



中国金融租赁集团
CHINA FINANCIAL LEASING GROUP
Stock Code: 2312

THE
STRATEGY



THE
GOALS



THE
VISION



CHINA FINANCIAL LEASING GROUP LIMITED

Interim Report 2008



INTERIM RESULTS

The board of directors (the "Board") of China Financial Leasing Group Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008. The unaudited condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit Committee (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended 30 June 2008

	Notes	Six months ended 30 June 2008 (Unaudited) HK\$'000	Six months ended 30 June 2007 (Unaudited) HK\$'000
Revenue	3	428	359
Net (loss)/gain on financial assets at fair value through profit or loss		(32,427)	7,067
Other operating income		1,093	165
Administrative expenses		(6,516)	(2,193)
(Loss)/Profit before income tax	5	(37,422)	5,398
Income tax expense	6	–	–
(Loss)/Profit for the period		(37,422)	5,398
(Losses)/Earnings per share attributable to equity holders of the Company during the period	7		
– Basic		(HK2.22 cents)	HK0.32 cent
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2008

<i>Notes</i>	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	956	513
Current assets		
Financial assets at fair value through profit or loss	8 9,774	38,880
Deposits and other receivables	3,578	3,172
Amount due from a broker	–	5
Cash and cash equivalents	9 13,986	23,330
	27,338	65,387
Current liabilities		
Other payables and accruals	(1,036)	(1,220)
Net current assets	26,302	64,167
Total assets less current liabilities	27,258	64,680
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	10 84,336	84,336
Share premium	11,483	11,483
Accumulated losses	(68,561)	(31,139)
Total equity	27,258	64,680



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2008

	Share capital HK\$'000	Share premium account HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2007 (Audited)	10,542	85,277	(64,377)	31,442
Profit for the period (Total recognised income and expense for the period)	–	–	5,398	5,398
At 30 June 2007 (Unaudited)	10,542	85,277	(58,979)	36,840

	Share capital HK\$'000	Share premium account HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2008 (Audited)	84,336	11,483	(31,139)	64,680
Loss for the period (Total recognised income and expense for the period)	–	–	(37,422)	(37,422)
At 30 June 2008 (Unaudited)	84,336	11,483	(68,561)	27,258

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*for the period ended 30 June 2008*

	Six months ended 30 June 2008 (Unaudited) HK\$'000	Six months ended 30 June 2007 (Unaudited) HK\$'000
Net cash (outflow)/inflow from operating activities	(5,898)	57
Net cash outflow from investing activities	(3,446)	–
Net (decrease)/increase in cash and cash equivalents	(9,344)	57
Cash and cash equivalents at beginning of period	23,330	21,452
Cash and cash equivalents at end of period	13,986	21,509
Analysis of balance of cash and cash equivalents		
Cash at banks	2,582	15,126
Short term bank deposits	11,404	6,383
	13,986	21,509



NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2008

1. GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008 of China Financial Leasing Group Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the annual financial statements of the Group for the year ended 31 December 2007 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (collectively referred to as “new HKFRSs”) issued by the HKICPA, which are effective in the current period. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

(a) From 1 July 2008 onwards, there were no new HKFRSs issued by the HKICPA which are relevant to the Group’s operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New or amended HKFRSs that have been issued but are not yet effective.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The adoption of such HKFRSs will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Revised) Amendments to HKAS 1 (Revised)	Presentation of Financial Statements ¹ Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 (Amendment)	Financial Instruments : Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendment)	Financial Instruments : Recognition and Measurement – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations – Comprehensive Revision on Applying the Acquisition Method ²
HKFRS 7 (Amendment)	Financial Instruments : Disclosures – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreement for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008



3. REVENUE AND TURNOVER

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

	Six months ended 30 June 2008 (Unaudited) HK\$'000	Six months ended 30 June 2007 (Unaudited) HK\$'000
Bank and other interest income	428	230
Dividend income	–	129
Revenue	428	359

The gross proceeds from trading of securities for the period amounted to HK\$954,000 (2007: HK\$14,632,000).

4. SEGMENT INFORMATION

The Group is principally engaged in investment in listed and unlisted companies. Accordingly, no further analysis by business segment is provided. In determining the Group's geographical segments, revenue and assets are attributed to the segments based on the location of assets. In the periods presented in this financial statements, all the assets and revenues were located in Hong Kong and therefore there was no applicable geographical segment information accordingly.

5. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June 2008 (Unaudited) HK\$'000	Six months ended 30 June 2007 (Unaudited) HK\$'000
(Loss)/Profit before income tax is arrived at after charging :		
Operating lease charges in respect of land and buildings	433	76
Staff costs (excluding directors' remuneration)		
Wages	1,585	238
Retirement benefits scheme contributions	48	9
Depreciation	158	–

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the interim financial statements as there were no assessable profits for the six months ended 30 June 2008 (2007: Nil).

At 30 June 2008, the Group had unused tax losses of approximately HK\$38,223,000 (31 December 2007: HK\$801,000). Deferred tax assets have not been recognised as it is uncertain whether future taxable profit will be available for utilising tax losses. Under the current tax legislation, the tax losses can be carried forward indefinitely.

At the balance sheet date, the Group did not have any significant deferred tax liabilities (31 December 2007: Nil).

7. (LOSSES)/EARNINGS PER SHARE

The calculation of the basic (losses)/earnings per share is based on the loss for the period attributable to equity holders of the Company of HK\$37,422,000 (2007: a profit of HK\$5,398,000) and on the weighted average number of 1,686,720,000 (2007: 1,686,720,000, as restated) ordinary shares.

No diluted (losses)/earnings per share has been presented because there were no dilutive potential ordinary shares in issue during both periods.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Listed equity securities, at market value	9,774	38,880

The above financial assets are classified as held for trading.

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.



9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components :

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Cash at banks	2,582	6,353
Demand deposits	–	6,911
Short-term bank deposits	11,404	10,066
	13,986	23,330

10. SHARE CAPITAL

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Authorised : 6,000,000,000 ordinary shares of HK\$0.05 each	300,000	300,000
Issued and fully paid : 1,686,720,000 ordinary shares of HK\$0.05 each	84,336	84,336

11. COMMITMENTS

(a) Operating lease commitments

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	1,063	242
After 1 year but within 5 years	1,063	–
	2,126	242

11. COMMITMENTS *(Continued)***(a) Operating lease commitments** *(Continued)*

The Group leases certain of its office properties under an operating lease. The lease runs for an initial period of two years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the landlord. The lease does not include contingent rentals.

(b) Capital commitment

As at 31 December 2007 and 30 June 2008, 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 RMB6.0 million and RMB3.5 million. 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.

12. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no significant contingent liabilities.

13. RELATED PARTY AND CONNECTED TRANSACTIONS

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

<i>Notes</i>	Six months ended 30 June 2008 (Unaudited) HK\$'000	Six months ended 30 June 2007 (Unaudited) HK\$'000
Investment management fee paid/payable to Wealth Assets Management Limited <i>(i)</i>	180	411
Rental expenses paid to Ceres Capital Limited	–	74
Rental and property management expenses paid to Global Strategy Group Limited <i>(ii)</i>	52	–



13. RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

Notes :

- (i) Pursuant to the investment management agreement dated 7 October 2002 (the "Investment Management Agreement") entered into between the Company and Wealth Assets Management Limited (formerly Known as "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 of Hong Kong Limited (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.

To be in line with the development of the Company's business, the monthly management fee and annual incentive fee had been changed from a variable term to a fixed sum of HK\$50,000 per month with effect from 1 September 2007, and further adjusted to HK\$30,000 per month with effect from 1 January 2008.

The Investment Manager is wholly and beneficially owned by Mr. See Lee Seng, Reason ("Mr. See"), a former executive director of the Company who retired on 28 May 2008.

13. RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

(ii) During the period, rental and property management expenses amounting to HK\$52,000 (2007: 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.

The related party transactions set out above also constitute connected transactions under the Listing Rules.

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

	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
Short term employee benefits	755	488
Contributions to defined contribution plans	6	9
	761	497



INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 June 2008, the Group recorded a net loss of approximately HK\$37,422,000 compared to a profit of HK\$5,398,000 of last corresponding period. It was mainly due to decrease in fair value change of financial assets at fair value through profit or loss during the period. The net asset value of the Group was approximately HK\$27,258,000 as at 30 June 2008 (31 December 2007: HK\$64,680,000).

Operating Review

As detailed in the 2007 annual report, the Group has been refocusing its investment strategies and is enjoying a leading position as the only direct investment player in China's financial leasing market. In this regard, the Group is in the process clearing all the non-performing investments. In the first half of the year, the overall financial investment environment was not satisfactory and it was even hostile to certain types of financial instruments. The Group's investment securities stated at fair value had therefore suffered a significant decrease in fair value. As at 30 June 2008, the total fair value of the Group's investments was HK\$9,774,000 (31 December 2007: HK\$38,880,000) which represented mainly the listed securities.

The Group recorded a revenue of HK\$428,000 for the six months ended 30 June 2008 (2007: HK\$359,000). Fair value loss on financial assets for the period was HK\$32,427,000 (2007: a gain of HK\$7,067,000) which was mainly attributable to the decrease in fair value change of the Group's investments in listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity, Financial Resources and Funding

As at 30 June 2008, the Group had maintained cash and cash equivalents of approximately HK\$13,986,000 (31 December 2007: HK\$23,330,000) 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 HK\$27,258,000 (31 December 2007: HK\$64,680,000) and there were no borrowings or long-term liabilities as at 30 June 2008.

Capital Structure

There was no change in the capital structure of the Group during the period.

Material Acquisitions and Disposals of Subsidiaries

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

Employees

As at 30 June 2008, the Group had 8 employees, including 3 executive directors. Total salary and housing cost for the period ended 30 June 2008 was HK\$1,617,000 and Directors' fees were HK\$918,000. The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice. During the period, no share options were granted to any directors or employees of the Group under the Company's share option scheme adopted on 7 October 2002.

Charge on Group Assets

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

Contingent Liabilities

As at 30 June 2008, no contingent liabilities were noted by the Directors.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Significant Investments

The Group is refocusing its investment strategies to direct investment in financial leasing investment opportunities in the People's Republic of China ("PRC"). Currently, the Group is in the process of fine-tuning the terms of the transaction in respect of the purchase of two convertible notes from one of the largest private vehicle rental companies and a possible transaction with an aircraft engine leasing company in the PRC, which had been announced in September 2007 and November 2007 respectively.

BUSINESS REVIEW AND FUTURE PROSPECTS

The Group in the last six months was mainly clearing up its remaining investments in listed securities. Due to the overall poor performance of the equity financial markets, the performance was not satisfactory which resulted in a total loss of around HK\$32 million (2007: a gain of HK\$7 million).

Last year, the Board had reviewed the investment strategy of the Group and had decided that the Group would focus on the lease financing market in the PRC. The lease financing market in the PRC is experiencing a hyper growth and the Board believes that investing in this market can generate greater returns to shareholders. The Board will continue to identify investment opportunities in the lease financing market in the PRC.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2008, 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 ("Model Code"), are set out below:

Interests or short positions in the shares, underlying shares and debentures of the Company

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

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



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, 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 or short positions of substantial shareholders 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 owner	Long position	21,570,000	405,640,000	24.05%
	Interest of controlled corporation	Long position	384,070,000		
Global Strategy Capital Markets Limited ("GSMCL")	Beneficial owner	Long position	384,070,000	384,070,000	22.77%

Note:

- By virtue of the SFO, Mr. Choy Git Yan, Timothy is deemed to be interested in 384,070,000 shares held by GSCML, a company wholly-owned by Mr. Choy.

Save as disclosed above, no other parties were recorded in the register of the 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 30 June 2008.



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.

During the six months ended 30 June 2008, no share option has been granted, and as at 30 June 2008, the Company has no outstanding options.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2008.



NON-COMPLIANCE WITH THE LISTING RULES

Following the resignation of Mr. Kung Yiu Fai, Ronald as an executive Director and qualified accountant of the Company with effect from 24 July 2008, there remains outstanding the appointment of qualified accountant of the Company as required under Rule 3.24 of the Listing Rules. The Company is now identifying a suitable candidate to fill the vacancy of qualified accountant.

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 effective on 1 January 2005 as its own code of corporate governance practices.

During the period ended 30 June 2008, the Company was in compliance with the code provisions set out in the CG Code except that code A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term. The non-executive Directors were not appointed for a specific term but they are subject to the retirement by rotation at least once every three years in accordance with the Articles of Association of the Company.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Interim Financial Statements has been reviewed by the Audit Committee which comprises three independent non-executive Directors of the Company, Mr. Yue Man Yiu, Matthew (as Chairman), Mr. Chung Koon Yan and Dr. Ching Yih-Gwo.

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

Hong Kong, 19 September 2008

As at the date of this report, the Board comprises Mr. Choy Kwok Hung, Patrick as Chairman (non-executive Director), Mr. Chan Chi Hung (Acting Chief Executive Officer) and Mr. Lim Siang Kai as executive Directors, and Mr. Yue Man Yiu, Matthew, Mr. Chung Koon Yan and Dr. Ching Yih-Gwo as independent non-executive Directors.