ANNUAL REPORT 2008

CHINA FINANCIAL LEASING GROUP LIMITED

中国金融租赁集团
CHINA FINANCIAL LEASING GROUP

STOCK CODE: 2312

2009 is a year with both a challenge and opportunity.

The global restrained financial situation at China and abroad is both a challenge and opportunity to leasing industry. On one hand, leasing companies subject to its shortage of funds and development difficulties; on the other hand, more small and medium enterprises encountered financial bottlenecks turn to financial leasing, which would provide new business opportunities to leasing industry. Accompanied by gradual enhancement of social awareness, relaxed credit policy and increased government spending are all contributing a more favorable market environment for leasing business.

After re-focusing its investments in financial leasing market in China last year. We would keep a highly cautious attitude in dealing with default and delinquence risks in the leasing industry and we are also negotiating for investment deals with more steady returns.

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COMPANY PROFILE

Keep cautious attitude in fluctuating marketing conditions

The Group believes that the leasing industry is continously growing fast in China, however, it decided to keep cautious attitude in dealing with risk and uncertainty since the market may subject to great variation in 2009.

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

After the Group has become the first-mover in China financial leasing industry, it made some initial successes in breaking into the market and took its initial step in transportation related leasing projects. After the 3rd quarter of 2008, the negative effects of international financial crisis are profoundly influencing China's economy as well as investment market. The Group decided to keep a highly cautious attitude in dealing with default and delinquence risks in our leasing exposure and keep eyes on the sectors which are having high potentials and being encouraged by the government.

CFLG strives to create value for its shareholders, with its in-depth knowledge of China financial leasing market, it would keep highly adaptive to market conditions and continously look out opportunities in potential sectors.

VISION

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

MISSION

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

VALUES

Visionary – striving 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

CHAIRMAN'S STATEMENT

PATRICK CHOY

"The Group is capitalizing on its first mover position to focus on China's financial leasing market. This is the right direction as the Chinese government is currently reviewing its financial and taxation policies to facilitate the financial leasing industry."

The Group is capitalizing on its first mover position to focus on China's financial leasing market. This is the right direction as the Chinese government is currently reviewing its financial and taxation policies to facilitate the financial leasing industry. Since the economic crisis virtually hits all markets globally, the demand for our service naturally has been decreased. To facilitate a better control of risk exposure, we shifted our strategy from equity-convertible investment with a high variation co-efficient (risk/return) to debt-financing with a steady yield. In our car leasing business, we took this approach and withhold our original plan of equity investment. In aircraft engine business, we are attempting to re-negotiate the terms with perhaps lower and steady return but higher security right as a creditor. We set our target to complete the negotiation by 3rd Quarter of 2009.

In coming future, we are exploring leasing opportunities in some rapid-growing sectors such as equipment leasing for alternative energy and recycling industries. In past experience, those industries with high growth potential trend to huge capitalization needs and usually offer a higher return for its financing and leasing needs. Furthermore, some qualified players in these sectors are having some policy advantages and their creditability for financing is further enhanced by some sort of government guarantee, either directly or explicitly in some cases.

Overall, we would keep a highly cautious attitude in dealing with default and delinquence risks in our leasing exposure. Besides, we would not conduct any type of leverage on top of our capital to protect ourselves from adverse situation, which a hard lesson has been learnt from many financial institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

Wang Chao, major official from Ministry of Commerce said, "Financial leasing indeed an effective financial vehicle to channel private capital into state-encouraged industries."

(China Leasing Industry Forum 2008)

WHAT IS FINANCIAL LEASING?

Financial leasing is a new type of leasing originated from U.S. at 50s. It allows the lease provider to provide lessee with equipments they need and allow the lessee to "use" the above equipments by simply paying fixed installments, while the lease provider still retain the rights and ownerships of the equipments before end of the leasing contract.

From practical point of view, financial leasing is somehow very much similar to the bank loan and hire purchase; however, it makes really big difference in legal and accounting point of senses since the property right is retained by the lease provider (e.g. leasing company) and lessee have the right to use only. At the end of terms, the lessee can return the assets, buy–back for the preset amount or finance the option. Under the leasing arrangement, the corporations need not to provide any warranty and other entanglements that are usually associated with bank loan and hire purchase. Moreover, with less upfront cash outlay, the corporations can have better cash flow management and don't have to make any big cash payments. For the lease providers, they can shift their risks since the lease contracts are consented based on the request and choice of lease. Meanwhile, the manufacturers and suppliers benefit greatly by greater sales volumes and less credit risks exposed to creditors.

Financial leasing has become the next-best and effective financing tool in the world and it is proved as effective tool in boosting the sales of productive assets and stimulating economic growth. In fact, financial leasing has overtaken bank loans as the preferred vehicle for financing of automobiles, aircrafts and equipment.

DEVELOPMENT OF GLOBAL FINANCIAL LEASING MARKET

Though there was an economic downturn in the 3rd quarter of 2008, globally the leasing industry continued to grow strongly; just a shade under 20%. According to the Global Leasing Report 2009 by White Clarke Group, 32 of the 50 countries reported double digits growth rate, with 16 expanding by more than 25%. North America's share of the global market has shrunk further, from 38% to 28.5%, which greatly reduced from its peak of 52.11% achieved in 2000. On the contrary, financial leasing is becoming more commonly used in developing countries and it could be proven by Asia and South America's remarkable growth during the year. The Asian continent recorded 27.5% growth, with volumes expanding from US$93.1 billion to US$118.7 billion. Whereas, South America experienced remarkable growth at 115.8%, taking its volume as continent to US$41.1 billion. During the financial crisis, the unfavorable market conditions such as shortage of investment funds, tighten credit policies and inactive second hand market of leasing assets all led the leasing companies to become more cautious and selective in choosing projects. For the time being, most of the projects are still dominated by large corporations.

FINANCIAL LEASING INDUSTRY IN CHINA

Financial leasing industry firstly came into China in mid 80s. Till mid 21st Century, China experienced the most rapid economic growth and the govenment would like to use financial leasing to stimulate a healthy economic growth. However, the industry remained under-developed because of the absence of enforcing supervision. The situation changed until the Chinese government had amended the "Measures for Administration of Financial Leasing Companies" in 2007, which allowed the banks to come into the industry again. The five major banks (China Merchants Bank, China Construction Bank, Bank of Communications, Industrial and Commercial Bank of China and China Minsheng Banking Corporation Limited), immediately and positively responded to this act by setting up their own financial leasing companies during the same year. Meanwhile, another 11 domestic financial leasing companies, the fifth batch of piloting enterprises, would soon come into business, including Shouqi Auto Lease Alliance, China CNR and Bohai Leasing Company.

Mr. Yang Haitian, the convener of the preparatory team of the China Leasing Association stated that there would be a total of 155 billion Yuan financial leasing business value generated by 70 enterprises that have officially entered the financial leasing business, 63 billion Yuan went to 11 finance leasing companies, 50 billion Yuan to 34 foreign-invested leasing companies and the remaining 32 billion Yuan to domestic companies. Compared to 2007, the leasing volume rapidly increased for more than 300% from 50 billion Yuan. Mr. Yang estimated that it would record further high of 350 billion Yuan in 2009. In fact, financial leasing industry is still having huge potential because the existing penetration rate is only less 3%, while the penetration rate of developed counties such as US is as high as 30%, Germany is at 18% and average rate at OECD is between 15% and 30%.

In China, Machinery industry had the highest financial leasing penetration rate, which was 8.3% with a total of transaction value at 24 billion Yuan in 2008.

LEASING FACILITATING POLICY OF BOOSTING DOMESTIC DEMAND

To remedy the tighten capital market, the Chinese government decided to adopt an“active”fiscal policy and a“moderately easy” monetary policy to boost domestic demand, which aims at maintaining fast but steady economic growth after outbreak of global financial crisis at end of 2008. The government stated that it would spend a total of 4000 billion Yuan investment budget in 2009 to 2010 to boost the domestic demand of China.

The Wang Chao, a major official from the Ministry of Commerce, stated that financial leasing industry should cope with the new historical opportunity and challenge in this restrained financial situation during the “China Leasing Industry Forum 2008”. He said that leasing indeed an effective financial vehicle to channel private capital into state-encouraged projects, including livelihood related, infrastructure and environment-friendly reconstruction projects. Apart from direct benefit from imported high-tech technology and equipment, he expected that leasing would allow China to export its newly invented technology as well as large-sized machinery. Finally the enterprises could develop their new brands and product lines in overseas. To great extent, these products and services would be used in China’s overseas investment and reconstruction projects.

Mr. Wang Chao claimed that the Ministry of Commerce is in the middle of the legislation regarding leasing rules, coordination among governmental departments and discussions about the tax related issues. He also said that the formation of private financial leasing association would greatly support further development of the industry.

UNMATCHED POLICIES HINDER INDUSTRY DEVELOPMENT

China decided to implement a transformation and reform of the value-added tax as effective from 1st January 2009, which allowing up to 17% tax reduction for spending on fixed assets. The new measure would be immensely stimulating the capital investments by corporations. However, the corporations who purchase leased assets still may not gain from the tax reduction since the definition of the “sales of assets” remains unclear to the laws. In fact, the Ministry of Finance as well as the State of Administration of Taxation is still jointly working out the details of tax reform and the China Banking Regulatory Commission is organizing discussion among leasing companies. Many big corporations are still in the cross road and taking “wait-and-see” approach and on-hold projects since the tax issue is not yet finalized.

According to news from the “The 6th China Leasing Industry Forum” held in November 2008, the Ministry of Commerce, the State and Administration for Industry and Commerce, the State of Administration of Taxation and Tianjin Municipal Government would set up a tax task team at Tianjin Binhai New Area. The tax task team would do research on tax preferential policies from all links of financial leasing and carry out financial support program in Binhai New Area. Apart from that, they would help to locate “China Leasing Industry Base” at Binhai New Area by organizing leasing industry fund and establishing second hand equipment trading centre.

ENDEAVOR TO QUALITY PROJECTS

With the rapid development of the China financial leasing market, the Group would continues to focus on leasing market in China and keep watching over quality projects in rising industries that are currently heavily promoted by the government such as livelihood related, infrastructure and environment-friendly reconstruction projects. For the time being, the Group is keeping eyes on equipment leasing projects for alternative energy and recycling industries.

BUSINESS OUTLOOK OR BUSINESS REVIEW

On the business of motor vehicles leasing in China, the Group has made investment in a debt-financing instrument of around HK$3,004,000 in early 2009. The Group would continue exploring further opportunities in this sector and decide the appropriate way of investment including equity-linked or debt financing.

On the business of aircraft engine leasing in China, the Group has been monitoring the rapid-changing economic environment. The Group would keep reviewing and make appropriate decision according to the aircraft market condition in China, including to execute an investment as planned or to terminate the contractual relationship in discussion by 3rd quarter 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As at 31 December 2008, the carrying value of the Group's listed equity investments were approximately HK$3,706,000 (2007: HK$38,880,000).

The Group recorded sales proceed from disposals of trading equity securities of approximately HK$5,269,000 for the year ended 31 December 2008 (2007: HK$44,959,000) and recorded a net loss on financial assets at fair value through profit or loss of approximately HK$41,160,000 (2007: gain of HK$40,008,000). Loss for the year was approximately HK$54,209,000 (2007: profit of HK$33,238,000) which mainly contributable by the fair value loss of the equity securities as mentioned above.

INVESTMENT EQUITY

Listed below are the particulars of the Group's major listed equity investments as at 31 December 2008:

Listed Equity Investment

Name of investee company	Percentage of interest held	Cost (HK$'000)	Market value as at 31 December 2008 (HK$'000)	Dividend received for the year ended 31 December 2008 (HK$'000)	Percentage of investments attributable to the Group's net assets as at 31 December 2008
Grand TG Gold Holdings Limited (formerly known as 'Espco Technology Holdings Limited')	Less than 1%	5,714	1,277	-	11.14%
Kith Holdings Limited	Less than 1%	1,968	1,252	-	10.90%
Build King Holdings Limited	Less than 1%	1,034	835	-	7.29%

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

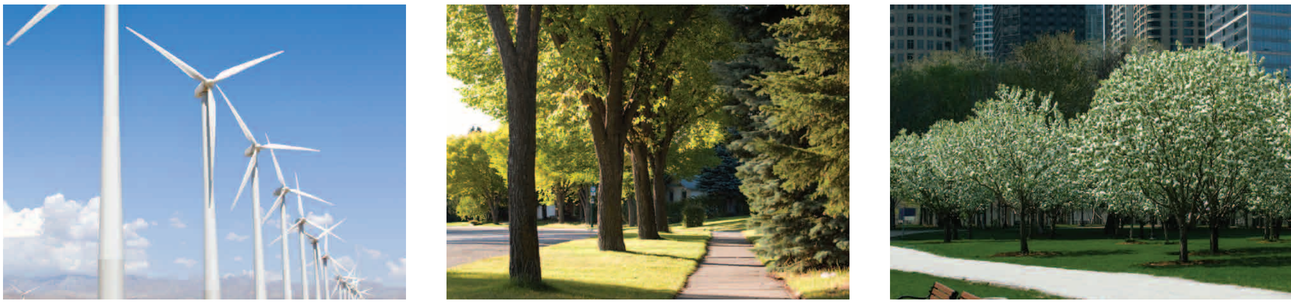
As at 31 December 2008, the Group had maintained cash and cash equivalents of approximately HK$4,909,000 (2007: HK$23,330,000) which were mainly denominated in Hong Kong and Australian dollars. The Group will monitor the exposure and take prudent measures when necessary.

The Group had net assets of approximately HK$4,909,000 (2007: HK$64,680,000) and there were no borrowings or long-term liabilities as at 31 December 2008.

SHARE CAPITAL

Issue of unlisted warrants

Pursuant to a placing agreement entered into between the Company and a placing agent on 9 October 2008, the Company issued to six independent third parties 337,300,000 warrants in total at an issue price of HK$0.003 per warrant in cash. The warrants were issued on 24 October 2008.



The subscription price is HK$0.05 per share at which holder of the warrant may subscribe for the shares of the Company during the period from the first date of the issue of the warrants to the expiry of 36th month. The subscription price and number of units of warrants were subsequently adjusted on 19 December 2008 upon completion of the share consolidation, details as below, to HK$0.25 per share and 67,460,000 units, pursuant to the terms of the instrument creating the warrants.

Share consolidation

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 18 December 2008, with effect from 19 December 2008, 5 ordinary shares of HK$0.05 each of the issued and unissued share capital of the Company were consolidated into 1 ordinary share of HK$0.25. The authorised share capital of the Company remained at HK$300,000,000 but was divided into 1,200,000,000 shares of HK$0.25 each. There was 337,344,000 shares of HK$0.25 in issue as at 31 December 2008.

Capital reduction

Pursuant to a special resolution passed on 18 December 2008, the issued share capital of the Company is proposed to reduce by reducing the par value of each share of the Company from HK$0.25 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.24 on each share in issue, the purpose was to cancel the accumulated losses of the Company and the balance will be transferred to the distributable reserve of the Company. This proposed capital reduction is subject to the approval from the Grant Court of the Cayman Islands. On 27 March 2009, the Grand Court of the Cayman Islands granted the order to confirming the capital reduction of the Company and the capital reduction become effective on 30 March 2009, Cayman Islands time.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

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

EMPLOYEE BENEFITS

As at 31 December 2008, the Group had 10 employees, including 3 executive Directors. For the year ended 31 December 2008, the Group's staff costs (excluding Directors' remuneration) amounted to approximately HK$2,318,000 (2007: HK$925,000). 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.

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 2008.

CORPORATE GOVERNANCE REPORT

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which came into effect on 1 January 2005, as its own code of corporate governance practices.

In the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code during the year ended 31 December 2008.

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 also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of five Directors including two executive Directors and three independent non-executive Directors:

Executive Directors
Mr. Choy Kwok Hung, Patrick *(Chairman)*
Mr. Chan Chi Hung *(Acting Chief Executive Officer)*

Independent non-executive Directors
Mr. Chung Koon Yan
Mr. Chung Shu Kun, Christopher
Mr. Yue Man Yiu, Matthew

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 under the section headed "Biographical Details of Directors" on pages 18 to 20 of this report.

Chairman and Acting Chief Executive Officer

The two positions are held separately by two 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. Chan Chi Hung, the Acting 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 persons of high caliber, with academic and professional qualifications, and extensive experience in the fields of accounting, financial, cultural development, computer operation and civil affairs. 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 considered that they are independent under Rule 3.13 of the Listing Rules.

Mr. Chung Shu Kun, Christoper was appointed on 1 February 2009 for a term of two years, while the other two independent non-executive Directors are not appointed for a specific term, but they are all subject to retirement by rotation in accordance with the Articles of Association of the Company ("the Articles").

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, which include the review of the operation and financial performance and the review and approve of the annual and interim results.

During the year ended 31 December 2008, the Board held 19 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 to matters to be discussed during Board meetings in advance.

Name of Directors	**Number of meetings attended**
Executive Director	
Mr. Choy Kwok Hung, Patrick (Chairman)	12/19
Mr. Chan Chi Hung (Acting Chief Executive Officer)	15/19
Mr. Kung Yiu Fai, Ronald #	11/11
Mr. See Lee Seng, Reason ##	7/7
Mr. Lim Siang Kai *	18/19
Independent Non-executive Director	
Mr. Chung Koon Yan	19/19
Mr. Yue Man Yiu, Matthew	19/19
Mr. Chung Shu Kun, Christopher **	0/0
Dr. Ching Yih-Gwo *	11/19

Mr. Kung Yiu Fai, Ronald resigned on 24 July 2008. 11 meetings were held before his resignation.

Mr. See Lee Seng, Reason retired on 28 May 2008. 7 meetings were held before his retirement.

* Mr. Lim Siang Kai and Dr. Ching Yih-Gwo resigned on 1 February 2009.

** Mr. Chung Shu Kun, Christopher was appointed on 1 February 2009.

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 and 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 qualification, ability, working experience, leadership and professional ethics of the candidates, especially in regard to their experience in the investment business.

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

During the year ended 31 December 2008, the Board of Directors held 1 meeting for approving the redesignation of Mr. Choy Kwok Hung, Patrick from non-executive Director to executive Director.

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee (the "Remuneration Committee") on 28 June 2005 which currently 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. Chan Chi Hung.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the 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 policy on such remuneration.

Two Remuneration Committee meetings were held during the year under review, with full attendance of the members, to discuss about the remuneration package of Directors, acting 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 Report of the Directors and note 20 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	187
Non-audit services	-
	187

AUDIT COMMITTEE

The Company established an Audit Committee (the "Audit Committee") on 7 October 2002. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Yue Man Yiu, Matthew (as Chairman), Mr. Chung Koon Yan and Mr. Chung Shu Kun, Christopher.

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 the legal requirements in the review of the Company's interim and annual reports.

During the year ended 31 December 2008, the Audit Committee held 2 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.

Name of Members	Number of meetings attended
Mr. Yue Man Yiu, Matthew	2/2
Mr. Chung Koon Yan	2/2
Mr. Chung Shu Kun, Christopher *	0/0
Dr. Ching Yih-Gwo **	1/2

* Mr. Chung Shu Kun, Christopher was appointed on 1 February 2009.

** Dr. Ching Yih-Gwo resigned on 1 February 2009.

SHAREHOLDER RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as the chairman of the Board Committees attended the 2008 annual general meeting to answer questions at the meeting.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

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 the 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 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 account 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 2008, the Board has conducted a review of the system of internal control 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 rigth:

Mr. Choy Kwok Hung, Patrick

Mr. Chan Chi Hung

From left to rigth: >

Mr. Yue Man Yiu, Matthew

Mr. Chung Koon Yan

Mr: Chung Shu Kun, Christopher

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. Choy Kwok Hung, Patrick, aged 66, was appointed as the Chairman and a non-executive Director on 14 June 2007 and he has been re-designated as an executive Director of the Company with effective from 18 December 2008. He is responsible for 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 and Road King Infrastructure Limited, both companies listed on the Stock Exchange, and an independent non-executive director of Evergro Properties Limited, a company listed on the Stock Exchange of Singapore. He is a member of the National Committee of the Chinese People's Political Consultative Conference. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

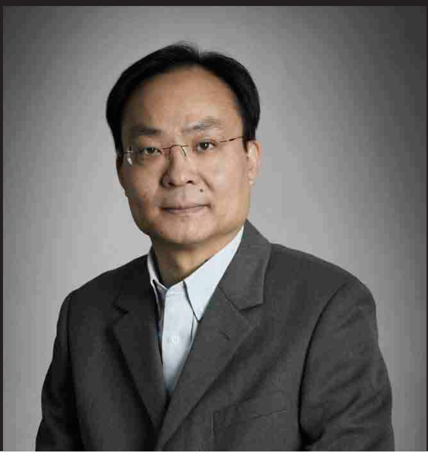
There is no service contract entered into between the Company and Mr. Choy and there is no specific term of length of service. Mr. Choy is subject to retirement by rotation in accordance with the Articles. He is entitled to a director's fee of HK$360,000 per annum as an executive Director, which is determined with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Choy is the father of Mr. Choy Git Yan, Timothy, a substantial shareholder of the Company interested in 62,228,000 shares in the Company. Save as disclosed above, Mr. Choy does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)("SFO").

EXECUTIVE DIRECTOR

Mr. Chan Chi Hung, aged 35, was appointed as an Executive Director of the Company on 26 April 2007. He is a member of the Remuneration Committee of the Company. 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 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. He is currently a non-executive Director of Build King Holdings Limited, a company listed on the Stock Exchange. Save as aforesaid, he did not hold any directorship in other listed companies in the past three years.

There was a service contract entered into between the Company and Mr. Chan 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 at the first general meeting after his appointment and thereafter subject to retirement by rotation at least once every three years in accordance with



the Articles. Mr. Chan is entitled to a director's emolument of HK$480,000 per annum which is determined with reference to the recommendation of the Remmuneration Committee and the prevailing market conditions.

Mr. Chan does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company. He is interested in 7,084,000 shares of the Company within the meaning of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yue Man Yiu, Matthew, aged 47, was appointed as an independent non-executive Director of the Company on 4 June 2002. He is also the Chairman of the Company'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 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 the financial control, project analysis and management functions of the financial service industry. He is presently the chief financial officer of a consultancy and investment company. Mr. Yue is currently an independent non-executive director of Asia Cassava Resources Holdings Limited, a company listed on the Stock Exchange. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Yue and there is no specific term for the length of his appointment. He is subject to retirement by rotation at least once every three years in accordance with the Articles. Mr. Yue is entitled to a director's fee of HK$120,000 per annum which is determined with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Yue does not have any relationship with any Director, senior management, substantial or controlling shareholders of the Group and does not have any interests in the shares of the Group within the meaning of Part XV of the SFO.

Mr. Chung Koon Yan, aged 45, was appointed as an independent non-executive Director of the Company on 30 September 2004. He is also a member of the Audit Committee and the Chairman of the Remuneration Committee of the Company. Mr. Chung is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, and a member of The Institute of Chartered Accountants in England and Wales. He graduated from The Hong Kong Polytechnic University with a Master of Professional Accounting. Mr. Chung is a director of an accounting firm, Chiu, Choy & Chung CPA Ltd., and has more than 18 years' experience in accounting, auditing and taxation. Mr. Chung is currently an independent non-executive director of each of Trasy Gold Ex Limited and Great World Company Holdings Limited (formerly known as "T S Telecom Technologies Limited"), both companies listed on the Growth Enterprise Market of the Stock Exchange. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Chung and there is no specific term for the length of his appointment. He is subject to retirement by rotation at least once every three years in accordance with the Articles. He is entitled to a director's fee of HK$120,000 per annum which is determined with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Chung does not have any relationship with any Directors, senior management, shareholders or controlling shareholders of the Company and he does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Chung Shu Kun, Christopher, aged 52, was appointed as an independent non-executive Director of the Company on 1 February 2009. He is also a member of the Audit Committee of the Company. Mr. Chung has extensive experience in cultural development, computer operation and civil affairs. He is presently a member of the board of governors of Hong Kong Art Centre and Hong Kong Sinfonietta and also a director of Hong Kong Repertory Theatre Limited, Public Art Hong Kong Limited and Hong Kong Art Development Council. From 2000 to 2007, Mr. Chung was the vice chairman of the governing council of Hong Kong Repertory Theatre Limited. Prior to these, he was a computer operator and a computer coordinator of The Chinese University of Hong Kong and Mass Transit Railway Corporation respectively and a computer supervisor of Hong Kong Security Limited and The Hong Kong Jockey Club from 1982 to 1999. Mr. Chung has been a member of Election Committee of the National People's Congress in Hong Kong Area and Election Committee of the Chief Executive of the Hong Kong Special Administrative Region since 1997. He is currently the vice chairman and an elected member of Eastern District Council and was previously an elected member of Urban Council, a member of Liquor License Board, the chairman of Performing Companies Working Group Committee and the vice chairman of Libraries Select Committee. Besides, Mr. Chung engages in advisory and statutory consultative bodies. He is a member of Municipal Services Appeals Board, Advisory Committee on Agriculture and Fisheries and Engineering, Development & Maintenance SCS Drafting Sub-committee. Mr. Chung is also the full member of Hong Kong Computer Society and Internet Professional Association Limited. He holds a master degree of Science (e-business) in Glasgow Caledonia University and is currently a MBA candidate of University of Wales. Mr. Chung was awarded Medal of Honor in 1999 and Justice of the Peace in 2003 respectively. He did not hold any directorship in other listed companies in the past three years.

There is no service contract entered into between the Company and Mr. Chung and the term of appointment of Mr. Chung as an independent non-executive Director is two years commencing from 1 February 2009. He is subject to retirement by rotation at least once every three years in accordance with the Articles. Mr. Chung is entitled to a director's fee of HK$120,000 per annum which is determined with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Chung does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Group and does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

REPORT OF THE DIRECTORS

The Board of Directors (the "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 2008.

PRINCIPAL ACTIVITIES

The Company is principally engaged short to medium term capital appreciation by investing in a diversified portfolio of investments in listed securities in Hong Kong and overseas on a general perspective. During the year, the Group also focuses on the investment in the financial leasing business in the People's Republic of China.

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

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 December 2008 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 30 to 66.

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

ANNUAL GENERAL MEETING

The 2009 annual general meeting of the Company ("AGM") will be convened and held on Monday, 25 May 2009.

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 Wednesday, 20 May 2009 to Monday, 25 May 2009, 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 Tuesday, 19 May 2009.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital of the Company during the year are set out in note 19 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.

The general limit on the grant of the options under the SO Scheme was refreshed to 33,734,400 shares pursuant to the resolution passed at the extraordinary general meeting of the Company held on 18 December 2008.

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 Articles 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 2008.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 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 2008, 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:

Executive Directors

Mr. Choy Kowk Hung, Patrick (Chairman)	(re-designated as an executive Director on 18 December 2008)
Mr. Chan Chi Hung (Acting Chief Executive Officer)	(appointed as the Acting Chief Executive Officer on 24 July 2008)
Mr. Kung Yiu Fai, Ronald (Chief Executive Officer)	(resigned on 24 July 2008)
Mr. Lim Siang Kai	(resigned on 1 February 2009)
Mr. See Lee Seng, Reason	(retired on 28 May 2008)

Independent Non-executive Directors

Mr. Chung Koon Yan	
Mr. Yue Man Yiu, Matthew	
Mr. Chung Shu Kun, Christopher	(appointed on 1 February 2009)
Dr. Ching Yih-Gwo	(resigned on 1 February 2009)

Mr. Chung Shu Kun, Christopher was appointed as an independent non-executive Director of the Company on 1 February 2009, and he is subject to re-election at the AGM pursuant to Article 87(3) of the Articles.

Pursuant to Article 88(1) of the Articles, Mr. Choy Kwok Hung, Patrick and Mr. Chan Chi Hung will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

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.

DIRECTOR'S SERVICE CONTRACTS

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. Mr. Chan is entitled to a director's emolument of HK$40,000 per month which is determined with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

DIRECTORS' INTERESTS IN CONTRACTS

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 subsidiaries was a party during the year.

DIRECTOR'S INTERESTS IN SHARES

At 31 December 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 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. Chan Chi Hung	Beneficial interest	Long position	7,084,000	2.10%

Save as disclosed above, as at 31 December 2008, none of the Directors and chief executives of the Company had any interests or 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 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 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 *(Note)*	Beneficial owner	Long position	2,414,000	62,228,000	18.45%
	Interest of controlled corporation	Long position	59,814,000		
Global Strategy Capital Markets Limited ("GSCML") *(Note)*	Beneficial owner	Long position	59,814,000	59,814,000	17.73%

Note: By virtue of the SFO, Mr. Choy Git Yan, Timothy is deemed to be interested in 59,814,000 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 2008.

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 Audit Committee of the Company was established in accordance with the requirements of the CG Code of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive Directors of the Company, Mr. Yue Man Yiu, Matthew (as Chairman), Mr. Chung Koon Yan and Mr. Chung Shu Kun, Christopher. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2008.

AUDITORS

A resolution will be submitted to the AGM for the re-appointment of Grant Thornton as auditors of the Company.

On behalf of the Board
Choy Kwok Hung, Patrick
Chairman

Hong Kong, 17 April 2009

FINANCIAL STATEMENTS

China Financial Leasing Group Limited

For the year ended 31 December 2008
(Stock code: 2312)

Grant Thornton
均富

Member of Grant Thornton International Ltd

TO THE MEMBERS OF CHINA FINANCIAL LEASING GROUP 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 30 to 66 , which comprise the consolidated and company balance sheets as at 31 December 2008, 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 2008 and of the Group's loss 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

17 April 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	**674**	730
Other revenue		**-**	264
Net (loss)/gain on financial assets at fair value through profit or loss		**(41,160)**	40,008
		(40,486)	41,002
Administrative expenses		**(13,723)**	(7,764)
(Loss)/profit before income tax	7	**(54,209)**	33,238
Income tax expense	8	**-**	-
(Loss)/profit for the year	9	**(54,209)**	33,238
		HK cents	HK cents (Restated)
(Loss)/earnings per share attributable to equity holders of the Company	10		
- Basic		**(16.07)**	9.85
- Diluted		**N/A**	N/A

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**948**	513
Current assets			
Financial assets at fair value through profit or loss	15	**3,706**	38,880
Other receivables, deposits and prepayments	16	**3,382**	3,172
Amount due from a broker	17	**-**	5
Cash and cash equivalents	18	**4,909**	23,330
		11,997	65,387
Current liabilities			
Other payables and accruals		**1,487**	1,220
Net current assets		**10,510**	64,167
Total assets less current liabilities/Net assets		**11,458**	64,680
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	19	**84,336**	84,336
Reserves	21	**(72,878)**	(19,656)
Total equity		**11,458**	64,680

Choy Kwok Hung, Patrick
Director

Chan Chi Hung
Director

BALANCE SHEET
as at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**948**	513
Investment in subsidiaries	14	**1**	1
		949	514
Current assets			
Financial assets at fair value through profit or loss	15	**3,706**	38,880
Other receivables, deposits and prepayments	16	**420**	299
Amount due from a broker	17	**-**	5
Amounts due from subsidiaries	14	**2,730**	2,828
Cash and cash equivalents	18	**4,909**	23,330
		11,765	65,342
Current liabilities			
Other payables and accruals		**1,475**	1,220
Net current assets		**10,290**	64,122
Total assets less current liabilities/Net assets		**11,239**	64,636
EQUITY			
Share capital	19	**84,336**	84,336
Reserves	21	**(73,097)**	(19,700)
Total equity		**11,239**	64,636

Choy Kwok Hung, Patrick
Director

Chan Chi Hung
Director

	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 19)	73,794	(73,794)	-	-	-
At 31 December 2007 and 1 January 2008	**84,336**	**11,483**	-	**(31,139)**	**64,680**
Loss for the year (Total recognised income and expense for the year)	-	-	-	**(54,209)**	**(54,209)**
Issuance of warrants (Note 21)	-	-	**987**	-	**987**
At 31 December 2008	**84,336**	**11,483**	**987**	**(85,348)**	**11,458**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
Cash flows from operating activities		
(Loss)/profit before income tax	**(54,209)**	33,238
Adjustments for :		
Depreciation	**245**	42
Bank interest income	**(462)**	(432)
Dividend income	**(17)**	(225)
Other interest income	**(195)**	(73)
Operating (loss)/profit before working capital changes	**(54,638)**	32,550
Decrease/(increase) in financial assets at fair value through profit or loss	**35,174**	(33,490)
Increase in other receivables, deposits and prepayments	**(129)**	(2,916)
Decrease in amount due from a broker	**5**	-
Decrease in non-current asset classified as held for sale	**-**	5,336
Increase in other payables and accruals	**267**	306
Cash (used in)/generated from operations	**(19,321)**	1,786
Bank interest received	**470**	422
Dividend income received	**17**	225
Other interest income	**106**	-
Net cash (used in)/generated from operating activities	**(18,728)**	2,433
Cash flows from investing activities		
Purchase of property, plant and equipment	**(680)**	(555)
Net cash used in investing activities	**(680)**	(555)
Cash flows from financing activities		
Proceeds from issuance of warrants	**1,012**	-
Warrants issue expenses	**(25)**	-
Net cash generated from financing activities	**987**	-
Net (decrease)/increase in cash and cash equivalents	**(18,421)**	1,878
Cash and cash equivalents at beginning of year	**23,330**	21,452
Cash and cash equivalents at end of year	**4,909**	23,330

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 2008 annual report. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 28 October 2002.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed securities in Hong Kong and overseas on a general perspective. During the year, the Group also focuses on the investment in the financial leasing business in the People's Republic of China (the "PRC").

The consolidated financial statements on pages 30 to 66 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 and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

The financial statements for the year ended 31 December 2008 was approved for issue by the Board of Directors on 17 April 2009.

2. ADOPTION OF NEW AND AMENDED HKFRSs

From 1 January 2008, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial statements for the annual period beginning on 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - Interpretation 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) - Interpretation 12	Service Concession Arrangements
HK(IFRIC) - Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of adopting the new HKFRSs are as follows:

HKAS 39 and HKFRS 7 (Amendments) - Reclassification of Financial Assets

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sales category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

2. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sales category or to the held-to trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial assets on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial positions or results of operations of the Group.

The adoption of the other new HKFRSs has no material impact on how the results and financial positions for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early adopted the following new and amended HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendments)	Financial Instruments : Recognition and Measurement - Embedded Derivatives [2]
HKAS 39 (Amendments)	Eligible Hedged Items [3]
HKFRS 1 (Revised)	First-time Adoption of HKFRS [3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate [1]
HKFRS 2 (Amendments)	Share-based Payment - Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised) and HKAS 27 (Revised)	Business Combinations and Consolidated and Separate Financial Statements [3]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments [1]

2. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

HKFRS 8	Operating Segments [1]
HK (IFRIC) - Interpretation 9 (Amendments)	Reassessment of Embedded Derivatives [2]
HK (IFRIC) - Interpretation 13	Customer Loyalty Programmes [4]
HK (IFRIC) - Interpretation 15	Agreements for the Construction of Real Estate [1]
HK (IFRIC) - Interpretation 16	Hedges of a Net Investment in a Foreign Operation [5]
HK (IFRIC) - Interpretation 17	Distributions of Non-cash Assets to Owners [3]
HK (IFRIC) - Interpretation 18	Transfer of Assets from Customers [6]
Various	Annual Improvements to HKFRSs 2008 [7]

Notes:

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

2 Effective for annual periods ending on or after 30 June 2009

3 Effective for annual periods beginning on or after 1 July 2009

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

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

6 Effective for transfer received on or after 1 July 2009

7 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRSs

HKAS 1 (Revised) "Presentation of Financial Statements" is expected to materially change the presentation of the Group's financial statements. This amendment affects the presentation of owner's changes in equity and introduces a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

HKFRS 8 "Operating Segments" may result in new or amended disclosures. The directors of the Company (the "Directors") are in the process of identifying reportable operating segments as defined in HKFRS 8.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial positions.

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.

Business combinations (other than for combining entities under common control as a consequence of the Reorganisation) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

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

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 denominated in foreign currencies are recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Foreign currency translation (Continued)

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.

3.5 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 of property, plant and equipment, less any estimated residual values, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Motor vehicles	4 years
Furniture and office equipment	4 years

The assets' residual values, depreciation methods and 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 net 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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Impairment of assets (Continued)

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

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line method over the lease term 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 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.

(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. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

3.9 Financial assets (Continued)

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

Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 3.5 to these financial statements.

(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 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.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

A provision for impairment on loans and receivables carried at amortised cost is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

3.10 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)

3.10 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

3.11 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.

3.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issue of shares are deducted from share premium (net of any related income tax benefits) to the extent that they are incremental costs directly attributable to the equity transaction.

3.13 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)

3.14 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 the 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.

3.15 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.

3.16 Warrants

Warrants issued by the Company are recorded at the proceeds received, net of direct issue costs.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Provisions, contingent liabilities and contingent assets (Continued)

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.

3.18 Related parties

For the purposes of these financial statements, a party is considered to be related to the group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group in making financial and operating policy decisions, or has joint control over the group;

(ii) the group and the party are subject to common control;

(iii) the party is an associate of the group or a joint venture in which the group is a venturer;

(iv) the party is a member of key management personnel of the group or the group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

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.

(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

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

	2008 HK$'000	2007 HK$'000
Bank interest income	**462**	432
Dividend income	**17**	225
Other interest income	**195**	73
	674	730

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 (loss)/gain on financial assets at fair value through profit or loss". The gross proceeds from trading of securities for the year amounted to approximately HK$5,269,000 (2007: HK$44,959,000).

6. SEGMENT INFORMATION

The Group is principally engaged in investment in listed securities. Over 90% of the Group's principal activities during the year are carried out in Hong Kong and over 90% of the Group's assets and liabilities are located in Hong Kong. Accordingly, no business or geographical analysis is presented.

7. (LOSS)/PROFIT BEFORE INCOME TAX

	2008 HK$'000	2007 HK$'000
(Loss)/profit before income tax is arrived at after charging:		
Auditors' remuneration	187	170
Depreciation	245	42
Exchange loss, net	1,455	136
Operating lease charges in respect of land and buildings	974	422

8. INCOME TAX EXPENSE

For the year ended 31 December 2008, no Hong Kong profits tax has been provided as the Group did not generate any assessable profit arising in or derived from Hong Kong.

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

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in the profits tax rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009.

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

	2008 HK$'000	2007 HK$'000
(Loss)/profit before income tax	(54,209)	33,238
Tax on (loss)/profit before income tax, calculated at applicable rate of 16.5% (2007 : 17.5%)	(8,944)	5,817
Tax effect of non-taxable income	(178)	(278)
Tax effect of non-deductible expenses	650	157
Tax effect of prior years' unrecognised tax losses utilised this year	-	(5,696)
Tax effect on tax losses not recognised	8,472	-
Income tax expense	-	-

8. INCOME TAX EXPENSE (Continued)

At the balance sheet date, the Group has unused tax losses of HK$52,147,000 (2007 : HK$801,000) 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 (2007: Nil).

9. (LOSS)/PROFIT FOR THE YEAR

Of the consolidated loss for the year of approximately HK$54,209,000 (2007: profit of HK$33,238,000), a loss of approximately HK$54,384,000 (2007: profit of HK$33,171,000) has been dealt with in the financial statements of the Company.

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

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company for the year of approximately HK$54,209,000 (2007: profit of HK$33,238,000) and on the weighted average number of 337,344,000 (2007: 337,344,000, as restated) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purposes of calculating basic earnings per share for the year ended 31 December 2007 has been restated to reflect the share consolidation during the year as detailed in note 19(v).

Diluted loss per share for the year ended 31 December 2008 has not been disclosed as the warrants outstanding during the year was anti-dilutive. No diluted earnings per share for the year ended 31 December 2007 had been presented as there was no dilutive potential ordinary share in issue during the year.

11. EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTORS' REMUNERATION)

	2008 **HK$'000**	2007 HK$'000
Wages, salaries and other allowances	**2,264**	887
Pension costs – defined contribution plans	**54**	38
	2,318	925

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 2008					
Executive directors					
Kung Yiu Fai, Ronald	Resigned on 24 July 2008	**101**	**910**	**7**	**1,018**
Chan Chi Hung		**480**	**415**	**12**	**907**
Lim Siang Kai	Resigned on 1 February 2009	**205**	**95**	**10**	**310**
See Lee Seng, Reason	Retired on 28 May 2008	**123**	**-**	**5**	**128**
Choy Kwok Hung, Patrick	Re-designated on 18 December 2008	**-**	**-**	**-**	**-**
Non-executive director					
Choy Kwok Hung, Patrick	Re-designated on 18 December 2008	**360**	**-**	**-**	**360**
Independent non-executive directors					
Ching Yih-Gwo	Resigned on 1 February 2009	**120**	**-**	**-**	**120**
Chung Koon Yan		**120**	**-**	**-**	**120**
Yue Man Yiu, Matthew		**120**	**-**	**-**	**120**
		1,629	**1,420**	**34**	**3,083**
Year ended 31 December 2007					
Executive directors					
Kung Yiu Fai, Ronald		41	416	2	459
Chan Chi Hung		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		133	-	-	133
Au-yong Shong, Samuel	Appointed on 7 June 2007 and resigned on 3 August 2007	-	-	-	-
Independent non-executive directors					
Ching Yih-Gwo		62	-	-	62
Chung Koon Yan		60	-	-	60
Yue Man Yiu, Matthew		60	-	-	60
Zheng Weihe	Resigned on 2 October 2007	25	-	-	25
		827	596	16	1,439

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: 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 (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: two) highest paid individuals during the year are as follows :

	2008 HK$'000	2007 HK$'000
Wages, salaries and other allowances	**1,060**	410
Pension costs - defined contribution plans	**21**	11
	1,081	421

The emoluments fell within the following band :

	Number of individuals	
	2008	2007
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 (2007: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Motor vehicles	Furniture and office equipment	Total
	HK$'000	HK$'000	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
Year ended 31 December 2008			
Opening net book amount	**329**	**184**	**513**
Additions	**403**	**277**	**680**
Depreciation	**(156)**	**(89)**	**(245)**
Closing net book amount	**576**	**372**	**948**
At 31 December 2008			
Cost	**762**	**473**	**1,235**
Accumulated depreciation	**(186)**	**(101)**	**(287)**
Net book amount	**576**	**372**	**948**

14. INVESTMENT IN SUBSIDIARIES / AMOUNTS DUE FROM SUBSIDIARIES

Company

	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**2,730**	2,828

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.

Particulars of the subsidiaries at 31 December 2008 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 (B.V.I.) 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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	2008 HK$'000	2007 HK$'000
Equity securities held for trading, at market value		
Listed in Hong Kong	3,616	38,880
Listed outside Hong Kong	90	-
	3,706	38,880

Fair values of these investments have been determined by reference to their quoted bid 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 as net (loss)/gain on financial assets at fair value through profit or loss in the income statement.

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

2008

Name	Place of establishment/ incorporation	Particulars of equity interest held	Percentage of interest held	Cost HK$'000	Market value as at 31 December 2008 HK$'000	Percentage of the Group's total assets as at 31 December 2008	Percentage of the Company's total assets as at 31 December 2008
Grand TG Gold Holdings Limited (formerly known as Espco Technology Holdings Limited. (note a)	Cayman Islands	45,600,000 ordinary shares (2007: 48,000,000 ordinary shares)	Less than 1% (2007: 1.34%)	5,714 (2007:HK$6,015)	1,277 (2007:HK$ 38,880)	9.86% (2007: 59.00%)	10.04% (2007: 59.04%)
Byford International Limited (note b)	Cayman Islands	900,000 ordinary shares (2007: Nil)	Less than 1% (2007: Nil)	1,174 (2007: Nil)	252 (2007: Nil)	1.95% (2007: Nil)	1.98% (2007: Nil)
Kith Holdings Limited (note c)	Bermuda	626,000 ordinary shares (2007: Nil)	Less than 1% (2007: Nil)	1,968 (2007: Nil)	1,252 (2007:Nil)	9.67% (2007: Nil)	9.85% (2007: Nil)
Build King Holdings Limited (note d)	Bermuda	5,000,000 ordinary shares (2007: Nil)	Less than 1% (2007: Nil)	1,034 (2007: Nil)	835 (2007: Nil)	6.45% (2007: Nil)	6.57% (2007: Nil)
Rubicon Japan Trust (note e)	Australia	2,100,000 units (2007: Nil)	Less than 1% (2007: Nil)	2,016 (2007: Nil)	90 (2007: Nil)	0.67% (2007: Nil)	0.71% (2007: Nil)

Notes:

(a) Grand TG Gold Holdings Limited is principally engaged in gold exploration, mining and mineral processing in the PRC. It also involves in the design, manufacture and distribution of desktop personal computer display cards business. No dividend was received during the year (2007: Nil). According to the latest published financial statements of Grand TG Gold Holdings Limited, it had net assets value of approximately HK$876,567,000 as at 30 September 2008.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes: (Continued)

(b) Byford International Limited is principally engaged in sales of men's innerwear, socks and apparels and licensing of its trademarks relating to Byford branded men's innerwear, socks and apparels in return for royalty income. No dividend was received during the year (2007: Nil). According to the latest published financial statements of Byford International Limited, it had net assets value of approximately HK$10,935,000 as at 31 October 2008.

(c) Kith Holdings Limited is principally engaged in printing and manufacturing of packaging products. Kith Holdings Limited has been a specialist in providing high quality multi-color paper packaging products and is recognised as a leading national package printing enterprise in the PRC. During the year, the Group and the Company received dividend amounted to approximately HK$17,600 (2007: Nil). According to the latest published financial statements of Kith Holdings Limited, it had net assets value of approximately HK$705,229,000 as at 30 June 2008.

(d) Build King Holdings Limited is principally engaged in construction, civil engineering and environmental infrastructure projects mainly in Hong Kong and the PRC. No dividend was received during the year (2007: Nil). According to the latest published financial statements of Build King Holdings Limited, it had net assets value of approximately HK$92,960,000 as at 31 December 2008.

(e) Rubicon Japan Trust was registered as a managed investment scheme with the Australian Securities & Investments Commission on 16 August 2006 and was listed on the Australian Securities Exchange on 31 October 2006. The Trust aims to generate long term income and capital growth from investing in stabilised real estate in Japan. The Trust is managed by Rubicon Asset Management Limited which is a financial services group with strong capabilities in creation, syndication and management of specialist funds. No dividend was received during the year (2007: Nil). According to the latest published financial statements of Rubicon Japan Trust, it had net assets value of approximately AUD195,748,000 (equivalent to HK$1,468,738,000) as at 30 June 2008.

The market value of all the listed equity securities at the date of approval of these financial statements was approximately HK$4,511,000.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits	**3,166**	2,873	**204**	-
Prepayments	**215**	290	**215**	290
Other receivables	**1**	9	**1**	9
	3,382	3,172	**420**	299

Included in deposits of the Group is the payment made amounted to approximately HK$2,800,000 (2007: HK$2,800,000) in connection with the subscription of secured convertible notes. The deposit bears interest at floating annual rates ranging from 5.86% to 7.57% (2007: 8.02% to 8.47%). The repayment terms of the deposit are negotiated on an individual basis. The maturity profile of the deposit at the balance sheet dates, which is analysed by the remaining periods to their contractual maturity date, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Over three months but less than one year	**-**	2,873

The deposit is past due over 180 days but less than one year as at 31 December 2008 (2007: not yet past due). The deposit that was past due but not impaired related to a borrower that had a good business relationship with the Group.

The Directors of the Company considered no impairment allowance is necessary in respect of the deposit as the deposit was fully recovered subsequent to the balance sheet date.

The Directors consider that the carrying amounts of other receivables and deposits 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.

17. AMOUNT DUE FROM A BROKER

The Directors of the Company considered that the fair value of the amount due from a broker was not materially different from the carrying amount because this amount had short maturity periods on its inception, such that the time value of money impact was not significant.

Amount due from a broker has been fully recovered during the year.

18. CASH AND CASH EQUIVALENTS

Group and Company

Cash and cash equivalents include the following components:

	2008 **HK$'000**	2007 HK$'000
Cash at banks and in hand	**816**	6,353
Demand deposits	**1,085**	6,911
Short-term bank deposits	**3,008**	10,066
	4,909	23,330

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 originally maturity of three months or less. The short-term bank deposits carry an effective interest rate of 2.25% (2007: 4.76%) 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:

	2008 **AUD'000**	2007 AUD'000
Australian dollars ("AUD")	**561**	1,476

19. SHARE CAPITAL

	Notes	2008 Number of shares	HK$'000
Authorised:			
At 1 January 2007, ordinary shares of HK$0.10 each		3,000,000,000	300,000
Sub-division of 1 ordinary share of HK$0.10 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	(iv)	(24,000,000,000)	-
At 31 December 2007 and 1 January 2008, ordinary shares of HK$0.05 each		**6,000,000,000**	**300,000**
Share consolidation of 5 ordinary shares of HK$0.05 each to 1 ordinary share of HK$0.25	(v)	**(4,800,000,000)**	**-**
At 31 December 2008, ordinary shares of HK$0.25 each		**1,200,000,000**	**300,000**
Issued and fully paid:			
At 1 January 2007, ordinary shares of HK$0.10 each		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$0.10 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	(iv)	(6,746,880,000)	-
At 31 December 2007 and 1 January 2008, ordinary shares of HK$0.05 each		**1,686,720,000**	**84,336**
Share consolidation of 5 ordinary shares of HK$0.05 each to 1 ordinary share of HK$0.25	(v)	**(1,349,376,000)**	**-**
At 31 December 2008, ordinary shares of HK$0.25 each		**337,344,000**	**84,336**

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$0.10 for every 1 existing ordinary share of par value of HK$0.10 held on 3 August 2007.

19. SHARE CAPITAL (Continued)

(ii) Sub-division 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$0.10 was 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 on 30 November 2007

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. 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.

(v) Share consolidation on 19 December 2008

Pursuant to an ordinary resolution passed at the extraordinary general meeting on 18 December 2008, with effect from 19 December 2008, 5 ordinary shares of HK$0.05 each of the issued and unissued share capital of the Company were consolidated into 1 ordinary share of HK$0.25. The authorised share capital of the Company remained at HK$300,000,000 but was divided into 1,200,000,000 shares of HK$0.25 each.

Pursuant to a special resolution passed on 18 December 2008, the issued share capital of the Company is proposed to reduce by reducing the par value of each share of the Company from HK$0.25 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.24 on each share in issue, the purpose was to cancelling the accumulated losses of the Company and the balance will be transferred to the distributable reserve of the Company. This proposed capital reduction is subject to the approval from the Grand Court of the Cayman Islands. On 27 March 2009, the Grand Court of the Cayman Islands granted the order to confirming the capital reduction of the Company and become effective on 30 March 2009, Cayman Islands time.

20. 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.

20. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

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 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.

Pursuant to a resolution passed by the Directors on 3 October 2008, 10,540,000 share options under the SO Scheme had been offered to Mr. Choy Kwok Hung, Patrick, a director of the Company, subject to the acceptance of the offer to be received on or before 2 January 2009. As at 31 December 2008, no acceptance of this offer had been received by the Company. Subsequent to the year end date, the offer had been expired and no share options being granted in this event.

Except for the event disclosed in above, at 31 December 2007, 2008 and up to the date of approval of these financial statements, no share options have been granted under the SO Scheme.

21. RESERVES

Group

	Notes	**2008 HK$'000**	2007 HK$'000
Share premium	(i)	**11,483**	11,483
Warrants reserve	(ii)	**987**	-
Accumulated losses		**(85,348)**	(31,139)
		(72,878)	(19,656)

21. RESERVES (Continued)

Company

	Share premium HK$'000 (Note (i))	Warrants reserve HK$'000 (Note (ii))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	85,277	-	(64,354)	20,923
Bonus issue of shares (Note 19)	(73,794)	-	-	(73,794)
Profit for the year	-	-	33,171	33,171
At 31 December 2007 and 1 January 2008	**11,483**	**-**	**(31,183)**	**(19,700)**
Issuance of warrants	**-**	**987**	**-**	**987**
Loss for the year	**-**	**-**	**(54,384)**	**(54,384)**
At 31 December 2008	**11,483**	**987**	**(85,567)**	**(73,097)**

Notes:

(i) In accordance with the Companies Law (2007 Revision) of the Cayman Islands, the share premium is distributable to 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 may also be distributed in the form of fully paid bonus shares.

(ii) On 24 October 2008, the Company entered into six subscription agreements with six independent investors, namely Chan Ka Ling, Tang Man Lai, Ho Chuek Kan, Chong Wai Moon, Chong Wai Tim and Yeung Wai Chun for the issue of warrants. The Company issued 337,300,000 non-listed warrants at the issue price of HK$0.003 per warrant. The warrants will mature in 36-month period from the date of issue. Each warrant entitles the holder thereof to subscribe for one new share at exercise price of HK$0.05 per new share, payable in cash and subject to adjustment. Consideration of HK$987,000, net of issuance expenses of approximately HK$25,000, was received in respect of warrants during the year. After the share consolidation being effective on 19 December 2008, the exercise price per new share was adjusted from HK$0.05 to HK$0.25 and the number of warrants was adjusted from 337,300,000 to 67,460,000. Each warrant of the Company shall confer right to subscribe for 1 consolidated share of HK$0.25.

The reason for the issues was to raise additional funds for the Group to invest in suitable investment opportunities.

As at 31 December 2008, the Company had outstanding 67,460,000 warrants to be exercised at any time on or before 23 October 2011. Exercise in full of such warrants would result in the issue of 67,460,000 additional ordinary shares of HK$0.25 each.

22. OPERATING LEASE COMMITMENTS

Group and Company

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable by the Group / Company as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**1,120**	242
In the second to fifth years inclusive	**310**	-
	1,430	242

The Group/Company leases certain of its office properties under operating leases. The leases run for an initial period of one to two years (2007 : 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.

23. OTHER COMMITMENTS

As at 31 December 2008 and 2007, the Group has commitments, authorised but not contracted for, in connection with the subscription of secured convertible notes in the respective principal amounts of up to RMB6 million and RMB3.5 million. Details are set out in the circular issued by the Company on 14 September 2007.

24. CONTINGENT LIABILITIES

As at 31 December 2008 and 2007, the Group and the Company has no significant contingent liabilities.

25. 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	2008 HK$'000	2007 HK$'000
Investment management fee paid/payable to Wealth Assets Management Limited (formerly known as Redford Assets Management Limited)	(i)	**150**	765
Rental expenses paid to Ceres Capital Limited	(ii)	**-**	74
Rental and property management expenses paid to Global Strategy Group Limited	(iii)	**655**	531
Purchase of property, plant and equipment from Global Strategy Group Limited	(iv)	**-**	91

25. RELATED PARTY TRANSACTIONS (Continued)

Notes :

(i) Pursuant to the investment management agreement dated 7 October 2002 (the "Investment Management Agreement") entered into between the Company and Wealth Assets Management Limited (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services (excluding general administrative services) for a three-year period commencing on 28 October 2002, the date of the commencement of the trading of the Company's shares on the Stock Exchange. The Investment Management Agreement will continue for successive periods of three years, unless terminated at any time by either the Company or the Investment Manager serving not less than six 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 on 1 September 2007, 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. With effect from 1 January 2008, the monthly management fee had been changed from HK$50,000 to HK$30,000 per month.

Mr. See Lee Seng, Reason ("Mr. See"), a former executive director of the Company who retired on 28 May 2008, has equity interests in the Investment Manager and is one of the directors of the Investment Manager. Mr. Lim Siang Kai, a former executive director of the Company who resigned on 1 February 2009, and Mr. Chang Chu Fai, Johnson Francis ("Mr. Chang"), a former executive director of the Company who resigned on 26 April 2007, each also had equity interests in the Investment Manager but they had sold all of their equity interests in the Investment Manager to Mr. See on 30 May 2007. The Investment Manager was no longer being the related party to the Group since the retirement of Mr. See on 28 May 2008.

(ii) During the year ended 31 December 2007, rental expenses amounting to HK$74,000 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, is 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 ended 31 December 2008, rental and property management expenses amounting to HK$655,000 (2007 : HK$531,000) for office premises at Room 2609, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong, were paid to Global Strategy Group Limited. Mr. Choy Kwok Hung, Patrick, an executive director of the Company, is a substantial shareholder of Global Strategy Group Limited. This rental and property management expenses were made with reference to the terms negotiated between the relevant parties. This rental arrangement was terminated on 14 June 2008.

(iv) During the year ended 31 December 2007, 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.

25. RELATED PARTY TRANSACTIONS (Continued)

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

	Group	
	2008 HK$'000	2007 HK$'000
Short term employee benefits	**3,749**	1,833
Contributions to defined contribution plans	**55**	27
	3,804	1,860

26. 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 AUD.

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.

	2008 HK$'000	2007 HK$'000
Cash and cash equivalents denominated in AUD	**3,008**	10,066

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

26. RISK MANAGEMENT OBJECTIVES AND POLICIES – GROUP (Continued)

(i) Foreign currency risk (Continued)

Foreign currency sensitivity analysis

The following table indicates the approximate change in the Group's profit or loss after tax (and accumulated losses) 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.

	2008		2007	
	Other components of consolidated equity	**Net profit/(loss) for the year**	Other components of consolidated equity	Net profit/(loss) for the year
	HK$'000	**HK$'000**	HK$'000	HK$'000
AUD	**-**	**(301)**	-	(1,007)

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 HK$ against AUD. A 10% strengthening of HK$ against AUD at the reporting date would decrease in equity and profit or increase in loss by the amount shown above.

A 10% weakening of HK$ 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 and deposits. 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 the investments in Hong Kong listed equity securities classified as financial assets at fair value through profit or loss as at 31 December 2008 as mentioned in note 15 which are valued at quoted market prices at the balance sheet date.

Equity price sensitivity analysis

For the equity securities listed on the Stock Exchange, an average volatility of 48.28% (2007 : 26.28%) has been observed in the Heng Seng Index during 2008.

26. RISK MANAGEMENT OBJECTIVES AND POLICIES – GROUP (Continued)

(iii) Price risk (Continued)

If equity prices had increased/decreased by 50% (2007 : 25%) and all other variables were held constant, the Group's profit or loss after tax for the year would have been changed by approximately as follows:

	2008 +50% HK$'000	2008 -50% HK$'000	2007 +25% HK$'000	2007 -25% HK$'000
Net profit/(loss) for the year	1,808	(1,808)	8,019	(8,019)

(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:

	2008 HK$'000	2007 HK$'000
Class of financial assets – carrying amounts		
Other receivables and deposits	3,167	2,882
Amount due from a broker	-	5
Cash and cash equivalents	4,909	23,330
Overall exposure	8,076	26,217

The carrying amounts of other receivables and deposits, amount 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.

26. RISK MANAGEMENT OBJECTIVES AND POLICIES – GROUP (Continued)

(v) Credit risk (Continued)

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables and deposits and amount due from a broker are set out in notes 16 and 17 respectively.

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

(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 2008, 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 be categorised as follows. See notes 3.9 and 3.15 for explanations about how the classification of financial instruments affects their subsequent measurement.

	2008	2007
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**3,706**	38,880
Loans and receivables:		
Other receivables and deposits	**3,167**	2,882
Amount due from a broker	**-**	5
Cash and cash equivalents	**4,909**	23,330
	11,782	65,097
Financial liabilities		
Financial liabilities measured at amortised cost:		
Other payables and accruals	**1,487**	1,220

27. CAPITAL MANAGEMENT POLICIES AND PROCEDURES - GROUP

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.

27. CAPITAL MANAGEMENT POLICIES AND PROCEDURES-GROUP (Continued)

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 resource 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:

	2008 HK$'000	2007 HK$'000
Total equity	**11,458**	64,680
Borrowings	-	-
Overall financing	**11,458**	64,680
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 2008 and 2007, the Group did not raise any debts.

28. POST BALANCE SHEET EVENT

In order to focus on the investment in the financial leasing business, the Group entered into two sales and leaseback agreements with an independent third party to provide finance leases arrangements in respect of motor vehicles rental business in Beijing, the PRC at an aggregate consideration of approximately HK$3,004,000. These leases covered a 36-month period at interest rate of 6.76% to 7.76% per annum.

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 statement, is set out below. The summary dose not form part of the audited financial statements.

RESULTS

	Year ended 31 December 2008 HK$'000	Year ended 31 December 2007 HK$'000	Year ended 31 December 2006 HK$'000	Year ended 31 December 2005 HK$'000	Year ended 31 December 2004 HK$'000
Revenue	**674**	730	678	468	80
(Loss)/Profit before income tax	**(54,209)**	33,238	(7,108)	(23,247)	(16,443)
Income tax expense	**-**	-	-	-	-
(Loss)/Profit attributable to equity holders of the Company	**(54,209)**	33,238	(7,108)	(23,247)	(16,443)

ASSETS AND LIABILITIES

	At 31 December 2008 HK$'000	At 31 December 2007 HK$'000	At 31 December 2006 HK$'000	At 31 December 2005 HK$'000	At 31 December 2004 HK$'000
Total assets	**12,945**	65,900	32,356	40,356	63,081
Total liabilities	**(1,487)**	(1,220)	(914)	(1,806)	(1,284)
	11,458	64,680	31,442	38,550	61,797

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHOY Kwok Hung, Patrick *(Chairman)*

CHAN Chi Hung *(Acting Chief Executive Officer)*

Independent Non-Executive Directors

CHUNG Koon Yan

CHUNG Shu Kun, Christopher

YUE Man Yiu, Matthew

COMPANY SECRETARY

TSE Kam Fai *ACIS, ACS, MHKIoD*

AUDIT COMMITTEE

YUE Man Yiu, Matthew *(Chairman)*

CHUNG Koon Yan

CHUNG Shu Kun, Christopher

REMUNERATION COMMITTEE

CHUNG Koon Yan *(Chairman)*

CHAN Chi Hung

YUE Man Yiu, Matthew

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2609, Great Eagle Centre

23 Harbour Road

Wanchai

Hong Kong

INVESTMENT MANAGER

Wealth Assets Management Limited

Units 211-212, 2/F

Metro Centre 2

21 Lam Hing Street

Kowloon Bay

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

WEBSITE

http://www.cflg.com.hk