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CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS

The Board (the “Board”) of Directors (the “Directors”) of China Financial Leasing Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016.

The unaudited condensed consolidated interim financial statements have not been audited by the Company’s auditor but have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000
Revenue	3	1	1
Net (loss)/gain on financial assets at fair value through profit or loss		(15,815)	23,225
Administrative expenses		(7,020)	(5,480)
(Loss)/profit before income tax	5	(22,834)	17,746
Income tax expense	6	–	–
(Loss)/profit for the period and total comprehensive income for the period attributable to the owners of the Company		(22,834)	17,746
(Loss)/earnings per share attributable to the owners of the Company	7	HK cents	HK cents
– Basic		(3.7)	3.1
– Diluted		(3.7)	3.1

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Non-current assets		
Property, plant and equipment	<u>3,579</u>	<u>1,037</u>
	<u>3,579</u>	<u>1,037</u>
Current assets		
Financial assets at fair value through profit or loss	40,072	33,725
Deposits and prepayments	146	198
Bank and cash balances	<u>1,555</u>	<u>6,441</u>
	<u>41,773</u>	<u>40,364</u>
Current liabilities		
Accruals	<u>80</u>	<u>1,415</u>
Net current assets	<u>41,693</u>	<u>38,949</u>
Net assets	<u>45,272</u>	<u>39,986</u>
Capital and reserves		
Share capital	12,439	11,439
Reserves	<u>32,833</u>	<u>28,547</u>
Total equity	<u>45,272</u>	<u>39,986</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 of China Financial Leasing Group Limited (the “Company”) and its subsidiaries (collectively referred as the “Group”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 23 August 2016.

The interim financial statement has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual result may differ from these estimates.

The interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with all applicable Hong Kong Financial Reporting Standard (“HKFRSs”).

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

3. REVENUE

Revenue recognised during the period is as follows:

	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000
Interest income	<u><u>1</u></u>	<u><u>1</u></u>

The gross proceeds from trading of securities for the period amounted to approximately HK\$28,768,000 (2015: HK\$55,456,000). The realised and unrealised loss on financial assets at fair value through profit or loss for the six months ended 30 June 2016 is approximately HK\$1,413,000 (2015: gain of HK\$5,090,000) and HK\$14,402,000 (2015: gain of HK\$18,135,000) respectively, the aggregate of which is shown in the condensed consolidated statement of profit or loss and other comprehensive income under the line of "Net (loss)/gain on financial assets at fair value through profit or loss".

4. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

For the six months ended 30 June 2015 and 30 June 2016, the Group has identified only one segment and the sole business of this segment is investment in listed and unlisted securities. No separate analysis of segment information by business segment is presented.

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

5. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000
(Loss)/profit before income tax is arrived at after charging:		
Operating lease charges in respect of land and buildings	258	446
Staff costs (excluding directors' remuneration)		
Wages	2,251	1,914
Retirement benefits scheme contributions	74	100
Depreciation	<u>373</u>	<u>188</u>

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the interim financial statements as profits for the six months ended 30 June 2016 were fully offset by tax losses (2015: Nil).

At 30 June 2016, the Group had unused tax losses of approximately HK\$145,536,000 (31 December 2015: HK\$138,641,000). Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. Under the current tax legislation, the tax losses can be carried forward indefinitely.

At the reporting date, the Group did not have any significant deferred tax liabilities (31 December 2015: Nil).

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss for the period attributable to the owners of the Company of approximately HK\$22,834,000 (2015: profit of HK\$17,746,000) and on the weighted average number of 582,389,442 shares (2015: 571,949,882 shares).

The diluted (loss)/earnings per share attributable to the owners of the Company for the six months ended 30 June 2015 and 30 June 2016 was the same as the basic (loss)/earnings per share as no transactions took place during the period which had dilutive effect.

8. ACQUISITION OF A SUBSIDIARY

On 17 March 2016, the Group acquired 100% of the issued share capital of Colour Charm Holdings Limited (“Colour Charm”) at a cash consideration of approximately HK\$2,900,000. Colour Charm did not generate any revenue since its date of incorporation on 2 January 2015. The acquisition of Colour Charm did not constitute a business combination. The acquisition is for the purpose of acquiring a motor vehicle for daily operation.

The purchase consideration was allocated to the identifiable assets of Colour Charm acquired as at its date of acquisition as follows:

Net assets acquired:	<i>HK\$’000</i>
Property, plant and equipment	<u>2,900</u>
Net assets	<u><u>2,900</u></u>
Total consideration, satisfied by:	
Cash	<u><u>2,900</u></u>
Net cash outflow arising on acquisition:	
Cash consideration paid	<u><u>(2,900)</u></u>

9. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Future Prospects

During the six months ended 30 June 2016, the Company was mainly engaged in investments in Hong Kong listed securities for the purpose of short to medium term capital appreciation.

In the middle of first half of 2016, the Hong Kong stock market is still on struggling and investment sentiment keeps in the cautious after the big decline in the middle of 2015.

The first quarter of the People's Republic of China (the "PRC") Gross Domestic Product ("GDP") growth declined to 6.7% as stimulus eases slowdown. Renminbi keeps weakness and the trend of the PRC market slip down and stay at the recently low level. Although the United States of America ("United States") is picking up the beat to recover, the United States Federal Reserve cannot keep the pace on rising in United States interest rates. The unexpected "Brexit" decision sent financial markets tumbling with a sell-off in risk assets. The fate of the United Kingdom and Eurozone are uncertain at this moment because other European countries may follow suit and call for a referendum to threaten the failure of the euro and the European Union. The PRC and Japan carry out money loosen policy, such as Quantitative Easing or Negative Interest Rate Policy. It impacts the volatiles of currencies and stock markets. The cash flow back to risk off and safe haven assets are sought.

The Hong Kong stock market may remain volatile in the second half of 2016 that the Board are looking for any other good investment opportunity for the Company.

Financial Results

For the six months ended 30 June 2016, the Group recorded a net loss of approximately HK\$22,834,000 (six months ended 30 June 2015: profit of HK\$17,746,000), which was mainly attributable to the operating expenses and both realised and unrealised loss in equity investments.

Operating Review

The Company is principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed securities in Hong Kong. There was no change in the nature of the Group's principal activities during the six months ended 30 June 2016. As at 30 June 2016, the total fair value of the Group's investments was approximately HK\$40,072,000 (as at 31 December 2015: HK\$33,725,000).

The gross proceeds from trading of securities for the period amounted to approximately HK\$28,768,000 (2015: HK\$55,456,000). The realised and unrealised loss on financial assets at fair value through profit or loss for the six months ended 30 June 2016 is approximately HK\$1,413,000 (2015: gain of HK\$5,090,000) and HK\$14,402,000 (2015: gain of HK\$18,135,000) respectively.

Liquidity, Financial Resources and Funding

As at 30 June 2016, the Group maintained bank and cash balances of approximately HK\$1,555,000 (31 December 2015: HK\$6,441,000) which were denominated in Hong Kong dollars. The Group will monitor the exposure and take prudent measures when necessary.

The gearing ratio of the Group as at 30 June 2016 was nil (31 December 2015: nil).

The Group had net assets of approximately HK\$45,272,000 (31 December 2015: HK\$39,986,000) and there were no borrowings or long-term liabilities as at 30 June 2016 (31 December 2015: nil).

Capital Structure

As at 30 June 2016, the Company's total issued shares was 621,949,882 (31 December 2015: 571,949,882) at HK\$0.02 each.

On 12 May 2016, the Company has entered into a placing agreement with Kingston Securities Limited (“Kingston”) as placing agent where Kingston agreed to place on a best effort basis a maximum of 50,000,000 new shares of the Company (“Placing Share”) of HK\$0.02 each at HK\$0.58 per Placing Share to at least six placees who were professional investors according to the definition of The Securities and Futures Ordinance. The intended and actual use of proceeds from the share placement was for general working capital for the Group and potential investments to be identified. The placing transaction was completed on 24 May 2016 and a total of 50,000,000 shares were placed. The gross and net proceeds were approximately HK\$29,000,000 and HK\$28,130,000 respectively. The net placing price was approximately HK\$0.563.

Events after the Reporting Period

- (a) On 12 July 2016, a total of 34,300,000 share options (the “Options”) were granted to eligible participants of the Company. The exercise price of the Options was HK\$0.4 each. The exercise period of the Options was from 12 July 2016 to 11 July 2019. No vesting period or vesting condition was imposed on the abovementioned Options.

Among the Options granted above, a total of 5,700,000 Options were granted to Mr. Jim Ka Shun, an executive Director of the Company. Details are set out in the announcement of the Company dated 12 July 2016.

- (b) As at the date of approval of this interim results, the realised and unrealised losses on financial assets at fair value through profit or loss from changes in fair value on financial assets at fair value through profit or loss held as at 30 June 2016 amounted to approximately HK\$17,038,000 and HK\$5,791,000 respectively.

Except for above mentioned, there were no material events occurred after the financial report date.

Material Acquisition and Disposal of Subsidiaries

On 17 March 2016, the Group acquired 100% of the issued share capital of Colour Charm Holdings Limited (“Colour Charm”) at a cash consideration of approximately HK\$2,900,000. Colour Charm did not generate any revenue since its date of incorporation on 2 January 2015. The acquisition of Colour Charm did not constitute a business combination. The acquisition is for the purpose of acquiring a motor vehicle for daily operation.

Except for above mentioned, the Group has not made any material acquisition or disposal of subsidiaries during the period under review.

Employees

As at 30 June 2016, the Group had 10 employees. Total salaries (excluding Directors’ remuneration) for the six months ended 30 June 2016 was HK\$2,251,000 (2015: HK\$1,914,000).

Charge on Group Assets

During the period, there were no charges on the Group’s assets (2015: nil).

Contingent Liabilities

As at 30 June 2016, no contingent liabilities were noted by the Directors (31 December 2015: nil).

Significant Investments

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

Interim Dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2016.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code").

During the six months ended 30 June 2016, the Company was in compliance with the code provisions set out in the Former CG Code except for the deviation from code provision A.4.1.

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

Save as the aforesaid and in the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code during the six months ended 30 June 2016.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with the Listing Rules to review and provide supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Tsang Chung Sing Edward (as chairman), Mr. Yip Ming and Mr. Lau Siu Hang. The Audit Committee has reviewed the unaudited condensed interim financial statements of the Group for the six months ended 30 June 2016.

On behalf of the Board
China Financial Leasing Group Limited
Wong Ka Shing
Company Secretary

Hong Kong, 23 August 2016

As at the date of this announcement, the board of Directors of the Company comprises Mr. Jim Ka Shun as executive Director, Mr. Gan Wei Ping, Mr. Yip Ming, Mr. Lau Siu Hang and Mr. Tsang Chung Sing Edward as independent non-executive Directors.