



中国金融租赁集团
CHINA FINANCIAL LEASING GROUP

2012 INTERIM REPORT
二零一二年中期報告



2012

STOCK CODE : 2312
CHINA FINANCIAL LEASING GROUP LIMITED
中國金融租賃集團有限公司

INTERIM RESULTS

THE BOARD (THE “BOARD”) OF DIRECTORS (THE “DIRECTORS”) 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 2012.

THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS HAVE NOT BEEN AUDITED BY THE COMPANY’S AUDITOR 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 2012

	Notes	Six months ended 30 June 2012 (Unaudited) HK\$’000	Six months ended 30 June 2011 (Unaudited) HK\$’000
Revenue	3	114	57
Other operating income		1	1
Net loss on financial assets at fair value through profit or loss		(5,526)	(1,030)
Administrative expenses		(7,999)	(4,308)
Loss before income tax	5	(13,410)	(5,280)
Income tax expense	6	–	–
Loss for the period and total comprehensive loss for the period attributable to the owners of the Company		(13,410)	(5,280)
Loss per share for loss attributable to the owners of the Company	7	HK cents	HK cents (Restated)
- Basic and diluted		(5.75)	(3.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		475	380
Available-for-sale financial assets	8	3,341	3,341
		3,816	3,721
Current assets			
Financial assets at fair value through profit or loss	9	34,033	19,361
Other receivables, deposits and prepayments		1,332	1,784
Cash and cash equivalents	10	23,361	11,487
		58,726	32,632
Current liabilities			
Other payables and accruals		174	328
		58,552	32,304
Net current assets			
Total assets less current liabilities/net assets			
		62,368	36,025
EQUITY			
Equity attributable to the owners of the Company			
Share capital	11	88,696	9,856
Share premium		29,998	69,085
Accumulated losses		(56,326)	(42,916)
		62,368	36,025

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2011 (Audited)	6,982	33,218	6,462	987	(30,746)	16,903
Loss for the period and total comprehensive loss for the period	–	–	–	–	(5,280)	(5,280)
At 30 June 2011 (Unaudited)	6,982	33,218	6,462	987	(36,026)	11,623
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2012 (Audited)	9,856	69,085	–	–	(42,916)	36,025
Issue of ordinary shares	78,840	(37,844)	–	–	–	40,996
Share issue expenses	–	(1,243)	–	–	–	(1,243)
Loss for the period and total comprehensive loss for the period	–	–	–	–	(13,410)	(13,410)
At 30 June 2012 (Unaudited)	88,696	29,998	–	–	(56,326)	62,368

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June 2012 (Unaudited) HK\$'000	Six months ended 30 June 2011 (Unaudited) HK\$'000
Net cash used in operating activities	(28,902)	(2,809)
Net cash used in investing activities	(220)	(3,379)
Net cash generated from financing activities	40,996	-
Net increase/(decrease) in cash and cash equivalents	11,874	(6,188)
Cash and cash equivalents at beginning of period	11,487	9,299
Cash and cash equivalents at end of period	23,361	3,111

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 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 unaudited condensed consolidated 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 2011.

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 Adoption of amended HKFRSs

From 1 January 2012, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 January 2012.

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of underlying assets

The adoption of the amendments has no impact on the Group’s reported profit or loss, total comprehensive income or equity for any period presented.

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Presentation of financial statements – Presentation of items of other comprehensive income ¹
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities ²
HKFRS 9	Financial instruments ⁴
HKFRS 10	Consolidated financial statements ²
HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²
HKAS 19 (2011)	Employee benefits ²
HKAS 27 (2011)	Separate financial statements ²
Amendments to HKAS 32	Financial instruments – Presentation – Offsetting financial assets and financial liabilities ³
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs contained in Annual Improvements 2009-2011 Cycle issued in June 2012 ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 July 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 10 - Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 13 - Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 “Financial Instruments: Disclosures”. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

3. REVENUE AND TURNOVER

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

	Six months ended 30 June 2012 (Unaudited) HK\$’000	Six months ended 30 June 2011 (Unaudited) HK\$’000
Dividend income	114	57

The results arising from the fair value change of financial assets at fair value through profit or loss are shown separately in the condensed consolidated statement of comprehensive income under the line of “Net loss on financial assets at fair value through profit or loss”. The gross proceeds from trading of securities for the period amounted to approximately HK\$17,297,000 (2011: HK\$19,454,000).

4. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. For the six months ended 30 June 2011, there were two business components/reportable segments in the internal reporting to the executive directors, which are investment in listed and unlisted securities and provision of loan financing.

For the six months ended 30 June 2012, the Group has identified only one segment and the sole business of this segment is investment in listed and unlisted securities. No separate analysis of segment information by business segment is presented.

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

5. LOSS BEFORE INCOME TAX

	Six months ended 30 June 2012 (Unaudited) HK\$'000	Six months ended 30 June 2011 (Unaudited) HK\$'000
Loss before income tax is arrived at after charging:		
Operating lease charges in respect of land and buildings	2,195	765
Staff costs (excluding directors' remuneration)		
Wages	1,635	1,261
Retirement benefits scheme contributions	59	51
Depreciation	122	122

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 2012 (2011: Nil).

At 30 June 2012, the Group had unused tax losses of approximately HK\$92,219,000 (31 December 2011: HK\$78,809,000). 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 2011: 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\$13,410,000 (2011: loss of HK\$5,280,000) and on the weighted average number of 233,177,365 (2011: 174,550,875, as restated to reflect the bonus issue and share consolidation completed on 10 January 2012 and 20 February 2012 respectively) ordinary shares.

In the calculation of the diluted loss per share attributable to the owners of the Company for the six months ended 30 June 2012, the potential shares arising from the exercise of the Company's share options would decrease the loss per share attributable to the owners of the Company and was not taken into account as they had an anti-dilutive effect.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Equity investment, at cost Unlisted in the People's Republic of China (the "PRC")	3,341	3,341

The Group's strategic investment is a 12% equity interest in Beijing LED Lighting Engineering Company Limited. This company is a PRC Company, in which Mr. Choy Kwok Hung, Patrick, an executive director of the Company, has equity interest in it.

The unlisted available-for-sale equity securities are measured at cost less impairment at each reporting date because there was no open market on the unlisted investment and the management has no intention to dispose such investment at the reporting date. Accordingly, the directors of the Company are of the opinion that fair value cannot be reliably measured.

9. FINANCIAL ASSETS AT VALUE THROUGH PROFIT OR LOSS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Listed equity securities held for trading, at fair value	34,033	19,361

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.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Cash at banks and in hand	21,400	11,042
Demand deposits	1,961	445
	23,361	11,487

11. SHARE CAPITAL

	Notes	Number of shares	HK\$'000
Authorized:			
At 1 January 2011 and 31 December 2011, ordinary shares of HK\$0.01 each		30,000,000,000	300,000
At 30 June 2012, ordinary shares of HK\$0.2 each		1,500,000,000	300,000
Issued and fully paid:			
At 1 January 2011, ordinary shares of HK\$0.01 each		698,203,500	6,982
Issue of ordinary shares on placing	(i)	139,635,000	1,397
Share options exercised	(ii)	67,425,000	674
Warrants exercised	(iii)	80,309,520	803
At 31 December 2011, ordinary shares of HK\$0.01 each		985,573,020	9,856
Bonus issue	(iv)	3,942,292,080	39,423
Share consolidation	(v)	(4,681,471,845)	–
Issue of ordinary shares on placing	(vi)	49,260,000	9,852
Issue of ordinary shares on open offer	(vii)	147,826,627	29,565
At 30 June 2012, ordinary shares of HK\$0.2 each		443,479,882	88,696

11. SHARE CAPITAL (Continued)

Notes:

- (i) On 12 September 2011, 139,635,000 shares of HK\$0.01 each were issued at a price of HK\$0.051 per share pursuant to a placing agreement dated 1 September 2011 as detailed in an announcement dated 1 September 2011.
- (ii) On 15 September 2011, 67,425,000 options were exercised at the exercise price of HK\$0.111 per share pursuant to the share option scheme of the Company adopted on 7 October 2002 and terminated on 12 January 2012. The weighted average share price for share options exercised during the year at the date of exercise was HK\$0.12.
- (iii) On 19 October 2011, 80,309,520 warrants were exercised at the exercise price of HK\$0.21 per share and resulted in the issue of 80,309,520 shares of HK\$0.01 each.
- (iv) Pursuant to the ordinary resolution of the extraordinary general meeting passed on 21 December 2011, a bonus issue was approved to issue on the basis of four bonus shares for every then existing share held by the qualifying shareholders on 4 January 2012. The bonus issue was completed on 10 January 2012 and 3,942,292,080 ordinary shares of HK\$0.01 each were issued.
- (v) Pursuant to the announcement made by the Company on 20 January 2012, the directors of the Company proposed to effect the share consolidation pursuant to which every twenty issued and unissued shares of HK\$0.01 each in the share capital of the Company will be consolidated into one consolidated share of HK\$0.2 each (the "Share Consolidation"). The Share Consolidation is approved by the then shareholders on 17 February 2012 and completed on 20 February 2012. Details of which were disclosed in the circular of the Company dated 2 February 2012.
- (vi) On 2 March 2012, 49,260,000 shares of HK\$0.2 each were issued at a price of HK\$0.238 per share pursuant to a placing agreement dated 23 February 2012 as detailed in the announcements dated 23 February 2012, 27 February 2012 and 2 March 2012.
- (vii) On 25 June 2012, 147,826,627 shares of HK\$0.2 each were issued pursuant to the open offer at a price of HK\$0.2 per share on the basis of one share for every two then existing shares held by the qualifying shareholders on 31 May 2012 as detailed in a circular dated 1 June 2012.

12. COMMITMENTS

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable by the Group/Company as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	1,602	4,725
In the second to fifth years inclusive	–	3,067
	1,602	7,792

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 option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group/Company and the respective landlords/lessors. None of the leases includes 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 transactions with related parties:

	Note	Six months ended 30 June 2012 (Unaudited) HK\$'000	Six months ended 30 June 2011 (Unaudited) HK\$'000
Investment management fee paid/payable to Wealth Assets Management Limited	(i)	420	330

Note:

- (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)

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

	30 June 2012 (Unaudited) HK\$'000	30 June 2011 (Unaudited) HK\$'000
Short term employee benefits	1,580	715
Contributions to defined contribution plans	25	12
	1,605	727

14. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 June 2012, the Group recorded a net loss of approximately HK\$13,410,000 compared to a net loss of HK\$5,280,000 of last corresponding period, representing an increase of HK\$8,130,000. This was mainly due to (i) a conservative investment strategy adopted by the Group which resulted in an increased loss in investment in listed securities; (ii) legal and professional expenses incurred for the corporate exercises carried out during the period; and (iii) increase in operating expenses.

The net assets value of the Group was approximately HK\$62,368,000 as at 30 June 2012 (31 December 2011: HK\$36,025,000).

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 focused on the investment in 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 six months ended 30 June 2012. As at 30 June 2012, the total fair value of the Group's investments was HK\$34,033,000 (as at 31 December 2011: HK\$19,361,000).

The Group recorded revenue of HK\$114,000 for the six months ended 30 June 2012 (2011: HK\$57,000). Fair value loss on financial assets at fair value through profit or loss for the period was HK\$5,526,000 (2011: HK\$1,030,000) 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 2012, the Group maintained cash and cash equivalents of approximately HK\$23,361,000 (31 December 2011: HK\$11,487,000) 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\$62,368,000 (31 December 2011: HK\$36,025,000) and there were no borrowings or long-term liabilities as at 30 June 2012 (31 December 2011: Nil).

Capital Structure

On 10 January 2012, the Company issued 3,942,292,080 bonus shares pursuant to the bonus issue on the basis of four bonus shares for every then existing share held by the qualifying shareholders on 4 January 2012. On 27 January 2012, the Company changed the board lot size for trading of the shares from 15,000 shares to 20,000 shares. Details of which were disclosed in the circular of the Company dated 5 December 2011.

On 20 February 2012, the Company consolidated every twenty issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.20 each. Detail of which were disclosed in the circular of the Company dated 2 February 2012.

On 2 March 2012, the Company issued 49,260,000 shares under the placing agreement entered into between the Company and Orient Securities Limited as placing agent on 23 February 2012, and the net proceeds of the placing were approximately HK\$11.3 million. Details of which were disclosed in the announcements of the Company dated 23 February 2012, 27 February 2012 and 2 March 2012.

On 25 June 2012, the Company issued 147,826,627 offer shares pursuant to the open offer on the basis of one offer share for every two then existing shares held by the qualifying shareholders on 31 May 2012. Details of which were disclosed in the circular of the Company dated 1 June 2012.

Subsequent Events

Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting held on 8 August 2012, the issued share capital of the Company is proposed to be reduced by reducing the par value of each of the issued shares of the Company from HK\$0.20 to HK\$0.02 by cancelling the paid-up capital to the extent of HK\$0.18 per issued share (the "Capital Reduction"). Part of the credit arising from such reduction will be applied towards cancelling the accumulated loss of the Company, while the balance (if any) will be transferred to the distributable reserve account of the Company which may be utilized by the Directors as a distributable reserve in accordance with the Articles of Association of the Company (the "Articles") and all applicable laws. Immediately following the Capital Reduction becomes effective, each authorized but unissued share will also be sub-divided into 10 new shares with a par value of HK\$0.02 each. The Capital Reduction is subject to the approval from the Grant Court of the Cayman Islands. Details of which were disclosed in the circular of the Company dated 16 July 2012.

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 2012, the Group had 12 employees, including 2 executive Directors. Total salaries (excluding Directors' remuneration) for the six months ended 30 June 2012 was HK\$1,635,000 (2011: HK\$1,261,000) and the executive Directors' fees and remuneration were HK\$330,000 (2011: HK\$330,000). 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 and terminated on 12 January 2012, or the Company's share option scheme adopted on 12 January 2012.

Charge on Group Assets

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

Contingent Liabilities

As at 30 June 2012, no contingent liabilities were noted by the Directors.

Significant Investments

During the period under review, the Group made no significant investments.

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 a total fair value loss of approximately HK\$5,526,000 (2011: HK\$1,030,000) was recorded.

Last year, the Board had reviewed the investment strategy of the Group and decided that the Group would focus on investing in businesses in the PRC. The Board believes that investing in the PRC market can generate greater returns to our shareholders. The Board will continue to identify investment opportunities in the PRC.

Interim Dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

At 30 June 2012, none of the Directors or chief executives of the Company has any interest 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 required to be 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 were 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.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2012, the interests or short positions of the person, 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, are set out below:

Name of shareholder	Type of interest	Long position/ short position	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Shi Rong Chao	Beneficial owner	Long position	22,180,000	5.0%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2012.

SHARE OPTION SCHEME

Old Share Option Scheme

The Company adopted a share option scheme (the “Old SO Scheme”) on 7 October 2002 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Old SO Scheme was terminated pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 12 January 2012.

There is no outstanding share options under the Old SO Scheme.

New Share Option Scheme

The Company adopted a share option scheme (the “New SO Scheme”) on 12 January 2012. The purpose of the New SO Scheme is to enable the Group to grant options to eligible participants as incentives or rewards for their contribution to the Group. Eligible participants of the New SO Scheme include, but not limited by any persons being employees, officers, agents, consultants or representatives of the Group.

No option was granted under the New SO Scheme 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 2012.

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 standards as set out in the Model Code during the six months ended 30 June 2012.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (“Former CG Code”) as set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005 and was revised and renamed as Corporate Governance Code and Corporate Governance Report (“New CG Code”) with effect from 1 April 2012.

During the six months ended 30 June 2012, the Company was in compliance with the code provisions set out in the Former CG Code except for the deviation from code provision A.4.1, which is explained below.

CORPORATE GOVERNANCE PRACTICES (Continued)

Code provision A.4.1 of the Former CG Code requires that non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors are not appointed for a specific term but they are subject to retirement by rotation at least once in every three years in accordance with the Articles.

During the period from 1 April 2012 to 30 June 2012, the Company has also complied with the code provisions set out in the New CG Code except for the deviation from code provisions A.6.7 and D.1.4, which are explained below.

Code provision A.6.7 of the New CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chung Shu Kun, Christopher, an independent non-executive Director, did not attend the 2012 annual general meeting of the Company held on 23 May 2012 by the reason of his business trip.

Code provision D.1.4 of the New CG Code requires that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors (except that each of Mr. Chan Kam Man, Ms. Kwok Yuen Lam, Sophia and Ms. Mak Man Yi, Jackie entered into an appointment letter with the Company with no specific term for appointment on 30 May 2012). However, the Directors shall be subject to retirement in accordance with the Articles. In addition, the Directors are required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies.

Save as the aforesaid and in the opinion of the Directors, the Company has met all code provisions set out in the Former CG code and the New CG Code during the six months ended 30 June 2012.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with the Listing Rules to review and provide supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises four independent non-executive Directors, Mr. Chan Kam Man (as chairman), Mr. Yue Man Yiu, Matthew, 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 2012.

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

Hong Kong, 20 August 2012

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, Mr. Yang Nai Jiang (Deputy Chairman) as non-executive Director, and Mr. Chan Kam Man, Mr. Yue Man Yiu, Matthew, Mr. Chung Koon Yan, Mr. Chung Shu Kun, Christopher, Ms. Kwok Yuen Lam, Sophia and Ms. Mak Man Yi, Jackie as independent non-executive Directors.