CHINA FINANCIAL LEASING GROUP LIMITED
ANNUAL REPORT 2007

Stock Code: 2312

中国金融租赁集团
CHINA FINANCIAL LEASING GROUP

The theme of this year's Annual Report, "Focus for Growth", reflects China Financial Leasing Group's renewed strategic investment focus on China's dynamic financial leasing market – one of the fastest growing sectors in the financial industry.

As the first Hong Kong listed company specializing in investment in China's financial leasing market, the Group is leveraging on its significant first-mover advantage in identifying, evaluating and participating in high-potential, managed-risk investment opportunities.

Focus
for Growth

Contents

From diversified coverage of the stock market to focused investment in China's rapidly growing financial leasing market, the Group has fine tuned its strategy to capture rising business opportunities generated by China's economic growth and new policies encouraging the development of leasing industry. China Financial Leasing Group – our new name reflects our new business direction, and our leading position as the first listed company specializing in China's financial leasing market.

A New Direction

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

The Group is enjoying a leading position as the only direct investment player in China's financial leasing market. As a result, the Group enjoys a significant first-mover advantage in proactively identifying, evaluating and selecting high-potential, managed-risk investment opportunities that offer safe and lucrative returns.

With a prudent approach towards investment, the Group prefers to invest in safe assets with high resale value – minimizing risks and mitigating against potential losses.

CFLG strives to create value for its shareholders, leveraging on favourable market conditions, strong government industry support, its unique investment approach, and its in-depth knowledge of China's financial leasing market.

Vision

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

Mission

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

Values

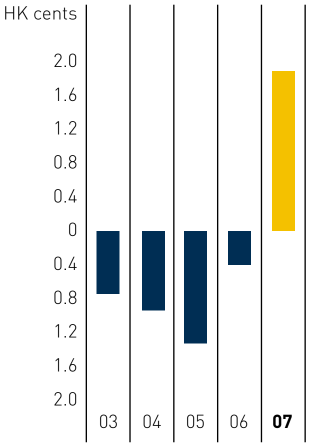
Visionary – striving to identify and leverage on attractive investment opportunities

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

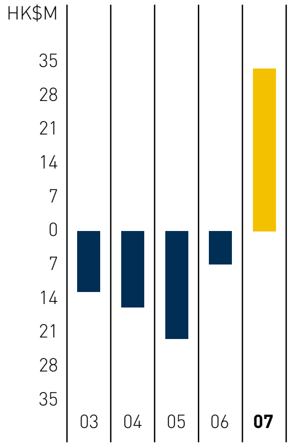
Prudent – following a cautious investment strategy that minimizes downside risks and maximizes upside potential

	2007 HK$'000	2006 HK$'000
Revenue	**730**	678
Other income	**264**	–
Net gain on financial assets at fair value through profit or loss	**40,008**	20
	41,002	698
Profit/(Loss) before income tax	**33,238**	(7,108)
	HK cents	HK cents (restated)
Earnings/(Loss) per share attributable to equity holders of the Company		
– Basic	**1.97**	(0.42)
– Diluted	**N/A**	N/A
Net Asset Value	**64,680**	31,442

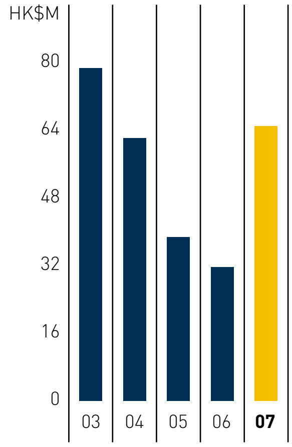
EARNINGS / (LOSS) PER SHARE – BASIC (2003-2007)



PROFIT/(LOSS) BEFORE INCOME TAX (2003-2007)



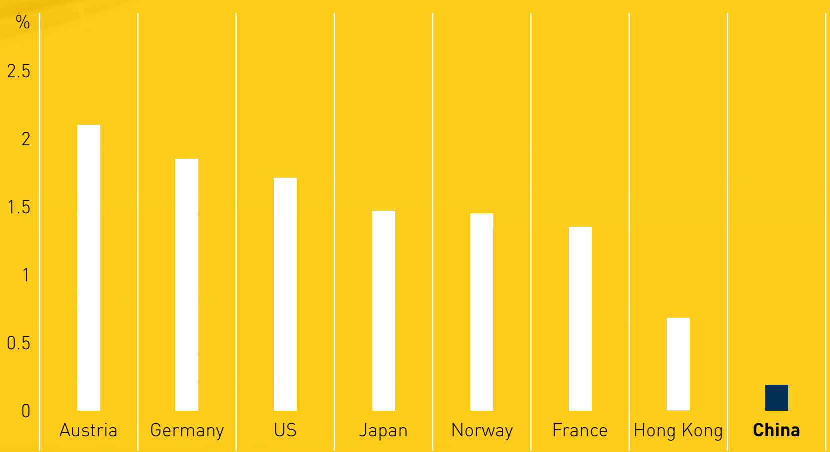
NET ASSET VALUE (2003-2007)



Financial leasing is one of the most effective financial tools, which offers some of the greatest leveraging effects – stimulating GDP growth with smaller amounts of initial capital investment. As the industry matures, more diversified leasing products are being created to meet the rising needs of business. In fact, financial leasing has overtaken bank loans as the preferred vehicle for financing of automobiles, aircrafts and equipment.

Financial Leasing: An Industry of Growth

ANNUAL LEASING VOLUME AS A PERCENTAGE OF GDP (2005)



Source: World Leasing Handbook 2007

Growth

> "The Group changed its name to 'China Financial Leasing Group Limited' to more accurately reflect its new business focus on China's financial leasing market."

I am pleased to present the 2007 Annual Report of China Financial Leasing Group Limited ("CFLG" or the "Group") for the year ended 31 December 2007.

As this is the Group's first annual report since it changed its name and major business focus in the second half of 2007, the results presented in this Annual Report are largely representative of performance achieved under the on-going process of refocusing investment strategies, as well as the Group's previous business. It is expected that the benefits of CFLG's new investment focus will come to fruition as the refocusing process continues over the coming financial years.

FINANCIAL RESULTS

For the year ended 31 December 2007, CFLG achieved a profit attributable to shareholders of HK$ 33,238,000 (2006: HK$7,108,000 loss). As CFLG was still having accumulated losses, the Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: nil).

As at 31 December 2007, the total value of the Group's listed investments was approximately HK$38,880,000 (2006: HK$5,390,000) as well as cash and cash equivalents of HK$23,330,000 (2006: HK$21,452,000).

NEW DIRECTIONS FOR PRUDENT INVESTMENT AND SUSTAINABLE GROWTH

With the release of China's amended "Measures for Administration of Financial Leasing Companies" in March 2007, the Government has effectively set the stage for rejuvenation of the leasing industry. In line with the Chinese Government's strategic moves, in November 2007 the Group changed its name to China Financial Leasing Group Limited to more accurately reflect its new business focus on China's financial leasing market.

A cornerstone of the Group's renewed business strategy lies in its prudent investment approach. By investing in convertible notes issued by financial leasing companies, CFLG earns steady income from its investments, with an opportunity to gain significant upside in superior performance by converting the bonds into shares. This approach not only limits downside risk, but also provides the Group with additional time to assess the performance of its investments.

CFLG is enjoying a significant first-mover advantage in proactively identifying, evaluating and selecting high-potential, managed-risk investment opportunities that offer safe but lucrative returns.

In September 2007, the Group announced the proposal to purchase two convertible notes worth about RMB9.5 million in total from one of the largest private vehicle rental companies in the PRC. The notes would be used to finance the purchase of automobiles.

In November 2007, the Group announced another possible transaction with an aircraft engine leasing company. As part of the possible transaction, the Group will provide a loan of up to HK$8 million in total, with guaranteed interest and the right of conversion in return. In addition to taking a stable income stream from interest, the Group also stands to gain significant upside if it decides to convert into equity of the company.

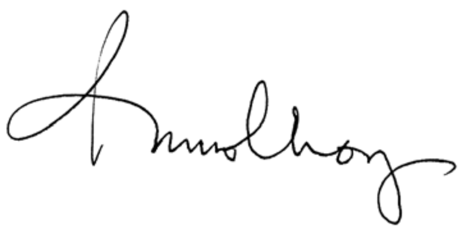
Focusing our investments on the financial leasing industry, the Group has interest especially in the transportation and medical sectors. Transportation is a booming industry in China that offers the benefits of highly liquid assets and attractive return on investment. The medical field offers some of the most profitable investment opportunities in a growing, cash-rich industry.

NEW HORIZONS, NEW OPPORTUNITIES

The Group will continue to seek attractive investments in financial leasing for the transportation and medical sectors – while remaining open to other prudent investment opportunities as they arise. CFLG will also continue to enlist strategic partners to further expand its business and investment capabilities.

In summary, 2007 was a year of change for CFLG. Not only did we deliver our best results for the past five years, but we have also refocused our investment strategy to provide even higher potential returns as we go forward. As a direct player and first mover in a fast-growing industry in one of the world's strongest economies, the Group offers a unique investment proposition.

As CFLG completes its refocusing process, we will continue to create value for our shareholders, leveraging on favorable market conditions, strong government support, our unique investment approach and our management team's in-depth knowledge of China's financial leasing market.



Choy Kwok Hung, Patrick
Chairman

Hong Kong, 18 April 2008

Strength

“CFLG’s management team has the in-depth industry experience and extensive network to identify and participate in the most attractive investment opportunities in China’s financial leasing market.”

Q How do you compete with banks or financial institutions in the financial leasing market?

A We don't compete with them, we work with them. To make a financial leasing arrangement feasible, banks need an independent third party to provide a minimal part of funding. Our role is to work together with banks to help blue chip and state-owned enterprises achieving a better financial performance through financial leasing.

Q How can a small cap listed company participate in China's financial leasing market?

A Money is one thing, but expertise, knowledge and relationships are more important in order to excel in this industry. CFLG's management team has the in-depth industry experience and extensive network to identify and participate in the most attractive investment opportunities in China's financial leasing market.

Q Do you have funding pressure?

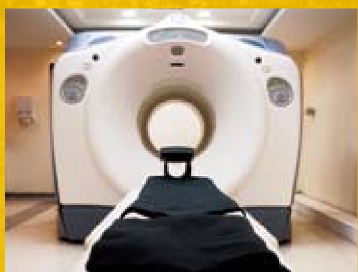
A No. Size is not the most important factor when investing in China's financial leasing market. Of course, with more funds, we can invest in more opportunities. But at this moment, we don't have any immediate funding pressure. Having said that, certain institutional investors have indicated initial interest in our business model and are keen to explore investment synergies. However, this is still in a negotiation stage. When we have more concrete details, we will make an announcement in due course.

Q When do you expect the financial leasing transactions will contribute profits to the Group?

A The transactions we announced are still in the process of being completed. We target to complete them by the end of this year. Though the transactions have not been completed, the process of putting our focus on China's financial leasing market has already generated positive results in terms of effective use of funds and avoidance of loss through poor investment performance.

Q There is leverage in some structures. Does this increase the risk of your investment?

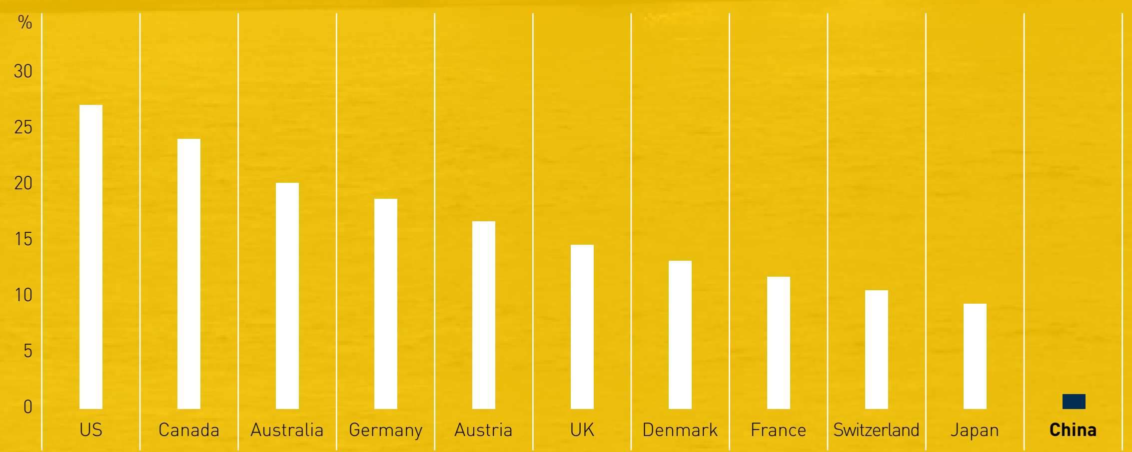
A Proper use of leverage (mostly from banks) is an essential element in enhancing return on equity. In fact, the leverage provider takes the receivable as collateral, which means the borrowing does not require use of our resources.



With domestic banks re-entering the market, financial leasing has new growth momentum – combined with a rejuvenated market and new government policies encouraging the development of the leasing industry. Economic growth is the foundation for development of financial leasing – which creates huge fund raising opportunities in support of infrastructure, construction projects, equipment purchases and large-scale projects.

China:
A Promising Market

MARKET PENETRATION OF LEASING (2005)



Source: World Leasing Handbook 2007

China's financial leasing market experienced impressive 77.1% growth between 2004 and 2005; and this very strong rate of growth is expected to continue as financial leasing market matures.

Promising

1 BUSINESS REVIEW

China's Dynamic Financial Leasing Market

China's leasing market is expected to continue its rapid growth over the coming few years. Financial leasing is a type of financing that originated in the US nearly 40 years ago. The lease provider supplies the lessee with necessary equipment and also allows the lessee to "use" the equipment by paying fixed instalments. The lease provider retains the rights and ownership of the equipment before the end of the leasing contract.

Financial leasing is now one of the most effective financing tools available to businesses today, and also boosts sales of productive assets, such as machinery and equipment. In the US, over 50% of capital investment is financed by financial leasing – and it has overtaken bank loans as the preferred vehicle for financing of automobiles, aircrafts and equipment.

At present, there has been extremely low penetration of China's financial leasing market of about 1.3%. However, the sector experienced impressive 77.1% growth between 2004 and 2005; and this very strong rate of growth is expected to continue as financial leasing market matures.



GLOBAL RANKING ON LEASING MARKET (2005)

Ranking	Country	Annual Volume (US$Bn)	% Growth (2004-2005)	% Market Penetration
Top Five Market Players				
1	US	213.00	+7.0%	26.9%
2	Japan	67.40	+4.1%	9.3%
3	Germany	51.64	+7.9%	18.6%
4	France	28.42	+7.9%	11.7%
5	Italy	27.58	+4.5%	15.1%
Ranking of Selective Developing Countries				
9	Brazil	9.77	+76.0%	13.5%
10	Russia	8.03	+74.9%	N/A
17	Korea	5.51	+37.1%	7.7%
20	Turkey	4.32	+39.0%	7.1%
22	Poland	4.27	+27.7%	9.0%
23	China	4.25	+77.1%	1.3%
29	Columbia	2.22	+54.0%	N/A
36	Taiwan	0.94	+15.6%	1.3%

Source: World Leasing Handbook 2007

In addition, the size of China's financial leasing market – with annual volume of US$4.25 billion – has enormous room to grow before it reaches parity with developed leasing markets like the US (annual volume: US$213 billion), Japan (annual volume: US$67 billion) and Germany (annual volume: US$52 billion).

As a country with few per capita resources, China is keen to leverage on financial leasing to stimulate healthy economic growth. There is a strong association between economic growth and penetration of the financial leasing market – as leveraging effects help to produce higher overall productivity. In turn, higher capital investment usually brings about faster economic growth and higher GDP levels.

Most developed countries report higher percentage of Leasing Volume/GDP.
In 2005, the recorded ratio of leasing volume to GDP was 2.09 for Denmark, 1.85 for Germany and 1.71 for the US. In contrast with China, its ratio stood at only 0.19.

ANNUAL LEASING VOLUME AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT (2003-2005)

Country	2005 Ratio	2004 Ratio	2003 Ratio
Denmark	2.09	2.41	1.53
Switzerland	1.87	1.97	2.20
Germany	1.85	2.29	2.07
Canada	1.84	2.11	1.73
US	1.71	1.91	1.91
Japan	1.47	1.73	1.62
France	1.35	1.55	1.56
UK	1.23	1.57	1.09
Brazil	1.23	0.88	0.44
Korea	0.69	0.72	0.50
Taiwan	0.27	0.29	0.31
China	0.19	0.17	0.16
India	0.06	0.12	0.21

Source: World Leasing Handbook 2007

Now, as CFLG, the Group is focusing its investment on the financial leasing market — one of the fastest growing sectors in the financial industry, along with banking and insurance.

Recent fears of economic overheating and a global credit crunch have prompted the Chinese government to promote a contractive monetary policy, forcing banks to tighten down their lines of available credit. Under this restrictive climate, financial leasing becomes an increasingly attractive financing option for China's rapidly growing enterprises.

Refocusing for a Brighter Future

On 29 November 2007, the Group changed its name to "China Financial Leasing Group Limited" to reflect more accurately about its new business focus on China's financial leasing market – one of the fastest growing sectors in the financial industry, along with banking and insurance.

CFLG is the first and only Hong Kong listed company specialising in investment in China's financial leasing market. As a result, the Group is enjoying significant first-mover advantage in proactively identifying, evaluating and selecting high-potential managed-risk investment opportunities that offer lucrative returns. As the first dedicated player in the field, CFLG has its choice of investments in a rapidly growing market.

Many investors realize the growing potential and are seeking to gain exposure in this market. However, the current major players in the market are mostly subsidiaries of very large diversified conglomerates or non-listed companies. CFLG aims at building a diversified portfolio in China's leasing market with the largest up-side correlation in equity of leasing providers and thus giving investors a focused exposure to this fast growing market.

Strategic Investment Focus

As an initial focus, CFLG is concentrating on selected booming sectors such as transportation and medical equipment. These two sectors offers low risk as they typically have steady revenue streams to support repayment and there is a strong second-hand market for the leased items, which mitigates downside risk.

CFLG aims at investing in specialized leasing companies through convertible structures, which offers the following advantages:

1) Specialized leasing companies offer higher growth potential and higher margins versus general leasing companies;

2) Offsetting downside risk with leasing assets as high-quality collateral provides strong downside protection; and

3) Upside potential from capital gain in fast growing companies.

Aircraft Leasing

The scale of China's domestic aircraft leasing has doubled over the past ten years, with foreign leasing companies dominating the market. Currently, foreign players hold around 90% market share, and Chinese officials have committed to addressing the imbalance – enlarging the market share of domestic aircraft leasing companies.

The value of China's aircraft leasing market has reached US$30 billion, with recorded annual rental fees as high as US$3 billion. According to forecasts by Airbus and Boeing, China will increase its total number of aircraft by 2,880 – worth US$300 billion – over the next two decades. If 30% of this total is financed through leasing (as is common in more developed markets), the future expansion of China's aircraft fleet could generate US$90 billion (RMB 630 billion) for the financial leasing market.

According to statistics from GE Commercial Aviation Services, global aircraft leasing ratios jumped from 15% in 1986 to 40% in 2000. This trend looks set to remain strong, especially in developing countries like China. With the explicit support of the Chinese Government, China's aircraft leasing industry holds promising opportunities for the future.

Car Leasing

The number of cars in the PRC increased significantly over the last few years. And corporate fleets constitute a significant portion of the increase.

Given the PRC's vast geographical area, blue chip and state-owned enterprises need to provide vehicles for their staff to travel around the region for business development. As it is quite difficult for vehicles to become part of an organization's core assets, companies are more inclined to lease vehicles instead of buying them for use by staff members.

As an initial focus, CFLG is concentrating on selected booming sectors such as transportation and medical equipment.

Looking ahead, the Group will benefit from its strong and focused investment strategy, as well as overall market conditions favourable to the ongoing development of China's financial leasing market.

While the demand for car leasing is increasing tremendously, this industry is still very fragmented and consolidation has not yet begun – mainly due to lack of funding to extend fleet size. This provides the Group with a clear opportunity to invest in and help create a market leader in the industry.

Medical Equipment

China has a population of 1.3 billion in which 144 million of them are over 60 years old in 2005. In recent years, rising living standards, better welfare benefits and stronger regard for personal health – combined with an aging population – have massively increased demand for healthcare services.

Moreover, as many hospitals in China were built during the 1950s and 1960s, many have reached a point where new medical equipment is urgently needed. Since hospitals can finance themselves without incurring debts or loans, off-balance-sheet arrangement allows hospitals to enjoy better cash flow liquidity and financial management performance. Through financial leasing, hospitals can effectively make their new capital investments and improve service standards without requiring injections of extra cash. Meanwhile, hospitals can also fully utilise their aging equipment by passing them through leasing companies for lease or resale.

Compared to other market segments, healthcare equipment leasing has been regarded as low risk because of rising demand for medical services and equipment, as well as the well-developed second-hand market of healthcare equipment. It is believed that healthcare leasing will be a new cornerstone of the leasing industry, in addition to aircraft leasing and car leasing.

Business Outlook

As China takes its place amongst the world's leading economies, the country's financial leasing market enjoys significant room for growth with penetration rates as low as 1.6% in 2005. Previously, the financial leasing market was less developed due to overly stringent government regulation and unclear laws and policies. As the leasing market matures, improved industry regulation combined with support from local banks and other industry players will help to bolster the market.

Looking ahead, the Group will benefit from its strong and focused investment strategy, as well as overall market conditions favourable to the ongoing development of China's financial leasing market. With these factors – as well as the management team's intimate knowledge of the leasing market and the Group's first-mover advantage as the first listed company directly participating in China's financial leasing market – we believe CFLG is well positioned to capture the growth opportunities of the future.

2 INVESTMENT PORTFOLIO

The Group embarked on a new strategic business direction in the second half of 2007. Since then, the Group has adopted a very focused approach in using the funds efficiently and clearing all the non-performing investments. The refocusing of our investment strategy is still ongoing.

Listed below are the Group's listed investments and unlisted investments as at 31 December 2007 and the respective change in fair value or market value during the year of 2007.

PORTFOLIO OF LISTED INVESTMENTS

Stock Name	Stock Code	Original cost of purchase HK$'000	Carrying value as at 1 Jan 2007 (at fair value) HK$'000	Purchase made in 2007 HK'$000	Realised proceeds received in 2007 HK'$000	Realised and unrealised gain/(loss) in 2007 HK'$000	Carrying value as at 31 Dec 2007 (at fair value) HK'$000	Percentage of investments attributable to the Group's net assets as at 31 Dec 2007 HK'$000
Xian Yuen Titan	353	1,252	–	1,252	1,753	501	–	N/A
Bank of Communications	3328	962	1,132	–	979	(153)	–	N/A
CATIC International	232	416	–	416	424	8	–	N/A
China BlueChemical	3983	54	88	–	91	3	–	N/A
China Everbright	165	821	–	821	1,043	222	–	N/A
China Merchant Bank	3968	31	57	–	59	2	–	N/A
China Telecom	728	5,909	–	5,909	5,905	(4)	–	N/A
CITIC Resources	1205	1,769	–	1,769	1,853	84	–	N/A
Espco Technology	8299	6,015	–	6,015	–	32,865	38,880	60.11%
Hang Seng Bank	11	1,000	–	1,000	1,008	8	–	N/A
Hong Kong Construction	190	570	–	570	538	(32)	–	N/A
Kith Holdings	1201	4,195	–	4,195	3,720	(475)	–	N/A
Jiangsu Nadasoft	8045	10,937	3,043	–	4,882	1,839	–	N/A
Petrol China	857	929	992	–	815	(177)	–	N/A
PICC Property & Casualty	2328	7,019	–	7,019	9,487	2,468	–	N/A
Takson Holdings	918	3,578	–	3,578	6,248	2,670	–	N/A
Zhaojin Mining Industry	1818	64	78	–	78	–	–	N/A
NYMEX Holdings (U.S. stock)	NMX	5,897	–	5,897	6,076	179	–	N/A
Total		**51,418**	**5,390**	**38,441**	**44,959**	**40,008**	**38,880**	**N/A**

PORTFOLIO OF UNLISTED INVESTMENTS

Name of investee company	Carrying value as at 1 Jan 2007 HK$'000	Date of disposal	Sales consideration HK$'000	Gain on disposal HK$'000
南通毅能達智能卡製造有限公司	1,100	13 February 2007	1,100	–
北京綜藝達軟件技術有限公司	4,236	13 February 2007	4,500	264

3 LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2007, the Group had maintained cash and cash equivalents of approximately HK$23,330,000 (2006: HK$21,452,000) which were mainly denominated in Hong Kong and Australian dollars. The Group will monitor the exposure and take prudent measures when necessary.

The Group had net assets of approximately HK$64,680,000 (2006: HK$31,442,000) and there were no borrowings or long-term liabilities as at 31 December 2007.

4 CAPITAL STRUCTURE

At the extraordinary general meeting of the Company held on 3 August 2007, the then shareholders of the Company approved (a) the bonus issue of one bonus share for every one share held on 3 August 2007 resulting in the issue and allotment of 105,420,000 bonus shares of HK$0.1 each in the capital of the Company; and (b) the subdivision of every issued and un-issued share of par value of HK$0.1 each into 10 shares of par value of HK$0.01 each. The share subdivision became effective on 17 August 2007.

At the extraordinary general meeting of the Company held on 25 October 2007, the then shareholders of the Company approved the bonus issue of three bonus shares for every one share held on 25 October 2007 resulting in the issue and allotment of 6,325,200,000 shares of HK$0.01 each in the capital of the Company.

At the extraordinary general meeting of the Company held on 29 November 2007, the then shareholders of the Company approved the share consolidation of every five shares of HK$0.01 each into one consolidated share of HK$0.05 each. The share consolidation became effective on 30 November 2007. Upon the share consolidation, the authorized and issued share capital of the Company were HK$300,000,000 divided into 6,000,000,000 shares of HK$0.05 each and HK$84,336,000 divided into 1,686,720,000 shares of HK$0.05 each respectively.

5 MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

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

6 EMPLOYEE BENEFITS

As at 31 December 2007, the Group had 8 employees, including 4 Executive Directors. For the year ended 31 December 2007, the Group's staff costs (excluding Directors' remuneration) amounted to approximately HK$925,000 (2006: HK$315,000). The remuneration policy of the Group is reviewed annually by the Remuneration Committee and is in line with the prevailing market practice. Other benefits to employees include mandatory provident fund, housing allowance and medical benefits.

During the year under review, the Group did not grant any share options to its employees or Directors under the share option scheme of the Company adopted on 7 October 2002.

7 CHARGES ON ASSETS AND CONTINGENT LIABILITIES

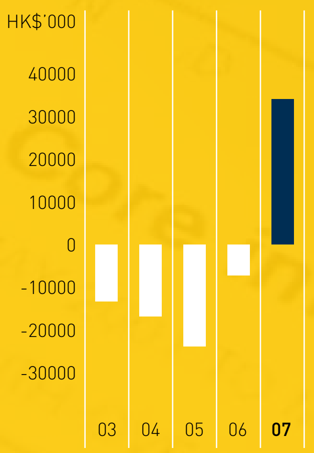
During the year, there were no charges on the Group's assets and the Group did not have any contingent liabilities as at 31 December 2007.

CFLG has a focused strategy for investment that capitalizes on three major areas of success: 1) China's fast-growing financial leasing industry; 2) concentrating on rising sectors being promoted by the government (e.g. transportation) and other sectors with attractive returns; and 3) minimizing risks by investing through convertible notes, which offer stable interest income streams and high upside potential.

Focus

Investment Strategy

PROFIT/(LOSS) FOR THE YEAR
(2003-2007)



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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2007, the Company was in compliance with the code provisions set out in the CG Code, except for code A.2.1, which specifies the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer had been performed by all Executive Directors collectively, until the appointment of the Chairman on 17 June 2007 and the Chief Executive Officer on 17 September 2007.

In the opinion of the Directors – save for the exception noted above – the Company has met the code provisions set out in the CG Code during the year ended 31 December 2007.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

The Board currently consists of eight Directors, including four Executive Directors, one Non-executive Director and three Independent Non-executive Directors:

Chairman and Non-executive Director

Mr. Choy Kwok Hung, Patrick

Executive Directors

Mr. Kung Yiu Fai, Ronald (Chief Executive Officer)

Mr. Chan Chi Hung

Mr. Lim Siang Kai

Mr. See Lee Seng, Reason

Independent Non-executive Directors

Mr. Chung Koon Yan

Mr. Yue Man Yiu, Matthew

Dr. Ching Yih-Gwo

Save for the fact that Mr. Lim is also a shareholder of the Company and Mr. See is also a director and the shareholder of Redford Assets Management Limited (formerly known as "Golden Honour Assets Management Limited"), the Investment Manager of the Group, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising Independent Non-executive Directors. The biographical information of the Directors are set out on pages 32 to 33 under the section headed "Biographical Details of Directors".

Chairman and Chief Executive Officer

Upon the appointment of the Chairman and Chief Executive Officer on 14 June 2007 and 17 September 2007 respectively, the two positions are now held by two separated individuals to ensure their respective independence, accountability and responsibility. Mr. Choy Kwok Hung, Patrick, the Chairman, is in charge of the management of the Board and strategic planning of the Group. Mr. Kung Yiu Fai, Ronald, the Chief Executive Officer, is responsible for the day-to-day management of the Group's business.

Independent Non-executive Directors

The three Independent Non-executive Directors are well-qualified professionals, with academic and professional qualifications in the accounting and financial fields. With their extensive experience, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

The Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Articles of Association.

Board Meetings

The Board has 12 scheduled meetings a year at monthly intervals, and additional meetings will be held as and when required. The 12 scheduled Board meetings for the year are planned in advance.

During the financial year ended 31 December 2007, the Board held 29 meetings. All Directors are given an opportunity to include any matters in the agenda for regular Board meetings and are given sufficient time to review documents and information relating to matters to be discussed during Board meetings in advance.

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

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

NOMINATION OF DIRECTORS

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

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

During the year ended 31 December 2007, the Board of Directors held four meetings for approving the appointment of Directors.

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee (the "Remuneration Committee") on 28 June 2005, which consists of two Independent Non-executive Directors, namely Mr. Chung Koon Yan (as Chairman) and Mr. Yue Man Yiu, Matthew; and one Executive Director, namely Mr. Lim Siang Kai.

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

Three Remuneration Committee meetings were held during the year under review, with full attendance of the members, to discuss the remuneration package of Directors, Chief Executive Officer and senior management.

The Company adopted a share option scheme on 7 October 2002. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to any eligible participants, including Directors, as incentives or rewards for their contribution to the Group. Details of the share option scheme are set out in the Directors' Report and note 21 to the financial statements. Details of the Directors' remuneration are set out in note 12 to the financial statements.

AUDITORS' REMUNERATION

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

	Fee paid/ payable HK$'000
Services rendered	
Audit services	175
Non-audit services	23
	198

AUDIT COMMITTEE

The Company established an Audit Committee (the "Audit Committee") on 7 October 2002. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yue Man Yiu, Matthew (as Chairman), Mr. Chung Koon Yan and Dr. Ching Yih-Gwo.

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

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

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

During the year ended 31 December 2007, the Audit Committee held two meetings and reviewed the interim and annual results of the Group together with the Auditors of the Company. In the opinion of the Audit Committee, the preparation of such results complied with the applicable accounting standards and the Listing Rules.

ATTENDENCE OF MEETINGS OF BOARD AND VARIOUS COMMITTEES

	Board of Directors Meetings			Board Meetings – Appointment of Directors##			Remuneration Committee Meetings			Audit Committee Meetings		
	Position	No. held	No. attended	Position	No. held	No. attended	Position	No. held	No. attended	Position	No. held	No. attended
Executive Directors												
Mr. Kung Yiu Fai, Ronald ›	M	6	6	M	0	0	–	–	–	–	–	–
Mr. Chan Chi Hung+	M	21	13	M	4	2	–	–	–	–	–	–
Mr. Lim Siang Kai	M	29	26	M	4	4	M	3	3	–	–	–
Mr. See Lee Seng, Reason	M	29	29	M	4	4	–	–	–	–	–	–
Mr. Chang Chu Fai, Johnson Francis*	M	7	7	M	0	0	–	–	–	–	–	–
Non-executive Directors												
Mr. Choy Kwok Hung, Patrick^^	C	18	9	C	2	1	–	–	–	–	–	–
Mr. Au-Yong Shong, Samuel #	M	5	0	M	2	0	–	–	–	–	–	–
Independent Non-executive Directors												
Mr. Yue Man Yiu, Matthew	M	29	27	M	4	4	M	3	3	C	2	2
Mr. Chung Koon Yan	M	29	29	M	4	4	C	3	3	M	2	2
Dr. Ching Yih-Gwo**	M	17	9	M	1	0	–	–	–	M	1	1
Mr. Zheng Weihe^	M	22	1	M	3	0	–	–	–	M	1	1

Denotes:

C-Chairman, M-Member

Number of meetings held/attended during the financial year/period from 1 January 2007 (or date of appointment, where applicable) to 31 December 2007 (or date of resignation, where applicable)

Board meetings relating to appointment of Directors are also included in Board of Directors meetings.

› Mr. Kung Yiu Fai, Ronald was appointed on 10 October 2007.

+ Mr. Chan Chi Hung was appointed on 26 April 2007.

* Mr. Chang Chu Fai, Johnson Francis resigned on 26 April 2007.

^^ Mr. Choy Kwok Hung, Patrick was appointed on 14 June 2007.

Mr. Au-Yong Shong, Samuel was appointed on 7 June 2007 and resigned on 3 August 2007.

** Dr. Ching Yih-Gwo was appointed on 26 June 2007.

^ Mr. Zheng Weihe resigned on 2 October 2007.

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Articles of Association. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of general meeting and explained during the proceedings of the meetings.

The general meetings of the Company provides an opportunity for communication between shareholders and the Board. The Chairman of the Board Committees attended the 2007 annual general meeting to answer questions.

INVESTOR RELATIONS

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

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

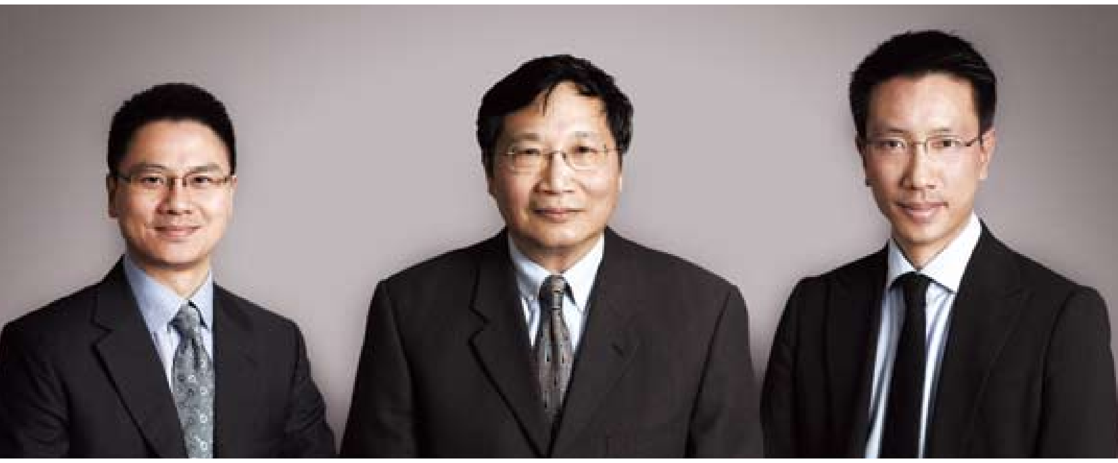
DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

INTERNAL CONTROL

The Board has overall responsibility for maintaining a proper and effective system of internal control of the Group. The internal control system includes safeguard of the interest of shareholders and the Group's assets. The Board has delegated to management the implementation of all relevant financial, operational, compliance controls and risk management function within a defined framework. During the year ended 31 December 2007, the Board conducted a review of the system of internal controls to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

BIOGRAPHICAL DETAILS OF DIRECTORS



From left to right:
Mr. Chan Chi Hung
Mr. Choy Kwok Hung, Patrick
Mr. Kung Yiu Fai, Ronald

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Choy Kwok Hung, Patrick

Mr. Choy Kwok Hung, Patrick, aged 65, was appointed as Chairman and Non-executive Director of the Company on 14 June 2007 and is responsible for the strategic development of the Group. He is the founder and chairman of Global Strategy Group Limited and a Trustee and board member of Majulah Connection Limited. He is an Independent Non-executive Director of Solomon Systech International Limited, a company listed on the Stock Exchange of Hong Kong and an Independent Non-executive Director of Evergro Properties Limited, a company listed on the Stock Exchange of Singapore. Mr. Choy is also the senior advisor to Motorola Inc.; an advisor to Nan Fung Group and the chairman of Bunge China Advisory Board. He is a member of the National Committee of the Chinese People's Political Consultative Conference.

EXECUTIVE DIRECTORS

Mr. Kung Yiu Fai, Ronald

Mr. Kung Yiu Fai, Ronald, aged 38, is the Chief Executive Officer of the Group and was appointed as an Executive Director of the Company on 10 October 2007. He is responsible for the execution of the strategies set out by the Board. Mr. Kung holds a Master of Science Degree in Investment Management from the Hong Kong University of Science and Technology and has more than 16 years of extensive experience in finance, management, and accounting. Prior to joining the Group, Mr. Kung had worked at the Securities and Futures Commission, KPMG and Grant Thornton. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and has served on its council as an elected member since 2005. Mr. Kung is also a member of the Securities and Futures Appeals Tribunal, Advisory Committee on Human Resources Development in the Financial Services Sector and Barristers Disciplinary Tribunal Panel.

Mr. Chan Chi Hung

Mr. Chan Chi Hung, aged 34, was appointed as an Executive Director of the Company on 26 April 2007. He is responsible for setting out the business development strategy of and identifying investment opportunities for the Group. Mr. Chan was the Managing Director of a leading foreign-owned leasing company which has over 38% market share in the PRC. His expertise includes structuring of leveraged leasing and cross-broader leasing for overseas-listed State-owned Enterprises. Before his active participation in the financial leasing industry, Mr. Chan was previously the Investment Manager of Springfield Financial in charge of its private equity, fund-of-funds, and fixed-income investments portfolio. Prior to that, he was with J.P. Morgan Chase.

Mr. Lim Siang Kai

Mr. Lim Siang Kai, aged 51, was appointed as an Executive Director of the Company on 16 May 2002. He is also a member of Remuneration Committee of the Group. He holds a Bachelor of Arts Degree from University of Singapore, a Bachelor of Social Science (honours) Degree from the National University of Singapore and a Master of Arts Degree in Economics from the University of Canterbury, New Zealand. Prior to joining the Group, Mr. Lim held various positions in banks, financial services companies and a fund management company and has over 25 years of experience in the securities, private and investment banking and fund management industries. Mr. Lim is also the chairman and independent director of ISDN Holdings Limited and China Print Power Group Limited, and an independent director of Natural Cool Holdings Limited, Texchem-Pack Holdings (S) Ltd, Foreland Fabrictech Holdings Limited, China Angel Food Limited and Joyas International Holdings Limited, all of which are companies listed in Singapore.


From left to right:

Mr. Yue Man Yiu, Matthew
Mr. Chung Koon Yan

Mr. See Lee Seng, Reason

Mr. See Lee Seng, Reason, aged 49, was appointed as an Executive Director of the Company on 16 May 2002. He has over 27 years of experience in the finance and investment profession covering securities and commodities dealing, investment advisory, corporate finance, portfolio and fund management. Mr. See is the Managing Director and Chief Investment Officer of Redford Assets Management Limited (formerly known as 'Golden Honour Assets Management Limited'), an asset management company registered with the Securities and Futures Commission under Types 4 and 9 registrations, and the investment manager of the Group. Mr. See holds a Master of Science Degree in Corporate Governance & Directorship from the Hong Kong Baptist University. Mr. See is mainly responsible for the portfolio management of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yue Man Yiu, Matthew

Mr. Yue Man Yiu, Matthew, aged 46, was appointed as an Independent Non-executive Director of the Company on 4 June 2002. He is also the Chairman of the Group's Audit Committee and a member of the Remuneration Committee. He graduated from the Chinese University of Hong Kong with a Bachelor's Degree of Business Administration in 1984. He is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. He has extensive experience in financial control, project analysis and management functions in the financial service industry. He is presently the Chief Financial Officer of a consultancy and investment company.

Mr. Chung Koon Yan

Mr. Chung Koon Yan, aged 44, was appointed as an Independent Non-executive Director of the Company on 30 September 2004. He is also the Chairman of the Remuneration Committee of the Group and a member of the Audit Committee. He is a practising member of The Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Institute of Chartered Accountants in England and Wales. He graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting. Mr. Chung is a director of Chiu, Choy & Chung CPA Ltd. and has more than 17 years of experience in accounting, auditing and taxation. Mr. Chung is currently an Independent Non-executive Director of Trasy Gold Ex Limited, a company listed on the Stock Exchange of Hong Kong.

Dr. Ching Yih-Gwo

Dr. Ching Yih-Gwo, aged 42, was appointed as on Independent Non-executive Director of the Company on 26 June 2007. He is also a member of the Audit Committee of the Group. He is the President and CEO of ARESCOM Technology Limited. Previously, he played an instrumental role in taking eight companies public – including the largest IPO in 2001: Netscreen's listing on NASDAQ; as well as Paypal's listing in 2002.

Since 1998, Dr. Ching has been an assistant professor at the business school of the University of Texas. Dr. Ching holds a PhD in Finance from the University of Texas, a Master of Science Degree from Texas A&M University, an MBA from the University of North Texas, and a BS Degree in Computer Science from the University of Tennessee.

The Board of Directors ("Board") of the Company is pleased to submit their report together with the audited financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

Pursuant to a special resolution passed at the extraordinary general meeting held on 29 November 2007, the name of the Company was changed from "Golden 21 Investment Holdings Limited" to "China Financial Leasing Group Limited".

The Group is principally engaged in investment with a focus on investing in the financial leasing market in the People's Republic of China (the "PRC"). During the year, the Group also invested in listed and unlisted companies in the Asia Pacific Region and the United States on a general perspective.

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

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 44 to 76.

The Directors do not recommend the payment of a final dividend.

ANNUAL GENERAL MEETING

The 2008 annual general meeting of the Company ("AGM") will be convened and held on Wednesday, 28 May 2008.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 26 May 2008 to Wednesday, 28 May 2008, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 May 2008.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital of the Company during the year are set out in note 20 to the financial statements.

SHARE OPTION SCHEME

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

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

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

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

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

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

No share option has been granted since the Adoption Date.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2007.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 22 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

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

DIRECTORS

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

Chairman (Non-executive Director)
Mr. Choy Kwok Hung, Patrick (appointed on 14 June 2007)

Executive Directors
Mr. Kung Yiu Fai, Ronald (appointed on 10 October 2007)
Mr. Chan Chi Hung (appointed on 26 April 2007)
Mr. Lim Siang Kai
Mr. See Lee Seng, Reason
Mr. Chang Chu Fai, Johnson Francis (resigned on 26 April 2007)

Non-executive Director
Mr. Au-Yong Shong, Samuel (appointed on 7 June 2007 and resigned on 3 August 2007)

Independent Non-executive Directors
Mr. Chung Koon Yan
Mr. Yue Man Yiu, Matthew
Dr. Ching Yih-Gwo (appointed on 26 June 2007)
Mr. Zheng Weihe (resigned on 2 October 2007)

Mr. Kung Yiu Fai, Ronald was appointed as an Executive Director on 10 October 2007, and he is subject to retirement at the AGM pursuant to Article 87(3) of the Articles of Association, and, being eligible, offers himself for re-election.

Pursuant to Article 88(1) of the Articles of Association, Mr. Lim Siang Kai, Mr. See Lee Seng, Reason and Mr. Yue Man Yiu, Matthew will retire by rotation and, being eligible, Mr. Lim Siang Kai and Mr. Yue Man Yiu, Matthew offer themselves for re-election at the AGM. Mr. See Lee Seng, Reason will not offer himself for re-election at the AGM due to the fact that he would like to spend more time pursuing his own business.

INDEPENDENCE CONFIRMATION

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

DIRECTORS' SERVICE CONTRACTS

Messrs. Lim Siang Kai and See Lee Seng, Reason, the Executive Directors of the Company, entered into service agreement with the Company on 1 July 2005 for a term of two years commenced on 1 July 2005 and expired on 30 June 2007, it shall continue thereafter the expiration of the said two years term unless and until terminated by either party giving to the other not less than three months' notice in writing and they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

Mr. Chan Chi Hung, an Executive Director, entered into a service contract with the Company on 26 April 2007 for a term of three years but subject to termination with three months' notice in writing to the other party or payment in lieu of notice. He is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association. Mr. Chan is entitled to a director's emolument of HK$40,000 per month which is determined by the Board.

Mr. Kung Yiu Fai, Ronald, an Executive Director, entered into a service contract with the Company on 17 September 2007 without a specific term but subject to termination with three months' notice in writing to the other party or payment in lieu of notice. He is subject to retirement at the next annual general meeting after his appointment and thereafter subject to retirement by rotation in accordance with the Articles of Association. Mr. Kung is entitled to a director's fee of HK$15,000 per month, a monthly remuneration of HK$120,000 and a discretionary bonus which are determined by the Board.

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

DIRECTORS' INTERESTS IN CONTRACTS

Other than the connected transactions which are disclosed under the heading "CONNECTED TRANSACTIONS" below, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or its subsidiary was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2007, 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below:

INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Name of Director	Type of interest	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Lim Siang Kai	Beneficial interest	Long position	16,260,000	0.96%

Save as disclosed above, as at 31 December 2007, none of the Directors and chief executives of the Company had any interests and short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

At 31 December 2007, 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:

INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Type of interest	Long position/ Short position	Number of ordinary shares held	Total no. of ordinary shares held	Percentage of the Company's issued share capital
Mr. Choy Git Yan, Timothy	Beneficial interest	Long position	2,090,000	371,250,000	22.01%
	Interest of controlled corporation	Long position	369,160,000		
Global Strategy Capital Markets Limited ("GSCML")	Beneficial interest	Long position	369,160,000	369,160,000	21.89%

Note:

By virtue of the SFO, Mr. Choy Git Yan, Timothy is deemed to be interested in 369,160,000 shares held by GSCML, a company wholly-owned by Mr. Choy.

Save as disclosed above, no other parties were recorded in the register of Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2007.

CONNECTED TRANSACTIONS

(i) Pursuant to the Investment Management Agreement dated 7 October 2002 entered into between the Company and Redford Assets Management Limited (formerly known as "Golden Honour 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 from 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 each 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 to expire on the last day of the three-year period or any of the relevant successive periods.

With effect from 1 September 2007, to be in line with the development of the Company's business, the monthly management fee and the annual incentive fee of the Investment Manager had been changed from a variable term to a fixed sum of HK$50,000 per month. Prior to the change, the Investment Manager was entitled to a monthly management fee equivalent to 2.5% per annum of the net asset value of the Company as at the last dealing day on the Stock Exchange in each calendar month (or such other dealing day as considered appropriate by the board of directors for the purpose of calculating the net asset value of the Company), calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. An annual incentive fee was equivalent to 15% of the surplus in the net asset value of the Company over a financial year or period.

For the year ended 31 December 2007, the investment management fee paid/payable to the Investment Manager for the services rendered amounted to HK$764,046.

The Investment Manager is wholly and beneficially owned by Mr. See Lee Seng, Reason, an Executive Director of the Company.

In accordance Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors of the Company confirm that:

(a) the above transaction has been entered into in the ordinary and usual course of the business of the Company;

(b) the above transaction has been entered into on normal commercial terms and on an arm's length basis;

(c) the above transaction has been entered into on terms that are fair and reasonable so far as the shareholders of the Company and the Company are concerned; and

(d) the aggregate amount of the investment management fee and the incentive fee paid/payable to the Investment Manager did not exceed HK$3,500,000.

The auditors of the Company have reviewed the above transaction and provided a letter to the Company confirming that the above transaction:

1. have received the approval of the Board;
2. have been entered into in accordance with the relevant agreement governing the transaction; and
3. did not exceed HK$3,500,000.

(ii) During the year, rental expense amounting to HK$74,000 (2006: HK$125,000) for the office premises at Room 3308, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, was paid to Ceres Capital Limited ("Ceres") of which Mr. Chang Chu Fai, Johnson Francis, a former Executive Director of the Company resigned on 26 April 2007, is also a substantial shareholder of Ceres. These rental expenses were made with reference to the terms pursuant to the Board of Directors' resolution passed on 28 June 2005 of which the rental expenses are at HK$12,318 per month (including management fee of HK$1,819 per month). The said subletting was terminated on 30 April 2007. The Company and Ceres agreed that the rental deposit of HK$24,636 paid to Ceres be retained by Ceres as payment in lieu of notice of termination.

The above transactions constitute connected transactions under Chapter 14A of the Listing Rules. Details of these connected transactions are disclosed in note 26 to the financial statements.

PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established in accordance with the requirements of the Code on Corporate Governance Practices for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee comprises the three Independent Non-executive Directors, Mr. Yue Man Yiu, Matthew, Mr. Chung Koon Yan and Dr. Ching Yih-Gwo. The Committee has reviewed the financial results of the Group for the year ended 31 December 2007.

AUDITORS

Grant Thornton shall retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Choy Kwok Hung, Patrick
Chairman

Hong Kong, 18 April 2008

Financial Statements

Grant Thornton
均富

Member of Grant Thornton International Ltd

TO THE MEMBERS OF CHINA FINANCIAL LEASING GROUP LIMITED

(Formerly known as Golden 21 Investment Holdings Limited)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Financial Leasing Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 76, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

18 April 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	5	**730**	678
Other income		**264**	–
Net gain on financial assets at fair value through profit or loss		**40,008**	20
		41,002	698
Impairment loss of available-for-sale financial assets	19	**–**	(2,814)
Impairment loss of amount due from an investee		**–**	(1,770)
Administrative expenses		**(7,764)**	(3,222)
Profit/(Loss) before income tax	7	**33,238**	(7,108)
Income tax expense	8	**–**	–
Profit/(Loss) for the year	9	**33,238**	(7,108)
		HK cents	HK cents (restated)
Earnings/(Loss) per share attributable to equity holders of the Company	10		
– Basic		**1.97**	(0.42)
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	**2007 HK$'000**	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**513**	–
Current assets			
Financial assets at fair value through profit or loss	17	**38,880**	5,390
Other receivables, deposits and prepayments	15	**3,172**	173
Amounts due from a broker	16	**5**	5
Cash and cash equivalents	18	**23,330**	21,452
		65,387	27,020
Non-current assets classified as held for sale	19	**-**	5,336
		65,387	32,356
Current liabilities			
Other payables and accruals		**1,220**	914
Net current assets		**64,167**	31,442
Total assets less current liabilities		**64,680**	31,442
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	**84,336**	10,542
Share premium	22	**11,483**	85,277
Accumulated losses	22	**(31,139)**	(64,377)
Total equity		**64,680**	31,442

Kung Yiu Fai, Ronald

Director

Chan Chi Hung

Director

BALANCE SHEET
AS AT 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**513**	-
Investment in subsidiaries	14	**1**	1
		514	1
Current assets			
Financial assets at fair value through profit or loss	17	**38,880**	5,390
Other receivables, deposits and prepayments	15	**299**	173
Amounts due from a broker	16	**5**	5
Amount due from subsidiaries	14	**2,828**	22
Cash and cash equivalents	18	**23,330**	21,452
		65,342	27,042
Non-current assets classified as held for sale	19	**–**	5,336
		65,342	32,378
Current liabilities			
Other payables and accruals		**1,220**	914
Net current assets		**64,122**	31,464
Total assets less current liabilities		**64,636**	31,465
EQUITY			
Share capital	20	**84,336**	10,542
Share premium	22	**11,483**	85,277
Accumulated losses	22	**(31,183)**	(64,354)
Total equity		**64,636**	31,465

Kung Yiu Fai, Ronald
Director

Chan Chi Hung
Director

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital HK$'000	Share premium account HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	10,542	85,277	(57,269)	38,550
Loss for the year (Total recognised income and expense for the year)	–	–	(7,108)	(7,108)
At 31 December 2006 and 1 January 2007	**10,542**	**85,277**	**(64,377)**	**31,442**
Profit for the year (Total recognised income and expense for the year)	**–**	**–**	**33,238**	**33,238**
Bonus issue of shares (Note 20)	**73,794**	**(73,794)**	**–**	**–**
At 31 December 2007	**84,336**	**11,483**	**(31,139)**	**64,680**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 HK$'000	2006 HK$'000
Cash flows from operating activities		
Profit/(Loss) before income tax	**33,238**	(7,108)
Adjustments for:		
Depreciation	**42**	–
Impairment loss of available-for-sale financial assets	**–**	2,814
Impairment loss of amount due from an investee	**–**	1,770
Bank interest income	**(432)**	(636)
Dividend income	**(225)**	(42)
Other interest income	**(73)**	-
Operating profit/(loss) before working capital changes	**32,550**	(3,202)
(Increase)/Decrease in financial assets at fair value through profit or loss	**(33,490)**	982
Increase in other receivables, deposits and prepayments	**(2,916)**	(144)
Decrease in amounts due from a broker	**–**	246
Decrease in non-current assets classified as held for sale	**5,336**	–
Decrease in financial liabilities at fair value through profit or loss	**–**	(23)
Increase in other payables and accruals	**306**	132
Decrease in amount due to a broker	**–**	(1,001)
Cash generated from/(used in) operations	**1,786**	(3,010)
Bank interest received	**422**	636
Dividend income received	**225**	42
Net cash generated from/(used in) operating activities	**2,433**	(2,332)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(555)**	–
Net cash used in investing activities	**(555)**	–
Net increase/(decrease) in cash and cash equivalents	**1,878**	(2,332)
Cash and cash equivalents at beginning of year	**21,452**	23,784
Cash and cash equivalents at end of year	**23,330**	21,452

1. CORPORATE INFORMATION

China Financial Leasing Group Limited (the "Company") was incorporated in the Cayman Islands on 14 May 2002 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands. The address of its registered office and principal place of business are disclosed in the corporate information to the 2007 annual report. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 October 2002.

Pursuant to a special resolution passed at the extraordinary general meeting held on 29 November 2007, the name of the Company was changed from "Golden 21 Investment Holdings Limited" to "China Financial Leasing Group Limited".

The Group is principally engaged in investment with a focus on investing in the financial leasing market in the People's Republic of China (the "PRC"). During the year, the Group also invested in listed and unlisted companies in the Asia Pacific Region and the United States on a general perspective.

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

The financial statements on pages 44 to 76 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term included all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The financial statements for the year ended 31 December 2007 were approved for issue by the board of directors on 18 April 2008.

2. ADOPTION OF NEW AND AMENDED HKFRSs

From 1 January 2007, the Group has adopted, for the first time, the following new and amended HKFRSs and Interpretations, issued by the HKICPA, which are relevant to its operation and effective for the Group's financial statements beginning on 1 January 2007:

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) Interpretation 8	Scope of HKFRS 2
HK(IFRIC) Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC) Interpretation 10	Interim Financial Reporting and Impairment

The adoption of these new and amended HKFRSs and Interpretations did not result in significant changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior accounting periods.

2. ADOPTION OF NEW AND AMENDED HKFRSs (continued)

2.1 HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures

In accordance with the amendment of HKAS 1 "Presentation of Financial Statements – Capital Disclosures", the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in HKAS 1 are detailed in note 28 to the financial statements.

2.2 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 "Financial Instruments: Disclosures" is mandatory for accounting period on or after 1 January 2007. It replaces and amends the disclosure requirements previously set out in HKAS 32 "Financial Instruments: Presentation and Disclosures". As a result of the adoption of HKFRS 7, the Group's financial statements for the year ended 31 December 2007 include expanded disclosures about the significance of the Group's financial instruments and the nature and the extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32.

The adoption of HKAS 1 (Amendment) and HKFRS 7 has had no material financial impact on the Group's results and financial position in the current and prior accounting periods but gives rise to additional disclosures in the consolidated financial statements.

2.3 The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these HKFRSs will not result in material financial impact on the Group's financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKFRS 2 (Amended)	Share-based Payment [1]
HKFRS 3 (Amended)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC) Interpretation 11	HKFRS 2 – Group and Treasury Share Transactions [3]
HK(IFRIC) Interpretation 12	Service Concession Arrangements [4]
HK(IFRIC) Interpretation 13	Customer Loyalty Programmes [5]
HK(IFRIC) Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [4]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009.

2 Effective for annual periods beginning on or after 1 July 2009.

3 Effective for annual periods beginning on or after 1 March 2007.

4 Effective for annual periods beginning on or after 1 January 2008.

5 Effective for annual periods beginning on or after 1 July 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

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

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

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Foreign currency translation

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Foreign currency translation (continued)

In the consolidated financial statements, all individual financial statements of subsidiaries of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the exchange rates ruling at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity.

3.5 Revenue recognition

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

(i) interest income is recognised on a time-proportion basis using the effective interest method; and

(ii) dividend income is recognised when the right to receive payment is established.

3.6 Property, plant and equipment

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

Depreciation is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture and office equipment	4 years
Motor vehicle	4 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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

3.7 Impairment of assets

Property, plant and equipment and investment in subsidiaries are subject to impairment testing whenever there are indications that the asset's carrying amount may not be recoverable.

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

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment of assets (continued)

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

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

3.8 Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line method over the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statements as an integral part of the aggregate net lease payment made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.9 Financial assets

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

Financial assets are classified into financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and cash and cash equivalents.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

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

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

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

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial assets (continued)

(ii) Loans and receivables

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

Loans and receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.10 Non-current assets held for sale

The available-for-sale financial assets are classified as non-current assets held for sale if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

The available-for-sale financial assets classified as held for sale are measured in accordance with the accounting policy as set out in note 3.9.

3.11 Accounting for income taxes

Income tax comprises current and deferred tax.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Accounting for income taxes (continued)

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

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

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

Changes in deferred tax assets or liabilities are recognised in the income statement or in equity if they relate to items that are charged or credited directly to equity.

3.12 Cash and cash equivalents

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

3.13 Share capital

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

3.14 Retirement benefit costs and short term employee benefits

(i) Defined contribution plan

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

(ii) Short term employee benefits

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Share-based employee compensation

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

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

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

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

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

3.16 Financial liabilities

The Group's financial liabilities include other payables and accruals. They are included in balance sheet line item under current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Other payables and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.17 Provisions, contingent liabilities and contingent assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of geographical segment reporting, revenue and assets are attributable to the segments based on the location of assets.

3.19 Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party :

- controls, is controlled by, or is under common control with, the Group;
- has an interest in the Group that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Impairment of receivables

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(ii) Depreciation on property, plant and equipment

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

5. REVENUE AND TURNOVER

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

	2007 **HK$'000**	2006 HK$'000
Bank interest income	**432**	636
Dividend income	**225**	42
Other interest income	**73**	–
Revenue	**730**	678

The results arising from the fair valuation of financial assets at fair value through profit or loss are shown separately in the consolidated income statement under the line of "net gain on financial assets at fair value through profit or loss". The gross proceeds from trading of securities for the year amounted to HK$44,959,000 (2006: HK$20,142,000).

6. SEGMENT INFORMATION

The Group is principally engaged in investment with a focus on investing in the financial leasing market in the PRC. During the year, the Group also invested in listed and unlisted companies. Accordingly, no separate analysis of segment information by business segment is presented.

The following is an analysis of the Group's revenue and the carrying amount of segment assets, analysed by the geographical area in which the assets are located.

	Hong Kong		**The PRC**		**Consolidated**	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Segment revenue	**730**	678	**–**	–	**730**	678
Segment assets	**65,900**	27,020	**–**	5,336	**65,900**	32,356

7. PROFIT/(LOSS) BEFORE INCOME TAX

	2007 HK$'000	2006 HK$'000
Profit/(Loss) before income tax is arrived at after charging:		
Auditors' remuneration	**170**	168
Depreciation	**42**	–
Employee benefit expenses (excluding directors' remuneration) – note 11	**925**	315
Exchange loss	**136**	–
Operating lease charges in respect of land and buildings	**422**	125

8. INCOME TAX EXPENSE

For the year ended 31 December 2007, no provision for Hong Kong profits tax has been provided in the consolidated financial statements as the Group has tax losses brought forward from previous years to offset against the assessable profit for the year.

For the year ended 31 December 2006, no Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in or derived from Hong Kong.

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2007 HK$'000	2006 HK$'000
Profit/(Loss) before income tax	**33,238**	(7,108)
Tax on profit/(loss) before income tax, calculated at applicable rate of 17.5%	**5,817**	(1,244)
Tax effect of non-taxable income	**(278)**	(119)
Tax effect of non-deductible expenses	**157**	815
Tax effect of prior years' unrecognised tax losses utilised this year	**(5,696)**	–
Tax effect on tax losses not recognised	**–**	548
Income tax expense	**–**	–

At the balance sheet date, the Group has unused tax losses of HK$801,000 (2006: HK$33,348,000) available for offsetting against future taxable profits of the companies which incurred the losses. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. Under the current tax legislation, the tax losses can be carried forward indefinitely.

At the balance sheet date, the Group and the Company did not have any significant deferred tax liabilities (2006: Nil).

9. PROFIT/(LOSS) FOR THE YEAR

Of the consolidated profit for the year HK$33,238,000 (2006: loss of HK$7,108,000), a profit of HK$33,171,000 (2006: a loss of HK$7,103,000) has been dealt with in the financial statements of the Company.

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share is based on the profit for the year of HK$33,238,000 (2006: loss of HK$7,108,000) and on the weighted average of 1,686,720,000 (2006: 1,686,720,000 as restated) ordinary shares in issue during the year as adjusted for the following events occurred during the year:

(i) Bonus issue to the shareholders on the basis of 1 bonus share for every 1 existing share held on 3 August 2007 (note 20(i)).

(ii) The subdivision of each of the existing issued and unissued shares of par value of HK$0.1 each in the share capital of the Company into 10 shares of par value of HK$0.01 each held on 17 August 2007 (note 20(ii)).

(iii) Bonus issue to the shareholders on the basis of 3 bonus shares for every 1 existing share held on 25 October 2007 (note 20(iii)).

(iv) The share consolidation on the basis that every 5 issued and unissued shares of HK$0.01 each consolidated into 1 consolidated share of HK$0.05 each (note20(iv)).

Diluted earnings/(loss) per share for the years ended 31 December 2007 and 2006 were not presented as there were no dilutive potential shares in issue.

11. EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTORS' REMUNERATION)

	2007 HK$'000	2006 HK$'000
Wages, salaries and other allowances	**887**	300
Pension costs – defined contribution plans	**38**	15
	925	315

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' emoluments

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

	Date of appointment/ resignation during the year	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2007					
Executive directors					
Kung Yiu Fai, Ronald	**Appointed on 10 October 2007**	**41**	**416**	**2**	**459**
Chan Chi Hung	**Appointed on 26 April 2007**	**326**	**–**	**8**	**334**
Lim Siang Kai		**–**	**180**	**–**	**180**
See Lee Seng, Reason		**60**	**–**	**3**	**63**
Chang Chu Fai, Johnson Francis	**Resigned on 26 April 2007**	**60**	**–**	**3**	**63**
Non-executive directors					
Choy Kwok Hung, Patrick	**Appointed on 14 June 2007**	**133**	**–**	**–**	**133**
Au-Yong Shong, Samuel	**Appointed on 7 June 2007 and resigned on 3 August 2007**	**–**	**–**	**–**	**–**
Independent non-executive directors					
Ching Yih-Gwo	**Appointed on 26 June 2007**	**62**	**–**	**–**	**62**
Chung Koon Yan		**60**	**–**	**–**	**60**
Yue Man Yiu, Matthew		**60**	**–**	**–**	**60**
Zheng Weihe	**Resigned on 2 October 2007**	**25**	**–**	**–**	**25**
Total		**827**	**596**	**16**	**1,439**
Year ended 31 December 2006					
Executive directors					
Chang Chu Fai, Johnson Francis		–	180	9	189
See Lee Seng, Reason		–	60	3	63
Lim Siang Kai		–	180	–	180
Independent non-executive directors					
Chung Koon Yan		60	–	–	60
Yue Man Yiu, Matthew		60	–	–	60
Zheng Weihe		30	–	–	30
Total		150	420	12	582

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(continued)

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2006: two) highest paid individuals during the year are as follows:

	2007 HK$'000	2006 HK$'000
Wages, salaries and other allowances	**410**	300
Pension costs – defined contribution plans	**11**	15
	421	315

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Emolument band		
Nil – HK$1,000,000	**2**	2

During the year, no emoluments were paid by the Group to the Company's directors or any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2006: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Motor vehicle HK$'000	Furniture and office equipment HK$'000	Total HK$'000
At 1 January 2007			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Year ended 31 December 2007			
Opening net book amount	–	–	–
Additions	359	196	555
Depreciation	(30)	(12)	(42)
Closing net book amount	329	184	513
At 31 December 2007			
Cost	359	196	555
Accumulated depreciation	(30)	(12)	(42)
Net book amount	329	184	513

The Group and the Company had no property, plant and equipment as at 31 December 2006.

14. INVESTMENT IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

Company

	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	2,828	22

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

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

14. INVESTMENT IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES
(continued)

Particulars of the subsidiaries at 31 December 2007 are as follows :

Name of subsidiaries	Place of incorporation / kind of legal entity	Particulars of issued and fully paid share capital	Percentage of issued capital held by the Company directly	Principal activities and place of operation
China Financial Leasing Group (BVI) Limited (formerly known as Golden 21 (BVI) Limited)	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding in the PRC
China Financial Leasing Group (Hong Kong) Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	100%	Dormant

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Deposits	**2,873**	25	**–**	25
Prepayments	**290**	145	**290**	145
Other receivables	**9**	3	**9**	3
	3,172	173	**299**	173

Included in deposits of the Group are the payments made amounted to approximately HK$2,800,000 (2006: Nil) in connection with the subscription of secured convertible notes. The deposits bear interest at floating annual rates ranging from 8.02% to 8.47% (2006: Nil). The repayment terms of the deposits are negotiated on an individual basis. The maturity profile of the deposits at the balance sheet dates, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Over three months but less than one year	**2,873**	–

The deposits are not past due as at 31 December 2007. The deposits that were neither past due nor impaired related to borrowers from whom there was no recent history of default.

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

16. AMOUNTS DUE FROM A BROKER

The directors of the Group considered that the fair values of amounts due from a broker are not materially different from their carrying amounts because these amounts have short maturity periods on their inception, such that the time value of money impact is not significant.

All amounts due from a broker have been reviewed for indicators of impairments. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	2007 HK$'000	2006 HK$'000
Listed equity securities in Hong Kong held for trading, at market value	**38,880**	5,390

Fair values of these investments have been determined by reference to their quoted prices at the balance sheet 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 cash flow statement.

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

Particulars of the listed equity securities as at 31 December 2007, disclosed pursuant to Listing Rules and Section 129 of the Hong Kong Companies Ordinance, are as follows:

Name	**Place of establishment/ incorporation**	**Particulars of equity interest held**	**Percentage of interest held**	**Cost HK$'000**	**Market value as at 31 December 2007 HK$'000**	**Percentage of Group's net assets**
Espco Technology Holdings Ltd. *	Cayman Islands	48,000,000 ordinary shares	1.34%	6,015	38,880	60.11%

* Espco Technology Holdings Limited is principally engaged in trading, distributing, manufacturing of desktop PC components in Hong Kong, Singapore, Macau and the PRC. No dividend was received during the year ended 31 December 2007. According to the latest published financial statements of Espco Technology Holdings Limited, it had net asset value of approximately HK$85,702,000 as at 31 March 2007.

The market value of all the listed equity securities of the Group at the date of approval of these financial statements was approximately HK$16,320,000.

18. CASH AND CASH EQUIVALENTS

Group and Company

Cash and cash equivalents include the following components :

	2007 HK$'000	2006 HK$'000
Cash at banks and in hand	**6,353**	10,422
Demand deposits	**6,911**	–
Short-term bank deposits	**10,066**	11,030
	23,330	21,452

Cash and cash equivalents comprise cash at banks and in hand and demand deposits arising from trading of financial assets at fair value through profit or loss and short-term bank deposits with original maturity of three months or less. The short-term bank deposits carry an effective interest rate of 4.76% (2006: 3.59%) per annum. The carrying amounts of the cash and cash equivalents approximate their fair values.

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

	2007 AUD'000	2006 AUD'000
Australian dollars ("AUD")	**1,476**	–

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Group and Company

The non-current available-for-sale assets classified as held for sale are as follows :

	Notes	2007 HK$'000	2006 HK$'000
北京綜藝軟體技術有限公司 (" 北京綜藝達 ")		**–**	4,236
南通毅能達智能咭有限公司 (" 南通毅能達 ")	(iii)	**–**	1,100
		–	5,336

(i) During the year ended 31 December 2006, the Company accepted an offer from 林錟先生 for the acquisition from the Company of its entire interests in 北京綜藝達 and 南通毅能達 at a total cash consideration of HK$5,500,000. The sales and purchase agreement was subsequently signed on 13 February 2007 and the consideration was fully settled by 林錟先生 during the year ended 31 December 2007 resulting in a gain on disposal amounted to HK$164,000 as included in other income.

(ii) Upon the sale of 北京綜藝達, the Company also agreed to sell its 利潤補償權利 in 北京綜藝達 to 林錟先生 for a total consideration of approximately HK$100,000. The consideration was fully settled by 林錟先生 during the year ended 31 December 2007.

(iii) The carrying amount of 南通毅能達 as at 31 December 2006 amounted to HK$1,100,000 was stated after the charge of impairment loss of HK$2,814,000 in 2006.

20. SHARE CAPITAL

	Notes	2007 Number of shares	2007 HK$'000	2006 Number of shares	2006 HK$'000
Authorised:					
At 1 January, ordinary shares of HK$0.1 each (2006: HK$0.1 each)		**3,000,000,000**	**300,000**	3,000,000,000	300,000
Sub-division of 1 ordinary share of HK$0.1 each to 10 ordinary shares of HK$0.01 each	(ii)	**27,000,000,000**	**–**	–	–
Share consolidation of 5 ordinary shares of HK$0.01 each to 1 ordinary share of HK$0.05 each	(iv)	**(24,000,000,000)**	**–**	–	–
At 31 December, ordinary shares of HK$0.05 each (2006: HK$0.1 each)		**6,000,000,000**	**300,000**	3,000,000,000	300,000
Issued and fully paid:					
At 1 January, ordinary shares of HK$0.1 each (2006: HK$0.1 each)		**105,420,000**	**10,542**	105,420,000	10,542
Bonus issue of 1 bonus ordinary share of every 1 ordinary share	(i)	**105,420,000**	**10,542**	–	–
Sub-division of 1 ordinary share of HK$0.1 each to 10 ordinary shares of HK$0.01 each	(ii)	**1,897,560,000**	**–**	–	–
Bonus issue of 3 bonus ordinary shares of every 1 ordinary share	(iii)	**6,325,200,000**	**63,252**	–	–
Share consolidation of 5 ordinary shares of HK$0.01 each to 1 ordinary share of HK$0.05 each	(iv)	**(6,746,880,000)**	**–**	–	–
At 31 December, ordinary shares of HK$0.05 each (2006: HK$0.1 each)		**1,686,720,000**	**84,336**	105,420,000	10,542

20. SHARE CAPITAL (continued)

The movements in share capital were as follows:

(i) **Bonus issue of shares on 3 August 2007**

Pursuant to an ordinary resolution passed at the extraordinary general meeting on 3 August 2007, the Company offered its shareholders bonus issue of shares on the basis of 1 bonus ordinary share of par value of HK$0.1 for every 1 existing ordinary share of par value of HK$0.1 held on 3 August 2007.

(ii) **Subdivision of shares on 17 August 2007**

Pursuant to an ordinary resolution passed at the extraordinary general meeting on 3 August 2007, with effect from 17 August 2007, the authorised and issued share capital of the Company of every 1 ordinary share of HK$0.1 each were sub-divided into 10 ordinary shares of HK$0.01 each.

(iii) **Bonus issue of shares on 25 October 2007**

Pursuant to an ordinary resolution passed at the extraordinary general meeting on 25 October 2007, the Company offered its shareholders bonus issue of shares on the basis of 3 bonus ordinary shares of par value of HK$0.01 each for every 1 existing ordinary share of par value of HK$0.01 held on 25 October 2007.

(iv) **Share consolidation**

Pursuant to an ordinary resolution passed at the extraordinary general meeting on 29 November 2007, with effect from 30 November 2007, 5 ordinary shares of HK$0.01 each of the issued and unissued share capital of the Company were consolidated into 1 ordinary share of HK$0.05 each. The authorised share capital of the Company remained at HK$300,000,000 but was divided into 6,000,000,000 shares of HK$0.05 each.

21. SHARE-BASED EMPLOYEE COMPENSATION

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

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

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

21. SHARE-BASED EMPLOYEE COMPENSATION (continued)

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

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

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

At 31 December 2006, 2007 and up to the date of approval of these financial statements, no share options have been granted under the SO Scheme.

22. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 47 of the financial statements.

Company

	Share premium account HK$'000	**Accumulated losses HK$'000**	**Total HK$'000**
At 1 January 2006	85,277	(57,251)	28,026
Loss for the year	–	(7,103)	(7,103)
At 31 December 2006 and 1 January 2007	**85,277**	**(64,354)**	**20,923**
Bonus issue of shares (Note 20)	**(73,794)**	**–**	**(73,794)**
Profit for the year	**–**	**33,171**	**33,171**
At 31 December 2007	**11,483**	**(31,183)**	**(19,700)**

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

23. OPERATING LEASE COMMITMENTS

Group and Company

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable by the Group/Company as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**242**	–

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

24. OTHER COMMITMENTS

As at 31 December 2007, the Group has commitments, authorised but not contracted for, in connection with subscription of secured convertible notes in the respective principal amounts of up to RMB 6 million and RMB 3.5 million (2006:Nil). In relation to this transaction, a deposit of HK$2.8 million has been paid by the Group as at 31 December 2007. Details are set out in the circular issued by the Company on 14 September 2007.

The Group and the Company did not have any other significant capital commitments as at 31 December 2007 and 2006.

25. CONTINGENT LIABILITIES

As at 31 December 2007 and 2006, the Group and the Company has no significant contingent liabilities.

26. RELATED PARTY TRANSACTIONS

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

	Notes	2007 HK$'000	2006 HK$'000
Investment management fee paid/payable to Redford Assets Management Limited (formerly known as Golden Honour Assets Management Limited)	(i)	**765**	1,015
Rental expenses paid to Ceres Capital Limited	(ii)	**74**	125
Rental and property management expenses paid to Global Strategy Group Limited	(iii)	**531**	–
Purchase of property, plant and equipment from Global Strategy Group Limited	(iv)	**91**	–

26. RELATED PARTY TRANSACTIONS (continued)

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

With effect from 1 September 2007, to be in line with the development of the Company's business, the monthly management fee and the annual incentive fee of the Investment Manager had been changed from a variable term to a fixed sum of HK$50,000 per month. Prior to the change, the Investment Manager was entitled to a monthly management fee equivalent to 2.5% per annum of the net asset value of the Company as at the last dealing day on the Stock Exchange in each calendar month (or such other dealing day as considered appropriate by the board of directors for the purpose of calculating the net asset value of the Company), calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. An annual incentive fee was equivalent to 15% of the surplus in the net asset value of the Company over a financial year or period.

Mr. See Lee Seng, Reason ("Mr. See"), an Executive Director of the Company, has equity interests in the Investment Manager and is one of the directors of the Investment Manager. Mr. Lim Siang Kai, an Executive Director of the Company, and Mr. Chang Chu Fai, Johnson Francis ("Mr. Chang"), a former Executive Director of the Company resigned on 26 April 2007, each also had equity interests in the Investment Manager but they subsequently sold all of their equity interests in the Investment Manager to Mr. See on 30 May 2007.

(ii) During the year, rental expenses amounting to HK$74,000 (2006: HK$125,000) for the office premises at Room 3308, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, was paid to Ceres Capital Limited of which Mr. Chang Chu Fai, Johnson Francis, a former Executive Director of the Company resigned on 26 April 2007, is also a substantial shareholder of Ceres Capital Limited. These rental expenses were made with reference to the terms pursuant to the Board of Directors' resolution passed on 28 June 2005 of which the rental expenses are at HK$12,318 per month (including management fee of HK$1,819 per month). Such rental agreement was terminated on 30 April 2007.

(iii) During the year, rental and property management expenses amounting to HK$531,000 (2006: Nil) for office premises at Suite 2609, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong, was paid to Global Strategy Group Limited. Mr. Choy Kwok Hung, Patrick, a Non-executive Director of the Company, is also a substantial shareholder of Global Strategy Group Limited. This rental expense was made with reference to the terms negotiated between the relevant parties.

(iv) During the year, the Group purchased property, plant and equipment amounting to HK$91,000 from Global Strategy Group Limited. The purchase was made in the normal course of business and the price and terms were mutually agreed between the Group and Global Strategy Group Limited.

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

	Group	
	2007 HK$'000	2006 HK$'000
Short term employee benefits	**1,833**	870
Contributions to defined contribution plans	**27**	27
	1,860	897

27. RISK MANAGEMENT OBJECTIVES AND POLICIES — GROUP

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, and price risk), credit risk and liquidity risk, which result from both its operating and investing activities. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not have any written risk management policies and guidelines. However, the board of directors meets periodically and cooperates closely with key management to analyse and formulate strategies to manage and monitor financial risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transaction that is in a currency other than the respective functional currency of the Group entities. The currency giving rise to this risk primarily comes from bank deposits in Australian dollars.

The following table details the Group's exposure at the balance sheet date to foreign currency risk from recognised assets or liabilities denominated in a currency other than the functional currency of the Group entities.

	2007 **HK$'000**	2006 HK$'000
Cash and cash equivalents denominated in AUD	**10,066**	–

Apart from the above, all the Group's financial assets and liabilities are denominated in Hong Kong dollars.

Foreign currency sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rate to which the Group has significant exposure at the balance sheet date.

	2007		2006	
	Other components of consolidated equity HK$'000	**Net Profit/(loss) for the year HK$'000**	Other components of consolidated equity HK$'000	Net Profit/(loss) for the year HK$'000
AUD	**–**	**(1,007)**	–	–

27. RISK MANAGEMENT OBJECTIVES AND POLICIES — GROUP (continued)

(i) Foreign currency risk (continued)

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

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

(ii) Interest rate risk

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

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

(iii) Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is mainly exposed to equity price risk arising from investments in one single listed equity security, Epsco Technology Holdings Ltd., (note 17) classified as financial assets at fair value through profit and loss as at 31 December 2007. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the balance sheet date.

Equity price sensitivity analysis

For the listed equity securities, an average volatility of 26.28% has been observed in the Hang Seng Index during 2007.

If equity prices had increased/(decreased) by 25% and all other variables were held constant, the Group's profit after tax for the year would have been changed by approximately as follows:

	2007 +25% HK$'000	**2007 -25% HK$'000**	2006 +25% HK$'000	2006 -25% HK$'000
Net profit/(loss) for the year	**8,019**	**(8,019)**	1,112	(1,112)

27. RISK MANAGEMENT OBJECTIVES AND POLICIES — GROUP (continued)

(iv) Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

(v) Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2007 HK$'000	2006 HK$'000
Class of financial assets – carrying amounts		
Other receivables, deposits and prepayments	**3,172**	173
Amounts due from a broker	**5**	5
Cash and cash equivalents	**23,330**	21,452
Overall net exposure	**26,507**	21,630

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

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

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

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables, deposits and prepayments and amounts due from a broker are set out in notes 15 and 16 respectively.

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

27. RISK MANAGEMENT OBJECTIVES AND POLICIES — GROUP (continued)

(vi) Liquidity risk

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

All the Group's financial liabilities will be settled within 12 months from the balance sheet date. As at 31 December 2007, the Group has no borrowings. Based on the assessment of the directors, liquidity risk encountered by the Group is minimal.

(vii) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities recognised at the balance sheet date may also be categorised as follows. See notes 3.9 and 3.16 for explanations about how the category of financial instruments affects their subsequent measurement.

	2007 HK$'000	2006 HK$'000
Financial assets		
Non-current assets classified as held for sale	**–**	5,336
Financial assets at fair value through profit or loss	**38,880**	5,390
Loans and receivables:		
Other receivables, deposits and prepayments	**3,172**	173
Amounts due from a broker	**5**	5
Cash and cash equivalents	**23,330**	21,452
	65,387	32,356
Financial liabilities		
Financial liabilities measured at amortised cost:		
Other payables and accruals	**1,220**	914

28. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(ii) To support the Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

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

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

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

	2007 **HK$'000**	2006 HK$'000
Total equity	**64,680**	31,442
Borrowings	**–**	–
Overall financing	**64,680**	31,442
Capital-to-overall financing ratio	**1:0**	1:0

The Group also endeavours to ensure the steady and reliable cash flow from the normal business operation. For both years ended 31 December 2007 and 2006, the Group did not raise any debts.

FIVE YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December 2007 HK$'000	Year ended 31 December 2006 HK$'000	Year ended 31 December 2005 HK$'000	Year ended 31 December 2004 HK$'000	Year ended 31 December 2003 HK$'000
Revenue	**730**	678	468	80	2,186
Profit/(Loss) before income tax	**33,238**	(7,108)	(23,247)	(16,443)	(13,033)
Income tax expense	**–**	–	–	–	–
Profit/(Loss) attributable to equity holders of the Company	**33,238**	(7,108)	(23,247)	(16,443)	(13,033)

ASSETS AND LIABILITIES

	At 31 December 2007 HK$'000	At 31 December 2006 HK$'000	At 31 December 2005 HK$'000	At 31 December 2004 HK$'000	At 31 December 2003 HK$'000
Total assets	**65,900**	32,356	40,356	63,081	80,213
Total liabilities	**(1,220)**	(914)	(1,806)	(1,284)	(1,973)
	64,680	31,442	38,550	61,797	78,240

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Non-executive Director

CHOY Kwok Hung, Patrick

Executive Directors

KUNG Yiu Fai, Ronald (CEO)
CHAN Chi Hung
LIM Siang Kai
SEE Lee Seng, Reason

Independent Non-Executive Directors

CHING Yih-Gwo
CHUNG Koon Yan
YUE Man Yiu, Matthew

COMPANY SECRETARY

TSE Kam Fai, *ACIS, ACS, MHKIoD*

QUALIFIED ACCOUNTANT

KUNG Yiu Fai, Ronald

AUDIT COMMITTEE

YUE Man Yiu, Matthew (Chairman)
CHING Yih-Gwo
CHUNG Koon Yan

REMUNERATION COMMITTEE

CHUNG Koon Yan (Chairman)
LIM Siang Kai
YUE Man Yiu, Matthew

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Wanchai
Hong Kong

INVESTMENT MANAGER

Redford Assets Management Limited
Flat D 13/F. Eton Building
288 Des Voeux Road Central
Sheung Wan
Hong Kong

SOLICITORS

As to Hong Kong laws:

Baker & McKenzie
Troutman Sanders

As to Cayman Islands laws:

Conyers Dill & Pearman

AUDITORS

Grant Thornton

CUSTODIAN

DBS Vickers (Hong Kong) Limited

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Standard Chartered Bank

STOCK CODE

2312

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