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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of China Financial Leasing Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively refer to as the "Group") for the year ended 31 December 2017 together with the relevant comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	—	1
Other income	*5*	**189**	11
Net loss on financial assets at fair value through profit or loss		**(24,139)**	(15,253)
Loss on disposal of available-for-sale financial assets		**(1,021)**	—
		(24,971)	(15,241)
Administrative expenses		**(20,399)**	(22,415)
Loss before tax		**(45,370)**	(37,656)
Income tax expense	*6*	—	—
Loss for the year	*7*	**(45,370)**	(37,656)

* *For identification purpose only*

	Note	2017 HK$'000	2016 HK$'000
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**51**	—
Reclassification adjustment for amount transferred to profit or loss upon disposal of available-for-sale financial assets		**1,021**	—
Fair value changes of available-for-sale financial assets		**856**	(633)
Other comprehensive income for the year, net of tax		**1,928**	(633)
Total comprehensive income for the year attributable to owners of the Company		**(43,442)**	(38,289)
Loss per share	*9*		
Basic (cents per share)		**5.12**	6.04
Diluted (cents per share)		**5.12**	6.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**2,400**	3,054
Available-for-sale financial assets	**16,427**	518
	18,827	3,572
Current assets		
Financial assets at fair value through profit or loss	**62,797**	66,244
Deposits and prepayments	**1,226**	345
Bank and cash balances	**918**	751
	64,941	67,340
Current liabilities		
Accruals	**399**	387
Net current assets	**64,542**	66,953
NET ASSETS	**83,369**	70,525
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	**21,843**	14,839
Reserves	**61,526**	55,686
TOTAL EQUITY	**83,369**	70,525

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 2202, 22nd Floor, 118 Connaught Road West, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities on a general perspective.

The consolidated financial statements for the year ended 31 December 2017 were approved for issue by the Board on 23 March 2018.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in this results announcement.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9, the actual impacts upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the Directors have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

The Group expects to irrevocably designate those unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income.

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss would not be significantly changed as compared with that recognised under HKAS 39.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office and accommodation properties are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office and accommodation properties amounted to approximately HK$1,811,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

4. REVENUE

Revenue recognised during the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest income	—	1

The results arising from the fair value change of financial assets at fair value through profit or loss are shown separately in the 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". The gross proceeds from trading of securities for the year amounted to approximately HK$82,241,000 (2016: HK$53,427,000).

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 both years ended 31 December 2016 and 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. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Net foreign exchange gains	**132**	—
Gain on disposal of property, plant and equipment	**26**	—
Sundry income	**31**	11
	189	11

6. INCOME TAX EXPENSE

The Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the British Virgin Islands during the year (2016: Nil).

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has no assessable profit for the year (2016: Nil).

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(45,370)**	(37,656)
Tax at the Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	**(7,486)**	(6,213)
Tax effect of expenses that are not deductible	**1,882**	1,935
Tax effect of other temporary differences not recognised	**3,296**	(117)
Tax effect of tax losses not recognised	**2,311**	4,395
Effect of different tax rate of a subsidiary operating in other jurisdiction	**(3)**	—
Income tax expense	**—**	—

At the end of the reporting period the Group has unused tax losses of approximately HK$180,692,000 (2016: HK$168,849,000) available for offset against future profits and are subject to the approval of Inland Revenue Department. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration	**310**	310
Depreciation	**1,167**	898
Other equity-settled share-based payments	**317**	1,706
Operating lease charges for land and buildings	**1,756**	502

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$45,370,000 (2016: HK$37,656,000) and the weighted average number of ordinary shares of 886,080,841 (2016: 623,917,095) in issue during the year.

Diluted loss per share

The effect of all potential ordinary shares would be anti-dilutive for the years ended 31 December 2017 and 2016. Diluted loss per share was the same as the basic loss per share for the years ended 31 December 2017 and 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year end 31 December 2017, the Group was mainly engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities.

As the listed equity securities market is easily influenced by the uncertain financial events and market sentiment, the Company had balanced the portfolio performance by relocating the financial resources to the unlisted equity securities to enhance the return. The Group invested in the form of capital injection by taking up the equity interests in Shenzhen Ucar Southern Energy Co. Ltd* ("Shenzhen Ucar"), an unlisted company in the People's Republic of China (the "PRC") which principally engaged in the business of providing consumer financial services to the owners of motor vehicle in the PRC, amounted to HK$15 million by utilising parts of the proceeds from the placing of shares which took place in September 2017. During the year, the profit of approximately HK$1,244,000 arising from changes in fair value of the investment in Shenzhen Ucar was recognised in other comprehensive income and accumulated in the investment valuation reserve. The Company is optimistic to the future returns for the investment in Shenzhen Ucar.

As the global economic recovery and increasing capital inflows from the PRC, the market pace was picked up by the index heavyweight stocks. Comparatively, the portfolio of the Company held with small and mid-cap stocks were lagged by market. S&P/HKEX GEM Index is one of the key performance indicators of the Company. S&P/HKEX GEM Index dropped nearly 100 points from around 360 level in 2017, and closed at nearly new low at around 260 at the end of 2017. This indicated small and mid-cap stocks in the Growth Enterprise Market (the "GEM") of the Stock Exchange may not perform well. Thus, the listed investment portfolio of the Company recorded losses of approximately HK$24,139,000 for overall year. Based on the above and the operating expenses incurred during the year, the Group recorded losses of approximately HK$45,370,000 for the year.

* *For identification purpose only*

OUTLOOK

The economic growth in PRC is slowing down slightly, but it still remains flat. The PRC properties sales is expected to be stable. The new mode of consumption, such as personalisation of consumption, consumption by the elderly and "new retail", will be the catalysts. One Belt and One Road Initiative is the PRC government's long term strategic direction, which can help Renminbi ("RMB") internationalise. Thus, the exchange rate of RMB is expected to be relatively stable. Moreover, the Shenzhen-Hong Kong Stock Connect and Shanghai-Hong Kong Stock Connect amplified the influence of the PRC funds to increase the volatility of the Hong Kong stock market.

The global economic recovery and tax reform may improve the profitability of United States of America (the "United States") companies. It is expected to drive up the United States stock market in 2018. However, the market volatility may increase as (i) the Federal Reserve further raises interest rates; (ii) investors pay more attention to the twin deficits in the United States; and (iii) the fate of the European Union and the United Kingdom still raise out a lot of worries.

The Company still concerns the unexpected government policies and financial events outcome among countries. A lot of challenges are expected in coming years. The Company continues to monitor the market closely to enhance the Group's performance, and explore more investment opportunities in relation to One Belt and One Road Initiative and information technology related sectors.

FINANCIAL REVIEW

As at 31 December 2017, the carrying value of the Group's listed equity investments was approximately HK$62,797,000 (2016: HK$66,244,000).

The Group recorded sales proceeds from disposals of trading equity securities of approximately HK$82,241,000 (2016: HK$53,427,000) for the year ended 31 December 2017 and recorded realised losses of approximately HK$4,285,000 (2016: HK$16,182,000) and unrealised losses of approximately HK$19,854,000 (2016: gain of HK$929,000). Loss for the year was approximately HK$45,370,000 (2016: HK$37,656,000) which was mainly attributable to the operating expenses and equity investments losses.

EQUITY INVESTMENTS

Listed below are the particulars of the Group's major listed and unlisted equity investments as at 31 December 2017:

Name of investees	Principal activities	Number of shares	Approximate percentage of interests held	Cost *(HK$'000)*	Market prices *(HK$)*	Market value/ fair value *(HK$'000)*	Dividend received for the year ended 31 December 2017 *(HK$)*	Dividend cover	Approximate percentage of investments attributable to the Group's net assets
Listed equity securities									
(a) Newtree Group Holdings Limited (1323) ("Newtree Group")	Manufacture and trading of hygienic disposables; trading of coal products; sales of household consumables, jewelries and watches; digital technology applications development; provision of educational technology solutions and money lending business	34,700,000	1.46%	15,409	0.460	15,962	—	N/A	19.15%
(b) Hing Ming Holdings Limited (8425) ("Hing Ming")	Provide rental services of temporary suspended working platforms and other equipment such as tower cranes and generators; and trading of equipment and spare parts	9,748,000	2.44%	7,232	1.350	13,160	—	N/A	15.79%
(c) Hong Kong Resources Holdings Company Limited (2882) ("Hong Kong Resources")	Engaged in retailing and franchising operations for selling gold and jewelry products; entertainment business; and investment holdings	163,288,000	4.64%	18,639	0.076	12,410	—	N/A	14.89%
(d) REXLot Holdings Limited (555) ("REXLot")	Lottery system and games development business and distribution and marketing of lottery products in the PRC	119,425,000	1.19%	13,735	0.053	6,330	—	N/A	7.59%
(e) KSL Holdings Limited (8170) ("KSL")	Provision of engineering consulting, contracting, and project management services in Hong Kong with a focus on geotechnical engineering works	1,958,000	Less than 1%	3,180	2.440	4,777	—	N/A	5.73%
(f) Basetrophy Group Holdings Limited (8460) ("Basetrophy Group")	Provision of foundation and site formation works and other geotechnical engineering works as a substructure subcontractor	19,920,000	1.99%	3,942	0.220	4,382	—	N/A	5.26%
(g) China Internet Investment Finance Holdings Limited (810) ("China Internet Investment")	Investment in equity securities and debt securities	19,008,000	3.48%	7,521	0.190	3,611	—	N/A	4.33%
(h) Zheng Li Holdings Limited (8283) ("Zheng Li")	Offer passenger car services including maintenance and repair services; and modification, tuning and grooming services, sell passenger car spare parts and accessories in Singapore and export to other countries	2,775,000	Less than 1%	19,525	0.780	2,165	—	N/A	2.60%
Unlisted equity securities									
(i) Shenzhen Ucar	Engaged in the business of providing consumer financial services to owners of motor vehicle in the PRC	N/A	3%	15,000	N/A	16,427	—	N/A	19.70%

(a) Newtree Group

The investment committee of the Company (the "Investment Committee") noted that the overall revenue of Newtree Group had increased which might due to the new revenue generated from the money lending business acquired in December 2016. The household consumables business remains the largest revenue source of Newtree Group, however the revenue from the household consumables business had declined which mainly due to the British Pound continuously weakening.

The Investment Committee noted that Newtree Group continued to identify new customers in household consumables business with an aim to improve the market shares, trading volume and distribution channel. The Investment Committee believed that the competitiveness of the trading of household consumables business of Newtree Group would be improved and the money lending business would continuously contribute a stable and favorable income stream in the future.

(b) Hing Ming

The Investment Committee noted that Hing Ming had utilised the proceeds from listing of shares to (i) strengthen the market position in the suspended working platform industry; and (ii) capture the market demand of rental services of tower crane by purchasing tower cranes.

The Investment Committee considered that majority of the proceeds from listing of shares of Hing Ming had not been utilised, which provided a strong financial resources for Hing Ming to undergo negotiation with potential customers for new projects. The Investment Committee expected a potential growth of revenue of Hing Ming in the future.

(c) Hong Kong Resources

The Investment Committee noted that despite the overall decline of the revenue of Hong Kong Resources, which was mainly due to decrease in sales in retail operation in Hong Kong and Macau, there was an increase in sales in retailing operation in the PRC. The PRC remained the major target market of Hong Kong Resources.

The Investment Committee considered that the growth of revenue in retailing operation in the PRC market would be a positive factor to the performance of Hong Kong Resources in the future.

(d) REXLot

The Investment Committee noted that the performance of REXLot had been adversely impacted from the suspension of internet lottery. However, single match games business for REXLot had managed to achieve impressive sales growth and had a potential in the PRC lottery market.

The Investment Committee still has a positive prospect in REXLot since the lottery market in the PRC remains huge and has a continuous growth in the first half of 2017. With the potential of single match games business in the PRC lottery market, the Investment Committee considered that single match games business would benefit to the performance of REXLot in the future.

(e) KSL

The Investment Committee noted that KSL had a decrease in overall revenue. Keen competition in contracting business had impacted KSL's performance. However, the interior design and decoration business, which KSL had entered this industry since 2016, had a decent performance for KSL.

The Investment Committee considered that the demand of construction services in Hong Kong would increase. The Investment Committee expected KSL would continuously seek for opportunities to obtain new projects with a view to increase the revenue and control the overall cost, and the interior design and decoration business would continuously benefit to the performance of KSL.

(f) Basetrophy Group

The Investment Committee noted that the shares of Basetrophy Group were successfully listed on the GEM in June 2017. Although revenue of Basetrophy Group from foundation and related works business had decreased primarily because of delays in works progress in projects, it was reported that there had been increasing number of project quotation invitations received from the potential customers of Basetrophy Group.

The Investment Committee considered that Basetrophy Group would utilise the proceeds from listing of shares to satisfy the demands of the machinery fleet equipment in order to improve the operation efficiency and profitability. The proceeds would provide sufficient financial resources to further strengthen the market position and capture other business opportunities.

(g) China Internet Investment

The Investment Committee considered that China Internet Investment did not perform well from the listed equity investments which led to a loss from operations. However, it was reported that China Internet Investment has the intention to explore any possible unlisted investment opportunities in the PRC such as the PRC fund management and the private equity investment. The Investment Committee expected China Internet Investment would capture potential return from A-share market in the future.

(h) Zheng Li

The Investment Committee noted that Zheng Li recorded a profit during the six months ended 30 June 2017. Zheng Li had over years of experience as a leading passenger car service provider in Singapore. It was also reported that the proceeds from listing of shares of Zheng Li had been utilised to expand the servicing capacity by leasing additional premises and expanding the workforce.

The Investment Committee considered that the expansion of servicing capacity and workforce would continuously benefit the profitability of Zheng Li.

(i) Shenzhen Ucar

The Investment Committee noted that the capital injection by the Group during the year helped Shenzhen Ucar increase its capital resources to expand its market share. It also noted that the revenue of Shenzhen Ucar for the year ended 31 December 2017 recorded an increase as compare with the year ended 31 December 2016.

The Investment Committee considered that Shenzhen Ucar will bring future positive return to the Group as (i) the capital injection helped Shenzhen Ucar to increase operation scale and strengthen its financial position in the growth stage to capture more market share; and (ii) there is a great market potential in terms of demand in the motor vehicles market in the PRC. The Investment Committee are optimistic to the future returns for the investment in Shenzhen Ucar.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2017, the Group maintained cash and cash equivalents of approximately HK$918,000 (2016: HK$751,000) which were mainly 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 31 December 2017 was Nil (2016: Nil).

The Group had net assets of approximately HK$83,369,000 (2016: HK$70,525,000) and there were no borrowings or long term liabilities as at 31 December 2017 (2016: Nil).

CAPITAL STRUCTURE

As at 31 December 2017, the Company's total number of issued shares was 1,092,149,882 of HK$0.02 each. On 20 April 2017, the Company entered into a placing agreement (the "Placing Agreement I") with Supreme China Securities Limited ("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 I") of HK$0.02 each at HK$0.2 per Placing Share I to not less than six placees who were independent third parties. The placing price of HK$0.2 per Placing Share I represents a discount of approximately 17.36% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK$0.236 as quoted on the Stock Exchange on the date of the Placing Agreement I; and (ii) the average closing price of HK$0.242 in the last five consecutive trading days prior to the date of the Placing Agreement I. 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 ordinary shares were issued. The gross and net proceeds were approximately HK$29,600,000 and HK$28,810,000 respectively. The net placing price per share was approximately HK$0.195.

On 11 September 2017, the Company entered into a placing agreement (the "Placing Agreement II") with Supreme as placing agent where Supreme agreed to place, on a best effort basis, a maximum of 177,000,000 new shares of the Company ("Placing Share II") of HK$0.02 each at HK$0.12 per Placing Share II to not less than six placees who were independent third parties. The placing price of HK$0.12 per Placing Share II represents a discount of approximately 18.37% to the benchmarked price of the shares, which is the higher of (i) the closing price of HK$0.146 as quoted on the Stock Exchange on the date of the Placing Agreement II; and (ii) the average closing price of HK$0.147 in the last five consecutive trading days prior to the date of the Placing Agreement II. The intended and actual use of proceeds from the share placement was for general working capital and investments. The placing transaction was completed on 28 September 2017 and a total of 177,000,000 ordinary shares were issued. The gross and net proceeds were approximately HK$21,240,000 and HK$20,709,000 respectively. The net placing price per share was approximately HK$0.117.

On 5 September 2017, the Board resolved to cancel a total of 34,300,000 existing share options and to grant a total of 52,700,000 new share options (the "New Options") to eligible participants of the Group. The exercise price of the New Options was HK$0.15 each. The exercise period of the New Options was from 5 September 2017 to 4 September 2020. No vesting period or vesting condition was imposed on the New Options. No New Options were lapsed during the year.

During the year, two employees of the Company exercised the New Options to subscribe 16,400,000 shares of HK$0.02 each at the exercise price of HK$0.15 per share. As a result, 16,400,000 ordinary shares of the Company were issued and allotted.

During the year, an executive Director of the Company exercised the New Options to subscribe 8,800,000 shares of HK$0.02 each at the exercise price of HK$0.15 per share. As a result, 8,800,000 ordinary shares of the Company were issued and allotted.

Total consideration received by the Company from the exercise of the New Options was approximately HK$3,780,000 during the year.

MATERIAL ACQUISITION AND DISPOSAL 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 2017, the Group had 11 employees. Total employee benefits expenses (excluding Directors' emoluments) and Directors' emoluments for the year ended 31 December 2017 were approximately HK$8,255,000 and HK$1,708,000 respectively. The remuneration policy of the Group is reviewed annually and employees are remunerated based on their performance, experience and the prevailing market practice. No Director or executive is involved in dealing with his own remuneration.

In addition to salary payments, the Group has participated in the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at 5% of each employee's monthly relevant income subject to a monthly maximum amount of HK$1,500.

The Company maintains a share option scheme, pursuant to which share options are granted to selected directors, employees or other eligible participants of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operation of the Group. During the year, a total of 52,700,000 New Options were granted to directors, employees or eligible participants of the Group under the Company's share option scheme. A total of 25,200,000 New Options were exercised and no New Options were lapsed during the year.

CHARGES ON GROUP'S ASSETS

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

FOREIGN EXCHANGE EXPOSURE

The Group's exposures to foreign currencies mainly arises from its investments in financial assets denominated in RMB. The Group currently does not have any foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

During the year, there were no contingent liabilities noted by the Directors (2016: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2017, the significant investments of the Group are included in the Group's investments under the section headed "Equity Investments" in this results announcement.

FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

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") as set out in Appendix 10 to 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 ended 31 December 2017.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of The Corporate Governance Code And Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance practices.

During the year ended 31 December 2017, the Company was in compliance with the code provisions set out in the CG Code except for the deviation from code provision A.4.1.

Code provision A.4.1 of the CG Code provides 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 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 year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee was established on 7 October 2002. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Tsang Chung Sing Edward (chairperson of the Audit Committee), Mr. Yip Ming and Mr. Lau Siu Hang.

The 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 auditor 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 Group's interim and annual reports.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2017.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

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

Hong Kong, 23 March 2018

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.