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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 2017

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 2017.

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 2017

	<i>Note</i>	Six months ended 30 June 2017 (Unaudited) HK\$’000	Six months ended 30 June 2016 (Unaudited) HK\$’000
Revenue	3	1	1
Net loss on financial assets at fair value through profit or loss		(729)	(15,815)
Other income		16	–
Loss on disposal of available-for-sale financial assets		(1,021)	–
Administrative expenses		(8,368)	(7,020)
Loss before income tax	5	(10,101)	(22,834)
Income tax expense	6	–	–
Loss for the period		(10,101)	(22,834)
Other comprehensive income, net of tax:			
<i>Item that may be reclassified to profit or loss:</i>			
Fair value changes of available-for-sale financial assets		633	–
Total comprehensive income for the period attributable to the owners of the Company		<u>(9,468)</u>	<u>(22,834)</u>
Loss per share attributable to the owners of the Company	7	<i>HK cents</i>	<i>HK cents</i>
– Basic		<u>(1.3)</u>	<u>(3.7)</u>
– Diluted		<u>(1.3)</u>	<u>(3.7)</u>

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2017*

	At 30 June 2017 (Unaudited) <i>HK\$'000</i>	At 31 December 2016 (Audited) <i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	2,528	3,054
Available-for-sale financial assets	—	518
	<u>2,528</u>	<u>3,572</u>
Current assets		
Financial assets at fair value through profit or loss	85,604	66,244
Deposits and prepayments	1,059	345
Bank and cash balances	851	751
	<u>87,514</u>	<u>67,340</u>
Current liabilities		
Accruals	175	387
Net current assets	<u>87,339</u>	<u>66,953</u>
Net assets	<u>89,867</u>	<u>70,525</u>
Capital and reserves		
Share capital	17,799	14,839
Reserves	72,068	55,686
Total equity	<u>89,867</u>	<u>70,525</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 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 (the “Listing Rules”) 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 25 August 2017.

The unaudited condensed consolidated interim financial statement has been prepared in accordance with the same accounting policies adopted in the 2016 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual consolidated financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an unaudited condensed consolidated 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 unaudited condensed consolidated interim financial statements contain unaudited condensed consolidated interim 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 2016 annual consolidated financial statements. The unaudited 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 7	Statement of Cash Flows: Disclosure Initiative
Amendments to HKAS 12	Income Taxes: Recognition of deferred tax assets for unrealised losses

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 2017 (Unaudited) HK\$'000	Six months ended 30 June 2016 (Unaudited) HK\$'000
Interest income	<u>1</u>	<u>1</u>

The gross proceeds from trading of securities for the period amounted to approximately HK\$58,620,000 (2016: HK\$28,768,000). The realised profit and unrealised loss on financial assets at fair value through profit or loss for the six months ended 30 June 2017 is approximately HK\$4,995,000 (2016: loss of HK\$1,413,000) and HK\$5,724,000 (2016: loss of HK\$14,402,000) 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 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 2016 and 30 June 2017, 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 BEFORE INCOME TAX

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 June 2016 (Unaudited) HK\$'000
Loss before income tax is arrived at after charging:		
Operating lease charges in respect of land and buildings	258	258
Staff costs (excluding directors' remuneration)		
Wages	2,714	2,251
Retirement benefits scheme contributions	90	74
Depreciation	<u>526</u>	<u>373</u>

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the unaudited condensed consolidated interim financial statements as the Group incurred losses for the six months ended 30 June 2017 (2016: Nil).

At 30 June 2017, the Group had unused tax losses of approximately HK\$171,223,000 (31 December 2016: HK\$168,849,000). 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 2016: Nil).

7. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share is based on the loss for the period attributable to the owners of the Company of approximately HK\$10,101,000 (2016: loss of HK\$22,834,000) and on the weighted average number of 784,469,219 shares (2016: 582,389,442 shares).

Diluted loss per share

The effect of all potential ordinary shares would be anti-dilutive for the six months ended 30 June 2017 and the Company did not have any potential ordinary shares for the six months ended 30 June 2016. Diluted loss per share was the same as the basic loss per share for the six months ended 30 June 2016 and 2017.

8. INTERIM DIVIDEND

The Board of Directors resolved not to declare the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Future Prospects

During the six months ended 30 June 2017, China Financial Leasing Group Limited (the “Company”) was mainly engaged in investments in Hong Kong listed securities for the purpose of short to medium term capital appreciation.

In the first half of 2017, the global economic environment picks up the pace of recovery and less volatility in commodity price, currencies and interest rates. The Hong Kong stock market rebounded sharply and led by the Index heavyweight stocks. Comparatively, the small and mid-cap stocks were underperformance, so the Company’s portfolio performance lagged by the market.

However, the market still has many uncertainties in the next half of year. The United States of America have a further tightened monetary policy and take the next step to scale back its United States dollar 4.5 trillion bonds on its balance sheet. The United Kingdom starts to negotiate with European Union on the Brexit issue, German Federal election and the upcoming 19th National Congress of the Communist Party of China. Although the Board (the “Board”) of Directors (the “Directors”) encounter the volatile market, we are looking for any other good investment opportunity for the Company in response to the market condition.

Financial Results

For the six months ended 30 June 2017, the Company and its subsidiaries (collectively the “Group”) recorded a net loss of approximately HK\$10,101,000 (six months ended 30 June 2016: loss of HK\$22,834,000), which was mainly attributable to the operating expenses and equity investments losses (net of realised gain and unrealised losses).

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 2017. As at 30 June 2017, the total fair value of the Group’s investments was approximately HK\$85,604,000 (as at 31 December 2016: HK\$66,244,000).

The gross proceeds from trading of securities for the period amounted to approximately HK\$58,620,000 (2016: HK\$28,768,000). The realised profit and unrealised loss on financial assets at fair value through profit or loss for the six months ended 30 June 2017 is approximately HK\$4,995,000 (2016: loss of HK\$1,413,000) and HK\$5,724,000 (2016: loss of HK\$14,402,000) respectively.

Liquidity, Financial Resources and Funding

As at 30 June 2017, the Group maintained bank and cash balances of approximately HK\$851,000 (31 December 2016: HK\$751,000) 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 2017 was nil (31 December 2016: nil).

The Group had net assets of approximately HK\$89,867,000 (31 December 2016: HK\$70,525,000) and there were no borrowings or long-term liabilities as at 30 June 2017 (31 December 2016: nil).

Capital Structure

As at 30 June 2017, the Company's total number of issued shares was 889,949,882 (31 December 2016: 741,949,882 shares) at HK\$0.02 each.

On 12 May 2016, the Company 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 I") of HK\$0.02 each at HK\$0.58 per Placing Share I to at least six placees who were professional investors according to the definition of The Securities and Future Ordinance (the "SFO"). The intended and actual use of proceeds from the share placement was for general working capital and investments. The placing transaction was completed on 24 May 2016 and a total of 50,000,000 shares were issued. The gross and net proceeds were approximately HK\$29,000,000 and HK\$28,120,000 respectively. The net placing price was approximately HK\$0.56.

On 12 October 2016, the Company entered into a placing agreement with Supreme China Securities Limited ("Supreme") as placing agent where Supreme agreed to place on a best effort basis a maximum of 120,000,000 new shares of the Company ("Placing Share II") of HK\$0.02 each at HK\$0.29 per Placing Share II to at least six placees who were professional investors according to the definition of the SFO. The intended and actual use of proceeds from the share placement was for general working capital and investments. The placing transaction was completed on 27 October 2016 and a total of 120,000,000 shares were issued. The gross and net proceeds were approximately HK\$34,800,000 and HK\$33,875,000 respectively. The net placing price was approximately HK\$0.28.

On 20 April 2017, the Company entered into a placing agreement with Supreme as placing agent where Supreme agreed to place on a best effort basis a maximum of 148,000,000 new shares of the Company ("Placing Share III") of HK\$0.02 each at HK\$0.2 per Placing Share III to at least six placees who were professional investors according to the definition of the SFO. The intended and actual use of proceeds from the share placement was for general working capital and investments. The placing transaction was completed on 10 May 2017 and a total of 148,000,000 shares were issued. The gross and net proceeds were approximately HK\$29,600,000 and HK\$28,810,000 respectively. The net placing price was approximately HK\$0.19.

Events after the Reporting Period

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 2017 amounted to approximately HK\$9,302,000 and HK\$161,000 respectively.

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

Employees

As at 30 June 2017, the Group had 11 employees. Total salaries (excluding directors' remuneration) for the six months ended 30 June 2017 was approximately HK\$2,714,000 (2016: HK\$2,251,000).

Charge on Group Assets

During the period, there were no charges on the Group's assets (2016: nil).

Contingent Liabilities

As at 30 June 2017, no contingent liabilities were noted by the Directors (31 December 2016: 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 2017 (2016: 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 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited 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 2017.

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 2017, 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 of Association of the Company.

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 2017.

AUDIT COMMITTEE

The Company's 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 consolidated interim financial statements of the Group for the six months ended 30 June 2017.

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

Hong Kong, 25 August 2017

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Jim Ka Shun as executive director, Mr. Yip Ming, Mr. Lau Siu Hang and Mr. Tsang Chung Sing Edward as independent non-executive directors.