



中国金融租赁集团
CHINA FINANCIAL LEASING GROUP



INTERIM REPORT



2011

CHINA FINANCIAL
LEASING GROUP LIMITED

STOCK CODE: 2312

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 2011.

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 2011

	Notes	Six months ended 30 June 2011 (Unaudited) HK\$'000	Six months ended 30 June 2010 (Unaudited) HK\$'000
Revenue	3	57	123
Other operating income		1	3
Net loss on financial assets at fair value through profit or loss		(1,030)	(609)
Administrative expenses		(4,308)	(5,409)
Loss before income tax	5	(5,280)	(5,892)
Income tax expense	6	–	–
Loss for the period		(5,280)	(5,892)
Total comprehensive income for the period		(5,280)	(5,892)
Loss per share for loss attributable to the owners of the Company	7	HK(0.76) cent	HK(1.37) cents
- Basic			
- Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		440	524
Available-for-sale financial assets	8	3,341	–
		3,781	524
Current assets			
Financial assets at fair value through profit or loss	9	4,318	6,933
Other receivables, deposits and prepayments		603	744
Cash and cash equivalents	10	3,111	9,299
		8,032	16,976
Current liabilities			
Other payables and accruals		190	597
		7,842	16,379
Net current assets			
		11,623	16,903
Total assets less current liabilities/Net assets			
EQUITY			
Equity attributable to the owners of the Company			
Share capital	11	6,982	6,982
Share premium		33,218	33,218
Share options reserve		6,462	6,462
Warrants reserve		987	987
Accumulated losses		(36,026)	(30,746)
		11,623	16,903
Total equity			

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	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 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
	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 (Total comprehensive income for the period)	–	–	–	–	(5,280)	(5,280)
At 30 June 2011 (Unaudited)	6,982	33,218	6,462	987	(36,026)	11,623

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June 2011 (Unaudited) HK\$'000	Six months ended 30 June 2010 (Unaudited) HK\$'000
Net cash used in operating activities	(2,809)	(50,987)
Net cash used in investing activities	(3,379)	(215)
Net cash generated from financing activities	–	17,001
Net decrease in cash and cash equivalents	(6,188)	(34,201)
Cash and cash equivalents at beginning of period	9,299	41,463
Cash and cash equivalents at end of period	3,111	7,262

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 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 (the “Stock Exchange”) 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 2010.

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

Except as described below, 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 2010.

Addition to the classification of financial assets

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognized in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognized in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

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

Addition to the impairment of financial assets

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognized in the statement of comprehensive income.

For available-for-sale equity investment that is carried at cost the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset. Such impairment loss is not reversed.

In the current accounting period, the Group has applied, for the first time those 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 2011.

Other than as explained below, the adoption of the new HKFRSs had no material effect on the results and financial position for the current and prior accounting periods which have been prepared and presented.

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

Improvements to HKFRSs 2010

Amendment to HKAS 34 "Interim Financial Reporting" emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant) and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The Group has not applied any new HKFRSs that is not yet effective for the current accounting period.

3. REVENUE

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

	Six months ended 30 June 2011 (Unaudited) HK\$'000	Six months ended 30 June 2010 (Unaudited) HK\$'000
Bank and other interest income	57	123

The results arising from the fair valuation 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 HK\$19,454,000 (2010: HK\$11,986,000).

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. 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	
	Six months ended 30 June 2011 (Unaudited) HK\$'000	Six months ended 30 June 2010 (Unaudited) HK\$'000	Six months ended 30 June 2011 (Unaudited) HK\$'000	Six months ended 30 June 2010 (Unaudited) HK\$'000	Six months ended 30 June 2011 (Unaudited) HK\$'000	Six months ended 30 June 2010 (Unaudited) HK\$'000
Revenue from external customers	–	–	–	72	–	72
Reportable segment revenue	–	–	–	72	–	72
Reportable segment (loss)/gain	(1,360)	(939)	–	72	(1,360)	(867)
	Investment in listed securities		Provision of loan financing		Total	
	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Reportable segment assets	5,979	8,168	–	–	5,979	8,168

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 interim financial statements are as follows:

	Six months ended 30 June 2011 (Unaudited) HK\$'000	Six months ended 30 June 2010 (Unaudited) HK\$'000
Reportable segment revenue	–	72
Unallocated corporate revenue	57	51
Group revenue	57	123
Reportable segment loss	(1,360)	(867)
Unallocated corporate income	58	54
Depreciation	(122)	(110)
Loss on disposal of property, plant and equipment	–	(163)
Unallocated corporate expenses	(3,856)	(4,806)
Loss before income tax	(5,280)	(5,892)

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Reportable segment assets	5,979	8,168
Other corporate assets	5,834	9,332
Group assets	11,813	17,500
Reportable segment liabilities	–	–
Other corporate liabilities	190	597
Group liabilities	190	597

5. LOSS BEFORE INCOME TAX

	Six months ended 30 June 2011 (Unaudited) HK\$'000	Six months ended 30 June 2010 (Unaudited) HK\$'000
Loss before income tax is arrived at after charging:		
Operating lease charges in respect of land and buildings	765	721
Staff costs (excluding directors' remuneration)		
Wages and salaries	1,261	1,193
Retirement benefits scheme contributions	51	42
Loss on disposal of property, plant and equipment	–	163
Depreciation	122	110

6. INCOME TAX EXPENSE

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands for the six months ended 30 June 2011 (2010: Nil).

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 2011 (2010: Nil).

At 30 June 2011, the Group had unused tax losses of approximately HK\$72,469,000 (31 December 2010: HK\$67,178,000). Deferred tax assets have not been recognized 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 2010: 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\$5,280,000 (2010: HK\$5,892,000) and on the weighted average number of 698,203,500 (2010: 431,266,300) 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 2011, the potential shares arising from the exercise of the Company's warrants and 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.

Diluted loss per share for the six months ended 30 June 2010 was not presented as the impact of the warrants was anti-dilutive.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Unlisted equity investment, at cost (note a)	3,341	–

Note:

- (a) The Group's strategic investment is a 12% equity interest in Beijing LED Lighting Engineering Company Limited. This company is not accounted for on an equity method as the Group does not have the power to participate in the investee's operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

9. FINANCIAL ASSETS AT VALUE THROUGH PROFIT OR LOSS

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Listed equity securities held for trading, at fair value	4,318	6,933

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 condensed consolidated statement of cash flows.

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

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Cash at banks and in hand	1,451	8,139
Demand deposits	1,660	1,160
	3,111	9,299

11. SHARE CAPITAL

	Notes	Number of shares	HK\$'000
Authorized:			
At 1 January 2010, and 30 June 2011, ordinary shares of HK\$0.01 each		30,000,000,000	300,000
Issued and fully paid:			
At 1 January 2010, ordinary shares of HK\$0.01 each		337,344,000	3,373
Issue of ordinary shares on placing	(i)	67,455,000	675
Issue of ordinary shares on open offer	(ii)	202,399,500	2,024
Issue of ordinary shares on placing	(iii)	91,005,000	910
At 31 December 2010 and 30 June 2011, ordinary shares of HK\$0.01 each		698,203,500	6,982

Notes:

- (i) On 11 February 2010, 67,455,000 shares of HK\$0.01 each were issued at a price of HK\$0.086 per share pursuant to a placing agreement on 2 February 2010 as detailed in an announcement dated 11 February 2010.
- (ii) On 25 May 2010, 202,399,500 shares of HK\$0.01 each were issued pursuant to the open offer 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 as detailed in a circular dated 3 May 2010.
- (iii) On 13 December 2010, 91,005,000 shares of HK\$0.01 each were issued at a price of HK\$0.095 per share pursuant to a placing agreement dated 26 November 2010 as detailed in an announcement dated 23 November 2010.

12. COMMITMENTS

Operating lease commitments

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	1,269	1,284
In the second to fifth years inclusive	846	1,480
	2,115	2,764

The Group 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 and the respective landlords/lessors. None of the leases include contingent rentals.

13. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2011, 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 2011 (Unaudited) HK\$'000	Six months ended 30 June 2010 (Unaudited) HK\$'000
Investment management fee paid/payable to Wealth Assets Management Limited	(i)	330	330
Property management expenses paid to Global Strategy Group Limited	(ii)	—	75

13. RELATED PARTY TRANSACTIONS (Continued)

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.

- (ii) During the six months ended 30 June 2011, property management expenses of approximately HK\$: Nil (2010: HK\$75,000) 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 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 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
Short term employee benefits	715	1,193
Contributions to defined contribution plans	12	16
	727	1,209

14. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 June 2011, the Group recorded a net loss of approximately HK\$5,280,000 compared to a net loss of HK\$5,892,000 of last corresponding period, representing a decrease of HK\$612,000. This was mainly due to a conservative investment strategy adopted by the Group which resulted in a decrease of net loss. The net assets value of the Group was approximately HK\$11,623,000 as at 30 June 2011 (31 December 2010: HK\$16,903,000).

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 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 2011. As at 30 June 2011, the total fair value of the Group's investments was HK\$4,318,000 (31 December 2010: HK\$6,933,000).

The Group recorded a revenue of HK\$57,000 for the six months ended 30 June 2011 (2010: HK\$123,000). Fair value loss on financial assets at fair value through profit or loss for the period was HK\$1,030,000 (2010: HK\$609,000) 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 2011, the Group maintained cash and cash equivalents of approximately HK\$3,111,000 (31 December 2010: HK\$9,299,000) 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\$11,623,000 (31 December 2010: HK\$16,903,000) and there were no borrowings or long-term liabilities as at 30 June 2011 (31 December 2010: Nil).

Capital Structure

As at 30 June 2011, the Group and the Company have no significant change of capital structure.

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 2011, the Group had 12 employees, including 2 executive Directors. Total salary (excluding Directors' remuneration) for the six months ended 30 June 2011 was HK\$1,261,000 (2010: HK\$1,193,000) and Directors' fees and remuneration were HK\$330,000 (2010: HK\$734,000). The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice.

The Company adopted a share option scheme on 7 October 2002 so as to motivate staff members who have made contributions to the success of the Group. On 14 December 2010, options in an aggregate of 67,425,000 shares were granted to 2 executive Directors and 8 employees of the Group.

Charge on Group Assets

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

Contingent Liabilities

As at 30 June 2011, 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 in the process we also kept a close look on other investment opportunities. An investment has been made in a company in the PRC providing LED solution, the Group has invested RMB2,400,000, which equaled to 12% of the equity interest in the investment.

BUSINESS REVIEW AND FUTURE PROSPECTS

During the period, 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\$1,030,000 (2010: HK\$609,000).

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 2011, the interest or short positions of the Directors and chief executives 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 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. Choy Kwok Hung, Patrick	Beneficial interest	Long position	15,225,000 (Note)	2.18%
Mr. Chan Chi Hung	Beneficial interest	Long position	13,573,500 (Note)	1.94%

Note:

These shares are derived from the interest in the share options granted by the Company on 14 December 2010, details are set out in the section headed “Share Option Scheme”.

Save as disclosed above, as at 30 June 2011, 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 2011, the interests or short positions of every 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	Type of interest	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Choy Git Yan, Timothy	Beneficial interest	Long position	133,852,500	19.17%
Spartant Limited (Note)	Beneficial interest	Long position	51,705,000	7.41%
Yieldfull Global Investments Limited (Note)	Interest of controlled corporation	Long position	51,705,000	7.41%
Mr. Lam Chon Loi (Note)	Interest of controlled corporation	Long position	51,705,000	7.41%

Note:

These 51,705,000 shares are held through Spartant Limited, a company wholly-owned by Yieldfull Global Investments Limited, which in turn is beneficially owned by Mr. Lam Chon Loi, and therefore, each of Mr. Lam Chon Loi and Yieldfull Global Investments Limited are deemed to be interested in these 51,705,000 shares of the Company held by Spartant Limited pursuant to 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.

Details of movements in the Company’s share options during the six months ended 30 June 2011 are set out below:

Name of category	Date of grant of share options*	Exercise period of share options**	Exercise price of share options*** (HK\$)	Number of shares fall to be issued under the share option		
				Outstanding at 1 January 2011	Granted/ (Lapsed) during the period	Outstanding at 30 June 2011
Directors						
Mr. Choy Kwok Hung, Patrick	14.12.2010	15.12.2010 to 14.12.2020	0.111	6,975,000	–	6,975,000
Mr. Chan Chi Hung	14.12.2010	15.12.2010 to 14.12.2020	0.111	6,975,000	–	6,975,000
Employees						
In aggregate	14.12.2010	15.12.2010 to 14.12.2020	0.111	53,475,000	–	53,475,000
Total				67,425,000	–	67,425,000

SHARE OPTION SCHEME (Continued)

Notes:

- * The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- ** The exercise period will lapse in one month after the resignation of the eligible employees and Directors.
- *** The exercise price of the share options is subject to adjustment in the event of any capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of shares as consideration in respect of a transaction).

As at 30 June 2011, the number of shares in respect of which options had been granted and remaining outstanding under the Scheme was 67,425,000 shares, representing 9.66% of the shares of the Company in issue at that date.

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 2011.

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 2011.

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 2011, 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, which his two years term of appointment was expired on 31 January 2011) 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 2011.

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 2011.

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

Hong Kong, 31 August 2011

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