远东宏信
FAR EAST HORIZON

2010
Annual Report

Incorporated in Hong Kong with limited liability, Stock Code: 3360

CONTENTS

Corporate Information

Board of Directors

Chairman and Non-Executive Director

Mr. Liu Deshu *(Chairman)*

Executive Director

Mr. Kong Fanxing *(Vice Chairman, Chief Executive Officer)*
Mr. Wang Mingzhe *(Chief Financial Officer)*

Non-Executive Director

Mr. Yang Lin
Ms. Shi Dai
Mr. Liu Haifeng David
Ms. Sun Xiaoning

Independent Non-Executive Director

Mr. Cai Cunqiang
Mr. Han Xiaojing
Mr. Liu Jialin
Mr. Yip Wai Ming

Composition of Committee

Audit Committee

Mr. Yip Wai Ming *(Chairman)*
Mr. Han Xiaojing
Ms. Sun Xiaoning

Remuneration and Nomination Committee

Mr. Liu Jialin *(Chairman)*
Mr. Han Xiaojing
Ms. Shi Dai

Strategy and Investment Committee

Mr. Liu Haifeng David *(Chairman)*
Mr. Kong Fanxing
Mr. Cai Cunqiang

Joint Company Secretaries

Ms. Chu Man Yee, Karen
Ms. Mak Sze Man, Celia

Authorized Representatives

Mr. Kong Fanxing
Ms. Chu Man Yee, Karen

Registered Office

Room 4701, Office Tower, Convention Plaza, 1 Harbour Road,
Wanchai, Hong Kong

Principal Place of Business in the PRC

35th Floor, Jin Mao Tower, 88 Century Avenue, Pudong,
Shanghai, the People's Republic of China

Principal Place of Business in Hong Kong

Room 4701, Office Tower, Convention Plaza, 1 Harbour Road,
Wanchai, Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited

Principal Bankers

China Development Bank
Bank of China

Auditors

Ernst & Young

Legal Adviser

Paul, Hastings, Janofsky & Walker

Compliance Advisor

Guotai Junan Capital Limited

Company's Website

www.fehorizon.com

Stock Code

The Company's shares are listed on the Main Board of
The Stock Exchange of Hong Kong Limited
Stock Code: 3360

Company Profile

Far East Horizon Limited (the "Company") and its subsidiaries ("the Group") is a leading and innovative financial services company in the People's Republic of China (the "PRC"), specializing in providing customized financing solutions through financial leasing to customers in target industries in the PRC. The Group also provides value-added services, including advisory, trading and brokerage, etc, to those customers.

The Group provides integrated services, such as finance, trading, advisory and investment, in various targeted sectors, namely healthcare, printing, shipping, infrastructure construction, machinery and education. Being capable of complementing its strength in organizing, and adding value to resources, the Group has established its edge in synchronized corporate operation, through effectively and innovatively making full use of the industrial capital and financial capital.

In the year 2010, the Group achieved a leading market position in profit for the year, return on total assets and return on equity.

Chairman's Statement

Dear Shareholders,

The Group gathers global resources to focus on the demand of the PRC's industrial customers, and provides full support to the customers' development and promotes the industrial and economic development of the country with its effort in persistent innovation.

In 2010, challenges prevailed notwithstanding the recovery of the global economy. The weakening US dollar has indirectly pushed up the general prices of production materials around the world, and developing countries were exposed to significant risk of imported inflation. The sovereign debt crisis in Europe, global trade wars and the elevated exchange rate wars have also retarded the recovery speed of the global economy. In 2010, favorable and unfavorable factors prevailed in the global economic recovery, but China's economy has maintained a strong and stable growth, and China has played a leading role in the recovery of global economy. The financial leasing industry in China maintained a rapid growth during the year. The total transaction volume of the financial leasing market for the year exceeded RMB420 billion, representing a growth of approximately 50% as compared with 2009.

Retrospective of the year 2010, with the unremitting hard work and the efforts in innovation of all the employees of the Group, we have expanded our business to the whole country. The Group faced a complicated and evolving business environment in 2010. Notwithstanding this, by adhering to our established business strategy of providing industry-focused integrated services and taking specific measures to further streamline our marketing structure, increase customer coverage, strengthen market expansion, enhance brand profile, and expand sub-segments of the existing market and by continuously enhancing our competitive edge in differentiation, the Group has achieved all the objectives of the its strategies during the year.

As at the end of 2010, the Group recorded an increase in revenue of US$115,547,000, or 54.67%, from the same period of last year to US$326,909,000. The profit before tax increased by US$43,963,000, or 49.19%, from the same period of last year to US$133,328,000.

As at the end of 2010, the total assets of the Group amounted to US$3.824 billion, representing an increase of US$1.740 billion or 83.50% as compared with the corresponding period of last year.

For asset quality, the Group has adhered to its conservative risk management policy. As at the end of 2010, the non-performing assets ratio of lease receivables decreased from 1.20% as of last year to 0.99%. Meanwhile, the provision coverage ratio rose from 109.38% as of 2009 to 116.38% in 2010, which allowed the overall asset quality of the Group to be maintained at a better level.

The Group continued to enhance the corporate governance standard in 2010 by establishing and improving its governance system, according to the requirements of the Code on Corporate Governance Practices of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Looking forward to 2011, momentum behind the global economy's recovery is expected to continue despite the weaker economic growth in developed economies. Unemployment rates and the probability of a sovereign debt crisis in certain countries still remain relatively high, as well as the pressure of inflation continues to exist, which all bring uncertainties to the progress of recovery.

Chairman's Statement

As for the domestic macro economy, in the first year of the 12th Five Year Plan Period, the Chinese government will continue to implement proactive fiscal policies and prudent monetary policies. It is expected that the gross domestic product (GDP) will maintain a higher growth rate. Meanwhile, it should be noted that, under the macro environment where the liquidity continuously shrinks and the overall growing speed of the economy is appropriately slowed down, the developing pace of certain industries will be accordingly slowed down, which will affect the growing speed of our new business in such industries and the stability of our asset quality in a certain extent.

With the implementation of the 12th Five Year Plan, the sustainable development of the economy in China, the stable monetary policies, the further optimization of the economic structure, the rapid progress of the urbanization and industrialization, and the stable development of the six industries that the Group operated in, factors including the immature financial leasing industry in China and the strong demand for financial services from small and medium enterprises will together provide an excellent external environment for the stable development of the Group's businesses.

On 30 March 2011, the Group listed on the Main Board of the Stock Exchange through the initial public offering of new shares. In view of this new starting point, the Group will, by adhering to its established business strategy of providing industry-focused integrated services, make more effort to refine the existing industries, continue to explore new industrial segments and expand its integrated business. In the meantime, the Group will continue to adopt its conservative risk management policy, in order to ensure the healthy and stable development of its business on an on-going basis.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all shareholders, customers, management and staff of the Company. I hope that we will have your continuous care and support, while our management and all staff will adhere to our belief and keep working hard to contribute to the success of the Company on the new starting point.

Far East Horizon Limited
Chairman of the Board
Liu Deshu

31 March 2011

Business Review

We have two main business segments: leasing and advisory business, and trading and others business. The table below sets forth the revenues derived from these businesses.

	For the year ended 31 December 2010		For the year ended 31 December 2009		
	US$'000	% of total	US$'000	% of total	Change %
Leasing and advisory segment	**298,129**	**88.49%**	197,502	90.50%	50.95%
Financial leasing (interest income)	**178,361**	**52.94%**	107,537	49.28%	65.86%
Advisory services (fee income)	**119,768**	**35.55%**	89,965	41.22%	33.13%
Trading and others segment	**38,786**	**11.51%**	20,732	9.50%	87.08%
Total	**336,915**		218,234		54.38%
Business taxes and surcharges	**(10,006)**		(6,872)		45.61%
Revenue (after business taxes and surcharges)	**326,909**		211,362		54.67%

Leasing and Advisory Business — Financial Leasing

The Group provides customized financing solutions to our customers mainly in the target industries (being healthcare, education, infrastructure construction, shipping, printing and machinery industries), through equipment-based financial leasing services, which primarily comprise direct financial leasing and sale-leaseback services.

Benefited from the favorable development of the domestic economy and the growth in the demand in corporate financing, and coupled with the Group's persistent effort in expanding its financial leasing business actively, it recorded a revenue (before business taxes and surcharges) of US$178,361,000 for its financial leasing business in 2010, representing a growth of 65.86% as compared with last year, while the market share has also increased.

In 2010, the Group has expanded the customer coverage and the market of its existing industries by enhancing our marketing initiatives and penetrating into the sub-market segment. Meanwhile, through constantly increasing the product mix and expanding the sales team, it also recorded growth in all businesses in the six targeted industries.

Leasing and Advisory Business — Advisory Services

With the extensive industrial experience, sophisticated financial analysis and the capability in risk management, the Group is capable of providing customized advisory services to our customers, which primarily comprise industry analysis, equipment operation analysis, management consulting and financial consulting, while providing financial leasing services.

By expanding the customer coverage and the range of its advisory services, the revenue (before business taxes and surcharges) of advisory services of the Group for 2010 increased by 33.13% from last year, amounting to US$119,768,000.

Trading Services and Others Business

According to the specific requirements of our customers, the Group also provides trading services through Shanghai Donghong Co., Ltd., a wholly-owned subsidiary. By procuring collective sales or purchases of equipment, the Group is able to achieve economies of scale and lower transaction costs. Through Shanghai Donghong Co., Ltd., the Group mainly engages in the import and export trade and domestic trade of medical equipment and spare parts, paper, ink, cardboard and paper goods primarily within the healthcare and printing industries, as well as trade agency services primarily within the machinery industry.

During the year, driven by our continuous efforts on carrying forward our industry-focused and integrated services strategy, the trading business in the printing industry and the brokerage business in the shipping industry have achieved comprehensive development and this in turn supported the rapid growth of the trading and other income. An income of US$38,786,000 (before business taxes and surcharges) was recorded in 2010, representing a growth of 87.08% as compared with last year.

Management Discussion and Analysis

1. Business Overview

The Group faced a complicated and evolving business environment in 2010. Notwithstanding this, by adhering to our established business strategy of providing industry-focused integrated services and taking specific measures to further streamline our marketing structure, increase customer coverage, strengthen market expansion, enhance brand profile, and expand sub-segments of the existing market and by continuously enhancing our competitive edge in differentiation, the Group has achieved all the objectives of its strategies during the year, which are summarized as follows:

Profit for the year recorded rapid year-on-year growth and the profitability was maintained at a high level. In 2010, the profit for the year attributable to the owners of the parent increased by US$34.68 million from last year to US$103.75 million, representing a growth of 50.20%; the rate of yield for the average total assets and average net assets were 3.50% and 25.75% respectively.

There witnessed a rapid growth in the scale of assets and liabilities. As at 31 December 2010, the total assets of the Group increased by US$1.74 billion or 83.50% from last year to US$3.824 billion. Loans and accounts receivable increased by US$1.724 billion or 87.26% from last year to US$3.7 billion.

The asset quality remained outstanding. As at 31 December 2010, the balance of the Group's non-performing assets was US$36,262,000, representing an increase of US$12,673,000 as compared with last year and the non-performing asset ratio was 0.99%, decreased by 0.21 percentage point from last year. The provision coverage for non-performing assets increased by 7.00 percentage points from last year to 116.38%. In 2010, the amount of non-performing assets written off reduced to US$35,000 from US$236,000 in last year and the write-off ratio of non-performing assets reduced to 0.15% from 0.92% last year.

2. Analysis of Profit and Loss

In 2010, the Group achieved a healthy and rapid growth in its results with the growth in revenue being in line with the growth in costs and various expenses. The Group realized a profit before tax of US$133,328,000, representing a growth of 49.19% as compared with last year and the profit attributable to the owner of the parent was US$103.75 million, representing a growth of 50.20% as compared with last year. The following table sets forth the figures for the year ended 31 December 2009 for comparison.

	For the year ended 31 December 2010 US$'000	For the year ended 31 December 2009 US$'000	Change %
Revenue	**326,909**	211,362	54.67%
Cost of sales	**(117,864)**	(74,527)	58.15%
Gross profit	**209,045**	136,835	52.77%
Other income and gain	**9,930**	2,652	274.43%
Selling and distribution costs	**(37,614)**	(23,332)	61.21%
Administrative expenses	**(44,589)**	(26,017)	71.38%
Other expenses	**(3,444)**	(773)	345.54%
Profit before tax	**133,328**	89,365	49.19%
Income tax expense	**(29,910)**	(20,292)	47.40%
Profit for the year	**103,418**	69,073	49.72%
Attributable to:			
Owners of the parent	**103,749**	69,073	50.20%
Non-controlling interests	**(331)**	—	Not applicable

3. Revenue

In 2010, the Group realized a revenue of US$326,909,000, representing a growth of 54.67% from US$211,362,000 as recorded in the corresponding period in previous year, and was mainly attributable the growth of income in leasing and advisory segment. In 2010, income (before business taxes and surcharges) of leasing and advisory segment was US$298,129,000, accounting for 88.49% of the total income (before business taxes and surcharges), and representing a growth of 50.95% as recorded in previous year. Income from trading and others segment rose by 87.08%, representing a growth faster than the leasing and advisory segment and making its share in the total income (before business taxes and surcharges) grow to 11.51% from 9.50% in last year. Income has become more diversive in distribution.

Management Discussion and Analysis

Table below sets forth the composition and the changes of Group's revenue by business segments in the indicated period.

	For the year ended 31 December 2010		For the year ended 31 December 2009		
	US$'000	Percentage of total %	US$'000	Percentage of total %	Change %
Leasing and advisory segment	**298,129**	**88.49%**	197,502	90.50%	50.95%
Financial leasing (interest income)	**178,361**	**52.94%**	107,537	49.28%	65.86%
Advisory services (fee income)	**119,768**	**35.55%**	89,965	41.22%	33.13%
Trading and others segment	**38,786**	**11.51%**	20,732	9.50%	87.08%
Total	**336,915**		218,234		54.38%
Business taxes and surcharges	**(10,006)**		(6,872)		45.61%
Revenue (after business taxes and surcharges)	**326,909**		211,362		54.67%

The Group also categorized income by industry, and the Group mainly engaged in healthcare, education, infrastructure construction, shipping, printing and machinery industries in 2010. In 2010, the share of each industry with total income tended to be more balanced, in which the growth of the shipping industry was benefited from the substantial recovery of the global economy.

Table below sets forth the composition and the change of Group's income (before business taxes and surcharges) in the indicated period.

	For the year ended 31 December 2010		For the year ended 31 December 2009		
	US$'000	Percentage of total %	US'$000	Percentage of total %	Change %
Healthcare	**82,165**	**24.39%**	63,643	29.16%	29.10%
Education	**46,764**	**13.88%**	29,846	13.68%	56.68%
Infrastructure construction	**35,545**	**10.55%**	23,681	10.85%	50.10%
Shipping	**40,264**	**11.95%**	20,557	9.42%	95.87%
Printing	**85,203**	**25.29%**	58,785	26.94%	44.94%
Machinery	**32,950**	**9.78%**	19,534	8.95%	68.68%
Others	**14,024**	**4.16%**	2,188	1.00%	540.95%
Total	**336,915**	**100.00%**	218,234	100.00%	54.38%

Management Discussion and Analysis

3.1 Financial Leasing (Interest Income)

The interest income (before business taxes and surcharges) from leasing and advisory segment of the Group rose from US$107,537,000 in 2009 to US$178,361,000 or by 65.86% in 2010, accounting for 52.94% of the Group's total revenue (before business taxes and surcharges)and representing an increase of 3.66% as compared with 49.28% as recorded in 2009. It is mainly due to the growth of average balance of interest-earning assets.

The increase and the decrease of interest income were mainly driven by two factors: average balance of interest-earning assets and average yield. The Group's average balance of interest-earning assets rose from US$1,668,191,000 in 2009 to US$2,855,841,000 in 2010, representing an increase of 71.19%. It was attributable to the expansion of the Group's business operation. Average rate of yield of the interest-earning assets of the Group dropped from 6.45% in 2009 to 6.25% in 2010. It was mainly because the full reflection in the results for 2010 of the persistent growth of the leasing contracts entered into by the Group following the cutting down of the benchmark interest rate by the People's Bank of China in the last four months in 2008.

Table below sets forth the average balance, interest income and average yield of different industries during indicated period.

	For the year ended 31 December 2010			For the year ended 31 December 2009		
	Average interest-earning assets(1) US$'000	Interest income(2) US$'000	Average yield(3) %	Average interest-earning assets(1) US$'000	Interest income(2) US$'000	Average yield(3) %
Healthcare	843,600	51,076	6.05%	618,703	37,107	6.00%
Education	428,361	28,588	6.67%	244,432	15,670	6.41%
Infrastructure construction	386,376	20,157	5.22%	190,602	12,179	6.39%
Shipping	254,311	17,268	6.79%	117,888	10,076	8.55%
Printing	510,579	33,918	6.64%	363,927	21,896	6.02%
Machinery	239,154	17,599	7.36%	116,170	9,597	8.26%
Others	193,461	9,755	5.04%	16,469	1,012	6.14%
Total	2,855,841	178,361	6.25%	1,668,191	107,537	6.45%

Notes:

(1) Calculated based on the total average balance of interest-earning assets at the beginning and the end of the indicated year.

(2) Income of each industry represents the revenue before business taxes and surcharges.

(3) Average yield represents the quotient of interest income as divided by average balance of interest-earning assets.

(4) Interest-earning assets include net financial leasing receivable and trust loan.

Management Discussion and Analysis

Analysis according to average balance of interest-earning assets

Among the six industries, healthcare, infrastructure construction, education and printing are the key drivers to the Group's average balance of interest-earning assets, representing 63.26% to the growth of the average balance of interest-earning assets in 2010. The increase in the average balance of interest-earning assets generally reflects the business expansion of the Group and the benefits received from the Group's further effort in marketing and promotion, including arranging expos and exhibitions for major industry participants and professionals, and recruiting more sales and marketing staff.

Analysis according to average yield

In 2010, the average yield of the Group was 6.25%, being 0.20% lower than the 6.45% as recorded in 2009 and was attributable to the followings. Firstly, the Group's overall average revenue rate dropped was mainly attributable to the full reflection in the results for 2010 of the persistent growth of the leasing contracts entered into by the Group following the cutting down of the benchmark interest rate by the People's Bank of China in the last four months in 2008. The average yield of the Group's shipping industry dropped from 8.55% in 2009 to 6.79% in 2010 and this was mainly because the group entered additional shipping leasing transactions denominated in United States Dollars ("US$"), and the benchmark interest rate of such transactions was LIBOR. The average yield of infrastructure construction industry of the Group dropped from 6.39% in 2009 to 5.22% in 2010, and it was attributable to the additional short term leasing contracts entered into by the Group, where such contracts were priced according to the lower rate of yield. In 2009, the infrastructure construction contracts entered into between the Group and customers rarely had a term of one year or less. Instead, with the demand for contracts with a term of one year or less increased, the Group has entered into more contracts with a term of one year or less, and such contracts represent 25% of the aggregate contract value of new infrastructure construction contracts in 2010. The average yield of machinery dropped from 8.26% in 2009 to 7.36% in 2010. It was mainly attributable to the expansion of the market coverage of machinery industry, seizure of the high-ended customer market and the intended adjustment of the excessive rate of yield to align to the market rate. In 2009, among the machinery contracts entered into by the Group, annual revenue of customers more than 200 million accounted for 4%; such contracts accounted for 22% of the aggregate contract value of new leasing contracts of the machinery segment in 2010. The fall of average yield of the above industries dropped was offset by the increase in the average yield of printing industry. The average yield of the printing industry rose from 6.02% in 2009 to 6.64% in 2010. The increase was mainly attributable to the economic recovery and the growth in demand of the printing industry was driven by the economic recovery in the second half of 2009. The growth in demand enhanced the bargaining power of the Group, therefore, more new leasing contracts with higher rate of yield were entered into in 2010.

3.2 Advisory Services (Fee Income)

In 2010, fee income (before business and surcharges) from leasing and advisory segment grew 33.1% from US$89,965,000 in 2009 to US$119,768,000 in 2010, accounting for 35.55% of the total revenue (before business taxes and surcharges) of the Group, or a 5.67% decrease as compared with 41.22% in 2009.

Table below sets forth the Group's service charge income (before business taxes and surcharges) by industry during indicated period.

	For the year ended 31 December 2010		For the year ended 31 December 2009		
	US$'000	Ratio %	US$'000	Ratio %	Change %
Healthcare	**26,776**	**22.36%**	23,563	26.19%	13.64%
Education	**18,176**	**15.18%**	14,176	15.76%	28.22%
Infrastructure construction	**15,322**	**12.79%**	11,502	12.78%	33.21%
Shipping	**16,894**	**14.11%**	8,484	9.43%	99.13%
Printing	**23,004**	**19.21%**	21,127	23.48%	8.88%
Machinery	**15,327**	**12.80%**	9,937	11.05%	54.24%
Others	**4,269**	**3.56%**	1,176	1.31%	263.01%
Total	**119,768**	**100.00%**	89,965	100.00%	33.13%

Shipping, machinery, education and infrastructure construction affected the greatest contribution to the aggregate growth of the Group's service charge income (before business taxes and surcharges) and service charge income of such segments represented 72.54% of the Group's total service charge income in 2010. Such increase in shipping service charge income was mainly attributable to (i) the scale and scope of services provided to the customers of the Group extended with the expansion of the Group's industries; (ii) the increase in categories of products and services offered in the Group's advisory services segment; and (iii) recruitment of more sales and marketing staff of different industries.

3.3 Trade and Others Segment Receivables

Revenue from trade and others segment receivables of the Group in 2010, before business taxes and surcharges, increased by 87.08% from US$20,732,000 in 2009 to US$38,786,000 in 2010, accounting for 11.51% of the total revenue (before business taxes and surcharges), which is 2.01% higher than 9.50% as recorded in 2009. This is attributed to the increase in the trading revenue from printing and brokerage revenue from shipping during the same period.

Management Discussion and Analysis

Trade and other revenue from printing in 2010, before business taxes and surcharges, was US$28,281,000, increased by US$12,519,000 or 79.4% as compared to 2009 as a result of the efforts of the Group to meet the increasing demand for paper among the printing customers. The brokerage revenue of shipping, before business taxes and surcharges, was US$5,565,000, increased by US$3,988,000 or 252.9% as compared to 2009 mainly because the demand for brokerage services for the sale and purchase of ships increased, as ship-owners from in China expected a recovery within the shipping industry and prepared for a rise in exports from China as compared to 2009. Moreover, the medical engineering of the Group also increased in the fourth quarter of 2010, recording an income of US$371,000 (before business taxes and surcharges) in the current quarter.

4. Cost of Sales

Cost of sales of the Group in 2010 was US$117,864,000, which increased by 58.15% as compared to US$74,527,000 in the same period last year. This is mainly due to the cost increase from leasing and advisory service segment and trade and others segment, among them, the cost from leasing and advisory segment was US$87,656,000, accounting for 74.37% of the total cost; the cost of trade and others segment was US$30,208,000, accounting for 25.63% of the total cost.

4.1 Cost from Leasing and Advisory Segment

The cost of sales from leasing and advisory segment of the Group comprised solely the cost of sales from financial leasing of the Group. The cost of sales from financial leasing entirely arises from the relevant interest expenses of the interest-bearing banks of the Group and other borrowings.

The following table sets forth, for the periods indicated, the average balance of the interest-bearing bank of the Group and the other borrowings, the interest expense of the Group and the average cost of the Group:

	For the year ended 31 December 2010			For the year ended 31 December 2009		
	Average balance(1) US$'000	Interest expense US$'000	Average cost(2) %	Average balance(1) US$'000	Interest expense US$'000	Average cost(2) %
Interest-bearing bank and other borrowings	**1,908,616**	**87,656**	**4.59%**	1,106,873	57,989	5.24%

Notes:

(1) Calculated as the average beginning and ending balance of the year of the interest-bearing bank and other borrowings.

(2) Calculated by dividing interest expense by the average balance of interest-bearing bank and other borrowings.

Management Discussion and Analysis

The cost of sales from financial leasing increased by 51.16% from US$57,989,000 for the year 2009 to US$87,656,000 for the year 2010 because the Group continued to increase the level of interest-bearing bank and other borrowings to fund the on-going business expansion of the Group. The decrease in the average cost of our interest-bearing bank and other borrowings in 2010 reflected the full effects of the decreases in the PBOC benchmark interest rates in the last four months of 2008, which (i) have resulted in lower interest rates on new borrowings as a result of our refinancing in 2010, replacing long-term borrowings made at higher interest rates before the decreases in the PBOC benchmark interest rates; and (ii) led to a lower average cost across our borrowings in general.

Our average total balance of interest-bearing bank and other borrowings increased by 72.43% in the year 2010 from the year ended 2009, which is in line with the increase in our average total balance of interest-earning assets by 71.19% over the same period.

4.2 Cost from Trade and Others Segment

The cost of sales for the trading and others segment of the Group primarily consists of the cost of sales for trading services of the Group. The cost of sales for trading services of the Group is derived from the cost of inventories. Cost of sales for trading services increased by 82.66% to US$30,208,000 for the year 2010 from US$16,538,000 for the year 2009, primarily due to an increase in the aggregate value of trade transactions in printing during the period from the year 2009 to the year 2010, which resulted in an increase in the cost of sales related to the Group and printing trading services. The cost of sales for printing trading services in 2010 was US$27,048,000, which increased by US$12,036,000 or 80.18% as compared to 15,012,000 in 2009.

Management Discussion and Analysis

5. Gross Profit

The gross profit of the Group in 2010 was US$209,045,000, which increased by US$72,210,000 or 52.77% as compared to US$136,835,000 in 2009. For the year 2009 and 2010, the gross profit margin of our Group was 64.74% and 63.95%, respectively.

5.1 Gross Profit of Lease and Services Segment

The gross profit margin of the lease and services segment of our Group in 2010 was 69.59%, which was in line with 2009. The gross profit margin of leasing and services segment was affected by the change of net interest income from leasing and net interest income margin. The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin for the periods indicated.

	For the year ended 31 December 2010 US$'000	For the year ended 31 December 2009 US$'000	Change %
Interest Income[1]	**178,361**	107,537	65.86%
Interest Expense[2]	**(87,656)**	(57,989)	51.16%
Net Interest Income	**90,705**	49,548	83.06%
Net Interest Spread[3]	**1.65%**	1.21%	36.84%
Net Interest Margin[4]	**3.18%**	2.97%	6.92%

Notes:

(1) Interest income is the revenue for the financial leasing portion of the financial leasing and advisory segment of the Group.

(2) Interest expense is the cost of sales for the financial leasing portion of the financial leasing and advisory services segment of the Group.

(3) Calculated as the difference between the average yield and the average cost. The average yield is calculated by dividing interest income by the average total balance of interest-earning assets. The average cost is calculated by dividing interest expense by the average total balance of the interest-bearing bank and other borrowings.

(4) Calculated by dividing net interest income by the average balance of total interest-earning assets.

Net interest spread of the Group for the year ended 2010 increased by 0.44% to 1.65% as compared to 1.21% in 2009. Net interest spread increased, primarily due to the decrease of 65 basis points in respect of the average of interest-bearing borrowing cost, which was partially offset by a drop of 21 basis points in the average yield on interest-earning assets of the Group. For the changes in respect of the average cost of interest-bearing borrowings and average yield on interest-earning assets, please refer to the discussion and analysis of 3.1 and 4.1 in this section. At the same time, the average total balance of interest-earning assets of our Group in 2010 increased by 71.19%. As such, the net interest income of the Group increased by 83.06% to US$90,705,000 for the year 2010 from US$49,548,000 for the year ended 2009. On the basic of the abovementioned reasons, the net interest margin of the Group rose from 2.97% for the year 2009 to 3.18% for the year 2010.

5.2 Gross Profit of Trade and Others Segment

The gross profit of trade and other segments increased by 105.19% from US$4,106,000 for the year 2009 to US$8,425,000 for the year 2010, primarily due to the increase in trading revenue from printing and the increase in brokerage revenue from shipping.

6. Other Income and Gains

The following table sets forth a breakdown of our other income and gains for the periods indicated.

	For the year ended 31 December 2010 US$'000	For the year ended 31 December 2009 US$'000	Change %
Bank Interest Income	**1,569**	630	149.05%
Foreign exchange gain/(loss)	**1,281**	(63)	-2133.33%
Gain from disposal of available-for-sale financial assets	**4,276**	—	N/A
Government grants	**2,230**	1,990	12.06%
Others	**574**	95	504.21%
Total	**9,930**	2,652	274.43%

Other income and gains of the Group in 2010 amounted to US$9,930,000, which increased by US$7,278,000 or 274.43% as compared to the previous year, and this was attributed to the disposal of available-for-sale securities in 2010 and the increase in foreign exchange gain.

Management Discussion and Analysis

7. Selling and Distribution Costs

Selling and distribution cost of the Group in 2010 was US$37,614,000, which increased by US$14,282,000 or 61.21% as compared to the previous year, mainly reflecting an increase of 53.19% in the cost of the Group relating to the salaries and benefits of sales and marketing staff due to the increase in headcount for selling and distribution personnel of the Group. This increase in headcount for selling and distribution personnel was necessary for the expansion of our business operations. Also, this increase in selling and distribution costs also resulted in an increase in our travel expenses.

8. Administrative Expenses

Administrative expenses of the Group in 2010 were US$44,589,000, which increased by US$18,572,000 or 71.38% as compared to the last year. This primarily reflects an increase in the expenses of the Group in respect of the impairment of loans and accounts receivables and an increase in the salaries and benefits of the administrative and management staff primarily due to an increase in the number of administrative staff. The increase in the total number of staff of our Group is primarily due to business expansion of our Group.

8.1 Impairment of Loans and Accounts Receivable

The impairment of loans and accounts receivable of the Group in 2010 was US$16,754,000, which increased by US$7,701,000 or 85.07% as compared to the last year. This is primarily due to an increase of 85.56% in the net lease receivables during the same period, especially the net lease receivables related to shipping, infrastructure construction, healthcare and education. As the lease receivables increased significantly, the Group cautiously increased the provisions for the impairment of loans and accounts receivable.

8.2 Cost to Income Ratio(1)

Cost to income ratio of the Group in 2010 was 31.3%, which slightly increase as compared to 29.4% as of last year. This is due to (as mentioned in the analysis in paragraphs 5, 7, 8 in this section) increases in the selling and distribution cost and administrative expenses were higher than that of gross profit, which was partially offset by an increase in the loans and accounts receivable.

Note:

(1) Cost to income ratio = (Selling and distribution cost + administrative expenses – impairment of loans and accounts receivable)/ gross profit

9. Other Expenses

Other expenses of the Group in 2010 were US$3,444,000, which increased by US$2,671,000 or 345.54%. This is primarily due to an increase in the commission expenses of bank charges incurred when the Group expanded business in 2010.

10. Income Tax Expense

Income tax expense of the Group in 2010 was US$29,910,000, which increased by US$9,618,000 or 47.40%. The increase was primarily due to an increase in the operating profit of the Group during the same period. Effective tax rate of the Group for the year 2009 and 2010 was 22.71% and 22.43%, respectively.

11. Profit for the Year Attributable to Owners of the Company

Based on the discussion and analysis above, profit for the year attributable to owners of the company was US$103.75 million, which increased by 50.20% as compared to the previous year. Net profit margin of the Group for the year 2009 and 2010 remained stable, and was respectively 32.68% and 31.64%.

12. Loans and Accounts receivable

The main components of assets of the Group are loans and accounts receivable, accounting for 96.76% of the total assets of the Group as of 31 December 2010.

The following table sets forth the analysis of loans and accounts receivable as of the dates indicated.

	As of 31 December 2010		As of 31 December 2009		
	US$'000	% of total	US$'000	% of total	Change %
Lease receivables	4,152,964		2,193,717		89.31%
Less: Unearned finance income	(495,286)		(222,525)		122.58%
Net lease receivables	3,657,678	97.68%	1,971,192	98.43%	85.56%
Entrusted loans[1]	68,785	1.84%	14,685	0.73%	368.40%
Others	18,051	0.48%	16,671	0.83%	8.28%
Loans and accounts receivable[2]	3,744,514	100.00%	2,002,548	100.00%	86.99%

Notes:

(1) Entrusted loan represents the lending business operated by banks the Group entrusted, which is applicable to top quality customers who cannot operate financial leasing due to policy or otherwise, and is a beneficial complement of financial leasing business.

(2) The amount is not net of provisions.

Loans and accounts receivable consist of (i) net lease receivables, which are lease receivables less unearned finance income, (ii) entrusted loans and (iii) others, which include lease interest receivables, notes receivables and accounts receivables.

Management Discussion and Analysis

Loans and accounts receivable of the Group (net of provisions) as of 31 December 2010 amounted to US$3,700.33 million, representing an increase of 87.26% compared to US$1,976.08 million as of 31 December 2009. Net lease receivables (before provisions) were the most significant component of loans and accounts receivable, accounting for 97.68% of loans and accounts receivable (before provisions) as of 31 December 2010.

12.1 Lease Receivables

Net lease receivables of the Group as of 31 December 2010 were US$3,657.68 million, representing an increase of 85.56% as compared to US$1,971.19 million as of 31 December 2009. The increase was due to a significant increase in both the number of customers served and the number of new lease contracts entered into by the Group, as a result of the continuous expansion of financial leasing business of the Group on a basis of the Group's effective risk control in 2010.

12.1.1 Net lease receivables by industry categories

The following table sets forth net lease receivables of the Group under different industry categories as of the dates indicated.

	As of 31 December 2010		As of 31 December 2009		
	US$'000	% of total	US$'000	% of total	Change %
Healthcare	**959,717**	**26.24%**	699,209	35.47%	37.26%
Education	**540,579**	**14.78%**	314,107	15.93%	72.10%
Infrastructure					
Construction	**524,751**	**14.35%**	248,001	12.58%	111.59%
Shipping	**396,609**	**10.84%**	112,013	5.68%	254.07%
Printing	**600,789**	**16.43%**	420,369	21.33%	42.92%
Machinery	**319,288**	**8.73%**	159,020	8.07%	100.78%
Others	**315,945**	**8.64%**	18,473	0.94%	1610.31%
Total	**3,657,678**	**100.00%**	1,971,192	100.00%	85.56%

Net lease receivables for shipping, machinery, education and infrastructure construction grew the fastest among the six target industries of the Group between 31 December 2009 and 31 December 2010 which grew by 254.07%, 111.59%, 100.78% and 72.10%, respectively, as the Group that assigned more dedicated sales and marketing personnel to the industries above. Among them, the increase in shipping was the most significant as the Group has significantly expanded the overseas shipping market during the period of economic recovery.

12.1.2 Aging analysis of lease receivables

The following table sets forth an aging analysis of lease receivables as of the dates indicated, categorized by the time lapsed since the effective date of the relevant lease contracts.

	As of 31 December 2010		As of 31 December 2009		
	US$'000	% of total	US$'000	% of total	Change %
Net lease receivables					
Within 1 year	**2,446,603**	**66.89%**	1,232,954	62.55%	98.43%
1–2 years	**860,555**	**23.53%**	494,334	25.08%	74.08%
2–3 years	**254,851**	**6.97%**	196,489	9.97%	29.70%
3 years and beyond	**95,669**	**2.62%**	47.415	2.41%	101.77%
Total	**3,657,678**	**100.00%**	1,971,192	100.00%	85.56%

Net lease receivables within one year represent net lease receivables relating to new lease contracts that became effective within one year from the reporting date indicated, and were still valid as at the end of the year or period. As of 31 December 2010, net lease receivables within one year as set forth in the table above represent 66.89% of net lease receivables of the Group, which is slightly higher than the level recorded for the same period last year. This indicates that the Group had a higher capability in signing and executing new lease contracts than that for the same period last year and while is sustainable.

12.1.3 Maturity profile of lease receivables

The following table sets forth, as of the dates indicated, the maturity profile of the net lease receivables.

	As of 31 December 2010		As of 31 December 2009		
	US$'000	Proportion %	US$'000	Proportion %	Change %
Maturity date					
Less than 1 year	**1,255,456**	**34.32%**	738,427	37.46%	70.02%
1 to 2 years	**1,038,151**	**28.38%**	597,641	30.32%	73.71%
2 to 3 years	**694,227**	**18.98%**	377,413	19.15%	83.94%
3 years and beyond[(1)]	**669,844**	**18.31%**	257,711	13.07%	159.92%
Total	**3,657,678**	**100.00%**	1,971,192	100.00%	85.56%

Net lease receivables due within the first year represent net lease receivables which the Group will receive within one year of the reporting date indicated. As of 31 December 2010, net lease receivables due within one year as set forth in the table above represent 34.32% of the Group's net lease receivables as of each of the respective dates, which was in line with the situation during the same period last year. This indicated that the maturity of the Group's net lease receivables was widely spread and can provide the Group with consistent and sustainable cash inflows that have helped match our liabilities.

Management Discussion and Analysis

12.2 Asset Quality of Net Lease Receivables

12.2.1 Five-category lease receivables classification

The following table sets forth the five-category lease receivables classification as of the dates indicated.

	As of 31 December 2010		As of 31 December 2009		
	US$'000	Proportion %	US$'000	Proportion %	Change %
Pass	**3,019,352**	**82.55%**	1,652,089	83.81%	82.76%
Special mention	**602,064**	**16.46%**	295,514	14.99%	103.73%
Substandard	**29,750**	**0.81%**	16,294	0.83%	82.58%
Doubtful	**5,856**	**0.16%**	6,855	0.35%	-14.57%
Loss	**656**	**0.02%**	440	0.02%	49.09%
Lease receivables	**3,657,678**	**100.00%**	1,971,192	100.00%	85.56%
Non-performing assets	**36,262**		23,589		53.72%
Non-performing asset ratio	**0.99%**		1.20%		-0.21%

The following table sets forth the analysis of the Group's non-performing assets under six target industries, as of the dates indicated.

	As of 31 December 2010		As of 31 December 2009		
	US$'000	Proportion %	US$'000	Proportion %	Change %
Healthcare	**2,625**	**7.24%**	2,814	11.93%	-6.72%
Education	**1,055**	**2.91%**	—	0.00%	N/A
Infrastructure construction	**3,621**	**9.99%**	7,616	32.29%	-52.46%
Shipping	**18,733**	**51.66%**	767	3.25%	2342.37%
Printing	**10,228**	**28.21%**	9,150	38.79%	11.78%
Machinery	**—**	**0.00%**	3,242	13.74%	-100.00%
Others	**—**	**0.00%**	—	0.00%	N/A
Total	**36,262**	**100.00%**	23,589	100.00%	53.72%

The following table sets forth changes in the Group's non-performing assets as of the dates indicated.

	Amount	Non-performing assets ratio
	US$'000	%
As of 31 December 2009	23,589	1.20%
Downgrades[(1)]	28,554	
Upgrades	(1,971)	
Recoveries	(13,875)	
Write-offs	(35)	
As of 31 December 2010	**36,262**	**0.99%**

Note:

(1) Represents downgrades of lease receivables classified as pass or special mention at the end of the previous year and lease receivables newly re-classified in the current year to non-performing categories.

The Group has been implementing strong asset management policies and sustainably adopting stringent asset classification policies. As of 31 December 2010, the Group's asset ratio, which was classified as special mention, was 16.46%, which was relatively higher as compared to the same period last year due to the tightening of credit policies on the mainland as well as the dynamic changes in the international economic environment. The balance of non-performing assets was US$36,262, 000, which increased by US$12,673, 000 as compared to the previous year, primarily because of an unsettled legal proceeding in India relating to the Group's shipping business a leased ship ("ship") indirectly owned by the Group through its subsidiary in Hong Kong. The net lease receivables of the ship was US$18, 733,000 and the Group has downgraded the such asset as non-performing by our Group in light of cautious principle.

As the Group has been sustainably implementing conservative policies regarding risk management and provisioning and the balance of new net lease receivables increased significantly in 2010, the Group's non-performing asset ratio of net lease receivables dropped from 1.20% as of 31 December 2009 to 0.99% as of 31 December 2010.

Management Discussion and Analysis

12.2.2 Lease receivable provisions

The following table sets forth the analysis of the Group's provisions under the assessment methodology as of the dates indicated.

	As of 31 December 2010		As of 31 December 2009		
	US$'000	Proportion %	US$'000	Proportion %	Change %
Asset impairment provisions:					
Individually assessed	**8,930**	**21.16%**	8,013	31.06%	11.44%
Collectively assessed	**33,270**	**78.84%**	17,788	68.94%	87.04%
Total	**42,200**	**100.00%**	25,801	100.00%	63.56%
Non-performing assets	**36,262**		23,589		53.72%
Provision coverage ratio	**116.38%**		109.38%		7.00%

By the end of 2010, the Group, in light of cautious principle, managed the asset quality of our Group by increasing the provisions for asset impairment based on the conscientious analysis of factors such as the tightening domestic monetary policy and the changing global economic environment. Therefore, provision coverage ratio of the Group as of 31 December 2010 increased to 116.38%.

12.2.3 Write-offs of lease receivables

	As of 31 December 2010 US$'000	As of 31 December 2009 US$'000	Change %
Write-off	**35**	236	-85.17%
Non-performing assets of the last financial year	**23,589**	25,624	-7.94%
Write-off ratio[1]	**0.15%**	0.92%	-0.77%

Note:

(1) The write-off ratio is calculated as the percentage of lease receivable write-offs over the balance of non-performing assets as of the beginning of the relevant financial year.

As a result of the Group's stringent risk management controls and our management of asset quality, the Group's non-performing assets write-off ratio was 0.15% in 2010, representing a decrease of 77 basis points compared to 0.92% in 2009.

12.2.4 Status of overdue loans and lease receivables (over 30 days)

	As of 31 December 2010 US$'000	As of 31 December 2009 US$'000	Change %
Overdue loans and accounts receivable (over 30 days)[(1)]	**5,343**	7,610	-29.79%
Loans and accounts receivable	**3,744,514**	2,002,548	86.99%
Lease overdue ratio(over 30 days)[(2)]	**0.14%**	0.38%	-0.24%

(1) If any of the loans and accounts receivable of an implementing contract is not recoverable for over 30 days after the agreed contractual date of receipt (calculated based on calendar days), all of the remaining loans and accounts receivable under that contract will be treated as overdue loans and accounts receivable (over 30 days).

(2) Lease overdue ratio (over 30 days) is calculated by dividing overdue loans and accounts receivable (over 30 days) by entire loans and accounts receivable during calculation.

As a result of the Group's stringent risk management controls and our management of asset quality, the Group's lease overdue ratio (over 30 days) was 0.14% in 2010, representing a decrease of 0.24% compared to 0.38% in 2009.

13. Interest-bearing Bank and Other Borrowings

The Group's business growth and capital requirements are primarily supported by multiple credit facilities granted by various financial institutions to the Group's operating entities.

As of 31 December 2010, the Group's total interest-bearing bank and other borrowings amounted to US$2,569.94 million, representing an increase of 106.04% compared with US$1,247.29 million as of 31 December 2009. This is primarily because the Group increased the amount of bank loans in 2010 in order to support the growth of the Group's lease receivable portfolio as we expanded our business operations.

The following table sets forth, as of the dates indicated, the distribution between current and non-current interest-bearing bank and other borrowings.

	As of 31 December 2010		As of 31 December 2009	
	US$'000	Proportion %	US$'000	Proportion %
Current	**910,000**	**35.41%**	316,838	25.40%
Non-current	**1,659,939**	**64.59%**	930,455	74.60%
Total	**2,569,939**	**100.00%**	1,247,293	100.00%

Management Discussion and Analysis

By the end of 2010, the Group's current interest-bearing bank and other borrowings (including the current portion of long-term borrowings) as a percentage of the Group's total interest-bearing bank and other borrowings was 35.41%. It increased by 10.01% from 25.40% as compared to 31 December 2009 primarily because a specific long-term bank loan had approached maturity, and was therefore reclassified as a current bank borrowing. In 2010, the Group made no change to the Group's policies with respect to the term structure of current and non-current bank and other borrowings.

The following table sets forth, as of the dates indicated, the distribution between secured and unsecured interest-bearing bank and other borrowings.

	As of 31 December 2010		As of 31 December 2009	
	US$'000	Proportion %	US$'000	Proportion %
Secured	**1,517,644**	**59.05%**	686,178	55.01%
Unsecured	**1,052,295**	**40.95%**	561,115	44.99%
Total	**2,569,939**	**100.00%**	1,247,293	100.00%

The Group carefully managed its funding risk by the end of 2010. As of 31 December 2010, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 40.95% of the Group's total interest-bearing bank and other borrowings, basically stable as compared to the same period of the previous year.

The following table sets forth, as of the dates indicated, the interest-bearing bank and other borrowings based on the distribution between bank loans, related-party borrowings and other loans.

	As of 31 December 2010		As of 31 December 2009	
	US$'000	Proportion %	US$'000	Proportion %
Bank loans	**2,130,029**	**82.88%**	916,323	73.46%
Related-party borrowings	**437,410**	**17.02%**	234,127	18.77%
Other loans	**2,500**	**0.10%**	96,843	7.76%
Total	**2,569,939**	**100.00%**	1,247,293	100.00%

The proportion of the Group's related-party borrowings as a percentage to the Group's total bank and other borrowings was 17.02% as of 31 December 2010, decreased by 1.75% as compared to the same period of the previous year as the Group chose to utilize more bank loans to expand its business.

14. Analysis on Cash Flows Statement

	For the year ended 31 December 2010 US$'000	For the year ended 31 December 2009 US$'000	Change %
Net cash flow from operating activities	**(1,249,627)**	(415,101)	201%
Net cash flow from investing activities	**2,299**	(10,850)	-121%
Net cash flow from financing activities	**1,245,204**	438,224	184%
Effect of exchange rate changes on cash and cash equivalents	**1,042**	(110)	-1047%
Net (decrease)/increase in cash and cash equivalents	**(1,082)**	12,163	-109%

In 2010, the Group had net cash outflow from operating activities in the amount of US$1,249.63 million as the Group expanded its business and increased the balance of our net lease receivables. Correspondingly, the Group increased its bank and other borrowings, which were recorded as cash inflow from financing activities. As a result, net cash inflow from financing activities was US$1,245.20 million in 2010. Net cash inflow from investing activities for 2010 was US$2.30 million, which was primarily attributable to the increase of the Company's time and pledge deposits by US$24.18 million and this was driven by the increase of the Group's borrowings from overseas banks. This effect was partially offset by cash inflow received from disposal of available-for-sale financial investment in the amount of US$19.97 million.

15. Capital Management

The primary objective of the Group's capital management activities is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. In 2010, no change was made to the objectives, policies or processes for managing capital.

15.1 Gearing Ratio

The Group monitors capital by gearing ratio.

The following table sets forth the gearing ratios as of the dates indicated.

	As of 31 December 2010 US$'000	As of 31 December 2009 US$'000
Total assets	**3,824,164**	2,084,037
Total liabilities	**3,296,832**	1,808,201
Total equity	**527,332**	275,836
Gearing ratio	**86.21%**	86.76%

Management Discussion and Analysis

In 2010, the Group made full use of capital leverage for our operations to keep the Group's gearing ratio relatively high while at the same time closely manage the Group's gearing ratio to avoid potential liquidity risk. By the end of 2010, our gearing ratio, which was maintained at a reasonable level, was 86.21%.

15.2 Ratio of Assets at Risk to Equity

The following table sets forth the ratio of assets at risk to equity as of the dates indicated.

	As of 31 December 2010 US$'000	As of 31 December 2009 US$'000
Total assets	**3,583,059**	2,044,235
Less: Cash	**64,931**	49,145
Total assets at risk	**3,518,128**	1,995,090
Equity	**509,852**	427,076
Ratio of assets at risk to equity	**6.90**	4.67

In accordance with the requirements of the Measures on the Administration of Foreign Investment in the Leasing Industry, the assets at risk of International Far Eastern Leasing Co., Ltd. should not exceed 10 times of its equity. By the end of 2010, the Group's ratio of assets at risk to equity was 6.90, which was in compliance with the ratio of assets at risk to equity requirements of the Measures.

15.3 Capital Expenditures

The Group's capital expenditure was US$3.8 million in 2010, approximately US$1.3 million of which was related to the acquisition of two new offices, while the remaining balance was used as the expenditures for additions of property, plant and equipment.

16. Risk Management

16.1 Interest Rate Risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of the adverse movements in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term liabilities and lease receivables.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on the profit before tax, based on the financial assets and financial liabilities held at year end and subject to repricing within the coming year.

	Increase/(decrease) in profit before tax of the Group	
	As of 31 December 2010 US$'000	As of 31 December 2009 US$'000
Change in basis points		
+100 basis points	**10,077**	7,633
-100 basis points	**(10,077)**	(7,633)

16.2 Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency).

The table below indicates a sensitivity analysis of exchange rate changes of the currency to which the Group had significant exposure on the Group's monetary assets and liabilities and the Group's forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates of renminbi ("RMB"), with all other variables held constant, on profit before tax and equity.

		Increase/(decrease) in profit before tax of the Group	
Currency	Change in currency rate	As of 31 December 2010 US$'000	As of 31 December 2009 US$'000
United States Dollars	-1%	**592**	1,527

Since the net position is comparatively small, the Group has not adopted any financial instrument to hedge against currency risk.

Management Discussion and Analysis

16.3 Liquidity Risk

The Group funds its lease receivable portfolio principally through its bank and other borrowings. The Group's liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from amounts or maturity mismatches of assets and liabilities.

The Group manages liquidity primarily by monitoring the maturities of its assets and liabilities in order to ensure that the Group has sufficient funds to meet its obligations as they become due. The Group has been focusing on maintaining stable sources of funding and seeking to increase the proportion of its non-current liabilities to improve the stability of the Group's sources of funding.

The following table sets forth, as of the dates indicated, the maturity profile of the Group's financial assets and liabilities based on the related contractual undiscounted cash flows.

	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
			As of 31 December 2010			
Total financial assets	**55,462**	**377,212**	**1,169,476**	**2,636,859**	**72,789**	**4,311,798**
Total financial liabilities	**10,741**	**373,606**	**824,359**	**2,235,787**	**14,918**	**3,459,411**
Net liquidity gap	**44,721**	**3,606**	**345,117**	**401,072**	**57,871**	**852,387**
			As of 31 December 2009			
Total financial assets	49,739	248,866	656,381	1,329,127	17,226	2,301,339
Total financial liabilities	179,667	63,714	424,059	1,279,649	1,296	1,948,385
Net liquidity gap	(129,928)	185,152	232,322	49,478	15,930	352,954

17. Charges on Group Assets

The Group had lease receivables in the amount of US$2,146.35 million and cash in the amount of US$1.50 million pledged to the bank as of 31 December 2010 in order to secure the bank loans.

18. Material Investments, Acquisitions or Disposals

As of 31 December 2010, the Company had no material investment and there was no material acquisition and disposal of subsidiaries and associated companies.

19. Human Resources

As of 31 December 2010, the Group had 874 full-time employees, an increase of 256 full-time employees compared to 618 by the end of 2009.

The following table shows the breakdown of our full-time employees by function as of 31 December 2010.

Function	Number of employees	Percentage of total
Business Development	625	71.51%
Risk Control and Asset Management	93	10.64%
Treasury and Finance	70	8.01%
Senior Management	6	0.69%
Others	80	9.15%
Total	874	100.00%

For the years ended 2009 and 2010, the Group incurred employee benefit expenses of US$22.7 million and US$35.1 million, respectively, representing approximately 10.7% and 10.7% of the Group's total revenue for those periods.

The Group believes it has a high quality work force with specialized industry expertise, with approximately 93% of the Group's employees having bachelor's degrees and above and approximately 54% having master's degrees and above as of 31 December 2010.

The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the Company rather than operational results, and have established a merit-based remuneration awards system. Employees are promoted not only in terms of position and seniority, but also in terms of professional classification. Our senior employees are reviewed every quarter on the basis of, among other criteria, their performance as business leaders to achieve stipulated performance targets (such as budget targets) and their risk management capabilities on the operational matters under their charge.

Employee benefits

In accordance with applicable PRC regulations, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. The Group also provides supplemental commercial medical insurance, property insurance and safety insurance in addition to those required under the PRC regulations. As of 21 April 2011, the Group had complied with all statutory social insurance and housing fund obligations applicable to the Group under PRC laws in all material aspects.

20. Circumstances Including Contractual Obligations, Contingent Liabilities and Capital Commitments

20.1 Contingent liabilities

A number of legal proceedings were initiated by third parties against the Group as defendant.

Management Discussion and Analysis

The table below sets forth the total outstanding claims as of each of the dates indicated.

	As of 31 December 2010 US$'000	As of 31 December 2009 US$'000
Legal proceeding:		
Claimed amounts	**151**	417

20.2 Capital Commitments and Credit Commitments

The Group had the following capital commitments and irrevocable credit commitments as of each of the dates indicated:

	As of 31 December 2010 US$'000	As of 31 December 2009 US$'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	**358**	570
Irrevocable credit commitments	**551,112**	176,370

The Group's irrevocable credit commitments represent leases that have been signed but where the term of the lease has not started. The increase from 31 December 2009 to 31 December 2010 was primarily due to the expansion of the Group's business during the year ended 2010.

Besides the capital commitments stated above, the Group had no other material plans for major investment or capital assets acquisition.

21. Property Valuation

Upon the listing of our Shares in the Hong Kong Stock Exchange in March 2011, the property interests held by the Group were valued by the Company. However, those property interests were still carried at historical costs less accumulated depreciation on the balance sheet.

By reference to the Group's property valuation set out in Appendix IV to the Company's Prospectus ("Prospectus") dated 18 March 2011, the Group's property interests had a revaluation surplus of approximately US$67,000 as of 31 December 2010. Where the property stated at valuation, the depreciation charges per year would have increased by approximately US$3,000.

Corporate Governance Report

The board (the "Board") of directors of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report.

Corporate Governance Practices

The Group strives to maintain high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance.

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the code provisions as set out in the CG Code since the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2011 (the "Listing Date") and up to the date of this annual report.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

The Board

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the chief executive officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Corporate Governance Report

Board Composition

The Board currently comprises eleven members, consisting of two executive directors, five non-executive directors and four independent non-executive directors.

The list of all Directors which also specifies the posts held by each Director and all corporate communications issued by the Company pursuant to the Listing Rules from time to time are set out under "Corporate Information" on page 2. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board comprises the following members:

Executive Directors:
Mr. Kong Fanxing *(Vice Chairman, Chief Executive Officer)*
Mr. Wang Mingzhe *(Chief Financial Officer)*

Non-executive Directors:
Mr. Liu Deshu *(Chairman)*
Mr. Yang Lin
Ms. Shi Dai
Mr. Liu Haifeng David
Ms. Sun Xiaoning

Independent non-executive Directors:
Mr. Cai Cunqiang
Mr. Han Xiaojing
Mr. Liu Jialin
Mr. Yip Wai Ming

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

None of the members of the Board is related to one another.

Since the Listing Date and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit Committee, Strategy and Investment Committee and Remuneration and Nomination Committee of the Company.

Chairman and Chief Executive Officer

The Company fully supports the division of the responsibilities between the Chairman and the Chief Executive Officer to ensure a balance of power and authority. The positions of Chairman and Chief Executive Officer are held by Mr. Liu Deshu and Mr. Kong Fanxing respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

Appointment and Re-election of Directors

Each of the executive directors has entered into a service contract with the Company for an initial term of 3 years commencing from 11 March 2011.

Each of the non-executive directors has entered into a letter of appointment with the Company for an initial term of 3 years commencing from 11 March 2011.

Each of the independent non-executive directors has entered into a letter of appointment with the Company for an initial term of 3 years commencing from the Listing Date (30 March 2011).

Save as disclosed above, none of the Directors has or is proposed to have a service contract with any member of our Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than the statutory compensation)).

In accordance with the Company's Articles of Association, all Directors are subject to retirement (but being eligible for re-election) following serving a term of office of three years and any new director appointed to fill a casual vacancy or as a new member of the Board shall submit himself/herself for re-election by shareholders at the first annual general meeting after appointment.

Corporate Governance Report

The procedures and process of the appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Remuneration and Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment of directors and assessing the independence of independent non-executive directors.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three members, namely Mr. Liu Jialin (chairman of the committee), Mr. Han Xiaojing and Ms. Shi Dai, the majority of them are independent non-executive directors.

The principal duties of the Remuneration and Nomination Committee include the following:

- To review the composition of the Board
- To make recommendations to the Board on the remuneration package of directors and senior management
- To evaluate the independence of the independent non-executive directors
- To make recommendations to the Board on the appointment of directors

Criteria adopted by the Remuneration and Nomination Committee in considering whether the relevant personnel are suitable to the directors include their qualifications, experience, expertise and knowledge, as well as provisions of the Listing Rules.

During the year ended 31 December 2010, no meeting of the Remuneration and Nomination Committee was held because the Remuneration and Nomination Committee was established on the Listing Date (30 March 2011) of the Company.

Induction and Continuing Development of Directors

Each newly appointed director receives a formal, comprehensive and tailored induction introduction on the first occasion of his or her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development trainings will be arranged for directors where necessary.

Board Meetings

Board Practices and Conduct of Meetings

According to the current Board practices:

- Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

- Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

- Information about the Board together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest development and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

- The senior management of the Company attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business development, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

- The secretary of the meetings is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

- The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' Attendance Records

Since the group reorganization was not completed as at 31 December 2010, during the year ended 31 December 2010, no meeting was held by the Board. However, the Board held one meeting since the Listing Date and up to the date of this annual report for approving the final results for the year ended 31 December 2010 and all the Directors of the Company attended the meeting.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the requirements set out in the Model Code throughout the year ended 31 December 2010.

Delegation by the Board of the Management Function

The Board reserves its decision rights for all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Corporate Governance Report

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established three committees, namely, the Remuneration and Nomination Committee, Audit Committee and Strategy and Investment Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference which are available to shareholders upon request.

Strategy and Investment Committee

The Strategy and Investment Committee comprises three members, namely, Mr. Liu Haifeng David (chairman of the committee), Mr. Kong Fanxing and Mr. Cai Cunqiang.

The primary function of the Strategy and Investment Committee is to make recommendations to the Board about the strategy, investment plans and investment profit forecast, oversee and formulate risk management and internal control procedures and review material risk matters and transactions.

During the year ended 31 December 2010, no meeting of the Strategy and Investment Committee was held because the Strategy and Investment Committee was established on the Listing Date (30 March 2011) of the Company.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The Board, with support of the finance and legal teams, is responsible for preparing balanced, clear and understandable and assessable annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Internal Control and Risk Management

The Company has established an Internal Audit Department and a Risk Management Committee.

The Internal Audit Department oversees risk management system and operates independently from each of the Quality Control, Asset Monitoring and Management and Business Operations Departments. It reports directly to the Audit Committee on a regular basis and performs independent audits of the reasonableness, completeness and effectiveness of the operational management and risk control. There are three teams in the Internal Audit Department, namely operational audit team, management audit team, and IT audit team. During the course of its audits, the Internal Audit Department is authorized to comprehensively inspect, analyze, evaluate and audit all of the business and operational procedures to identify any material issues or risk matters, and to provide advice for improvement and rectification. The Internal Audit Department is also the main communication channel with relevant external regulatory entities, such as courts and public safety bureaus. The Internal Audit Department conducts follow-up audits to monitor the updated status of previously identified issues to ensure corrective and remedial measures have been duly implemented and are enforced. It also evaluates the non-compliance of the risk management policies and procedures by key personnel in the operational process, and may make recommendations to the senior management and the Board to impose certain penalties.

The Risk Management Committee oversees risk management processes within the Group. The main duties and responsibilities of the Risk Management Committee are to design risk management systems and policies, to review, approve and supervise overall risk management measures and procedures and their general implementation.

Audit Committee

The Audit Committee comprises two independent non-executive directors, namely Mr. Yip Wai Ming and Mr. Han Xiaojing, and one non-executive director, namely Ms. Sun Xiaoning. The Chairman of the Audit Committee is Mr. Yip Wai Ming, who possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To deal with matters relating to external auditors
- To review the financial information
- To oversee financial notification systems, internal control procedures and risk management system
- To review the annual budget and final accounts

During the year ended 31 December 2010, no meeting of the Audit Committee was held because the Audit Committee was established on the Listing Date (30 March 2011) of the Company.

Since the Listing Date and up to the date of this annual report, the Audit Committee held one meeting to review the Company's annual results and annual report for the year ended 31 December 2010, the financial reporting and compliance procedures, the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors. All members of the Audit Committee attended the meeting.

Corporate Governance Report

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on page 53.

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2010 amounted to US$1.041 million and US$0 respectively.

Communication with Shareholders and Investors/Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at http://www.fehorizon.com, where updates and supplemental information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write to the Company at its principal place of business in Hong Kong or China or via the Company's website for any enquiries.

The general meetings of the Company provide a forum and an important channel for communication between the Board and the shareholders. The chairman of the Board and chairmen of the Remuneration and Nomination Committee, Strategy and Investment Committee and Audit Committee or, in their absence, other members of the respective committees that are available, normally attend the annual general meeting and other relevant general meetings to answer questions at general meetings.

The 2010 Annual General Meeting ("AGM") will be held on 17 June 2011. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

Shareholder's Rights

To safeguard shareholder's interests and rights, a separate resolution is proposed for each substantial issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Biographies of Directors and Senior Management

Mr. LIU Deshu (劉德樹) — Non-executive Director and Chairman

Mr. LIU Deshu (劉德樹), aged 59, was appointed as non-executive Director and Chairman of the Company in December 2010. Mr. Liu graduated from Tsinghua University in China in 1979 and obtained an MBA degree from China Europe International Business School in May 1998. In March 1998, Mr. Liu was appointed as the president of Sinochem Group and has held that position since then. Prior to joining Sinochem Group, Mr. Liu had been the deputy general manager, the general manager and the chairman of China National Machinery Import & Export Corporation.

Currently, Mr. Liu is also the chairman of Sinofert Holdings Limited, the chairman of Sinochem Corporation and the chairman of Sinochem Quanzhou Petrochemical Co., Ltd. (中化泉州石化有限公司). Mr. Liu has approximately 30 years of experience in foreign trade, machinery and petrochemical industry.

Mr. KONG Fanxing (孔繁星) — Executive Director, Vice Chairman, Chief Executive Officer

Mr. KONG Fanxing (孔繁星), aged 47, is an executive Director, Vice Chairman and Chief Executive Officer of the Company. Mr. Kong received an EMBA degree from Peking University in January 2006, a master's degree in economics and a bachelor's degree in economics from University of International Business and Economics (對外經濟貿易大學) in China in June 1991 and July 1986 respectively. Mr. Kong joined Sinochem Group in August 1991. During the period which he worked for Sinochem Group, Mr. Kong had been the general manager of Sinochem International Engineering Trade Company (中化國際工程貿易公司), the deputy general manager of Sinochem International Industrial Company (中化國際實業公司), the deputy general manager, general manager of Sinochem International Tendering Co., Ltd. (中化國際招標有限責任公司), the deputy chief of the fertilizer division, the executive deputy general manager of Sinochem International Fertilizer Trading Company (中化國際化肥貿易公司) respectively. In April 2001, he joined International Far Eastern Leasing Co., Ltd. where he has served as the general manager since then. Mr. Kong has been the President and chief executive officer of the Company since September 2009. Currently, Mr. Kong is also an executive Director and the general manager of Shanghai Donghong Co., Ltd..

Mr. Kong has nearly 20 years of experience in enterprise management.

Mr. WANG Mingzhe (王明哲) — Executive Director, Chief Financial Officer

Mr. WANG Mingzhe (王明哲), aged 40, is an executive Director and Chief Financial Officer of the Company. Mr. Wang obtained a bachelor's degree in economics from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) in China in July 1993 and an MBA degree from North-eastern University (東北大學) in China in March 2003. He joined International Far Eastern Leasing Co., Ltd. in October 1995 and has worked there since then. In International Far Eastern Leasing Co., Ltd., Mr. Wang served as the manager of the business development department, the deputy general manager of the first business division, the deputy general manager, the general manager and assistant general manager of quality control department and the Chief Financial Officer. In September 2009, Mr. Wang was appointed as the Vice President and Chief Financial Officer of the Company and he has held these positions ever since. Mr. Wang has over 15 years of experience in finance management.

Biographies of Directors and Senior Management

Mr. YANG Lin (楊林) — Non-executive Director

Mr. YANG Lin (楊林), aged 47, was appointed as a non-executive Director of the Company in October 2009. Mr. Yang obtained a bachelor's degree in economics from Tianjin Commerce College (天津商學院) in China in July 1985, and studied enterprise management course in University of Stuttgart in Germany (德國思圖加特大學) from 1990 to 1993. He then worked for Siemens AG and Wella AG from 1993 to 1994. In July 1994, Mr. Yang joined Sinochem Group and has worked there ever since. In Sinochem Group, Mr. Yang served as the deputy general manager of the finance and accounting department, the general manager of the Treasury department and the deputy general manager of the investment and development department. Currently, Mr. Yang is the Chief Financial Officer of Sinochem Group as well as the Chief Financial Officer and the Chairman of Budget and Evaluation Committee of Sinochem Corporation. Mr. Yang has approximately 18 years of experience in finance and treasury management.

Ms. SHI Dai (石岱) — Non-executive Director

Ms. SHI Dai (石岱), aged 44, was appointed as a non-executive Director of the Company in October 2009. Ms. Shi obtained a bachelor's degree in engineering from Shanghai Jiaotong University (上海交通大學) in China in July 1990, a bachelor's degree in economics from University of International Business and Economics (對外經濟貿易大學) in China in June 1994 and an MBA degree from China Europe International Business School in September 2010. Since August 1994, Ms. Shi has worked in Sinochem Group and served as the manager of risk management department, the deputy general manager of Xi'an Jinzhu Modern Chemicals Co., Ltd. (西安金珠近代化工有限公司), the deputy general manager of the investment department. Currently, Ms. Shi is the Deputy General Manager of Human Resources Department of Sinochem Corporation. Ms. Shi has approximately 17 years of experience in risk management and human resources management.

Mr. LIU Haifeng David (劉海峰) — Non-executive Director

Mr. LIU Haifeng David (劉海峰), aged 41, was appointed as a non-executive Director of the Company in October 2009. Mr. Liu Haifeng David is a global partner of KKR and the Head of KKR Greater China. Prior to joining KKR, Mr. Liu Haifeng David served as Managing Director and Co-head of Morgan Stanley Private Equity Asia. Mr. Liu Haifeng David has 17 years of experience in direct investment; he has achieved excellent result in his long-term investment. Mr. Liu Haifeng David was responsible for a number of successful and innovative direct investments, such as Mengniu Dairy, Ping An Insurance, Belle International, Nanfu Battery, Hengan International, Shanshui Cement, Modern Farming and our Company etc. Mr. Liu Haifeng David graduated from Columbia University in the United States as Class Salutatorian with a B.S. in Electrical Engineering. Mr. Liu Haifeng David is a member of Tau Beta Pi National Engineering Honor Society and was granted the Edwin Howard Armstrong Memorial Award for the top electrical engineering student at Columbia University.

Ms. SUN Xiaoning (孫小寧) — Non-executive Director

Ms. SUN Xiaoning (孫小寧), aged 42, was appointed as a non-executive Director of the Company in October 2009. Ms Sun Xiaoning is serving as the Senior Vice President of The Government of Singapore Investment Corporation. Ms. Sun Xiaoning has 20 years of experience in finance industry. Prior to joining The Government of Singapore Investment Corporation, she was a senior investment officer and worked for McKinsey & Company. Prior to that, Ms. Sun Xiaoning also served as a financial analyst and project officer in the People's Bank of China. Ms. Sun Xiaoning obtained an MBA degree from the Wharton School of University of Pennsylvania.

Biographies of Directors and Senior Management

Mr. CAI Cunqiang (蔡存強) — Independent non-executive Director

Mr. CAI Cunqiang (蔡存強), aged 61, was appointed as an independent non-executive Director of the Company in March 2011. Mr. Cai graduated from Shanghai Maritime College (上海海運學院) (now known as Shanghai Maritime University (上海海事大學)) in 1977, and worked for that college since then. He was promoted to be a deputy professor in 1993 and later a professor in 1995. In 2001, Mr. Cai became the deputy dean of Shanghai Maritime College and was awarded the special government allowance by the State Council. Currently, Mr. Cai is the vice principal, the professor and the tutor of PHD students of Shanghai Maritime University. He is also a part-time lawyer in Shanghai Yingtai Law Firm (上海瀛泰律師事務所), an arbitrator of China Maritime Arbitration Commission (中國海事仲裁委員會), and an independent director of Winsan (Shanghai) Industrial Corporation Ltd. (運盛(上海)實業股份有限公司). Mr. Cai is admitted to practicing law in the PRC. Mr. Cai has 34 years of experience in the shipping industry.

Mr. HAN Xiaojing (韓小京) — Independent non-executive Director

Mr. HAN Xiaojing (韓小京), aged 56, was appointed as an independent non-executive Director of the Company in March 2011. From 1986 to 1992, Mr. Han worked at China Law Center (中國法律事務中心). During the same period, he spent three and a half years at Zimmerman Lawyers (齊默爾曼律師事務所) in Canada and Livasiri & Co. (廖綺雲律師事務所) in Hong Kong for study. In 1992, Mr. Han was involved in the establishment of Commerce & Finance Law Offices (北京市通商律師事務所), and has been a partner there ever since. Mr. Han is admitted to practicing law in the PRC and has 24 years of experience in the legal profession.

Currently, Mr. Han is an independent non-executive Director of Sino-Ocean Land Holdings Limited and an independent director of Shenzhen Overseas Chinese Town Co., Ltd. (深圳華僑城股份有限公司).

Mr. LIU Jialin (劉嘉凌) — Independent non-executive Director

Mr. LIU Jialin (劉嘉凌), aged 48, was appointed as an independent non-executive Director of the Company in March 2011. From 1992 to 2007, Mr. Liu worked for Morgan Stanley group of companies and once served as a member of the Management Committee and Asia Executive Committee as well as a Managing Director in the Fixed Income Division in Hong Kong. In 2008, Mr. Liu established Shelter Cove Capital Limited (now known as Voras Capital Management (HK) Limited) Mr. Liu has 22 years of experience in finance and securities industry.

Mr. Liu obtained a bachelor's degree in science from Peking University and a degree of master of science in physics from Massachusetts Institute of Technology.

Biographies of Directors and Senior Management

Mr. YIP Wai Ming (葉偉明) — Independent non-executive Director

Mr. YIP Wai Ming (葉偉明), aged 46, was appointed as an independent non-executive Director of the Company in March 2011. Mr. Yip graduated from the University of Hong Kong with a bachelor of social sciences degree in November 1987. He also obtained a degree of bachelor of laws from the University of London in August 2001. Mr. Yip started his career in Ernst & Young in 1987, and was a senior manager at the time of his departure in 1996. From 1996 to 2010, Mr. Yip served as an associate director in ING Bank N.V., the chief financial officer in Fulbond Holdings Limited (福邦控股有限公司), the vice president of Hi Sun Technology (China) Limited (高陽科技(中國)有限公司), the chief financial officer of Haier Electronics Group Co., Ltd. (海爾電器集團有限公司), the deputy general manager of Yuzhou Properties Company Limited (禹洲地產股份有限公司) respectively. Currently, Mr. Yip is an independent non-executive director of BBMG Corporation (北京金隅股份有限公司), Ju Teng International Holdings Limited (巨騰國際控股有限公司) and Pax Global Technology Limited (百富環球科技有限公司). Mr. Yip is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants. He has over 20 years of experience in accounting and finance.

Mr. FANG Weihao (方蔚豪) — Executive Vice President

Mr. FANG Weihao (方蔚豪), aged 38, is the Executive Vice President of the Company and the Executive Deputy General Manager of International Far Eastern Leasing Co., Ltd. Mr. Fang obtained a bachelor's degree in engineering from Beijing Institute of Technology University (北京理工大學) in China in July 1994 and an MBA degree from China Europe International Business School in July 2006. Mr. Fang Weihao worked in Sinochem Group for many years and served as an assistant general manager in Sinochem International Tendering Co., Ltd. (中化國際招標有限責任公司), an assistant general manager at China New Technology Development Co., Ltd. (中國新技術發展貿易有限公司) and the Executive Deputy General Manager of International Far Eastern Leasing Co., Ltd. respectively. Mr. Fang was appointed as the Executive Vice President of the Company in September 2009. Mr. Fang has more than 11 years of experience in enterprise management.

Mr. NIU Weidong (牛衛東) — Senior Vice President

Mr. NIU Weidong (牛衛東), aged 41, is the Senior Vice President of the Company and the Deputy General Manager of International Far Eastern Leasing Co., Ltd. Mr. Niu graduated from Shandong Finance College (山東財政學院) in July 1993, and obtained an MBA degree from Shanghai Jiaotong University (上海交通大學) in China in July 2006. Mr. Niu Weidong worked in Sinochem Group for many years and worked in Shandong Import & Export Group Corporation, High Technology Branch (中化山東進出口集團公司高科技分公司) and Sinochem Furan International Chemicals Co., Ltd (中化國際呋喃化工品有限責任公司) respectively. In 2001, he was assigned to International Far Eastern Leasing Co., Ltd., the wholly owned subsidiary of Far East Horizon Limited, and served as the general manager of the quality control department, the general manager of the first business division, the general manager of the printing industry division, Assistant General Manager of the Company and the deputy general manager of the Company respectively. He possesses years of experience in business and marketing management. Mr. Niu was appointed as Senior Vice President of the Company in September 2009. Mr. Niu has over nine years of experience in the financial leasing industry.

Biographies of Directors and Senior Management

Mr. LIU Honglai (劉宏來) — Assistant General Manager, Chief Credit Officer

Mr. LIU Honglai (劉宏來), aged 40, is the Assistant General Manager and Chief Credit Officer of the Company and the Assistant General Manager and the General Manager of the Quality Control Department of International Far Eastern Leasing Co., Ltd. Mr. Liu obtained a bachelor's degree in economics from Hunan College of Finance (湖南財經學院) in China in July 1993 and an MBA degree from Peking University in July 2002. In 2002, Mr. Liu Honglai joined International Far Eastern Leasing Co., Ltd., the wholly owned subsidiary of Far East Horizon Limited, and has worked there since then. Mr. Liu was appointed as Assistant General Manager and Chief Credit Officer in September 2009. Mr. Liu has over 17 years of experience in the financial service industry.

Mr. CAO Jian (曹健) — Assistant General Manager

Mr. CAO Jian (曹健), aged 36, is the Assistant General Manager of the Company and the Assistant General Manager of International Far Eastern Leasing Co., Ltd. Mr. Cao obtained a bachelor's degree in economics from Nankai University (南開大學) in China in June 1997, a master's degree in economics from University of International Business and Economics (對外經濟貿易大學) in China in December 2006 and an MBA from Shanghai Jiaotong University (上海交通大學) in China in June 2008. Mr. Cao Jian became a manager of the human resources department in Sinochem Group. After joining International Far Eastern Leasing Co., Ltd., the wholly owned subsidiary of Far East Horizon Limited, he served as the deputy general manager, the executive deputy general manager and the general manager of the healthcare business division, and the Assistant General Manager of the Company, thus he has adequate experience in corporate management. Mr. Cao was appointed as the Assistant General Manager of the Company in September 2010. Mr. Cao has over 8 years of experience in the financial leasing industry.

Mr. SHANG Bing (尚兵) — Assistant General Manager

Mr. SHANG Bing (尚兵), aged 44, is the Assistant General Manager of our Company. Mr. Shang obtained a bachelor of arts from Sichuan University in China in July 1989. After graduation, Mr. Shang joined MOFCOM and worked as an officer in the Department of Outward Investment and Economic Cooperation until October 1991. He then joined Embassy of the PRC in the Kingdom of Thailand in November 1991 and worked there until August 1995. In September 1995, Mr. Shang returned to MOFCOM and served there until 2003. From 2003 to 2007, Mr. Shang worked in Chongqing Lifan Holding Company Limited (重慶力帆控股有限公司) and held several positions there such as special assistant to the chairman, director and executive director. In April 2008, Mr. Shang joined Deloitte Touche Tohmatsu CPA Ltd., Beijing Branch and worked there until December 2010. Mr. Shang was appointed as an Assistant General Manager of the Company in January 2011. Mr. Shang has over 21 years of experience in relation to government affairs and enterprise management.

Directors' Report

The Board is pleased to present the Directors' Report of the year 2010 together with the audited financial statements of the Group for the year ended 31 December 2010.

Brief Introduction of the Group's Business Activities

The principal business activities of the Group are financial leasing and advisory services, and the principal business activities of its subsidiaries are trading and brokerage services. An analysis of the Group's operational status for the year by business segments is detailed in Note 4 to the financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statements on page 55 of this report.

The Board does not recommend the payment of the final dividends for the year ended 31 December 2010.

Financial Highlights

The summary of the Group's results, assets, liabilities and non-controlling interests for the past four financial years are extracted from the audited financial information and financial statements published, which are set out on page 140 to this report. This summary does not form a part of the audited financial statements.

Property, Plant and Equipment

The movement in the Group's property, plant and equipment for the year are set out in Note 13 to the financial statements.

Share Capital

Details of the movements in the shares capital of the Company are set out in Note 26 to the financial statements.

Purchase, Sale or Redemption of Shares of the Company

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any shares of the Company for the year ended 31 December 2010, because the shares of the Company were listed in the Stock Exchange on 30 March 2011.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 59 and 60 of this annual report and Note 27 to the financial statements respectively.

Charitable Donations

The Group's external charitable donations for the year amounted to US$15,000 (2009: US$1,000).

Directors

As of the date of this report, Directors of the Company were as follows:

Executive Directors

Mr. KONG Fanxing (appointed on 16 October 2009)

Mr. WANG Mingzhe (appointed on 16 October 2009)

Non-executive Directors

Mr. LIU Deshu (appointed on 8 December 2010)

Mr. YANG Lin (appointed on 16 October 2009)

Ms. SHI Dai (appointed on 16 October 2009)

Mr. LIU Haifeng David (appointed on 16 October 2009)

Mr. SUN Xiaoning (appointed on 16 October 2009)

Independent Non-executive Directors

Mr. HAN Xiaojing (appointed on 11 March 2011 but taking effect on 30 March 2011)

Mr. LIU Jialin (appointed on 11 March 2011 but taking effect on 30 March 2011)

Mr. CAI Cunqiang (appointed on 11 March 2011 but taking effect on 30 March 2011)

Mr. YIP Wai Ming (appointed on 11 March 2011 but taking effect on 30 March 2011)

Biographical Details of the Directors and Senior Management

Biographical details of the Directors and senior management are set out on pages 41 to 45 of this annual report.

Directors' Service Contracts

Executive Directors

Each of the executive Directors has entered into a service contract with the Company under which he agreed to act as executive Director for an initial term of three years with effect from 11 March 2011. Either party has the right to give not less than three months' written notice to terminate the service contract.

Each of the executive Directors is entitled to a salary and bonus payment, allowance and benefits-in-kind, at the discretion of the Board, and social welfare benefits provided under the relevant PRC laws and regulations. The aggregate amount of the annual salaries of the two executive Directors is RMB2,200,000.

Directors' Report

Non-executive Directors

Each of the non-executive Directors has entered into an appointment letter with the Company. Each of the appointments is for an initial term of three years commencing from 11 March 2011. No fees are payable to the non-executive Directors by the Company under the appointment letters.

Independent Non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with the Company. Each of the appointments is for an initial term of three years commencing from 30 March 2011 (being the Listing Date). The aggregate amount of annual fees payable to our independent non-executive Directors under the appointment letters is HK$1,680,000.

The Directors' remuneration is determined by reference to Directors' duties and responsibilities, individual performance and the results of the Group.

As at 31 December 2010, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers that each of the independent non-executive Directors, namely Mr. Han Xiaojing, Mr. Liu Jialin, Mr. Cai Cunqiang and Mr. Yip Wai Ming to be independent.

Directors' Emoluments and Five Highest Paid Individuals

Details of the remuneration of the Directors and that of the five highest paid individuals of the Group for the year ended 31 December 2010 are set out in note 7 and note 8 to the consolidated financial statements of the Group.

Directors' Interests in Contracts

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

Save as disclosed in the prospectus of the Company dated 18 March 2011, as at 31 December 2010, none of the Directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Pension Scheme and Share Option Scheme

The Group does not have any pension scheme and share option scheme.

Management Contracts

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

Arrangements for the Directors to Purchase Shares or Debentures

At no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

As at 31 December 2010, or from 30 March 2011 (being the Listing Date) to the latest practicable date to confirm certain information therein before the publication of this annual report, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange.

Directors' Report

Substantial Shareholders' Interests in the Shares

As far as the Directors are aware, according to the register of interests kept by the Company under section 336 of the SFO, the following entities had interests or short positions in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as of the latest practicable date to confirm some of the information therein before the publication of the annual report:

Name of shareholder	Nature of interest	Number of Shares[1]	Approximate percentage of interest
Sinochem Group[2]	Interest in a controlled corporation	1,294,720,000(L)	45.55%
Greatpart Limited[2]	Beneficial owner	1,294,720,000(L)	45.55%
KKR Future Investments S.À.R.L.[3]	Beneficial owner	337,000,000(L)	11.86%
KKR Future Holdings II Limited[3]	Beneficial owner	20,000,000(L)	0.70%
KKR Future Holdings Limited[3]	Interest in a controlled entity	357,000,000(L)	12.56%
KKR Asian Fund L.P.[3]	Interest in a controlled entity	357,000,000(L)	12.56%
KKR Associates Asia L.P.[3]	General partner	357,000,000(L)	12.56%
KKR SP Limited[3]	Interest in a controlled entity	357,000,000(L)	12.56%
KKR Asia Limited[3]	General partner	357,000,000(L)	12.56%
KKR Fund Holdings L.P.[3]	Interest in a controlled entity	357,000,000(L)	12.56%
KKR Fund Holdings GP Limited[3]	General partner	357,000,000(L)	12.56%
KKR Group Holdings L.P.[3]	General partner	357,000,000(L)	12.56%
KKR Group Limited[3]	General partner	357,000,000(L)	12.56%
KKR & Co. L.P.[3]	Interest in a controlled entity	357,000,000(L)	12.56%
KKR Management LLC[3]	General partner	357,000,000(L)	12.56%
Mr. Henry R. Kravis and Mr. George R. Roberts[3]	Interest in a controlled entity	357,000,000(L)	12.56%
Techlink Investment Pte Ltd[4]	Beneficial owner	214,200,000(L)	7.54%
Tetrad Ventures Pte Ltd[4]	Interest in a controlled corporation	214,200,000(L)	7.54%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.[4]	Interest in a controlled corporation	214,200,000(L)	7.54%
GIC Special Investments Private Limited[4]	Interest in a controlled corporation	214,200,000(L)	7.54%
Government of Singapore Investment Corporation Private Limited[4]	Interest in a controlled corporation	214,200,000(L)	7.54%

Notes:

(1) The letter "L" denotes the person's long position in the Shares. The issued shares of the Company (including the ordinary shares and series A preferred shares) as at 31 December 2010 have a par value of HK$1 each. Please refer to the prospectus of the Company dated 18 March 2011 for further information about the transformation of series A preferred shares to ordinary shares, the share subdivision and capitalization issue.

(2) Sinochem Group is the beneficial owner of 100% of the issued share capital of Greatpart Limited and is deemed to be interested in the number of Shares held by Greatpart Limited.

(3) Each of KKR Future Holdings Limited (as the sole shareholder of KKR Future Investments S.À.R.L. and KKR Future Holdings II Limited), KKR Asian Fund L.P. (as the controlling shareholder of KKR Future Holdings Limited), KKR Associates Asia L.P. (as the general partner of KKR Asian Fund L.P.), KKR SP Limited (as the voting partner of KKR Associates Asia L.P.), KKR Asia Limited (as the general partner of KKR Associates Asia L.P.), KKR Fund Holdings L.P. (as the sole member of KKR Asia Limited), KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L.P.) and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) may be deemed to be interested in the Shares. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares.

(4) Techlink Investment Pte Ltd ("Techlink") is wholly-owned by Tetrad Ventures Pte Ltd which, in turn, is wholly-owned by Government of Singapore Investment Corporation (Ventures) Pte. Ltd.. GIC Special Investments Private Limited manages the investments of Techlink, and is wholly-owned by Government of Singapore Investment Corporation Private Limited. Each of Tetrad Ventures Pte Ltd, Government of Singapore Investment Corporation (Ventures) Pte. Ltd., GIC Special Investments Private Limited and Government of Singapore Investment Corporation Private Limited is deemed to be interested in the Shares held by Techlink Investment under the SFO.

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified by any person of any interest or short position in the shares or underlying shares of the Company.

Use of Proceeds from the Company's Initial Public Offering

On 30 March 2011, the shares of the Company were listed on the Main Board of the Stock Exchange. Net proceeds from the initial public offering (taking into account the exercise of the over-allotment option) were approximately HK$5,633.0 million. The Company intends to use the net proceeds in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" contained in the prospectus of the Company dated 18 March 2011.

The Main Customers and Suppliers

The income of the Group's lease and advisory segments accounted for 90.50% of the total income, and the information of the main customers and suppliers of the lease and advisory segments is as follows:

	For the year ended 31 December 2010 Percentage of the total income (before business taxes and surcharges) (%)
Top five customers	5.38%
The largest customer	1.32%

	Percentage of total costs (%)
Top five suppliers	49.91%
The largest supplier	23.30%

Directors' Report

As far as the directors are aware, none of the directors, its connected persons and shareholders holding more than 5% of the Company's shares have any interests in the top five customers or top five suppliers of the Group.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Connected Transactions

Since the Company was not yet listed on the Stock Exchange during the year, the relevant provisions for connected transactions under the Listing Rules were not applicable. As such, the Company and the Group did not have any connected transactions which are required to be disclosed in accordance with the requirements of Chapter 14A of the Listing Rules.

The Appointment of Auditors

Ernst & Young was approved as the company's auditor in the past two years. The financial statements have been audited by Ernst & Young who retired and, being eligible, offered for re-appointment.

Events Subsequent to the Reporting Period

Details of the significant events subsequent to the reporting period of the Group are set out in Note 37 to the financial statements.

By order of the Board
Liu Deshu
Chairman

31 March 2011

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of Far East Horizon Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Far East Horizon Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 139, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
CONTINUING OPERATIONS			
REVENUE	5	**326,909**	211,362
Cost of sales		**(117,864)**	(74,527)
Gross profit		**209,045**	136,835
Other income and gains	5	**9,930**	2,652
Selling and distribution costs		**(37,614)**	(23,332)
Administrative expenses		**(44,589)**	(26,017)
Other expenses		**(3,444)**	(773)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**133,328**	89,365
Income tax expense	9	**(29,910)**	(20,292)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**103,418**	69,073
Attributable to:			
Owners of the parent	10	**103,749**	69,073
Non-controlling interests		**(331)**	—
		103,418	69,073
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
		US cents	US cents
Basic and Diluted			
— For profit for the year		**5.45**	3.63

Details of the dividends payable and proposed for the year are disclosed in Note 11 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
PROFIT FOR THE YEAR		**103,418**	69,073
OTHER COMPREHENSIVE INCOME			
Available-for-sale investment:			
Changes in fair value		**—**	4,210
Gain from disposal		**(4,276)**	—
Exchange differences		**53**	—
Income tax effect		**940**	(927)
		(3,283)	3,283
Exchange differences on translation of financial statements of entities in Mainland China		**13,859**	203
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**10,576**	3,486
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**113,994**	72,559
Attributable to:			
Owners of the parent		**114,308**	72,559
Non-controlling interests		**(314)**	—
		113,994	72,559

Consolidated Statement of Financial Position

31 December 2010

	Notes	31 December 2010 US$'000	31 December 2009 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,002**	1,862
Other assets	14	**3,316**	1,145
Available-for-sale investment	16	**—**	19,668
Deferred tax assets	25	**9,263**	4,152
Loans and accounts receivable	18	**2,429,303**	1,232,053
Total non-current assets		**2,445,884**	1,258,880
CURRENT ASSETS			
Inventories	17	**495**	613
Loans and accounts receivable	18	**1,271,026**	744,028
Prepayments, deposits and other receivables	19	**28,870**	26,072
Time and pledged deposits	20	**24,527**	—
Cash and cash equivalents	20	**53,362**	54,444
Total current assets		**1,378,280**	825,157
CURRENT LIABILITIES			
Trade and bills payables	21	**160,539**	97,262
Other payables and accruals	22	**113,804**	212,731
Interest-bearing bank and other borrowings	23	**910,000**	316,838
Tax payable		**25,425**	8,529
Total current liabilities		**1,209,768**	635,360
NET CURRENT ASSETS		**168,512**	189,797

Consolidated Statement of Financial Position

31 December 2010

	Notes	31 December 2010 US$'000	31 December 2009 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,614,396**	1,448,677
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	**1,659,939**	930,455
Other payables and accruals	22	**418,670**	235,646
Deferred revenue	24	**3,168**	1,304
Deferred tax liabilities	25	**5,287**	5,436
Total non-current liabilities		**2,087,064**	1,172,841
Net assets		**527,332**	275,836
EQUITY			
Equity attributable to owners of the parent			
Issued capital	26	**2**	1
Reserves	27	**526,910**	275,835
		526,912	275,836
Non-controlling interests		**420**	—
Total equity		**527,332**	275,836

Kong Fanxing
Director

Wang Mingzhe
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the parent								
	Issued capital US$'000 (Note 26)	Capital reserve US$'000 (Note 27(a))	Available-for-sale investment revaluation reserve US$'000	Reserve funds US$'000 (Note 27(a))	Exchange fluctuation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2010	1	127,058	3,283	16,350	20,325	108,819	275,836	—	275,836
Profit for the year	—	—	—	—	—	103,749	103,749	(331)	103,418
Other comprehensive income for the year									
Disposal of available for sale investment, net of tax	—	—	(3,283)	—	—	—	(3,283)	—	(3,283)
Exchange differences on translation of financial statements of entities in Mainland China	—	—	—	—	13,842	—	13,842	17	13,859
Total comprehensive income for the year	—	—	(3,283)	—	13,842	103,749	114,308	(314)	113,994
Capitalisation of shareholder's loan (Note 26(b))	1	215,679	—	—	—	—	215,680	—	215,680
Capital injection	—	—	—	—	—	—	—	734	734
Dividend (Note 11)	—	—	—	—	—	(78,912)	(78,912)	—	(78,912)
At 31 December 2010	2	342,737*	—*	16,350*	34,167*	133,656*	526,912	420	527,332

* These reserve accounts comprise the consolidated reserves of US$526,910,000 (2009: US$275,835,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Attributable to owners of the parent								
	Issued capital US$'000 (Note 26)	Capital reserve US$'000 (Note 27(a))	Available-for-sale investment revaluation reserve US$'000	Reserve funds US$'000 (Note 27(a))	Exchange fluctuation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2009	—	127,060	—	16,350	20,122	39,746	203,278	262	203,540
Profit for the year	—	—	—	—	—	69,073	69,073	—	69,073
Other comprehensive income for the year									
Changes in fair value of available-for-sale investment, net of tax	—	—	3,283	—	—	—	3,283	—	3,283
Exchange differences on translation of financial statements of entities in Mainland China	—	—	—	—	203	—	203	—	203
Total comprehensive income for the year	—	—	3,283	—	203	69,073	72,559	—	72,559
Acquisition of non-controlling interests	—	(1)	—	—	—	—	(1)	(262)	(263)
Issue of shares	1	(1)	—	—	—	—	—	—	—
At 31 December 2009	1	127,058	3,283	16,350	20,325	108,819	275,836	—	275,836

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		133,328	89,365
Adjustments for:			
Finance costs and bank charges		3,408	445
Gain on disposal of available-for-sale investment	5	(4,276)	—
(Gain)/Loss on disposal of property, plant and equipment, net		(358)	99
Depreciation	6	902	482
Provision for impairment of lease receivables	18	15,471	9,003
Provision for impairment of other assets		1,283	50
Amortisation of intangible assets and other long term assets	6	862	299
Foreign exchange (gain)/loss, net	5	(1,281)	63
Listing expense		867	—
		150,206	99,806
Decrease/(increase) in inventories		135	(550)
Increase in loans and accounts receivable		(1,659,217)	(654,229)
(Increase)/decrease in prepayments, deposits and other receivables		(8,553)	122
Increase in due from related parties		(898)	(477)
Increase in other assets		(2,269)	(439)
Increase in trade and bills payables		59,339	63,275
Increase in other payables, accrued liabilities and expenses		37,125	91,146
Increase/(decrease) in due to related parties		883	(184)
Increase in other liabilities		191,433	1,303
Net cash flows used in operating activities before tax		(1,231,816)	(400,227)
Income tax paid		(17,811)	(14,874)
NET CASH FLOW USED IN OPERATING ACTIVITIES		(1,249,627)	(415,101)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investment		19,968	—
Proceeds from disposal of property, plant and equipment		1,748	245
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets		(5,242)	(1,095)
Increase in pledged deposits and time deposits		(24,175)	—
Decrease/(increase) in due from related parties		10,000	(10,000)
Net cash flows from/(used in) investing activities		2,299	(10,850)

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**55,680**	—
Contribution from non-controlling interest		**745**	—
Increase in amounts due to related parties		**50,000**	160,000
Cash received from borrowings		**3,188,166**	1,341,511
Repayments of borrowings		**(1,966,448)**	(1,061,947)
Dividends paid		**(78,912)**	—
Cash paid for acquisition of non-controlling interests		**—**	(263)
Cash paid for other financing activities		**(4,027)**	(1,077)
Net cash flows from financing activities		**1,245,204**	438,224
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,124)**	12,273
Cash and cash equivalents at beginning of year		**54,444**	42,281
Effect of exchange rate changes on cash and cash equivalents		**1,042**	(110)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**53,362**	54,444
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**53,362**	48,586
Non-pledged time deposits with original maturity of less than three months when acquired	20	**—**	5,858
Cash and cash equivalents as stated in the statement of financial position		**53,362**	54,444

Statement of Financial Position

31 December 2010

	Notes	31 December 2010 US$'000	31 December 2009 US$'000
NON-CURRENT ASSETS			
Prepayments, deposits and other receivables	19	**151,565**	—
Investments in subsidiaries	15	**420,175**	364,495
Total non-current assets		**571,740**	364,495
CURRENT ASSETS			
Prepayments, deposits and other receivables	19	**26,584**	10,450
Cash and cash equivalents	20	**132**	199
Time and pledged deposits	20	**500**	—
Total current assets		**27,216**	10,649
CURRENT LIABILITIES			
Other payables and accruals	22	**2,620**	160,007
Tax payable		**50**	—
Interest-bearing bank and other borrowings	23	**87,880**	—
Total current liabilities		**90,550**	160,007
NET CURRENT LIABILITIES		**(63,334)**	(149,358)
TOTAL ASSETS LESS CURRENT LIABILITIES		**508,406**	215,137
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	**77,649**	—
Total non-current liabilities		**77,649**	—
Net assets		**430,757**	215,137
EQUITY			
Issued capital	26	**2**	1
Reserves	27	**430,755**	215,136
Total equity		**430,757**	215,137

Kong Fanxing
Director

Wang Mingzhe
Director

Notes to Financial Statements

31 December 2010

1. CORPORATE INFORMATION

Far East Horizon Limited (the "Company") is a limited liability company which was incorporated in Hong Kong on 15 May 2008. Pursuant to the special resolutions dated 15 October 2008 and 29 November 2010 respectively, the Company changed its name from Fully Ascent Limited to Far Eastern Hong Xin Co., Limited. and then Far East Horizon Limited. The registered office of the Company is Room 4701, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Group is principally engaged in providing financing to its customers for a wide array of assets under finance lease arrangements, the provision of leasing advisory services, import and export trade, and other services as approved by the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China PRC (the "PRC") in the PRC during the year.

In the opinion of the directors, the Company's holding company is Fortune Ally Limited ("Fortune Ally") and its ultimate holding company is Sinochem Group, a company established in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale financial investments, which have been measured at fair value. These financial statements are presented in United States dollars ("US dollars" or "US$") and all values are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

Through a group reorganisation (the "Reorganization") as set out in the section headed "Our History and Reorganisation" in the Prospectus dated 18 March 2011 for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 13 March 2009. The shares of the Company were listed on the Stock Exchange on 30 March 2011.

For the purpose of these consolidated financial statements, the Group has adopted all the HKFRSs that have been issued and effective for the financial years presented at the beginning of the financial years presented.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]
HKAS12 Amendments	Amendments to HKAS12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[6]

Notes to Financial Statements

31 December 2010

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013
6 Effective for annual periods beginning on or after 1 January 2012

The directors are in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Consolidation under common control

The consolidation policy of the acquisition among the entities under common control is dealt with in accordance with the principles set out in Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA ("AG 5") as if the acquisition had occurred from the date when the combining entities first came under the control of the ultimate holding company.

The acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The purchase method of accounting is used to account for the acquisitions of subsidiaries not under common control.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Consolidation under common control (continued)

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated income statements and the consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

Notes to Financial Statements

31 December 2010

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Useful life	Annual depreciation rate
Buildings	20 years	4.75%
Office equipment and computers	3–5 years	19.40–32.33%
Motor vehicles	4–5 years	19.40–24.25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Leasehold improvement is depreciated on straight line basis over the shorter of the leased term or beneficial life of the leased asset.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Notes to Financial Statements

31 December 2010

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and accounts receivable. Any unguaranteed residual value is also recognized at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognized as unearned finance income. Unearned finance income is recognized over the period of the lease using the effective interest rate method.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, and available-for-sale financial investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other income and gains or finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Notes to Financial Statements

31 December 2010

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in revenue in the income statement. The loss arising from impairment is recognised in the income statement in administrative expenses.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in revenue in the income statement. The loss arising from impairment is recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to Financial Statements

31 December 2010

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of revenue. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings.

Notes to Financial Statements

31 December 2010

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings and other liability

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in cost of sales in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Inventories

Inventories are goods valued at the lower of cost and net realisable value at the end of the reporting period. The cost of inventories issued is determined on the specific identification basis. The difference between the cost and the lower net realisable value is stated as a provision. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and estimated expenses and related taxes necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Notes to Financial Statements

31 December 2010

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) finance lease income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of finance lease;

(b) from rendering of services, income is recognized when the services have been rendered and the revenue can be reasonably estimated and deferred revenue is recorded as liability when the payments have been made in advance by customers for services yet to be rendered as at each of the reporting dates and recognized as income when the services have been rendered and the revenue can be reasonably estimated;

(c) from sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(d) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Notes to Financial Statements

31 December 2010

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in which services have been rendered by the employees of the Group.

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year's basic salaries to the Annuity Plan. The contribution is charged to the income statement when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employees benefits.

Contributions to these plans are recognized in the income statement as incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in US dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain subsidiaries are currencies other than the US dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into US dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the report period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Notes to Financial Statements

31 December 2010

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements in their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement.

Provision for bad and doubtful receivables

Provision for bad and doubtful receivables is made based on the assessment of the recoverability of loans and receivables. The identification of doubtful receivables requires management's judgment and estimates. The management measures and monitors the asset quality of the lease receivables portfolio by classifying the lease receivables using the 5-category classification system by referring to guidelines promulgated by China Banking Regulatory Commission relating to asset quality for financial institutions under its regulation. And thereon, for the first two categories i.e. Pass and Special Mention, the lease receivables are regarded as performing assets as no objective evidence of impairment exists individually and are collectively assessed for impairment; while lease receivables in the remaining 3 categories i.e. Substandard, Doubtful and Loss, are regarded as nonperforming assets and are measured for impairment individually since objective evidence of impairment exists individually for such lease receivables. Where the actual outcome or expectation in future is different from the original estimate, these differences will have an impact on the carrying amounts of the receivables and doubtful debt expenses/write-back in the period in which these estimates have been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Fair value of financial instruments

For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Valuation techniques make use of observable market information to the greatest extent, however, when the observable market information cannot be obtained, management will have to make assumptions on the credit risk, market volatility and correlations of the Group and the counterparties, and any changes in these underlying assumptions will affect the fair value of financial instruments.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into different operating segments, namely finance leasing and advisory business and trade and other business, based on internal organisational structure, management requirement and internal reporting system:

- Finance leasing and advisory business, comprising (a) direct finance leasing and (b) sale-leaseback (c) advisory services; and

- Trade and other business, comprising primarily (a) import and export trade and domestic trade of medical equipment and parts, paper, ink, cardboard and paper goods primarily within the healthcare and printing industries, as well as trade agency services primarily within the machinery industry; (b) ship brokerage services.(c) medical engineering.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Segment revenue, results, assets and liabilities mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Notes to Financial Statements

31 December 2010

4. OPERATING SEGMENT INFORMATION (continued)

Intersegment transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

As at 31 December 2010 and for the year then ended	Leasing and Advisory US$'000	Trading and Others US$'000	Intersegment US$'000	Total US$'000
Revenue	288,276	38,633	—	326,909
Cost of sales	(87,656)	(30,208)	—	(117,864)
Selling and distribution costs/ administrative expenses	(78,385)	(3,818)	—	(82,203)
Profit before tax	130,327	4,926	(1,925)	133,328
Profit after tax	100,754	4,589	(1,925)	103,418
Segment assets	3,819,106	14,685	(9,627)	3,824,164
Segment liabilities	3,291,800	11,444	(6,412)	3,296,832

As at 31 December 2009 and for the year then ended	Leasing and Advisory US$'000	Trading and Others US$'000	Intersegment US$'000	Total US$'000
Revenue	190,718	20,644	—	211,362
Cost of sales	(57,989)	(16,538)	—	(74,527)
Selling and distribution costs/ administrative expenses	(47,101)	(2,248)	—	(49,349)
Profit before tax	87,475	1,890	—	89,365
Profit after tax	67,282	1,791	—	69,073
Segment assets	2,073,157	11,802	(922)	2,084,037
Segment liabilities	1,799,273	8,928	—	1,808,201

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2010 US$'000	2009 US$'000
Mainland China	**321,898**	209,845
Hong Kong	**4,740**	1,281
Other countries or regions	**271**	236
	326,909	211,362

The revenue information is based on the location of the customers.

(b) Non-current assets

	2010 US$'000	2009 US$'000
Mainland China	**7,318**	3,007

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

There was no single customer who contributed 10% or more to the total revenue of the Group during the year.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value added tax, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts, and the value of services rendered and gross leasing income received, net of business tax, during the year.

Notes to Financial Statements

31 December 2010

5. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of revenue, other income and gains is as follows:

	Notes	2010 US$'000	2009 US$'000
Revenue			
Sale of goods		**31,782**	17,844
Leasing income		**178,361**	107,537
Service fee income		**126,401**	92,853
Construction contract revenue	5a	**371**	—
Business tax and surcharges		**(10,006)**	(6,872)
		326,909	211,362
Other income and gains			
Bank interest income		**1,569**	630
Foreign exchange gain/(loss)		**1,281**	(63)
Gain from disposal of available-for-sale investment		**4,276**	—
Government grants	5b	**2,230**	1,990
Others		**574**	95
		9,930	2,652

5. REVENUE, OTHER INCOME AND GAINS (continued)

5a. Construction contract

	2010 US$'000	2009 US$'000
Gross amount due from contract customers	—	—
Gross amount due to contract customers included in other payables	(94)	—
	(94)	—
Contract costs incurred plus recognised profits less recognised losses to date	371	—
Less: Progress billings	471	—
Exchange differences	6	—
	(94)	—

As at 31 December 2010, the Group received prepayment for construction contracts from a customer amounting to US$94,000 (2009: Nil) which has been included in the Group's other payables balance.

5b. Government Grants

	2010 US$'000	2009 US$'000
Government special subsidy	2,230	1,990

The government special subsidy was granted to International Far Eastern Leasing Co., Ltd. ("Far Eastern Leasing"). The Group was awarded the one-off subsidy of RMB15 million in 2010 by the Shanghai Pudong New Area Regional Government to promote the development of finance lease business.

The Group was awarded the subsidy in 2009 because it has fulfilled the relevant requirements stated in 'Modernised Service Industry LS9109' notification issued by the Shanghai Pudong New Area Lujiazui Regional Management Committee. The amount was granted to the Group in recognition of its contribution to the local government, and was calculated based on the excess of its revenue and total profit over a certain threshold.

Notes to Financial Statements

31 December 2010

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging:

	Notes	2010 US$'000	2009 US$'000
Cost of borrowings included in cost of sales		**87,656**	57,989
Cost of inventories sold		**29,945**	16,538
Cost of construction contract		**263**	—
Depreciation	13	**902**	482
Amortisation of intangible assets and other long term assets		**862**	299
Rental expenses		**3,701**	3,102
Auditors' remuneration		**639**	119
Employee benefit expense			
(including directors' remuneration (note 7))			
— Wages and salaries		**23,651**	16,226
— Pension scheme contributions		**3,010**	1,541
— Other employee benefits		**8,435**	4,919
Impairment of loans and accounts receivable	18	**16,754**	9,053
Entertainment fee		**3,689**	2,082
Business travelling expenses		**9,371**	5,342
Consultancy fees		**1,525**	1,416
Office expenses		**2,397**	1,459
Advertising and promotion expenses		**304**	239
Transportation expenses		**263**	230
Communication expenses		**1,085**	608
Other miscellaneous		**5,615**	2,232
Loss on disposal of property plant and equipment		**216**	99
Donation		**15**	1
Commission expense		**3,213**	673

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Group

	2010 US$'000	2009 US$'000
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	**602**	220
Performance related bonuses*	**1,031**	349
Pension scheme contributions	**73**	16
	1,706	585
	1,706	585

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the business performance of the Group.

(a) Non-executive directors and Independent non-executive directors

There were no fees and other emoluments payable to the non-executive directors and independent non-executive directors during the year (2009: Nil).

Notes to Financial Statements

31 December 2010

7. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2010					
Executive Directors					
Mr. Kong Fanxing	**—**	**264**	**451**	**30**	**745**
Mr. Fang Weihao**	**—**	**181**	**322**	**23**	**526**
Mr. Wang Mingzhe	**—**	**157**	**258**	**20**	**435**
	—	**602**	**1,031**	**73**	**1,706**
Year ended 31 December 2009					
Executive Directors					
Mr. Kong Fanxing	—	169	123	14	306
Mr. Fang Weihao	—	29	124	1	154
Mr. Wang Mingzhe	—	22	102	1	125
	—	220	349	16	585

** Mr. Fang Weihao resigned from his position as the Company's executive director on December 8, 2010 due to personal reason but he remains as the executive vice president of the Company. Mr. Fang Weihao's remuneration for 2010 was US$544,000, (US$526,000 when he was a director).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the year as follows:

	Number of employees	
	2010	2009
Directors	3	3
Non-directors	2	2
	5	5

The five highest paid employees during the year included three (2009: three) directors, details of whose remuneration are set out in Note 7 above. Details of the remuneration of the remaining two (2009: two) non-director, highest paid employees for the year are as follows:

Group

	2010 US$'000	2009 US$'000
Salaries, allowances and benefits in kind	304	185
Performance related bonuses	516	242
Pension scheme contributions	39	18
	859	445

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
US$190,001 to US$250,000	—	2
US$250,001 to US$310,000	—	—
US$310,001 to US$370,000	1	—
US$370,001 to US$430,000	—	—
US$430,001 to US$490,000	—	—
US$490,001 to US$550,000	1	—
	2	2

Notes to Financial Statements

31 December 2010

9. INCOME TAX

	2010 US$'000	2009 US$'000
Current — Hong Kong		
Charge for the year	**613**	—
Underprovision in prior year	**61**	—
Current — Mainland China		
Charge for the year	**33,460**	19,696
Underprovision in respect of prior years	**—**	2,507
Deferred tax (Note 25)	**(4,224)**	(1,911)
Total tax charge for the year	**29,910**	20,292

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong for the year. No provision was made in the year 2009 as no taxable income occurred in Hong Kong.

Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

Prior to 1 January 2008, Far Eastern Leasing was entitled to a preferential CIT rate of 15% and all other subsidiaries in the PRC are subject to CIT at the statutory rate of 33%. For each of the PRC subsidiaries of the Group, CIT is provided at the applicable rate of the profits for the purpose of PRC statutory financial reporting, adjusted for those items which are not assessable or deductible.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Pursuant to relevant recognition by the local tax authorities, Far Eastern Leasing and Shanghai Donghong Co., Ltd. are entitled to transitional CIT rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% from 2012 onward.

9. INCOME TAX (continued)

Corporate Income Tax ("CIT") (continued)

A reconciliation of the tax charge applicable to profit before tax using the statutory/applicable rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2010 US$'000	2009 US$'000
Profit before tax	**133,328**	89,365
Tax at the statutory income tax rates	**29,131**	17,874
Expenses not deductible for tax	**956**	357
Income not subject to tax	**(3,175)**	(3,026)
Adjustment on current income tax in respect of prior years	**—**	2,507
Effects of change in tax rate	**(697)**	(462)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**3,695**	3,042
Income tax expense reported in the consolidated income statement	**29,910**	20,292

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of US$78,852,000 (2009: US$643,000) which has been dealt with in the financial statements of the Company (Note 27(b)).

11. DIVIDENDS

	2010 US$'000	2009 US$'000
Dividends	**78,912**	—

The dividends paid to the Compay's shareholder during 2010 was dividends received from its subsidiaries in Mainland China for profit appropriation in respect of the year 2008 and 2009. The board of directors does not recommend the payment of a final dividend in respect of the year ended 31 December 2010.

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the consolidated net profit attributable to ordinary equity holders of the Parent and on 1,904,000,000 shares in issue prior to the Global Offering, as though the number of shares had been issued on 1 January 2009.

There were no potential dilutive ordinary shares in the year.

Notes to Financial Statements

31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2010

	Leasehold Improvements US$'000	Buildings US$'000	Office equipment and computers US$'000	Motor vehicles US$'000	Total US$'000
At 31 December 2009 and at 1 January 2010					
Cost	—	—	2,449	566	3,015
Accumulated depreciation and impairment	—	—	(909)	(244)	(1,153)
Net carrying amount	—	—	1,540	322	1,862
At 1 January 2010, net of Accumulated depreciation and impairment	—	—	1,540	322	1,862
Additions	151	1,339	1,339	221	3,050
Depreciation provided during the year	(33)	(32)	(697)	(140)	(902)
Disposal	—	—	(93)	(6)	(99)
Exchange realignment	2	20	58	11	91
At 31 December 2010 net of Accumulated depreciation and impairment	120	1,327	2,147	408	4,002
At 31 December 2010					
Cost	153	1,359	3,633	710	5,855
Accumulated depreciation and impairment	(33)	(32)	(1,486)	(302)	(1,853)
Net carrying amount	120	1,327	2,147	408	4,002

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

31 December 2009

	Leasehold Improvements US$'000	Buildings US$'000	Office equipment and computers US$'000	Motor vehicles US$'000	Total US$'000
At 31 December 2008 and at 1 January 2009					
Cost	—	—	1,659	496	2,155
Accumulated depreciation and impairment	—	—	(578)	(165)	(743)
Net carrying amount	—	—	1,081	331	1,412
At 1 January 2009, net of					
Accumulated depreciation and impairment	—	—	1,081	331	1,412
Additions	—	—	868	—	868
Depreciation provided during the year	—	—	(403)	(79)	(482)
Transfers	—	—	—	70	70
Disposals	—	—	(8)	—	(8)
Exchange realignment	—	—	2	—	2
At 31 December 2009, net of					
Accumulated depreciation and impairment	—	—	1,540	322	1,862
At 31 December 2009					
Cost	—	—	2,449	566	3,015
Accumulated depreciation and impairment	—	—	(909)	(244)	(1,153)
Net carrying amount	—	—	1,540	322	1,862

As at 31 December 2010, the Group has not obtained the real estate certificate for a building with a total gross area of approximately 370 square metres and a net book value of US$ 752,000. The Group has since obtained the real estate certificate for the building as of the date of this report.

Notes to Financial Statements

31 December 2010

14. OTHER ASSETS

Group

	2010 US$'000	2009 US$'000
Software (Note 14a)	1,158	841
Other assets	2,158	304
	3,316	1,145

14a. SOFTWARE

Group

	2010 US$'000	2009 US$'000
Cost		
At the beginning of the year	1,528	1,239
Additions	713	288
Disposals/write off	(68)	—
Exchange differences	57	1
At the end of the year	2,230	1,528
Accumulated amortisation		
At the beginning of the year	(687)	(396)
Additions	(403)	(289)
Disposals/write off	44	—
Exchange differences	(26)	(2)
At the end of the year	(1,072)	(687)
Net carrying amount		
At the end of the year	1,158	841
At the beginning of the year	841	843

15. INVESTMENTS IN SUBSIDIARIES

Company

	2010 US$'000	2009 US$'000
Unlisted shares, at cost	420,175	364,495

Particulars of the principal subsidiaries are as follows:

Company name	Place and date of incorporation/ establishment and operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
International Far Eastern Leasing Co. Ltd. (Note i)	PRC 13 September 1991	US$332,710,922	100	—	Finance leasing
Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司) (Note ii)	PRC 28 April 2006	RMB5,000,000	—	100	Trading
Shanghai Domin Medical Engineering Co., Ltd. (上海德明醫用設備工程有限公司) (Note ii) (Note iii)	PRC 4 March 2010	RMB20,000,000	—	74.95	Engineering & trading
Far East Horizon Haorui (Tianjin) Leasing Co., Ltd. (遠東宏信昊瑞(天津)租賃有限公司) (Note ii) (Note iii)	PRC 29 November 2010	RMB10,000,000	—	100	Finance leasing
Far East Horizon Shipping Holdings Co., Limited	Cayman Islands 2 October 2009	US$1	100	—	Investment holding

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Note i: Foreign invested enterprise
Note ii: Domestic company
Note iii: Established in 2010

Notes to Financial Statements

31 December 2010

16. AVAILABLE-FOR-SALE INVESTMENT

Group

	2010 US$'000	2009 US$'000
Unlisted equity investments	—	19,668

The available-for-sale investment of the Group pertains to an 6.93% equity Investment in China Foreign Economy and Trade Trust Co., Ltd.. In April 2010, according to instructions from Sinochem Group the Group disposed of the available-for-sale investment to Sinochem Finance Co., at a consideration of US$19,968,000. Gain that was recognized upon the disposal of the investment amounted to US$4,276,000.

17. INVENTORIES

Group

	2010 US$'000	2009 US$'000
Commodity goods	**495**	613

18. LOANS AND ACCOUNTS RECEIVABLE

Group

	2010 US$'000	2009 US$'000
Loans and accounts receivable due within 1 year	**1,271,026**	744,028
Loans and accounts receivable due after 1 year	**2,429,303**	1,232,053
	3,700,329	1,976,081

18. LOANS AND ACCOUNTS RECEIVABLE (continued)

18a. Loans and accounts receivable by nature

Group

	2010 US$'000	2009 US$'000
Lease receivables (Note 18b)	**4,152,964**	2,193,717
Less: Unearned finance income	**(495,286)**	(222,525)
Net lease receivables (Note 18b)	**3,657,678**	1,971,192
Lease interest receivables	**14,100**	7,915
Notes receivable	**238**	6,960
Accounts receivable (Note 18d)	**3,713**	1,796
Entrusted loans	**68,785**	14,685
Subtotal of loans and accounts receivable	**3,744,514**	2,002,548
Less: Provision for lease receivables (Note 18c)	**(42,200)**	(25,801)
Provision for accounts receivable (Note 18e)	**(519)**	(596)
Provision for entrusted loans (Note 18f)	**(1,466)**	(70)
	3,700,329	1,976,081

18b(1). An aging analysis of lease receivables, determined based on the age of the receivable since the effective date of the relevant lease contracts, as at the end of the reporting period is as follow:

Group

	2010 US$'000	2009 US$'000
Lease receivables		
Within 1 year	**2,820,536**	1,402,023
1–2 years	**954,189**	537,593
2–3 years	**276,748**	203,322
3 years and beyond	**101,491**	50,779
Total	**4,152,964**	2,193,717

Notes to Financial Statements

31 December 2010

18. LOANS AND ACCOUNTS RECEIVABLE (continued)

18b(1). **An aging analysis of lease receivables, determined based on the age of the receivable since the effective date of the relevant lease contracts, as at the end of the reporting period is as follow:** (continued)

Group (continued)

	2010 US$'000	2009 US$'000
Net lease receivables		
Within 1 year	**2,446,603**	1,232,954
1–2 years	**860,555**	494,334
2–3 years	**254,851**	196,489
3 years and beyond	**95,669**	47,415
Total	**3,657,678**	1,971,192

18b(2). **The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following three consecutive accounting years:**

Group

	2010 US$'000	2009 US$'000
Lease receivables		
Due within 1 year	**1,479,620**	847,719
Due in 1–2 years	**1,178,751**	662,156
Due in 2–3 years	**769,062**	407,720
Due after 3 years and beyond	**725,531**	276,122
Total	**4,152,964**	2,193,717

	2010 US$'000	2009 US$'000
Net lease receivables		
Due within 1 year	**1,255,456**	738,427
Due in 1–2 years	**1,038,151**	597,641
Due in 2–3 years	**694,227**	377,413
Due after 3 years and beyond	**669,844**	257,711
Total	**3,657,678**	1,971,192

The Group had no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements that need to be recorded as at the end of the reporting period.

18. LOANS AND ACCOUNTS RECEIVABLE (continued)

18c. Change in provision for lease receivables

Group

	Individually assessed		Collectively assessed		Total	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
At beginning of year	**8,013**	7,435	**17,788**	9,578	**25,801**	17,013
Charge for the year	**728**	807	**14,743**	8,196	**15,471**	9,003
Write-off	**(35)**	(236)	**—**	—	**(35)**	(236)
Exchange difference	**224**	7	**739**	14	**963**	21
At end of year	**8,930**	8,013	**33,270**	17,788	**42,200**	25,801

	2010 US$'000	2009 US$'000
Lease receivables:		
Individually assessed (Note (i))	**39,667**	25,711
Collectively assessed	**4,113,297**	2,168,006
Total	**4,152,964**	2,193,717

	2010 US$'000	2009 US$'000
Net lease receivables:		
Individually assessed (Note (i))	**36,262**	23,589
Collectively assessed	**3,621,416**	1,947,603
Total	**3,657,678**	1,971,192

Note (i) Individually assessed lease receivables include those classified as substandard, doubtful and loss by the Group.

Note (ii) As at 31 December 2010, the carrying values of lease receivables pledged as security for the Group's borrowings amounted to US$2,146,352,000 (2009: US$537,475,000) (see Note 23 (b)).

Notes to Financial Statements

31 December 2010

18. LOANS AND ACCOUNTS RECEIVABLE (continued)

18d. An aging analysis of accounts receivable as at the end of the reporting period is as follows:

Accounts receivable are non-interest-bearing and are generally on 60-day terms, while the credit terms of major customers can be extended to 90 days.

Group

	2010 US$'000	2009 US$'000
Within 1 year	**3,184**	1,200
More than 1 year	**529**	596
Total	**3,713**	1,796

18e. Change in provision for accounts receivable

Group

	2010 US$'000	2009 US$'000
At beginning of year	**596**	615
Charge for the year	**10**	24
Reversal for the year	**(99)**	(44)
Exchange difference	**12**	1
At end of year	**519**	596

18f. Change in provision for entrusted loans

Group

	2010 US$'000	2009 US$'000
At beginning of year	**70**	—
Charge for the year	**1,372**	70
Exchange difference	**24**	—
At end of year	**1,466**	70

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Notes	2010 US$'000	2009 US$'000
Prepayments		2,611	1,411
Leased assets*		21,687	12,175
Other receivables		2,297	1,256
Provision for other receivables		(2)	(2)
Export tax refund receivables		205	84
Due from related parties	(19a)	2,072	11,148
		28,870	26,072

* The leased assets refer to situations where the Group had already made payments to vendors or suppliers of machinery and equipment, for which the terms of related lease contract for the said machinery and equipment has not commenced. The Group records these paid amounts as leased assets among its current assets as such assets had already been earmarked for lease to customers. Once the commencement of the term of the lease contract, the Group ceases to recognize the amount relating to the leased asset and recognize the lease receivables due under the lease contract.

Company

	Notes	2010 US$'000	2009 US$'000
Current asset:			
Due from related parties	(19a)	25,418	10,450
Prepayment related to the listing of the Company's shares		1,160	—
Others		6	—
		26,584	10,450
Non-current asset:			
Due from related parties	(19a)	151,565	—
		178,149	10,450

Notes to Financial Statements

31 December 2010

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

19a. Balances with related parties

		Group		Company	
		2010	2009	2010	2009
	Notes	US$'000	US$'000	US$'000	US$'000
Due from related parties:					
Parent company:					
Fortune Ally	(i)	**1,074**	450	**1,074**	450
Companies controlled by the ultimate holding company:					
China Jin Mao Group Co., Ltd.	(i)	**946**	664	—	—
Beijing Chemsunny Property Co., Ltd.	(i)	**52**	34	—	—
Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong")	(ii)	—	10,000	—	10,000
Indirectly held subsidiaries	(iii)	—	—	**175,909**	—
		2,072	11,148	**176,983**	10,450

Notes:

(i) Balances with related parties were unsecured and non-interest-bearing.

(ii) This is in relation to a short term loan granted to Sinochem Hong Kong with an annual interest rate of 0.83%.

(iii) This is in relation to long-term loans granted to subsidiaries with annual interest rates of 3.29%–3.30%.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2010	2009	2010	2009
	Notes	US$'000	US$'000	US$'000	USD$'000
Cash and bank balances		**53,362**	48,586	**132**	199
Time deposits		**24,527**	5,858	**500**	—
		77,889	54,444	**632**	199
Less:					
Pledged time deposits		**10,937**	—	**500**	—
Time deposits with original maturity of more than 3 months		**13,590**	—	**—**	—
Cash and cash equivalents		**53,362**	54,444	**132**	199

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$46,518,000 (2009: US$41,830,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at either fixed or floating rates based on daily bank deposit rates.

As at 31 December 2010, cash of US$1,500,000 (2009:Nil) was pledged for bank borrowings (see Note 23).

As at 31 December 2010, cash of US$25,574,000 (2009:US$17,957,000) was deposited with Sinochem Finance Co., Ltd. .

21. TRADE AND BILLS PAYABLES

Group

	2010	2009
	US$'000	US$'000
Bills payable	**80,939**	51,888
Trade payables	**79,600**	45,374
	160,539	97,262

Notes to Financial Statements

31 December 2010

21. TRADE AND BILLS PAYABLES (continued)

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

Group

	2010 US$'000	2009 US$'000
Within 1 year	**140,284**	95,235
1 to 2 year	**18,985**	1,221
2 to 3 year	**497**	389
3 years and beyond	**773**	417
	160,539	97,262

The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Current:				
Lease deposits due within 1 year	**54,355**	31,873	**—**	—
Salary payables	**6,203**	6,985	**—**	—
Welfare payables	**845**	341	**—**	—
Advances from customers	**42,586**	9,618	**—**	—
Due to related parties (Note (22a))	**1,518**	160,428	**976**	160,007
Other taxes payable	**1,670**	1,136	**—**	—
Interest payable	**4,403**	1,955	**135**	—
Other payables	**2,224**	395	**1,509**	—
	113,804	212,731	**2,620**	160,007
Non-current:				
Lease deposits due after 1 year	**418,670**	235,646	**—**	—
	532,474	448,377	**2,620**	160,007

22. OTHER PAYABLES AND ACCRUALS (continued)

22a. Balances with related parties

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Due to related parties:				
Parent company:				
Fortune Ally*	—	160,000	—	160,000
Companies controlled by the ultimate holding company:				
Sinochem Finance Co., Ltd.	**540**	326	—	—
Sinochem Hong Kong	**978**	102	**588**	7
Indirectly held subsidiaries	—	—	**388**	—
	1,518	160,428	**976**	160,007

Balances with related parties were unsecured and non-interest-bearing.

* In September 2009 and June 2010, Fortune Ally granted shareholder's loans to the Company amounting to US$160,000,000 and US$55,680,000 respectively. As at June 30, 2010, the aggregate shareholder's loan of US$215,680,000 from Fortune Ally was capitalized into 8,496 new ordinary shares of HK$1.00 each, and these ordinary shares were allotted and issued as fully paid to Fortune Ally.

Notes to Financial Statements

31 December 2010

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2010			2009		
	Effective annual interest rate (%)	Maturity	US$'000	Effective annual interest rate (%)	Maturity	US$'000
Current						
Bank loans — secured	3.64–5.00	2011	176,851	4.37	2010	27,826
Current portion of long term bank loans — secured	2.00–5.88	2011	138,986	4.64–5.91	2010	96,488
Bank loans — unsecured	0.83–5.10	2011	136,048	2.3–5.04	2010	97,871
Current portion of long term bank loans — unsecured	5.04–5.27	2011	62,854	4.86–5.18	2010	1,977
Loans from companies controlled by the ultimate holding company — unsecured	1.85–5.00	2011	392,761	—	—	—
Other loans — secured	—	—	—	4.13–4.90	2010	92,676
Other loans — unsecured	5.00	2011	2,500	—	—	—
			910,000			316,838
Non-current						
Bank loans — secured	1.79–5.76	2012–2015	1,201,807	4.86–5.76	2011–2014	469,188
Bank loans — unsecured	4.86–5.76	2012–2013	413,483	4.86–5.76	2011–2013	222,973
Loans from companies controlled by the ultimate holding company — unsecured	1.49–5.04	2012–2013	44,649	1.45–4.86	2011–2013	234,127
Other loans — unsecured	—	—	—	5.00	2011	4,167
			1,659,939			930,455
			2,569,939			1,247,293

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Company

	2010			2009		
	Effective annual interest rate (%)	Maturity	US$'000	Effective annual interest rate (%)	Maturity	US$'000
Current						
Bank loans — unsecured	0.83	2011	13,000	—	—	—
Loans from companies controlled by the ultimate holding company — unsecured	1.85–2.04	2011	50,000	—	—	—
Loans from indirectly held subsidiaries — unsecured	3.29–3.30	2011	24,880	—	—	—
			87,880			—
Non-current						
Bank loans — secured	1.95	2012–2013	70,529	—	—	—
Loans from indirectly held subsidiaries — unsecured	3.30	2013	7,120	—	—	—
			77,649			—
			165,529			—

Notes to Financial Statements

31 December 2010

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand	**514,739**	224,162	**13,000**	—
In the second year	**465,724**	329,320	**14,106**	—
In the third to fifth years, inclusive	**1,149,566**	362,841	**56,423**	—
Beyond five years	**—**	—	**—**	—
	2,130,029	916,323	**83,529**	—
Loans from companies controlled by the ultimate holding company repayable:				
Within one year	**392,761**	—	**50,000**	—
In the second year	**36,499**	175,742	**—**	—
In the third to fifth years, inclusive	**8,150**	58,385	**—**	—
	437,410	234,127	**50,000**	—
Other borrowings repayable:				
Within one year	**2,500**	92,676	**24,880**	—
In the second year	**—**	4,167	**—**	—
In the third to fifth years, inclusive	**—**	—	**7,120**	—
Beyond five years	**—**	—	**—**	—
	2,500	96,843	**32,000**	—
	2,569,939	1,247,293	**165,529**	—

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(a) As at 31 December 2010, the Group's borrowings from banks guaranteed by Sinochem Group amounted to US$34,137,000 (2009: US$252,990,000).

(b) As at 31 December 2010, the Group's bank borrowings pledged by lease receivables amounted to US$1,483,507,000 (2009: US$433,188,000). As at 31 December 2010, the Group's lease receivables pledged as security for the Group's bank borrowings amounted to US$2,146,352,000 (2009: US$537,475,000).

(c) As at 31 December 2010, the Group's bank borrowings pledged by cash amounted to US$83,029,000 (2009: Nil).

(d) As at 31 December 2010, the Group's bank borrowings pledged by the shares in indirectly held subsidiaries amounted to US$70,529,000. The indirectly held subsidiaries are Chinese Port Shipping Limited, Speedway Transportation Limited, Surplus Transportation Limited, Halcyon Ocean Shipping Limited, Good Vantage Shipping Limited, Ever Trend Shipping Limited and Treasure Shipping Limited. And these bank borrowings were also guaranteed by Fortune Ally.

(e) As at 31 December 2010, no property, plant and equipment of the Group were provided as collateral for borrowings nor had the Group provided any guarantees for other entities.

The carrying amounts of the Group's borrowings approximate their fair values.

24. DEFERRED REVENUE

Group

	2010 US$'000	2009 US$'000
At the beginning of year	**1,304**	—
Additions during the year	**3,108**	1,317
Amortised to the income statement	**(1,311)**	(14)
Exchange differences	**67**	1
At the end of year	**3,168**	1,304

The Group deferred the recognition of revenue in accordance with the progress of the services rendered. Circumstances under which services were paid upfront in a lump sum while related services were progressively rendered have only occurred since 2009.

Notes to Financial Statements

31 December 2010

25. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Group

Deferred tax assets

	Allowances for impairment losses US$'000	Salary and welfare payable US$'000	Recoverable loss US$'000	Total US$'000
Gross deferred tax assets at 1 January 2010	**3,542**	**1,537**	**—**	**5,079**
Credited/(charged) to the income statement during the year	**4,068**	**(99)**	**8**	**3,977**
Exchange differences	**161**	**46**	**—**	**207**
Gross deferred tax assets at 31 December 2010	**7,771**	**1,484**	**8**	**9,263**
Gross deferred tax assets at 1 January 2009	123	—	—	123
Credited to the income statement during the year	3,417	1,536	—	4,953
Exchange differences	2	1	—	3
Gross deferred tax assets at 31 December 2009	3,542	1,537	—	5,079

25. DEFERRED TAX (continued)

Group (continued)

Deferred tax liabilities

	Changes in fair values of available-for-sale investment US$'000	Withholding tax on the distributable profits US$'000	Total US$'000
Gross deferred tax liabilities at 1 January 2010	**927**	**5,436**	**6,363**
Credited to the income statement during the year	**—**	**(247)**	**(247)**
Credited to equity during the year	**(940)**	**—**	**(940)**
Exchange differences	**13**	**98**	**111**
Gross deferred tax liabilities at 31 December 2010	**—**	**5,287**	**5,287**
Gross deferred tax liabilities at 1 January 2009	—	2,390	2,390
Charged to the income statement during the year	—	3,042	3,042
Charged to equity during the year	927	—	927
Exchange differences	—	4	4
Gross deferred tax liabilities at 31 December 2009	927	5,436	6,363

For the purpose of the presentation of the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2010 US$'000	2009 US$'000
Net deferred tax assets recognised in the consolidated statements of financial position	**9,263**	4,152
Net deferred tax liabilities recognised in the consolidated statements of financial position	**5,287**	5,436

The Group has tax losses arising in Hong Kong of US$ 50,000 (2009: Nil) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose and the Group has recognised deferred tax assets in respect of the tax losses.

Notes to Financial Statements

31 December 2010

25. DEFERRED TAX (continued)

Group (continued)

The Group did not recognise deferred tax assets arising in the PRC in respect of unutilised tax losses of USD1,166,000 due to uncertainty in its recoverability.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The Group recognized deferred tax liabilities in respect of accumulated distributable earnings from its subsidiaries established in Mainland China since 1 January 2008, no matter whether such earnings have been declared or not by the subsidiaries at the reporting date.

There are no withholding income tax requirement attached to the payment of dividends by the Company to its shareholders.

26. ISSUED CAPITAL

	Notes	Number of shares	Amounts HK$
Authorised ordinary shares of HK$1.00 each:			
At 31 December 2009		10,000	10,000
At 31 December 2010		**18,496**	**18,496**
Issued and fully paid ordinary shares of HK$1.00 each:			
At 31 December 2009	(a)	10,000	10,000
At 31 December 2010	(b)	**18,496**	**18,496**

26. ISSUED CAPITAL (continued)

During the year, the movements in share capital were as follows:

	Notes	Number of shares in issue	Issued share capital HK$	Equivalent to US$
At 1 January 2009		1	1	—
Issue of shares	(a)	9,999	9,999	1,290
At 1 January 2010		**10,000**	**10,000**	**1,290**
Issue of shares	(b)	**8,496**	**8,496**	**1,091**
At 31 December 2010		**18,496**	**18,496**	**2,381**

(a) Pursuant to the Reorganisation as detailed in Note 2.1, Sinochem Hong Kong and Sinochem Europe Capital Corporation Limited ("Sinochem Europe") injected their 69.3% and 30.7% equity interests in Far Eastern Leasing to the Company on 13 March 2009. As consideration, the Company issued 9,999 ordinary shares of HK$1.00 each to Fortune Ally who in turn issued an aggregate of 9,999 ordinary shares to Sinochem Hong Kong and Sinochem Europe.

(b) Pursuant to the Reorganisation as detailed in Note 2.1, on 30 June 2010, the Company issued 8,496 ordinary shares of HK$1.00 each to Fortune Ally for the capitalisation of the shareholder's loan amounting to US$215,680,000 in aggregate.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 59 to 60 of the financial statements.

The Group's capital reserve represents the excess of the carrying amounts of capital and capital reserve of the subsidiaries acquired pursuant to the Reorganization as detailed in Note 2.1, over the nominal value of the Company's shares issued as consideration plus the amount of borrowings capitalized in excess of the nominal value of shares issued.

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in Note 15 of this report are required to transfer no less than 10% of their profits after taxation, as determined under PRC Company Law, to the statutory reserve fund until the balance reaches 50% of the registered capital. The transfer to this statutory reserve fund must be made before the distribution of dividend to shareholders.

Notes to Financial Statements

31 December 2010

27. RESERVES (continued)

(b) Company

	Capital reserve US$'000	Retained profits US$'000	Total US$'000
Balance at 1 January 2009	—	(1)	(1)
Issue of shares	214,494	—	214,494
Profit for the year	—	643	643
At 31 December 2009 and 1 January 2010	**214,494**	**642**	**215,136**
Profit for the year	**—**	**78,852**	**78,852**
Dividend distribution (Note 11)	**—**	**(78,912)**	**(78,912)**
Capitalisation of shareholder's loan (Note 26(b))	**215,679**	**—**	**215,679**
At 31 December 2010	**430,173**	**582**	**430,755**

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year, the Company has capitalised shareholder's loans amounting to US$215,680,000 in aggregate, of which US$160,000,000 of the amount was received in year 2009.

29. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follow:

Group

	2010 US$'000	2009 US$'000
Claimed amounts	**151**	417

The amounts represent disputes on purchase contracts on either the quality or the quantity of the purchased equipments between the Group and the equipment suppliers.

Other than the legal proceedings summaried as claimed amounts above, the Group also has one outstanding legal proceeding in India involving one of the Group's leased ship (the "Ship") which is indirectly owned by the Group through one of the Group's Hong Kong subsidiaries. The net finance lease receivables related to the Ship amounted to US$18,733,000. The Ship has been arrested by the charterer of another ship in India since December 9, 2010. Both the charterer and the Ship are unrelated and independent of the Group (the "Unrelated Ship"). Such charterer has brought a maritime claim in London against a third party who is independent from and unrelated to the Group (the "Defendant") in relation to the loss allegedly suffered by the charterer due to the sinking of the Unrelated Ship. The charterer based its arrest of the Ship on an allegation that the Ship and the Unrelated Ship are both beneficially owned by the Defendant (i.e. that the two vessels are "sister ships") thereby affording such charterer a right to arrest the Ship. The Group have been advised by their local counsels that the charterer's allegations and arrest of the Ship are, in their view, without merit and wrongful. The Directors believe that the proceeding would not have any material adverse effect on their business, financial condition or results of operation.

30. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in Notes 18, 20 and 23 to the financial statements.

31. OPERATING LEASE ARRANGEMENTS

The Group leases certain properties as its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 31 December 2010, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Within one year	4,263	2,680	10	—
In the second to fifth years, inclusive	394	1,462	—	—
	4,657	4,142	10	—

32. COMMITMENTS

(a) In addition to the operating lease commitments detailed in Note 31 above, the Group had the following capital commitments at the end of the reporting period:

Group

	2010 US$'000	2009 US$'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	358	570

Notes to Financial Statements
31 December 2010

32. COMMITMENTS (continued)

(b) Credit commitments

The Group's irrevocable credit commitments at the end of the reporting period is as follow:

Group

	2010 US$'000	2009 US$'000
Irrevocable credit commitment:	**551,112**	176,370

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved lease contracts but not provided yet till each balance sheet date.

33. RELATED PARTY TRANSACTIONS

Relationship between the Group and its related parties:

Company name	Relationship
Sinochem Group	Ultimate holding company
Fortune Ally	Parent company
Sinochem Hong Kong	Controlled by the ultimate holding company
Sinochem Europe	Controlled by the ultimate holding company
Sinochem Finance Co., Ltd.	Controlled by the ultimate holding company
China Foreign Economy and Trade Trust Co., Ltd.	Controlled by the ultimate holding company
China Jin Mao Group Co., Ltd.	Controlled by the ultimate holding company
Beijing Chemsunny Property Co., Ltd.	Controlled by the ultimate holding company
Shanghai Jin Mao Imtech Facility Services Co., Ltd.	Controlled by the ultimate holding company
Sinochem Co., Ltd.	Controlled by the ultimate holding company

33. RELATED PARTY TRANSACTIONS (continued)

In addition to the transactions and balances in Notes 16, 19, 20, 22 and 23 to the financial statements, the Group had the following material transactions with related parties during the year.

(i) Interest income from cash in bank:

Group

	2010 US$'000	2009 US$'000
Sinochem Finance Co., Ltd.	537	452

The interest income were charged at rates ranging from 0.36% to 1.71% per annum.

(ii) Loan interest income:

Group

	2010 US$'000	2009 US$'000
Sinochem Hong Kong.	4	—

The interest income were charged at 0.83% per annum.

(iii) Interest expense on borrowings:

Group

	2010 US$'000	2009 US$'000
China Foreign Economy and Trade Trust Co., Ltd.	—	2,165
Sinochem Hong Kong	1,299	239
Sinochem Finance Co., Ltd	13,770	12,750

The interest expenses were charged at rates ranging from 1.48% to 5.40% per annum.

Notes to Financial Statements

31 December 2010

33. RELATED PARTY TRANSACTIONS (continued)

(iv) Rental expenses:

Group

	2010 US$'000	2009 US$'000
China Jin Mao Group Co., Ltd	**2,936**	2,737
Beijing Chemsunny Property Co., Ltd.	**180**	128
Sinochem Co. Ltd	**29**	58
Shanghai Jin Mao Imtech Facility Services Co., Ltd.	**127**	97
Sinochem Hong Kong	**5**	—

These transactions for rental expenses were based on prices mutually agreed between the parties.

In the opinion of the directors, the transactions listed above between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

(v) Compensation of key management personnel of the Group:

Group

	2010 US$'000	2009 US$'000
Short-term employee benefits	**2,882**	1,139

(vi) Further details of directors' emoluments are set out in Note 7 to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at December 31, 2010

Group

Financial Assets — Loans and receivables

	US$'000
Loans and accounts receivable	**3,700,329**
Deposits and other receivables	**24,791**
Time and pledge deposits	**24,527**
Cash and cash equivalents	**53,362**
	3,803,009

Financial liabilities — at amortised cost

	US$'000
Trade and bills payables	**160,539**
Other payables and accruals	**526,147**
Interest-bearing bank and other borrowings	**2,569,939**
	3,256,625

As at December 31, 2009

Financial Assets

	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Available-for-sale investment	—	19,668	19,668
Loans and accounts receivable	1,976,081	—	1,976,081
Deposits and other receivables	24,661	—	24,661
Cash and cash equivalents	54,444	—	54,444
	2,055,186	19,668	2,074,854

Notes to Financial Statements

31 December 2010

34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

As at December 31, 2009

Financial liabilities — at amortised cost

	US$'000
Trade and bills payables	97,262
Other payables and accruals	442,334
Interest-bearing bank and other borrowings	1,247,293
	1,786,889

Company

Financial assets — loans and receivables

	2010 US$'000	2009 US$'000
Cash and cash equivalents	**132**	199
Time and pledge deposits	**500**	—
Deposits and other receivables	**176,989**	10,450
	177,621	10,649

Financial liabilities — at amortised cost

	2010 US$'000	2009 US$'000
Interest-bearing bank and other borrowings	**165,529**	—
Other payables and accruals	**2,620**	160,007
	168,149	160,007

35. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Available-for-sale equity investment	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Balance as at 31 December 2010	—	—	—	—
Balance as at 31 December 2009	—	—	19,668	19,668

The movements in fair value measurements in Level 3 during the year were as follow (see Note 16 for further details):

Available-for-sale financial investments — unlisted:	US$'000
At 1 January 2009	15,442
Total gains recognised in other comprehensive income	4,210
Exchange differences	16
At 31 December 2009 and 1 January 2010	**19,668**
Disposal	**(19,968)**
Exchange differences	**300**
At 31 December 2010	—

Notes to Financial Statements

31 December 2010

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease receivables, trade receivables, trade payables, bank loans, other interest-bearing loans, cash and short term deposits. The main purpose of bank loans and other interest-bearing loans are to finance the Group's operations while other financial assets and liabilities such as lease receivables, trade receivables and trade payables are directly related to the Group's operating activities.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing bank and other borrowings and lease receivables.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such measures to mitigate such risk.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, to the Group's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at each balance sheet date subject to repricing within the coming year.

	Group increase/(decrease) in profit before tax As at 31 December	
	2010 US$'000	2009 US$'000
Change in basis points		
+100 basis points	**10,077**	7,633
–100 basis points	**(10,077)**	(7,633)

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of this interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities move by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's assets and liabilities:

Group

	As at 31 December 2010					
	Non-interest-bearing US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	6	53,356	—	—	—	53,362
Time and pledge deposits	—	24,527	—	—	—	24,527
Loans and accounts receivable	18,190	3,206,603	452,308	23,228	—	3,700,329
Deposits and other receivables	5,048	5,685	14,058	—	—	24,791
Total financial assets	23,244	3,290,171	466,366	23,228	—	3,803,009
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	2,328,989	226,500	14,450	—	2,569,939
Trade and bills payables	160,539	—	—	—	—	160,539
Other payables and accruals	524,047	2,100	—	—	—	526,147
Total financial liabilities	684,586	2,331,089	226,500	14,450	—	3,256,625
Interest rate risk exposure	(661,342)	959,082	239,866	8,778	—	546,384

Notes to Financial Statements

31 December 2010

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Group (continued)

	As at 31 December 2009					
	Non-interest-bearing US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	9	54,435	—	—	—	54,444
Loans and accounts receivable	16,075	1,650,415	272,649	30,632	6,310	1,976,081
Deposits and other receivables	14,661	10,000	—	—	—	24,661
Available-for-sale investment	19,668	—	—	—	—	19,668
Total financial assets	50,413	1,714,850	272,649	30,632	6,310	2,074,854
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	880,614	341,033	25,646	—	1,247,293
Trade and bills payables	97,262	—	—	—	—	97,262
Other payables and accruals	442,334	—	—	—	—	442,334
Total financial liabilities	539,596	880,614	341,033	25,646	—	1,786,889
Interest rate risk exposure	(489,183)	834,236	(68,384)	4,986	6,310	287,965

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Company

	As at 31 December 2010					
	Non-interest-bearing US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	—	132	—	—	—	132
Time and pledge deposits	—	500	—	—	—	500
Deposits and other receivables	5,378	171,611	—	—	—	176,989
Total financial assets	5,378	172,243	—	—	—	177,621
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	115,529	50,000	—	—	165,529
Other payables and accruals	2,620	—	—	—	—	2,620
Total financial liabilities	2,620	115,529	50,000	—	—	168,149
Interest rate risk exposure	2,758	56,714	(50,000)	—	—	9,472

Notes to Financial Statements

31 December 2010

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Company (continued)

	As at 31 December 2009					
	Non-interest-bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	—	199	—	—	—	199
Deposits and other receivables	450	10,000	—	—	—	10,450
Total financial assets	450	10,199	—	—	—	10,649
FINANCIAL LIABILITIES:						
Other payables and accruals	160,007	—	—	—	—	160,007
Total financial liabilities	160,007	—	—	—	—	160,007
Interest rate risk exposure	(159,557)	10,199	—	—	—	(149,358)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency).

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US$, and, to a lesser extent, other currencies. The Group's treasury operations exposure mainly arises from its transactions in currencies other than RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The exchange rate of RMB to US$ is managed under a floating exchange rate system. The HK$ exchange rate has been pegged to the US$ and therefore the exchange rate of RMB to HK$ has fluctuated in line with the changes in the exchange rate of RMB to US$.

The table below indicates a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against the RMB, with all other variables held constant, on profit before tax. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at each balance sheet date are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Currency	Change in currency rate	Group increase/(decrease) in profit before tax As at 31 December 2010 US$'000	2009 US$'000
US$	-1%	**592**	1,527

A breakdown of the assets and liabilities analysed by currency is as follows:

Group

(In US$'000 equivalent)	As at 31 December 2010 RMB	US$	Others	Total
FINANCIAL ASSETS:				
Cash and cash equivalents	46,518	6,829	15	53,362
Time and pledge deposits	23,027	1,500	—	24,527
Loans and accounts receivable	3,474,811	225,518	—	3,700,329
Depositsand other receivables	22,407	2,384	—	24,791
Total financial assets	3,566,763	236,231	15	3,803,009
FINANCIAL LIABILITIES:				
Interest-bearing bank and other borrowings	2,350,933	219,006	—	2,569,939
Trade and bills payables	154,854	5,685	—	160,539
Other payables and accruals	477,958	48,189	—	526,147
Total financial liabilities	2,983,745	272,880	—	3,256,625
Net position	583,018	(36,649)	15	546,384

Notes to Financial Statements

31 December 2010

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Group (continued)

	As at 31 December 2009			
(In US$'000 equivalent)	RMB	US$	Others	Total
FINANCIAL ASSETS:				
Cash and cash equivalents	41,830	12,614	—	54,444
Loans and accounts receivable	1,960,975	15,101	5	1,976,081
Deposits and other receivables	14,211	10,450	—	24,661
Available-for-sale financial investments	19,668	—	—	19,668
Total financial assets	2,036,684	38,165	5	2,074,854
FINANCIAL LIABILITIES:				
Interest-bearing bank and other borrowings	1,218,677	28,616	—	1,247,293
Trade and bills payables	97,207	54	1	97,262
Other payables and accruals	280,100	162,234	—	442,334
Total financial liabilities	1,595,984	190,904	1	1,786,889
Net position	440,700	(152,739)	4	287,965

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Group enters into transactions only with the recognized and reputable third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

Other financial assets of the Group include cash and bank deposits, accounts receivable, notes receivable, available-for-sale financial assets, and entrusted loans. The credit risk of these financial assets arises from counterparty's inability to meet its obligations. The maximum exposure to credit risk equals to the carrying amounts of these assets.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk is often greater when lessees are concentrated in one single industry or geographical location or have comparable economic characteristics. Customers of the Group are mainly located in Mainland China. Lessees of the Group are from different industries as follows:

	As at 31 December 2010		As at 31 December 2009	
	US$'000	%	US$'000	%
Net lease receivables				
Healthcare	**959,717**	**26**	699,209	35
Printing	**600,789**	**16**	420,369	21
Shipping	**396,609**	**11**	112,013	6
Infrastructure construction	**524,751**	**14**	248,001	13
Machinery	**319,288**	**9**	159,020	8
Education	**540,579**	**15**	314,107	16
Others	**315,945**	**9**	18,473	1
	3,657,678	**100**	1,971,192	100
Less: Impairment provision on lease receivables	**(42,200)**		(25,801)	
Net	**3,615,478**		1,945,391	

As the customers of the Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Group.

The quantitative data of exposure to credit risk arising from lease receivables, notes receivable, accounts receivable, entrusted loans, available-for-sale investment and other receivables are set out in Note 18, Note 16 and Note 19, respectively.

Notes to Financial Statements

31 December 2010

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The analysis of financial assets which are neither past due nor impaired is as follows:

	As at 31 December	
	2010	2009
	US$'000	US$'000
Lease receivables	**3,621,416**	1,947,603
Notes receivable	**238**	6,960
Accounts receivable	**3,194**	1,200
Available-for-sale investment	**—**	19,668
Entrusted loans	**68,785**	14,685
Lease interest receivables	**14,100**	7,915
Deposits and other receivables	**24,791**	24,661

As 31 December 2010, there were no assets which had been past due but are not considered impaired.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

The Group manages its liquidity risk through daily monitoring with the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets and in terms of liquidity of the Group, maintaining an efficient internal fund transfer mechanism.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The tables below summarize the maturity profile of the Group's and the Company's financial assets and liabilities based on the contractual undiscounted cash flows:

Group

	As at 31 December 2010					
	On demand US$'000	Less than 3 months US$'000	3 to less than 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	53,362	—	—	—	—	53,362
Time and pledge deposits	—	20,238	4,435	—	—	24,673
Loans and accounts receivable	2,100	349,210	1,147,822	2,636,716	72,789	4,208,637
Deposits and other receivables	—	7,764	17,219	143	—	25,126
Total financial assets	55,462	377,212	1,169,476	2,636,859	72,789	4,311,798
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	276,077	732,584	1,763,503	—	2,772,164
Trade and bills payables	8,043	45,371	39,476	67,649	—	160,539
Other payables and accruals	2,698	52,158	52,299	404,635	14,918	526,708
Total financial liabilities	10,741	373,606	824,359	2,235,787	14,918	3,459,411
Net liquidity gap	44,721	3,606	345,117	401,072	57,871	852,387

Notes to Financial Statements

31 December 2010

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

	As at 31 December 2009					
		Less than	3 to less than			
	On demand	3 months	12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	48,586	5,858	—	—	—	54,444
Loans and accounts receivable	1,153	220,828	634,228	1,329,127	17,226	2,202,562
Deposits and other receivables	—	22,180	2,485	—	—	24,665
Available-for-sale investment	—	—	19,668	—	—	19,668
Total financial assets	49,739	248,866	656,381	1,329,127	17,226	2,301,339
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	11,716	32,054	348,446	1,016,571	—	1,408,787
Trade and bills payables	6,035	16,255	46,294	28,678	—	97,262
Other payables and accruals	161,916	15,405	29,319	234,400	1,296	442,336
Total financial liabilities	179,667	63,714	424,059	1,279,649	1,296	1,948,385
Net liquidity gap	(129,928)	185,152	232,322	49,478	15,930	352,954

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	As at 31 December 2010					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	132	—	—	—	—	132
Time and pledge deposits	—	357	143	—	—	500
Deposits and other receivables	—	2,661	18,465	148,209	24,971	194,306
Total financial assets	132	3,018	18,608	148,209	24,971	194,938
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	13,276	76,908	80,189	—	170,373
Other payables and accruals	49	135	2,424	12	—	2,620
Total financial liabilities	49	13,411	79,332	80,201	—	172,993
Net liquidity gap	83	(10,393)	(60,724)	68,008	24,971	21,945

Notes to Financial Statements

31 December 2010

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company (continued)

	As at 31 December 2009					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	199	—	—	—	—	199
Deposits and other receivables	—	10,000	450	—	—	10,450
Total financial assets	199	10,000	450	—	—	10,649
FINANCIAL LIABILITIES:						
Other payables and accruals	160,007	—	—	—	—	160,007
Net liquidity gap	(159,808)	10,000	450	—	—	(149,358)

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the the year.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes bank and other borrowings. The gearing ratios as at each of the reporting dates during the year are as follows:

Group

	As at 31 December	
	2010 US$'000	2009 US$'000
Bank and other borrowings	**2,569,939**	1,407,293
Net debt	**2,569,939**	1,407,293
Total equity	**527,332**	275,836
Total equity and bank and other borrowings	**3,097,271**	1,683,129
Gearing ratio	**83%**	84%

Far Eastern Leasing

The primary objectives of the capital management of Far Eastern Leasing, a principal subsidiary of the Group located in the PRC, are to ensure that it complies with the regulatory requirements of the Ministry of Commerce of the PRC (the "MOFCOM") in addition to the general requirements that are relevant to the Group aforementioned. In accordance with the "Administration of Foreign Investment in the Leasing Industry" promulgated by the MOFCOM on 3 February 2005 and other relevant laws and regulations, Far Eastern Leasing has set up appropriate business development and capital management programs and established a comprehensive evaluation system. It actively adjusts the capital structure in light of changes in the market and the risks being confronted, by adjusting its dividends policy or financing channels. During the year, there are no significant changes on the policies or processes for managing the capital of Far Eastern Leasing.

In accordance with the requirements of the MOFCOM aforementioned, Far Eastern Leasing should maintain its assets at risk within 10 times of its equity. The calculations of assets at risk to equity as at each of the reporting dates during the year are as follows:

	As at 31 December	
	2010 US$'000	2009 US$'000
Total assets	**3,583,059**	2,044,235
Less: Cash	**64,931**	49,145
Total assets at risk	**3,518,128**	1,995,090
Equity	**509,852**	427,076
Ratio of assets at risk to equity	**6.90**	4.67

Notes to Financial Statements

31 December 2010

37. EVENTS AFTER THE REPORTING PERIOD

The companies now comprising the Group completed the pre-IPO restructuring during March, 2011 in preparation for the listing of the shares of the Company on the Stock Exchange. And the details of the restructure were as follows:

(a) On March 7, 2011, the Company distributed dividends amounting to approximately US$1.12 million to Fortune Ally, a portion of which was in turn used to offset its account payables due to the Company;

(b) On March 8, 2011, the authorized share capital of the Company was further increased to HK$27,200 by the creation of 8,704 new series A shares of HK$1.00 each. These series A shares are convertible into ordinary shares of the Company;

(c) On March 8, 2011, the Company allotted and issued 8,704 series A shares of HK$1.00 each, credited as fully paid, to Fortune Ally by capitalizing the share premium account of the Company;

(d) On March 8, 2011, Fortune Ally distributed (a) all of its ordinary shares in the Company to Greatpart Limited ("Greatpart"), a company incorporated in the BVI with limited liability on July 3, 2008 and a wholly-owned subsidiary of Sinochem Group and the immediate Controlling Shareholder of Fortune Ally, and (b) all of its series A shares in the capital of the Company with a nominal value of HK$1.00 each to KKR FUTURE INVESTMENTS S.À.R.L ("KKR"), TECHLINK INVESTMENT PTE LTD ("Techlink") and TARGET MAGIC LIMITED ("TML") by way of a dividend in specie, in proportion to their respective shareholdings (on an as-converted basis). Upon completion of these distributions, Greatpart, KKR, Techlink and TML had a shareholding interest of 68%, 18.75%, 11.25% and 2%, respectively, in the Company (on an as-converted basis) and Fortune Ally ceased to be the shareholder of the Company;

(e) On March 11, 2011, each issued ordinary share of HK$1.00 each was sub-divided into 100 ordinary shares of HK$0.01 each and each series A share of HK$1.00 was sub-divided into 100 Series A Shares of HK$0.01 each, resulting in the Company having an issued share capital of HK$27,200 divided into 1,849,600 ordinary shares of HK$0.01 each and 870,400 Series A Shares of HK$0.01 each;

(f) On March 11, 2011, the authorized share capital of our Company was amended to HK$100,000,000 divided into 9,999,129,600 ordinary shares and 870,400 Series A Shares;

(g) On March 30, 2011 the Directors was authorized to allot and issue on the Listing Date a total of 1,901,280,000 shares credited as fully paid at par to the holders of the ordinary shares and the holders of Series A Shares on the register of members of the Company at the close of business on March 29, 2011 in proportion to their respective shareholdings and for the Series A Shares assuming all outstanding Series A Shares convertible into or exchangeable for Shares have been so converted or exchanged (save that no shareholder shall be entitled to be allotted or issued any fraction of a share) by way of capitalization of the sum of HK$19,012,800 standing to the credit of the share premium account of the Company, and the Shares and the Series A Shares to be allotted and issued pursuant to the resolution approved in writing by the shareholders of the Company on March 11, 2011 shall rank pari passu in all respects with the existing issued Shares; and

37. EVENTS AFTER THE REPORTING PERIOD (continued)

(h) On March 30, 2011 the authorized share capital of the Company were re-classified from HK$100,000,000 divided into two classes comprising (i) 9,999,129,600 ordinary shares and (ii) 870,400 Series A Shares into HK$100,000,000 divided into 10,000,000,000 ordinary shares by:

(i) re-designating all the Series A Shares as ordinary shares; and

(ii) removing all rights attached to the existing Series A Shares and replacing them with rights identical in all respects to the rights now attaching to the ordinary shares to the intent that all existing shares in the Company after such re-classification shall form one and the same class and have the same rights attached thereto and rank pari passu in all respects with each other;

Following such conversion, the 870,400 Series A Shares aforementioned were converted to 870,400 ordinary shares.

(i) On March 30, 2011, the Company completed its placing and public offering of shares by issuing 2,720,000,000 shares of HK$0.01 each (including 1,904,000,000 shares issued to the existing shareholders). The Company's shares were then listed on the Stock Exchange. On 31 March 2010, an over-allotment option was exercised and an additional 122,400,000 shares of HK$0.01 each were then issued.

Except as disclosed elsewhere in this report, there are no further material subsequent events undertaken by the Company or by the Group after 31 December 2010.

38. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation and accounting treatment.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2011.

Financial Summary

The following table sets forth the summary of the results, and assets and liabilities and non-controlling interests of the Group for the past four financial years, extracted from the published audited financial information and financial statements.

Results

	Year ended 31 December			
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Revenue	90,883	155,119	211,362	**326.909**
Cost of sales	(32,525)	(65,689)	(74,527)	**(117,864)**
Gross profit	58,358	89,430	136,835	**209,045**
Other income and gains	3,936	9,349	2,652	**9,930**
Selling and distribution costs	(11,082)	(17,485)	(23,332)	**(37,614)**
Administrative expenses	(15,497)	(17,944)	(26,017)	**(44,589)**
Other expenses	515	(376)	(773)	**(3,444)**
Finance costs	—	(6)	—	**—**
Profit before tax	36,230	62,968	89,365	**133,328**
Income tax expense	(5,337)	(12,468)	(20,292)	**(29,910)**
Profit for the year	30,893	50,500	69,073	**103,418**
Attributable to:				
Owners of the parent	30,789	50,321	69,073	**103,749**
Non-controlling interests	104	179	—	**(331)**
	30,893	50,500	69,073	**103,418**

Assets, Liabilities and Non-controlling Interest

	As at 31 December			
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Total assets	979,911	1,404,688	2,084,037	**3,824,164**
Total liabilities	(801,566)	(1,201,148)	(1,808,201)	**(3,296,832)**
Non-controlling interests	(101)	(262)	—	**(420)**
	178,244	203,278	275,836	**526,912**

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