June 2010, 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 Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (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 ("Model Code"), to be notified to the Company and the Stock Exchange are set out below:

Interests in the 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	298,500	0.05%

Save as disclosed above, as at 30 June 2010, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company which were recorded on the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, 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.

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 Company has not granted any option since its adoption.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2010.

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 Listing Rules which came into effect on 1 January 2005, as its own code of corporate governance practices.

During the six months ended 30 June 2010, the Company was in compliance with the code provisions set out in the CG Code except that 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.

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 six months ended 30 June 2010.

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 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 unaudited interim financial statements of the Group for the six months ended 30 June 2010.

On behalf of the Board
China Financial Leasing Group Limited
Tse Kam Fai
Company Secretary

Hong Kong, 31 August 2010

As at the date of this report, the Board comprises Mr. Choy Kwok Hung, Patrick (Chairman) and Mr. Chan Chi Hung (Managing Director) as executive Directors, and Mr. Yue Man Yiu, Matthew, Mr. Chung Koon Yan and Mr. Chung Shu Kun, Christopher as independent non-executive Directors.