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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of China Financial Leasing Group Limited (the “Company”) announces the audited consolidated statement of comprehensive income of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 and the Group’s consolidated statement of financial position as at 31 December 2009, together with the relevant comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Revenue	3	186	674
Other income		24	—
Net gain/(loss) on financial assets at fair value through profit or loss		<u>1,079</u>	<u>(41,160)</u>
		1,289	(40,486)
Administrative expenses		<u>(9,613)</u>	<u>(13,723)</u>
Loss before income tax	5	(8,324)	(54,209)
Income tax expense	6	<u>—</u>	<u>—</u>
Loss for the year		<u>(8,324)</u>	<u>(54,209)</u>
Total comprehensive income for the year		<u>(8,324)</u>	<u>(54,209)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share for loss attributable to the owners of the Company during the year	7		
- Basic		(2.47)	(16.07)
- Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		511	948
Loan receivables		<u>1,327</u>	<u>—</u>
		<u>1,838</u>	<u>948</u>
Current assets			
Financial assets at fair value through profit or loss		—	3,706
Other receivables, deposits and prepayments		599	3,382
Loan receivables		1,723	—
Cash and cash equivalents	8	<u>41,463</u>	<u>4,909</u>
		<u>43,785</u>	<u>11,997</u>
Current liabilities			
Other payables and accruals	8	<u>42,489</u>	<u>1,487</u>
Net current assets		<u>1,296</u>	<u>10,510</u>
Total assets less current liabilities/Net assets		<u><u>3,134</u></u>	<u><u>11,458</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		3,373	84,336
Reserves		<u>(239)</u>	<u>(72,878)</u>
Total equity		<u><u>3,134</u></u>	<u><u>11,458</u></u>

Notes:

1. GENERAL INFORMATION

China Financial Leasing Group Limited (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 and principal place of business are located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 4209, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 loan financing business in the People’s Republic of China (the “PRC”).

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2009:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Amendments)	Cost of An Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendments)	Share-based Payment - Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It

also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or company statement of financial position at 1 January 2008 and accordingly this statement is not presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries, jointly controlled entity or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

There is no impact on the effect of the application of the amendments in respect of the Company's interest in subsidiaries and retained earnings at 31 December 2009 in the separate statement of financial position.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns.

HKFRS 7 (Amendments) Improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Company has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

3. REVENUE

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	6	462
Dividend income	—	17
Other interest income	138	195
Loan interest income	<u>42</u>	<u>—</u>
	<u>186</u>	<u>674</u>

The results arising from the fair valuation of financial assets at fair value through profit or loss are shown separately in the consolidated statement of comprehensive income under the line of “net gain/(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\$6,263,000 (2008: HK\$5,269,000).

4. SEGMENT INFORMATION

On adoption of HKFRS 8 “Operating Segments”, 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. There are two business components/reportable segments in the internal reporting to the executive directors, which are investment in listed securities and provision of loan financing.

(a) Operating segments

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Investment in listed securities		Provision of loan financing		Total	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
From external customers	—	17	138	—	138	17
Reportable segment revenue	<u>—</u>	<u>17</u>	<u>138</u>	<u>—</u>	<u>138</u>	<u>17</u>
Reportable segment gain/(loss)	<u>367</u>	<u>(41,474)</u>	<u>138</u>	<u>—</u>	<u>505</u>	<u>(41,474)</u>
Reportable segment assets	509	4,791	3,050	—	3,559	4,791
Additions to non-current segment assets during the year	—	—	1,327	—	1,327	—

(b) **Geographical segments**

An analysis of the Group's revenue and operating loss by geographical location are as follows:

	Revenue from external customers		Non-current assets	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	48	674	511	948
The PRC	<u>138</u>	<u>—</u>	<u>1,327</u>	<u>—</u>
	<u>186</u>	<u>674</u>	<u>1,838</u>	<u>948</u>

5. LOSS BEFORE INCOME TAX

	2009	2008
	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging:		
Auditors' remuneration	200	187
Depreciation	284	245
Exchange loss, net	82	1,455
Operating lease charges in respect of land and buildings	1,625	974
Loss on disposal of property, plant and equipment	<u>140</u>	<u>—</u>

6. INCOME TAX EXPENSE

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the year (2008: Nil).

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 (2008: Nil).

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before income tax	<u>(8,324)</u>	<u>(54,209)</u>
Tax on loss before income tax, calculated at applicable rate of 16.5% (2008: 16.5%)	(1,373)	(8,944)
Tax effect of non-taxable income	(43)	(178)
Tax effect of non-deductible expenses	165	650
Tax effect on tax losses not recognised	<u>1,251</u>	<u>8,472</u>
Income tax expense	<u>—</u>	<u>—</u>

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of approximately HK\$8,324,000 (2008: HK\$54,209,000) and on the weighted average number of 337,344,000 (2008: 337,344,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2008 and 2009 was not presented as the impact of the warrants was anti-dilutive.

8. POST BALANCE SHEET EVENT

The Company has entered into a convertible notes placing agreement with a placing agent on 30 June 2009, in relation to the proposed issue of the convertible notes. The fund of approximately HK\$40,734,000 was received and included in “cash and cash equivalents” and “other payables and accruals” of the Group as at 31 December 2009. On 15 January 2010, the Company received a letter from the Stock Exchange indicating its rejection to grant for the listing approval for the conversion shares on the basis that the placing does not comply with the principles in Rules 2.03 of the Listing Rules. The fund received was then refunded to the placing agent afterwards.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded sales proceed from disposals of trading equity securities of approximately HK\$6,263,000 for the year ended 31 December 2009 (2008: HK\$5,269,000) and recorded a net profit on financial assets at fair value through profit or loss of approximately HK\$1,079,000 (2008: net loss of HK\$41,160,000).

Loss for the year was approximately HK\$8,324,000 (2008: loss of HK\$54,209,000) which was mainly contributed by the operating cost of the Group during the year ended 31 December 2009.

Investment Equity

As at 31 December 2009, the carrying value of the Group's listed equity investments was nil. (2008: HK\$3,706,000)

Liquidity, financial resources and funding

As at 31 December 2009, the Group had cash and cash equivalents of approximately HK\$41,463,000 (2008: HK\$4,909,000) comprised a temporary receipt of HK\$40,734,375 which was subsequent refunded in January 2010. The Group will monitor the exposure and take prudent measures when necessary.

The Group had net assets of approximately HK\$3,134,000 (2008: HK\$11,458,000) and there were no borrowings or long-term liabilities as at 31 December 2009.

Capital Structure

On 19 December 2008, the Company consolidated every 5 issued and unissued shares of HK\$0.05 each into one consolidated shares of HK\$0.25 each (the "Share Consolidation"), and changed the board lot size for trading in the shares from 10,000 to 15,000 consolidated shares. Upon the Grant Court of the Cayman Islands granted the order on 27 March 2009 and fulfillment of other conditions precedent, the par value of each issued consolidated share was reduced from HK\$0.25 to HK\$0.01 by canceling the paid-up capital to the extent of HK\$0.24 on each issued consolidated share and sub-divide every unissued share of HK\$0.25 each into 25 shares of HK\$0.01 each on 31 March 2009. As a result, HK\$80,962,560 paid-up capital was cancelled which eliminated the accumulated losses of the Company.

Subsequent Events

On 11 February 2010, the Company issued 67,455,000 shares under the placing agreement entered into between the Company and Metro Capital Securities Limited on 2 February 2010, and a net proceeds of approximately HK\$5,801,000 was received by the Company on 10 February 2010.

On 12 April 2010, the Company has proposed an open offer to the existing shareholders to subscribe for new shares at a price of HK\$0.057 per share on the basis of one offer share for every two existing shares held by qualifying shareholders on 30 April 2010. It is expected to raise approximately HK\$11.5 million to HK\$13.5 million. Details of which were disclosed in the announcement of the Company dated 12 April 2010.

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 2009, the Group had 9 employees, including 2 executive Directors. Total salary and housing cost for the year ended 31 December 2009 was HK\$2,354,000 (2008: HK\$2,318,000). The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice. During the year, no share options were granted to any directors or employees of the Group under the Company's share option scheme adopted on 7 October 2002.

Charges on Group Assets

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

Contingent Liabilities

During the year, there were no contingent liabilities noted by the Directors.

FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2009.

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 2009.

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 Rules which came into effect on 1 January 2005, as its own code of corporate governance practices.

During the year ended 31 December 2009, the Company was in compliance with the code provisions set out in the CG Code except for the deviations from code provisions A.4.1 and E.1.2.

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 (except Mr. Chung Shu Kun, Christopher) are not appointed for a specific term but they are subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company.

Code provision E.1.2 of the CG Code provides that the chairman of the Board should attend the annual general meeting. Mr. Choy Kwok Hung, Patrick, the Chairman of the board of Directors of the Company (the “Board”) did not attend the 2009 annual general meeting of the Company by the reason of business trip, and the Chairman has set aside time to attend the 2010 annual general meeting of the Company to be held on Tuesday, 1 June 2010.

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 2009.

AUDIT COMMITTEE

The Audit Committee 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, 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 2009.

On behalf of the Board
Choy Kwok Hung, Patrick
Chairman

Hong Kong, 21 April 2010

As at the date of this announcement, the Board comprises Mr. Choy Kwok Hung, Patrick (Chairman) and Mr. Chan Chi Hung (Managing Director) as executive Directors, and Mr. Yue Man Yiu, Matthew, Mr. Chung Koon Yan and Mr. Chung Shu Kun, Christopher as independent non-executive Directors.