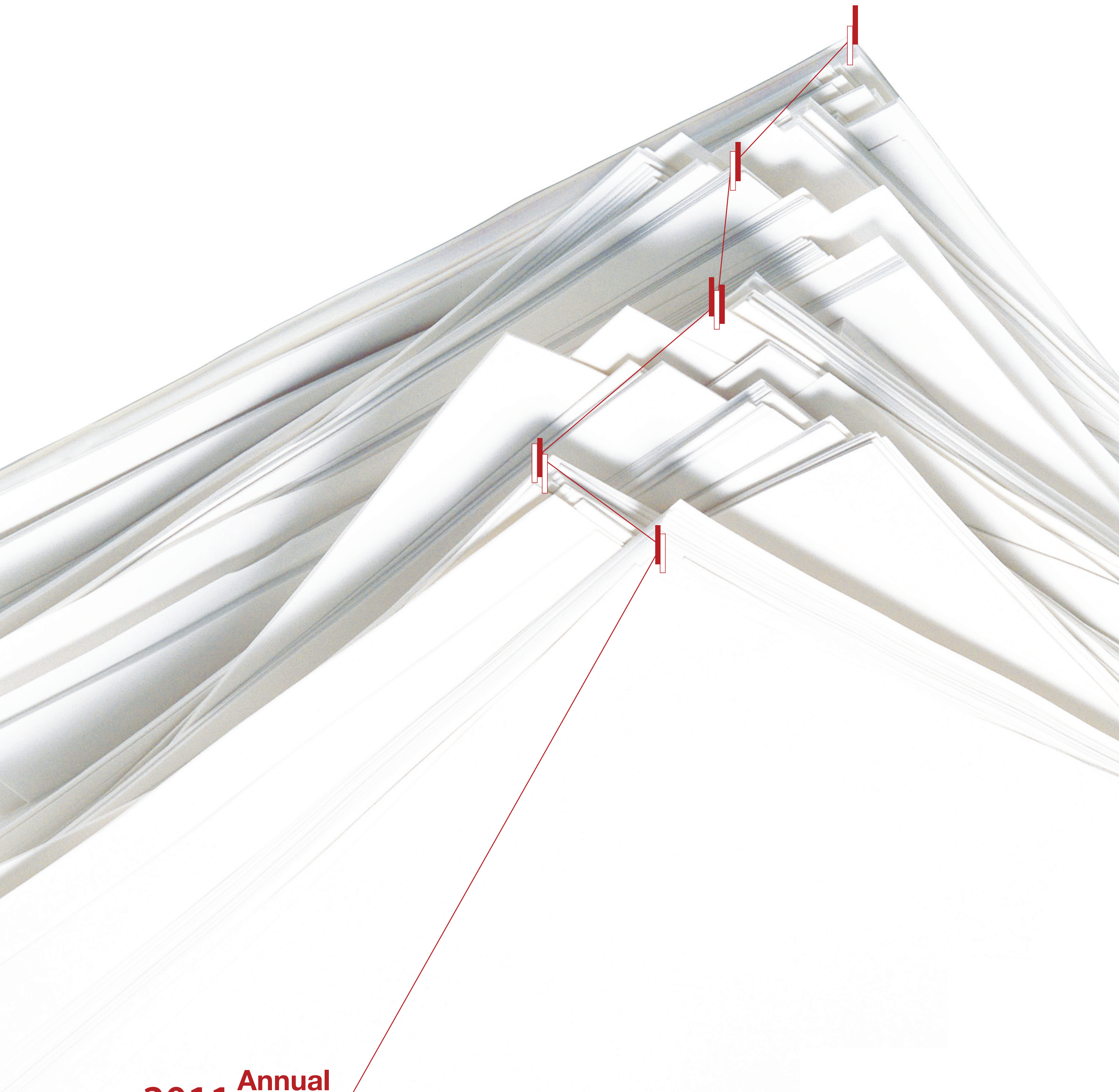
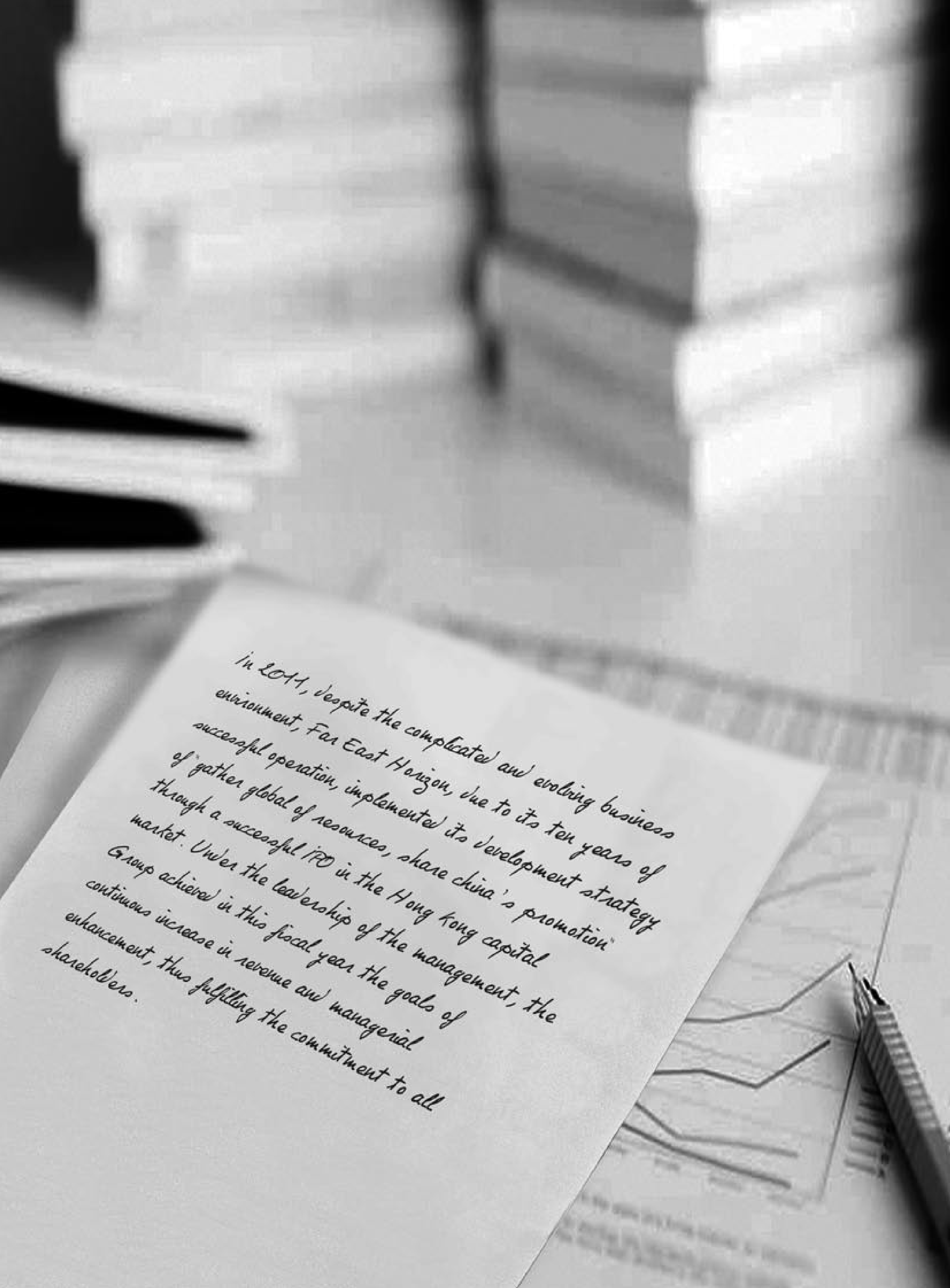
遠東宏信
FAR EAST HORIZON



2011 Annual Report

Incorporated in Hong Kong with limited liability Stock Code: 3360


In 2011, despite the complicated and evolving business
environment, Far East Horizon, due to its ten years of
successful operation, implemented its development strategy
of "gather global of resources, share china's promotion"
through a successful IPO in the Hong Kong capital
market. Under the leadership of the management, the
Group achieved in this fiscal year the goals of
continuous increase in revenue and managerial
enhancement, thus fulfilling the commitment to all
shareholders.

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Corporate Information

Board of Directors

Chairman and 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

Authorised 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 4706, 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

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 one of China's leading innovative financial companies focusing on the Chinese infrastructure industry and leveraging the business model of integrating finance and industry to serve enterprises of greatest vitality with the support of the fast-growing economy in China. We provide our target customers in specific industries in China with tailor-made financial services and solutions through financial leasing as well as value-added services covering advisory, trading and brokerage.

Over the past 20 years, the Group has evolved from a single financial service company into an integrated service provider with a global vision centered on China so as to facilitate sustainable economic and social development. With the creative integration of industrial capital and financial capital and with unique advantages in the organisation of resources and value added services, we provide integrated finance, trade, advisory and investment services in healthcare, printing, shipping, construction infrastructure, industrial machinery, education, textile, information networks, as well as other sectors. The Group, headquartered in Hong Kong, has an operations center in Shanghai, and has offices in major cities throughout China such as Beijing, Shenyang, Ji'nan, Zhengzhou, Wuhan, Chengdu, Chongqing, Changsha, Shenzhen, Xi'an, Harbin and Xiamen, forming a client service network that covers the national market. The Group has been successfully operating its professional and dedicated business platforms in China and abroad in financial leasing, trade, medical engineering, ship leasing, etc.

The Company was officially listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 30 March 2011 and has been a designated constituent of the Hang Seng China-Affiliated Corporations Index ("HSCCI"), Morgan Stanley Capital International ("MSCI") China Index and Financial Times Stock Exchange ("FTSE") China Index.

Chairman's Statement

Far East Horizon Limited

Chairman of the Board

Liu Deshu

In 2011, on the back of the sluggish global economic recovery, the Chinese economy was confronted with challenges for structural adjustments, with the rate of GDP growth decelerating. Under severe circumstances such as the hovering inflation rate, the intensive launches of macroeconomic controls and the continuous tightening of liquidity in China, the Company, upholding the guiding philosophy of "adhering to the strategic direction while making appropriate adjustments", seized opportunities, avoided risks and fostered development based upon the task schedule as of the beginning of the year, pushing forward strategic undertakings and striving to improve business quality, as a result of which the overall performance of our operations set new records.

As at the end of 2011, the total assets of the Company amounted to US$7.475 billion, representing an increase of 95.46% compared with the corresponding period last year. Net profit for the year was US$171 million, representing an increase of 65.22% as compared with 2010. While achieving rapid growth in earnings, our asset quality continued to be stable. The non-performing loan ratio stood at 0.60% as at the end of the year, representing a decline of 0.39 percentage points as compared with the beginning of the year. Meanwhile, our ability to resist risks was further strengthened and the provision coverage ratio improved steadily to reach 214.34% as at the end of the year, representing an increase of 97.96 percentage points from the beginning of the year.

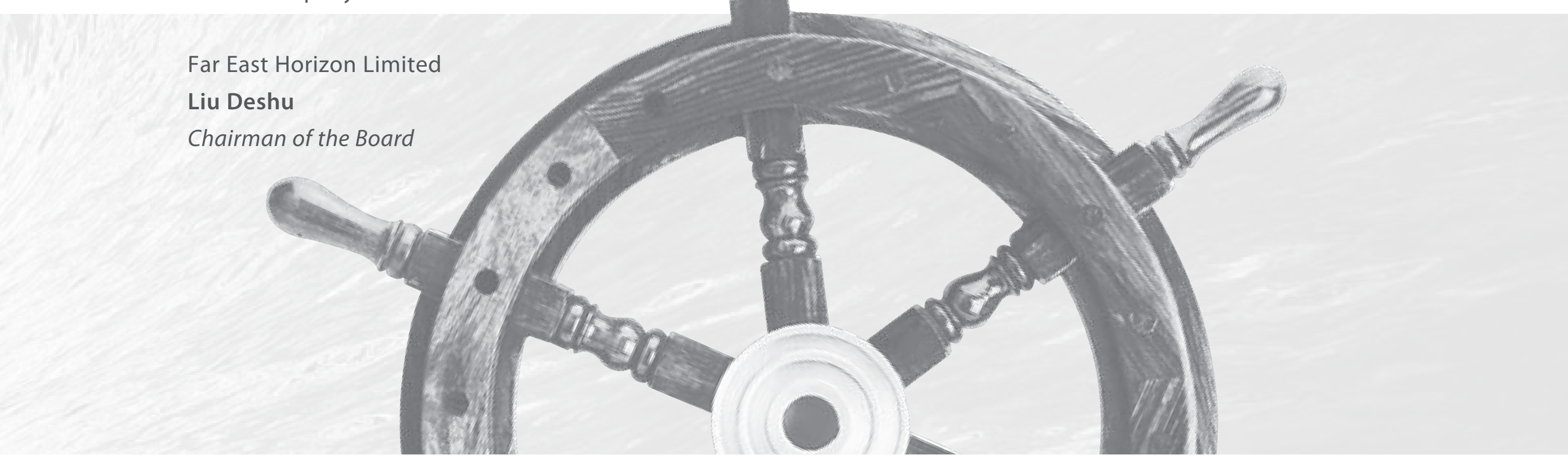
More importantly, being the first innovative financial company primarily engaged in the financial leasing business in China, the Company succeeded in listing on Hong Kong's capital market on 30 March 2011. Within a year after listing, the Company was included into the constituent stocks of HSCCI, the MSCI China Index and the FTSE China Index, thus, is now well-recognised in the capital market. Moreover, notwithstanding the overall downturn in the stock markets across Hong Kong, China and the world last year, the Company performed remarkably well in Hong Kong's capital market by leveraging its solid business foundation and good operating results, hence becoming one of the few companies that maintained a rise in share price after its Initial Public Offering ("IPO") in 2011.

Looking back at our accomplishments in the previous year, I would like to thank all of our staff for their hard work and wisdom which contributed to the Company's developments. I would also like to express my gratitude toward our shareholders and investors for their great support. The Company needs more support from all of you in order to grow in a sustainable way going forward.

Looking ahead, uncertainties will still linger in the global economy and China's economic restructuring will be further deepened. Notwithstanding a more complex external environment, the Company will follow the development trends of China's financial industry. With the innovative financial model of organically and effectively blending finance and industry together as the fundamental driving force, the Company will capture major global economic trends and seize development opportunities in the course of China's economic transformation and upgrading, and strive to achieve the mission of "gathering global resources and sharing China's promotion".

Standing at a new starting point in 2012, the Company will adhere to the business strategy of "serving in China by relying on the real economy, securing a foothold in the fundamental industries and focusing on quality customers", and vigorously explore any room for development and continuously promote management upgrading for further improvements in the profit structure, ensure the control over assets quality and safety and effectively transform the support of our shareholders and investors into power and security for the Company's developments, hence continuously creating greater value for the shareholders, customers and business partners of the Company.

Far East Horizon Limited
Liu Deshu
Chairman of the Board



CEO's Statement

Far East Horizon Limited
Vice Chairman of the Board
and Chief Executive Officer
Kong Fanxing

In 2011, in face of the complicated and evolving business environment, the Company achieved the growth strategy of "gathering global resources and sharing China's promotion" by leveraging our ten years of operating history and successful listing on Hong Kong's capital market. Based on the established operating and management strategies, the Company maintained steady growth in operating results and ongoing improvement in management under the leadership of the Company's management. At the end of 2011, the total assets of the Company exceeded US$7 billion; net profit was over US$170 million; non-performing asset ratio was down to 0.6%; and provision coverage was over 210%. I would like to take this opportunity to express my gratitude on behalf of the management for the hard work of all our employees and the strong support from our shareholders, customers and business partners, who contributed to the outstanding performance of the Company.

Over the past year, the Company adhered to the general strategy of integrated industry operation services and steadily promoted various businesses through effective scientific operating and management approaches. The Company performed remarkably well in the various following areas:

Operating results continued to maintain healthy growth. The Company recorded net profit attributable to shareholders for the year of US$171 million, representing an increase of US$67.66 million or 65.22% as compared with 2010. While our profitability continued to increase, total assets amounted to US$7.475 billion, representing an increase of 95.46% as compared with 2010. Non-performing assets amounted to US$39.45 million at the end of the year with non-performing loan ratio of 0.60%, representing a decrease of 0.39 percentage points as compared with the beginning of the year. Asset quality continued to optimise. At the end of the year, provision coverage was 214.34%, representing an increase of 97.96% as compared with the beginning of the year. Our ability to resist risks was further strengthened.

New progress was made in business development. The Company continued to focus on the fundamental industries in China in providing the integrated industry operation services including financial leasing, advisory and trading and brokerage services to customers. With regard to new business expansion, in addition to the existing six major industry divisions, the Company officially established the seventh business division – textile division in 2011 after two years of research and development, signifying its entry in the textile industry in providing financial leasing business and other value-added services. These represented a new driving force for the Company's sustainable development in the future. As to integrated businesses, the Company continued to enhance its administrative services for customers' operation and made several breakthroughs in the integrated services for the customers' industries through capitalising on the synergies from the existing businesses. Following the medical engineering company, the Company established the operating lease company – Shanghai Hongxin Equipment Co., Ltd. in July 2011 to provide operating lease and equipment administrative services to customers in the construction industry. Through exploring new industries and new businesses, we offer a multi-faceted range of integrated industry operation services, alongside with more diversified source of income, thus establishing a solid foundation for the continuous, healthy and steady development of the Company.

Our management capabilities saw new improvements. The Company continued to adopt a prudent risk management system. Through strengthening the risk identification ability throughout our business operation and the gradual shift from individual credit assessment to customers' collective credit assessment, the Company's control over the financial leasing individual items and overall risks of customers was effectively enhanced. Whilst exploring the capital markets, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 30 March 2011, which substantially increased the capital position of the Company. In addition, the Company successfully issued RMB1.25 billion bonds in May, representing a significant breakthrough in offshore bond financing. The Company initially set up an integrated financing system featuring "multiple platforms, multiple currencies and multiple forms" which not only diversified the means of fund raising, but also effectively guaranteed the future development of the Company.

Looking ahead, uncertainties will still linger in the global economy and China's economic restructuring will be further deepened. In face of the risks and opportunities, the Company will, leverage on years of operating history, endeavour to enhance its capability of integrated industry operation services with the innovative financial model blending finance and industry effectively and organically together, and strive towards the sublime mission of "striving to build a successful enterprise".

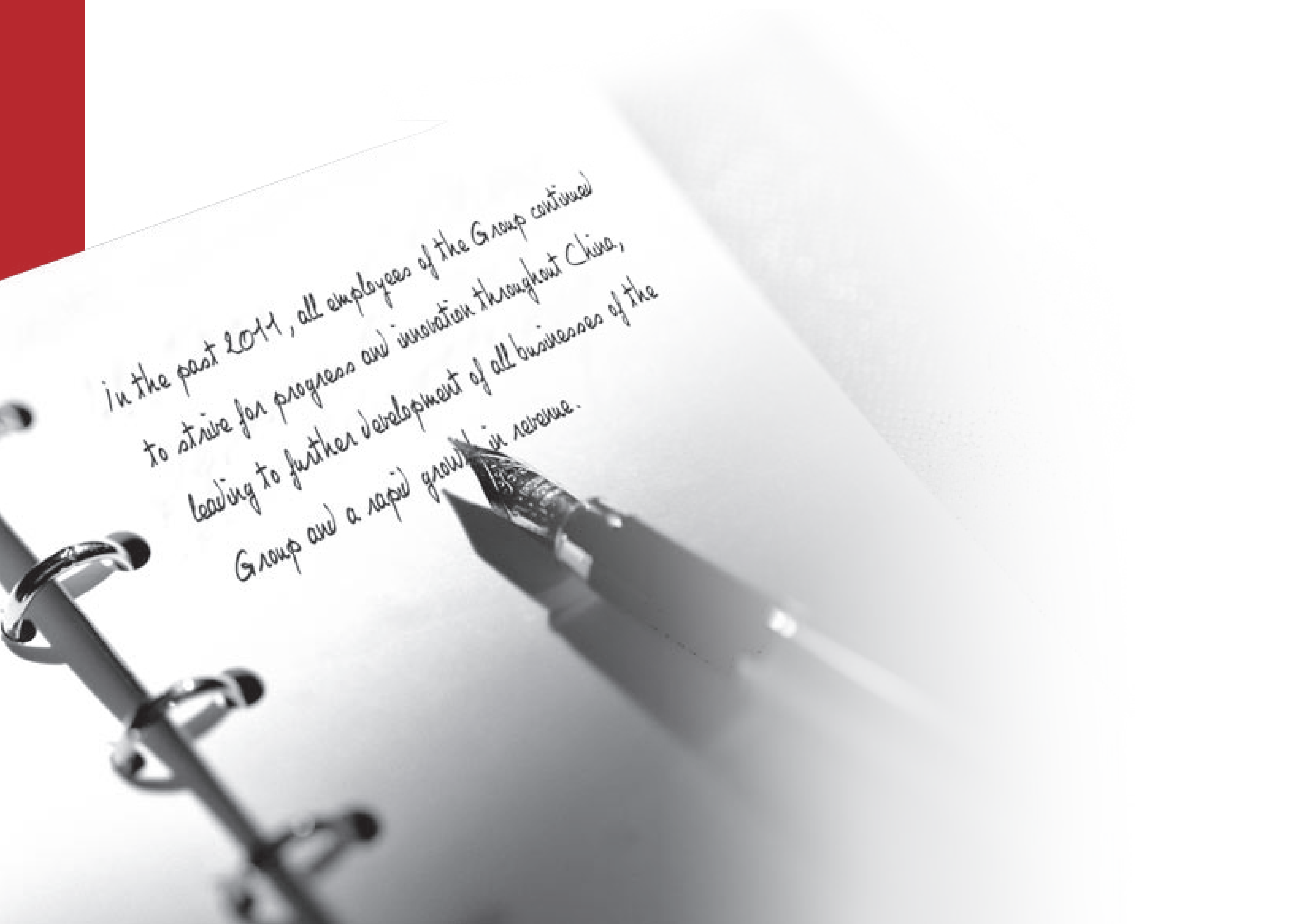
The year 2012 is a starting point for a new journey. Despite the uncertainties in the economic and financial environment internally and externally, the Company will adhere to the business strategy of "serving in China by relying on the real economy, securing a foothold in the fundamental industries and focusing on quality customers", and the prudent risk management policy to facilitate the steady development of business with a view to repaying our shareholders, customers and business partners with excellent results.

Far East Horizon Limited
Kong Fanxing
Vice Chairman of the Board and Chief Executive Officer

Business Review

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

	For the year ended 31 December				
	2011		2010		
	US$'000	% of total	US$'000	% of total	Change %
Leasing and advisory segment	644,227	85.85%	298,129	88.49%	116.09%
Financial leasing (interest income)	474,028	63.17%	178,361	52.94%	165.77%
Advisory services (fee income)	170,199	22.68%	119,768	35.55%	42.11%
Trading and others segment	106,178	14.15%	38,786	11.51%	173.75%
Total	750,405		336,915		122.73%
Business taxes and surcharges	(20,510)		(10,006)		104.98%
Revenue (after business taxes and surcharges)	729,895		326,909		123.27%



Business Review

Leasing and Advisory Business – Financial Leasing

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

Benefiting from the favourable development of the domestic economy and the growth in the demand for corporate financing, and coupled with the persistent effort of the Group in actively expanding its financial leasing business, it recorded a revenue (before business taxes and surcharges) of US$474,028,000 for its financial leasing business in 2011, representing a growth of 165.77% from last year, while the market share also increased.

In 2011, the Group expanded its customer coverage and the market of its existing industries by enhancing our marketing initiatives and penetrating the niche segment. Meanwhile, through constantly diversifying the product mix and expanding the sales team, it also recorded growth in all businesses in the seven target industries.

Leasing and Advisory Business – Advisory Services

With extensive industrial experience, sophisticated financial analysis and the capability in risk management, the Group is capable of providing customised 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 2011 increased by 42.11% from last year, amounting to US$170,199,000.

Trading Services and Others Business

According to the specific requirements of our customers, the Group has continued to proceed along the direction of our industry-focused and integrated services strategy. In 2011, the trading business in the printing and machinery industries, the brokerage business in the shipping industry and the engineering business in the healthcare industry achieved comprehensive development and the operating leasing business in the infrastructure construction industry also made some breakthroughs.

In 2011, with our continuous expansion of composite operations, the Group recorded rapid growth in trading and other income. Income (before business taxes and surcharges) of US$106,178,000 was recorded in 2011, representing a growth of 173.75% from last year.

Management Discussion and Analysis

1. Business Overview

The Group faced a complicated and evolving business environment in 2011. Nevertheless, 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 niche segments of the existing market and by continuously enhancing our competitive edge in differentiation, the Group achieved all the objectives of its strategies during the year, which are summarised as follows:

Profit for the year recorded rapid year-on-year growth and the profitability was maintained at a high level. In 2011, the profit for the year attributable to the owners of the parent increased by US$67.66 million from last year to US$171.41 million, representing a growth of 65.22%. The rate of yield for the average total assets and average net assets were 3.04% and 17.13% respectively.

We witnessed a rapid growth in the scale of assets and liabilities. As at 31 December 2011, the total assets of the Group increased by US$3.651 billion or 95.46% from last year to US$7.475 billion. Loans and accounts receivable increased by US$2.858 billion or 77.23% from last year to US$6.558 billion.

Management Discussion and Analysis

The asset quality remained sound. As at 31 December 2011, the balance of the Group's non-performing assets was US$39,450,000, representing an increase of US$3,188,000 from last year and the non-performing asset ratio was 0.60%, a decrease by 0.39 percentage point from last year. The provision coverage for non-performing assets increased by 97.96 percentage points from last year to 214.34%. In 2011, the amount of non-performing assets written off reduced to US$0 from US$35,000 in last year and the write-off ratio of non-performing assets reduced to 0.00% from 0.15% last year.

2. Analysis of Profit and Loss

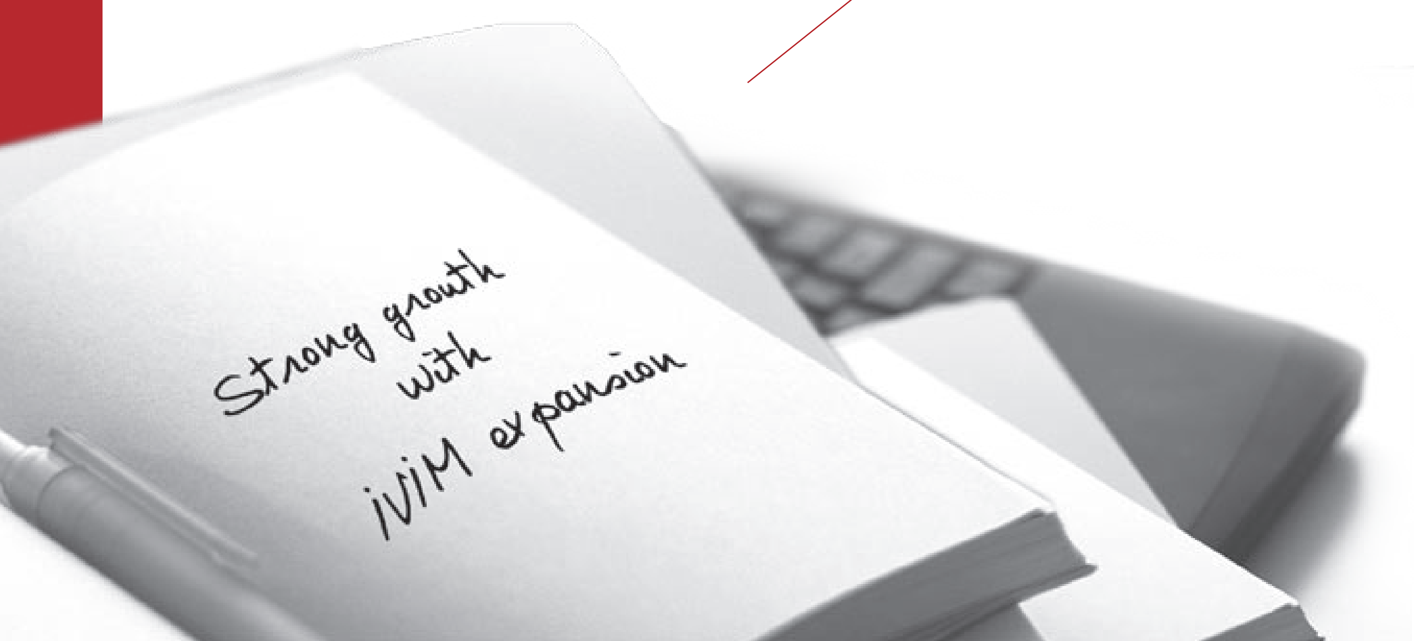
In 2011, the Group achieved a healthy and rapid growth in its results with the growth in revenue being in line with the growth in costs and various expenses. The Group realised a profit before tax of US$228,854,000, representing a growth of 71.65% from last year and the profit attributable to the owner of the parent was US$171,412,000, representing a growth of 65.22% from last year. The following table sets forth the figures for the year ended 31 December 2010 for comparison.

	For the year ended 31 December		
	2011	2010	
	US$'000	US$'000	Change %
Revenue	729,895	326,909	123.27%
Cost of sales	(342,641)	(117,864)	190.71%
Gross profit	387,254	209,045	85.25%
Other income and gains	11,627	9,930	17.09%
Selling and distribution costs	(69,531)	(37,614)	84.85%
Administrative expenses	(96,647)	(44,589)	116.75%
Other expenses	(3,849)	(3,444)	11.76%
Profit before tax from continuing operations	228,854	133,328	71.65%
Income tax expense	(57,251)	(29,910)	91.41%
Profit for the year from continuing operations	171,603	103,418	65.93%
Attributable to:			
Owners of the parent	171,412	103,749	65.22%
Non-controlling interests	191	(331)	-157.70%

Management Discussion and Analysis

3. Revenue

In 2011, the Group realised a revenue of US$729,895,000, representing a growth of 123.27% from US$326,909,000 as recorded in the previous year, and was mainly attributable to the growth of income in leasing and advisory segment. In 2011, income (before business taxes and surcharges) of the leasing and advisory segment was US$644,227,000, accounting for 85.85% of the total income (before business taxes and surcharges), and representing a growth of 116.09% from the previous year. Income from trading and others segment rose by 173.75%, 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 14.15% from 11.51% in last year. Income became more diversified in distribution.



Management Discussion and Analysis

The 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				
	2011		2010		
	US$'000	% of total	US$'000	% of total	Change %
Leasing and advisory segment	644,227	85.85%	298,129	88.49%	116.09%
Financial leasing (interest income)	474,028	63.17%	178,361	52.94%	165.77%
Advisory services (fee income)	170,199	22.68%	119,768	35.55%	42.11%
Trading and others segment	106,178	14.15%	38,786	11.51%	173.75%
Total	750,405		336,915		122.73%
Business taxes and surcharges	(20,510)		(10,006)		104.98%
Revenue (after business taxes and surcharges)	729,895		326,909		123.27%

The Group also categorised income by industry, and the Group was mainly engaged in healthcare, education, infrastructure construction, shipping, printing, machinery and textile industries in 2011. In 2011, the share of each industry in total income tended to be more balanced, and the share and growth of the shipping industry decreased year-on-year given the impact of surrounding market environment. The Group newly introduced its business in the textile industry at the end of November 2011. In 2011, the television network, water supply and public transportation businesses in other industries grew faster compared with the same period last year and in turn supported the increase in the share of other industries.

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

	For the year ended 31 December				
	2011		2010		
	US$'000	% of total	US$'000	% of total	Change %
Healthcare	155,774	20.76%	82,165	24.39%	89.59%
Education	103,001	13.73%	46,764	13.88%	120.26%
Infrastructure construction	103,827	13.84%	35,545	10.55%	192.10%
Shipping	67,492	8.99%	40,264	11.95%	67.62%
Printing	153,326	20.43%	85,203	25.29%	79.95%
Machinery	95,685	12.75%	32,950	9.78%	190.39%
Textiles	8,380	1.12%	504	0.15%	1,562.70%
Others	62,920	8.38%	13,520	4.01%	365.38%
Total	750,405	100.00%	336,915	100.00%	122.73%

Management Discussion and Analysis

3.1. Financial Leasing (Interest Income)

The interest income (before business taxes and surcharges) from the leasing and advisory segment of the Group rose from US$178,361,000 in 2010 to US$474,028,000 or by 165.77% in 2011, accounting for 63.17% of the Group's total revenue (before business taxes and surcharges) and representing an increase of 10.23 percentage points from 52.94% as recorded in 2010. It is mainly due to the growth of average balance of interest-earning assets.

The changes in 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$2,855,842,000 as at the end of 2010 to US$5,178,391,000 as at the end of 2011, representing an increase of 81.33%. It was attributable to the expansion of the Group's business operation. Average rate of yield of the Group rose from 6.25% in 2010 to 9.15% in 2011. It was mainly due to the significant increase in the scale of leasing assets by 78.38% over the previous year. At the same time, it benefited from the three upward adjustments of the benchmark interest rate for RMB loans and deposits of financial institutions by the People's Bank of China in 2011.

Management Discussion and Analysis

The table below sets forth the average balance of interest-earning assets, interest income and average yield by industry during the indicated period.

	For the year ended 31 December					
	2011			2010		
	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	1,208,895	108,235	8.95%	843,600	51,076	6.05%
Education	819,402	74,822	9.13%	428,361	28,588	6.67%
Infrastructure construction	753,042	78,995	10.49%	386,376	20,157	5.22%
Shipping	510,557	35,582	6.97%	254,311	17,268	6.79%
Printing	777,550	70,149	9.02%	510,579	33,918	6.64%
Machinery	475,557	51,131	10.75%	239,154	17,599	7.36%
Textiles	44,580	4,384	9.83%	4,850	160	3.33%
Others	588,808	50,730	8.62%	188,611	9,595	5.09%
Total	5,178,391	474,028	9.15%	2,855,842	178,361	6.25%

Notes:

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

(2) Interest 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, trust loan and long-term receivables.

Analysis according to average balance of interest-earning assets

Among the seven target industries, healthcare, education, printing and infrastructure construction were the key drivers to the Group's average balance of interest-earning assets, representing 68.73% to the growth of the average balance of interest-earning assets in 2011. The increase in the average balance of interest-earning assets reflected the business expansion of the Group and the introduction of new target industries, as well as 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.

Management Discussion and Analysis

Analysis according to average yield

In 2011, the average yield of the Group was 9.15%, being 2.90 percentage points higher than the 6.25% as recorded in 2010 and was attributable to the following factors. First, the Group's overall average yield rose as a result of the three consecutive increases in the benchmark interest rate by the People's Bank of China in 2011. Second, the reserve ratio for commercial banks was raised several times and bank credit was tightened, resulting in a significant rise in customer dependence on the Group's business and accordingly a more effective allocation of resources. The average yield of the Group's shipping industry rose from 6.79% in 2010 to 6.97% in 2011. The small increase was mainly because there were more projects denominated in United States Dollars ("US$") in the shipping industry and revenue from projects denominated in US$ was affected by the LIBOR which was at a lower level than that in 2010 on average. While the average yield of the shipping industry was lower, its average cost rate was also lower and therefore overall revenue was steady.

Management Discussion and Analysis

3.2. Advisory Services (Fee Income)

In 2011, fee income (before business and surcharges) from leasing and advisory segment grew by 42.11% from US$119,768,000 in 2010 to US$170,199,000 in 2011, accounting for 22.68% of the total revenue (before business taxes and surcharges) of the Group, or a decrease of 12.87 percentage points as compared with 35.55% in 2010.

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

	For the year ended 31 December				
	2011		2010		
	US$'000	% of total	US$'000	% of total	Change %
Healthcare	35,448	20.83%	26,776	22.36%	32.39%
Education	28,179	16.56%	18,176	15.18%	55.03%
Infrastructure construction	24,832	14.59%	15,322	12.79%	62.07%
Shipping	17,379	10.21%	16,894	14.11%	2.87%
Printing	27,663	16.25%	23,004	19.21%	20.25%
Machinery	21,165	12.44%	15,327	12.80%	38.09%
Textiles	3,995	2.35%	343	0.28%	1,064.72%
Others	11,538	6.78%	3,926	3.28%	193.89%
Total	170,199	100.00%	119,768	100.00%	42.11%

Education, infrastructure construction, healthcare and others represented 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 70.30% of the Group's total service charge income in 2011. The television network, water supply and public transportation businesses in other industries grew faster compared with the same period in last year and in turn supported the increase in the share of other industries. The increase in service charge income of such industries was mainly attributable to; (i) the expansion of scale and scope of services provided to the customers of the Group in view of the diversification of products and services offered in the Group's advisory services segment and expansion of the Group's businesses; and (ii) the recruitment of more sales and marketing staff of different industries. Given the impact of the sluggish international shipping market, the growth in our business in the shipping industry decelerated to a certain extent compared with the same period in last year.

3.3. Revenue from Trade and Others Segment

Revenue from trade and others segment of the Group in 2011, before business taxes and surcharges, increased by 173.75% from US$38,786,000 in 2010 to US$106,178,000 in 2011, accounting for 14.15% of the total revenue (before business taxes and surcharges), which is 2.64 percentage points higher than 11.51% as recorded in 2010. This is attributed to the increase in the trading revenue from printing and machinery, brokerage revenue from shipping, growth of medical engineering revenue from healthcare and the breakthrough achieved in the operating lease business in infrastructure construction during the year.

The following table sets forth, for the periods indicated, the revenue from the trading and others segment (before business taxes and surcharges) of the Group by business segment:

	For the year ended 31 December				
	2011		2010		
	US$'000	% of total	US$'000	% of total	Change %
Revenue from trading	79,105	74.50%	31,782	81.94%	148.90%
Revenue from brokerage	16,287	15.34%	6,633	17.10%	145.55%
Revenue from construction contracts	10,134	9.54%	371	0.96%	2631.54%
Revenue from operating lease	652	0.61%	–	–	N/A
Total	106,178	100.00%	38,786	100.00%	173.75%

In 2011, revenue from the trade business was US$79,105,000 (before business taxes and surcharges), representing an increase by US$47,323,000 or 148.90% from 2010 as a result of the Group's efforts to meet the increasing demand for paper among the printing customers and for equipment agency sales among the machinery customers. The brokerage revenue was US$16,287,000 (before business taxes and surcharges), representing an increase by US$9,654,000 or 145.55% from 2010 mainly because of the increase in the demand for the ship chartering business and brokerage services for the sale and purchase of ships. The medical engineering of the Group achieved revenue of US$10,134,000 (before business taxes and surcharges). The Group's operating leasing business achieved a breakthrough in the second half of 2011, recording revenue of US$652,000 (before business taxes and surcharges).

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4. Cost of Sales

Cost of sales of the Group in 2011 was US$342,641,000, an increase of 190.71% from US$117,864,000 in the same period last year. This is mainly due to the cost increase from the leasing and advisory service segment and the trade and others segment. Among them, the cost from the leasing and advisory segment was US$250,007,000, accounting for 72.96% of the total cost. The cost of trade and others segment was US$92,634,000, accounting for 27.04% of the total cost.

4.1. Cost from the Leasing and Advisory Segment

The cost of sales from the 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 arises entirely from the relevant interest expenses of the interest-bearing banks and other borrowings of the Group.

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

	For the year ended 31 December					
	2011			2010		
	Average balance[1] US$'000	Interest expense US$'000	Average cost[2] % of total	Average balance[1] US$'000	Interest expense US$'000	Average cost[2] % of total
Interest-bearing liabilities	4,032,652	250,007	6.20%	1,908,616	87,656	4.59%

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.

The cost of sales from financial leasing increased by 185.21% from US$87,656,000 for the year 2010 to US$250,007,000 for the year 2011 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 average cost rate of our interest-bearing bank and other borrowings was 6.20% in 2011, representing an increase of 1.61% from 4.59% in 2010. The increase in the average cost of our interest-bearing bank and other borrowings in 2011 was mainly attributable to the following: (i) the substantial growth in the size of the Group's financing by 83.10%; (ii) the impact of the three increases in the PBOC benchmark interest rates for RMB loans extended by financial institutions in 2011; and (iii) the tightening of the Group's financing environment in 2011 which was attributable to China's macroeconomic environment. Despite an increase in the Group's average cost rate, the overall revenue level stayed steady and the growth in the average yield was greater than that in the average cost rate.

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 construction business and cost of charter business.

The following table sets forth the cost from trade and others segment of the Group by industry as of the dates indicated.

	For the year ended 31 December				
	2011		2010		
	US$'000	**% of total**	US$'000	% of total	Change %
Cost of goods sold	76,693	82.79%	29,945	99.13%	156.11%
Cost from brokerage business	8,902	9.61%	–	–	N/A
Cost of construction contracts	7,039	7.60%	263	0.87%	2576.43%
Total	92,634	100.00%	30,208	100.00%	206.65%

Cost of goods sold for trading business of the Group increased by 156.11% to US$76,693,000 in 2011 from US$29,945,000 in 2010, primarily due to an increase in the aggregate value of trade transactions in printing and machinery in 2011, which resulted in an increase in the cost of sales relating to the trading business of the Group in printing and machinery. The cost of construction contracts was US$7,039,000. In addition, the cost of charter business was US$8,902,000. Such business did not commence operation in 2010.

Management Discussion and Analysis

5. Gross Profit

The gross profit of the Group in 2011 was US$387,254,000, which increased by US$178,209,000 or 85.25% from US$209,045,000 in 2010. During 2010 and 2011, the gross profit margin of the Group was 53.06% and 63.95%, respectively.

5.1. Gross Profit of Lease and Services Segment

The gross profit margin of the lease and services segment of the Group in 2011 decreased to 59.60% from 69.59% in the same period of last year. 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		
	2011	2010	
	US$'000	US$'000	Change %
Interest income[1]	**474,028**	178,361	165.77%
Interest expense[2]	**(250,007)**	(87,656)	185.21%
Net interest income	**224,021**	90,705	146.98%
Net interest spread[3]	**2.95%**	1.65%	78.79%
Net interest margin[4]	**4.33%**	3.18%	36.16%

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 liabilities.

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

Net interest spread of the Group for 2011 increased by 1.30 percentage points to 2.95% compared to 1.65% in the same period of last year. Net interest spread increased, primarily due to the increase of 290 basis points in respect of the average yield on interest-earning assets of the Group, which was partially offset by the increase of 161 basis points in the average cost on interest-bearing borrowings of the Group. For the changes in respect of the average yield on interest-earning assets and average cost on interest-bearing borrowings, please refer to paragraphs 3.1 and 4.1 of this section. At the same time, the average total balance of interest-earning assets of our Group in 2011 increased by 81.33%. As such, the net interest income of the Group increased by 146.98% to US$224,021,000 for 2011 from US$90,705,000 for 2010. On the basis of the above-mentioned reasons, the net interest margin of the Group rose from 3.18% for the year 2010 to 4.33% for 2011.

5.2. Gross Profit of Trade and Others Segment

The gross profit of trade and other segments increased by 56.50% from US$8,425,000 for 2010 to US$13,185,000 for 2011, primarily due to the increase in trading revenue from printing and machinery 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		
	2011	2010	
	US$'000	US$'000	Change %
Bank interest income	**4,702**	1,569	199.68%
Foreign exchange gain	**4,987**	1,281	289.31%
Derivatives financial instruments – transactions not qualified as hedges:			
Unrealised fair value gains, net	**760**	–	N/A
Realised fair value gains, net	**320**	–	N/A
Gain on disposal of an available-for-sale investment	**–**	4,276	-100.00%
Government grants	**778**	2,230	-65.11%
Other income	**80**	574	-86.06%
Total	**11,627**	9,930	17.09%

In 2011, the Group's other income and gains amounted to US$11,627,000, an increase of US$1,697,000 or 17.09% from the previous year.

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7. Selling and Distribution Costs

Selling and distribution cost of the Group in 2011 was US$69,531,000, which increased by US$31,917,000 or 84.85% as compared to the previous year, mainly attributable to the increase of 106.50% in the cost of the Group relating to the salaries and benefits of sales and marketing staff due to the increase in total headcount for selling and distribution personnel of the Group from 520 in the previous year to 790 in 2011. This increase in headcount for selling and distribution personnel was necessary for the expansion of the Group's business operations. Also, such increase in selling and distribution costs also resulted in an increase in our travel expenses.

8. Administrative Expenses

Administrative expenses of the Group in 2011 were US$96,647,000, an increase of US$52,058,000 or 116.75% from last year. The increase in administrative expenses was mainly due to: (i) the increase in expenses relating to the impairment of loans and accounts receivable; (ii) the increase in office expenses due to business expansion; (iii) the increase in headcount of full-time staff, which resulted in an increase in administrative expenses. The total headcount of full-time staff of the Group increased from 874 in 2010 to 1,353 in 2011.

8.1. Impairment of Loans and Accounts Receivable

The impairment of loans and accounts receivable of the Group in 2011 was US$40,096,000, which increased by US$23,342,000 or 139.32% from last year. This is primarily due to an increase of 78.38% in the net lease receivables during the relevant period. According to the standards of the five-category classification, the Group cautiously increased the provisions for the impairment of loans and accounts receivable.

The following table sets forth the breakdown of the impairment of loans and accounts receivable of the Group for the years indicated.

	31 December 2011		31 December 2010		
	US$'000	**% of total**	US$'000	% of total	Change %
Impairment of loans and accounts receivable:					
Individual assessment	2,995	7.47%	639	3.81%	368.70%
Collective assessment	37,101	92.53%	16,115	96.19%	130.23%
Total	40,096	100.00%	16,754	100.00%	139.32%

8.2. Cost to Income Ratio[1]

Cost to income ratio of the Group in 2011 was 32.56%, which was a slight increase from 31.31% of last year.

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 2011 were US$3,849,000, which increased by US$405,000 or 11.76% from 2010. This is primarily due to an increase in the commission expenses of bank charges incurred when the Group expanded its business in 2011.

10. Income Tax Expense

Income tax expense of the Group in 2011 was US$57,251,000, which increased by US$27,341,000 or 91.41% from 2010. 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 2011 and 2010 was 25.02% and 22.43%, respectively.

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

Based on the above discussion and analysis, profit for the year attributable to owners of the parent was US$171,412,000, which increased by US$67,663,000 or 65.22% from the previous year. Net profit margin of the Group decreased from 31.64% in the previous year to 23.51% in 2011.

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12. Loans and Accounts receivable

The main components of assets of the Group are loans and accounts receivable, accounting for 81.57% of the total assets of the Group as of 31 December 2011.

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

	31 December 2011		31 December 2010		
	US$'000	% of total	US$'000	% of total	Change %
Lease receivables	7,609,623		4,152,964		83.23%
Less: Unearned finance income	(1,085,143)		(495,286)		119.09%
Net lease receivables	6,524,480	98.18%	3,657,678	97.68%	78.38%
Entrusted loans[(1)]	70,468	1.06%	68,785	1.84%	2.45%
Long-term receivables	2,223	0.03%	–	–	N/A
Others	48,208	0.73%	18,051	0.48%	167.07%
Loans and accounts receivable[(2)]	6,645,379	100.00%	3,744,514	100.00%	77.47%

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 before provisions.

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

Loans and accounts receivable of the Group (after provisions) as of 31 December 2011 amounted to US$6,558,082,000, representing an increase of 77.23% from US$3,700,329,000 as of 31 December 2010. Net lease receivables (before provisions) were the most significant component of loans and accounts receivable, accounting for 98.18% of loans and accounts receivable (before provisions) as of 31 December 2011.

12.1. Lease Receivables

Net lease receivables of the Group as of 31 December 2011 were US$6,524,480,000, representing an increase of 78.38% as compared to US$3,657,678,000 as of 31 December 2010. 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 2011.

12.1.1 Net lease receivables by industry

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

	31 December 2011		31 December 2010		
	US$'000	**% of total**	US$'000	% of total	Change %
Healthcare	1,427,091	21.87%	959,717	26.24%	48.70%
Education	1,094,533	16.78%	540,579	14.78%	102.47%
Infrastructure construction	981,333	15.04%	524,751	14.35%	87.01%
Shipping	624,504	9.57%	396,609	10.84%	57.46%
Printing	954,311	14.63%	600,789	16.42%	58.84%
Machinery	628,344	9.63%	319,288	8.73%	96.80%
Textiles	79,459	1.22%	9,700	0.27%	719.16%
Others	734,905	11.26%	306,245	8.37%	139.97%
Total	6,524,480	100.00%	3,657,678	100.00%	78.38%

Net lease receivables for others, education, machinery and infrastructure construction as of 31 December 2011 grew the fastest among the target industries of the Group namely by 139.97%, 102.47%, 96.80% and 87.01%, respectively over those as of 31 December 2010, as the Group had assigned more dedicated sales and marketing personnel to these industries.

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12.1.2 Ageing analysis of lease receivables

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

	31 December 2011		31 December 2010		
	US$'000	% of total	US$'000	% of total	Change %
Net lease receivables					
Within 1 year	4,186,672	64.17%	2,446,603	66.89%	71.12%
1 to 2 years	1,713,888	26.27%	860,555	23.53%	99.16%
2 to 3 years	490,452	7.52%	254,851	6.97%	92.45%
3 years and beyond	133,468	2.04%	95,669	2.61%	39.51%
Total	6,524,480	100.00%	3,657,678	100.00%	78.38%

Net lease receivables within one year represent net lease receivables relating to new lease contracts that become effective within one year from the reporting date indicated, and are still valid as of the end of the year. As of 31 December 2011, net lease receivables within one year represented 64.17% of net lease receivables of the Group, which was slightly higher than the level recorded as of the end of last year, indicating that the Group had a higher ability to sustain the signing and executing of new lease contracts compared with that as of the end of last year.

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.

	31 December 2011		31 December 2010		
	US$'000	% of total	US$'000	% of total	Change %
Maturity date					
Within 1 year	2,261,453	34.66%	1,255,456	34.33%	80.13%
1 to 2 years	1,913,043	29.32%	1,038,151	28.38%	84.27%
2 to 3 years	1,263,148	19.36%	694,227	18.98%	81.95%
3 years and beyond	1,086,836	16.66%	669,844	18.31%	62.25%
Total	6,524,480	100.00%	3,657,678	100.00%	78.38%

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 2011, net lease receivables due within one year as set forth in the table above represented 34.66% of the Group's net lease receivables as of each of the respective dates, which was in line with the situation as compared to the end of last year. This indicated that the maturity of the Group's net lease receivables was widely spread and could provide the Group with consistent and sustainable cash inflows that facilitated the matching of our liabilities.

12.2. Asset Quality of Net Lease Receivables

12.2.1 Five-category lease receivables classification

The Group implements a five-category classification of lease receivables that accurately reveal the asset risk profile and confirm the quality of assets primarily by obtaining information on the qualification of stock and assets. On such basis, we have deployed management resources and efforts in a focused manner to effectively implement measures on category management, and have strengthened risk anticipation and the relevance of risk prevention to improve the ability to control asset risks.

Classification criteria

In determining the classification of our lease receivables portfolio, we apply a series of criteria that are derived from our own internal regulations regarding the management of lease assets. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on our lease receivables. Our lease receivable classification criteria focus on a number of factors, to the extent applicable; and our lease classifications include:

Pass. There is no reason to doubt that the loan principal and interest will not be paid by the lessee in full or on a timely basis. There is no reason whatsoever to suspect that the lease receivables will be impaired.

Special mention. Even though the lessee has been able to pay the lease payments in a timely manner, there are still factors that could adversely affect its ability to pay, which are related to changes in the economic, policy and industrial environment, the structure of the lessee's property rights and the lessee's management mechanisms, organisational framework and management personnel adjustments, operating capabilities, material investments and credit size and conditions, as well as the impact of changes in the value of core assets on the lessee's ability to repay; while taking into consideration the impact of subjective factors, including any change in the lessee's willingness to repay, on the quality of assets, such as if lease payments have been overdue for 30 days or more, then the lease receivables for this lease contract shall be classified as special mention or lower.

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Substandard. The lessee's ability to pay is in question as it is unable to make its payments in full with its operating revenues, and we are likely to incur losses notwithstanding the enforcement of any guarantees underlying the lease contract. We take into account other factors, for example, if lease payments have been overdue for over three months, then the lease receivables for this lease contract shall be classified as substandard or lower.

Doubtful. The lessee's ability to pay is in question as it is unable to make lease payments in full and/or on a timely basis with its operating revenues and we are likely to incur significant losses notwithstanding the enforcement of any guarantees underlying the lease contract. We take into account other factors, for example, if lease payments have been overdue for over six months, the lease receivables for this lease contract shall be classified as doubtful or lower.

Loss. After taking all possible steps or going through all necessary legal procedures, lease payments remain overdue or only a very limited portion has been recovered. We take into account other factors, for example, if lease payments have been overdue for more than one year, the lease receivables for this lease contract shall be classified as a loss.

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

	31 December 2011		31 December 2010		
	US$'000	**% of total**	US$'000	% of total	Change %
Pass	5,454,713	83.61%	3,019,352	82.55%	80.66%
Special mention	1,030,317	15.79%	602,064	16.46%	71.13%
Substandard	30,211	0.46%	29,750	0.81%	1.55%
Doubtful	8,762	0.13%	5,856	0.16%	49.62%
Loss	477	0.01%	656	0.02%	-27.29%
Net lease receivables	6,524,480	100.00%	3,657,678	100.00%	78.38%
Non-performing assets	39,450		36,262		8.79%
Non-performing asset ratio	0.60%		0.99%		-39.39%

The Group has established prudent asset quality control and adhered to a stringent and conservative asset classification policy. As of 31 December 2011, the Group's assets under special mention accounted for 15.79% of its total amount, representing a decrease compared to 16.46% as of the end of last year. In particular, assets under special mention in other industries accounted for the largest portion i.e. 31.11%, mainly because of the exploration of new industries by the Company, the short operating period and limited knowledge on customers' repayment pattern. Despite that, our business operations maintained steady growth and no default payment was recorded during the year, nevertheless, taking into account of the ongoing tightening policy under the macro environment and the overall industry risks, the Group prudently adjusted the entire asset classification for such type of customers as the Group paid close attention to the systematic risks of such industry. The assets under special mention for the construction industry accounted for the second largest portion, i.e. 20.31%. Despite that, the low default rate of construction related assets, nevertheless taking into account the ongoing tightening policy under the macro environment and the overall industry risks, the Group prudently re-classified more construction related assets as assets under special mention. In addition, lease receivables over 30 days overdue were also included in assets under special mention. As a result of the Group's stringent risk management and asset quality control, the percentage of the Group's lease receivables over 30 days overdue in 2011 was 0.08%, a decrease of 0.06 percentage point compared to 0.14% as of the end of last year.

The following table sets forth the analysis on the Group's assets under special mention by target industries for the dates indicated.

	31 December 2011		31 December 2010		
	US$'000	**% of total**	US$'000	% of total	Change %
Healthcare	63,842	6.20%	60,763	10.09%	5.07%
Education	170,640	16.56%	150,264	24.96%	13.56%
Infrastructure construction	209,227	20.31%	102,099	16.96%	104.93%
Shipping	120,558	11.70%	65,965	10.96%	82.76%
Printing	53,396	5.18%	32,884	5.46%	62.38%
Machinery	87,697	8.51%	25,711	4.27%	241.09%
Textiles	4,418	0.43%	–	–	N/A
Others	320,539	31.11%	164,378	27.30%	95.00%
Total	1,030,317	100.00%	602,064	100.00%	71.13%

Based on the Group's historical migration, the higher percentage of the Group's assets under special mention does not represent a lower asset quality of the Group.

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The following table sets forth the migration of the Group's assets under special mention for the dates indicated.

	Pass	Special mention	Substandard	Doubtful	Loss and write-off
	31 December 2011 (unaudited)				
Special mention	16.41%	49.24%	1.26%	0.44%	0.00%
	31 December 2010 (unaudited)				
Special mention	32.87%	32.18%	1.43%	0.84%	0.00%

The Group's asset quality remained stable. The non-performing asset ratio decreased from 0.99% from the end of last year to 0.60% as of 31 December 2011. The Group's write-off amount of non-performing asset decreased from US$35,000 in the previous year to US$0. The write-off ratio also decreased from 0.15% in the previous year to 0.00%.

The ratio of non-performing assets for the shipping industry to total non-performing assets was 38.03%, mainly due to the fact that the shipping industry is easily affected by changing international economic environment. Ratio of non-performing assets for the construction industry to total non-performing assets was 24.66%, primarily because of the ongoing tightening policy under the macro environment and industry risks, which made the recoverability of the accounts receivable more difficult.

The following table sets forth the analysis on the Group's substandard assets by target industries for the dates indicated.

	31 December 2011		31 December 2010		
	US$'000	**% of total**	US$'000	% of total	Change %
Healthcare	1,561	5.17%	1,604	5.39%	-2.68%
Education	1,332	4.41%	1,055	3.55%	26.26%
Infrastructure construction	8,465	28.02%	3,621	12.17%	133.78%
Shipping	15,002	49.66%	18,733	62.97%	-19.92%
Printing	2,989	9.89%	4,737	15.92%	-36.90%
Machinery	863	2.85%	–	–	N/A
Textiles	–	–	–	–	–
Others	–	–	–	–	–
Total	30,212	100.00%	29,750	100.00%	1.55%

The following table sets forth the analysis on the Group's doubtful assets by target industries for the dates indicated.

	31 December 2011		31 December 2010		
	US$'000	**% of total**	US$'000	% of total	Change %
Healthcare	–	–	820	14.00%	-100.00%
Education	1,613	18.41%	–	–	N/A
Infrastructure construction	1,262	14.40%	–	–	N/A
Shipping	–	–	–	–	–
Printing	3,851	43.95%	5,036	86.00%	-23.53%
Machinery	2,036	23.24%	–	–	N/A
Textiles	–	–	–	–	–
Others	–	–	–	–	–
Total	8,762	100.00%	5,856	100.00%	49.62%

The following table sets forth the analysis on the Group's loss assets by target industries for the dates indicated.

	31 December 2011		31 December 2010		
	US$'000	**% of total**	US$'000	% of total	Change %
Healthcare	–	–	200	30.49%	-100.00%
Education	–	–	–	–	–
Infrastructure construction	–	–	–	–	–
Shipping	–	–	–	–	–
Printing	477	100.00%	456	69.51%	4.61%
Machinery	–	–	–	–	–
Textiles	–	–	–	–	–
Others	–	–	–	–	–
Total	477	100.00%	656	100.00%	-27.29%

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The following table sets forth the movement of non-performing assets of the Group for the years indicated.

	Amount	NPA ratio
	US$'000	%
31 December 2010	**36,262**	**0.99%**
Downgrades[1]	19,133	
Upgrades	(1,942)	
Recoveries	(14,003)	
Write-offs	–	
31 December 2011	**39,450**	**0.60%**

Note:

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

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.

	31 December 2011		31 December 2010		
	US$'000	**% of total**	US$'000	% of total	Change %
Asset impairment provisions:					
Individual assessment	12,037	14.24%	8,930	21.16%	34.79%
Collective assessment	72,520	85.76%	33,270	78.84%	117.97%
Total	84,557	100.00%	42,200	100.00%	100.37%
Non-performing assets	39,450		36,262		
Provision coverage ratio	214.34%		116.38%		

As of 31 December 2011, after prudent analysis of the tightening credit policies in China and dynamic changes in the global economic environment, the Group managed the asset quality of the Group in a prudent and cautious manner and increased the provision for asset impairment. Accordingly, the provision coverage ratio of the Group rose to 214.34% as of 31 December 2011.

12.2.3 Write-offs of lease receivables

	31 December 2011 US$'000	31 December 2010 US$'000	Change %
Write-off	–	35	-100.00%
Non-performing assets of the last year	39,450	23,589	67.24%
Write-off ratio(1)	0.00%	0.15%	-100.00%

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 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 decreased from 0.15% in the previous year to 0.00%.

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

As a result of the Group's stringent risk management controls and our management of assets quality, the Group's lease overdue ratio (over 30 days) was 0.08% in 2011, representing a decrease as compared to 0.14% as of the end of 2010. Out of the Group's loans and lease receivables overdue for 30 days or more in 2011, those in the printing and machinery industries accounted for 40.67% and 37.90% of the total, respectively.

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 2011, the Group's interest-bearing bank and other borrowings (including deposits for lease and entrusted loans) amounted to US$5,495,364,000, of which interest-bearing bank and other borrowings amounted to US$4,705,588,000, representing an increase of 83.10% compared with US$2,569,939,000 as of the end of last year. This is primarily because the Group increased the amount of bank loans in 2011 in order to support the growth of the Group's lease receivable portfolio as we expanded our business operations. The Group's borrowings are mainly denominated in RMB and US$ with variable interest rates.

Management Discussion and Analysis

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

	31 December 2011		31 December 2010		
	US$'000	% of total	US$'000	% of total	Change %
Current	1,918,048	40.76%	910,000	35.41%	110.77%
Non-current	2,787,540	59.24%	1,659,939	64.59%	67.93%
Total	4,705,588	100.00%	2,569,939	100.00%	83.10%

As of 31 December 2011, 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 40.76%. It increased by 5.35 percentage points from 35.41% as of 31 December 2010. In 2011, 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.

	31 December 2011		31 December 2010		
	US$'000	% of total	US$'000	% of total	Change %
Secured	2,060,091	43.78%	1,517,644	59.05%	56.57%
Unsecured	2,645,497	56.22%	1,052,295	40.95%	121.36%
Total	4,705,588	100.00%	2,569,939	100.00%	83.10%

In 2011, the Group carefully managed its funding risk. As of 31 December 2011, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 56.22% of the Group's total interest-bearing bank and other borrowings, representing an increase as compared to the end of last 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.

	31 December 2011		31 December 2010		
	US$'000	% of total	US$'000	% of total	Change %
Bank loans	3,517,379	74.75%	2,130,029	82.88%	65.13%
Related-party borrowings	650,998	13.83%	437,410	17.02%	48.83%
Other loans	537,211	11.42%	2,500	0.10%	21388.44%
Total	4,705,588	100.00%	2,569,939	100.00%	83.10%

The proportion of the Group's related-party borrowings as a percentage to the Group's total bank and other borrowings was 13.83% as of 31 December 2011, decreased by 3.19 percentage points as compared to the end of last year as the Group chose to utilise more other loans to expand the Group's business.

14. Analysis on Cash Flows Statement

	For the year ended 31 December		
	2011	2010	
	US$'000	US$'000	Change %
Net cash flow from operating activities	(1,943,729)	(1,249,627)	55.49%
Net cash flow from investing activities	(54,583)	2,299	-2474.21%
Net cash flow from financing activities	2,583,756	1,245,204	107.45%
Effect of exchange rate changes on cash and cash equivalents	22,559	1,042	2064.97%
Net increase/(decrease) in cash and cash equivalents	608,003	(1,082)	-56292.51%

As of 31 December 2011, the Group had net cash outflow from operating activities in the amount of US$1,943.729 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. Moreover, the Company implemented the initial public offering of its shares on 30 March 2011 and exercised the over-allotment options on 31 March 2011. As a result, net cash inflow from financing activities was US$2,583.756 million as of 31 December 2011. Net cash outflow from investing activities was US$54.583 million, which was primarily attributable to the increase of the Company's investment-related restricted cash by US$36.292 million. As of 31 December 2011, the Group's cash and cash equivalents amounted to US$661.365 million, the majority of which was denominated in RMB, US$ and HK$.

Management Discussion and Analysis

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 maximise shareholder value. In 2011, no change was made to the objectives, policies or processes for managing capital.

15.1. Gearing Ratio

The Group monitors its capital with the gearing ratio.

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

	31 December 2011 US$'000	31 December 2010 US$'000
Total assets	7,474,702	3,824,164
Total liabilities	5,998,442	3,296,832
Total equity	1,476,260	527,332
Gearing ratio	80.25%	86.21%

In 2011, the Group made full use of its capital leverage for our operations to keep the Group's gearing ratio relatively high while at the same time closely managing the Group's gearing ratio to avoid potential liquidity risks. As at 31 December 2011, our gearing ratio, which was maintained at a reasonable level, was 80.25%.

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.

	31 December 2011 US$'000	31 December 2010 US$'000
Total assets	7,098,560	3,583,059
Less: Cash	795,360	64,931
Total assets at risk	6,303,200	3,518,128
Equity	1,389,894	509,852
Ratio of assets at risk to equity	4.5	6.9

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 2011, the Group's ratio of assets at risk to equity was 4.5, which was in compliance with the ratio of assets at risk to equity requirements of the Measures.

16. Capital Expenditures

The Group's capital expenditure was US$14.96 million in 2011, which was mainly used for expenditures for additions of property, plant and equipment.

17. Risk management

17.1. 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 risk measures to mitigate such risk.

Management Discussion and Analysis

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

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 the end of each reporting period subject to repricing within the coming year.

	Increase/(decrease) in profit before tax of the Group As of 31 December	
	2011	2010
	US$'000	US$'000
Change in basis points		
+100 basis points	28,163	10,077
- 100 basis points	(28,163)	(10,077)

17.2. 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 changes in the exchange rate of the currency to which the Group had 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 rate 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 of the end of each reporting period 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.

		Increase/(decrease) in profit before tax of the Group As of 31 December	
Currency	Change in currency rate	**2011 US$'000**	2010 US$'000
US dollar	-1%	1,089	592

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

17.3. 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 liquidity of the Group, maintaining an efficient internal fund transfer mechanism.

Management Discussion and Analysis

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities based on the 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 2011			
Total financial assets	670,285	788,122	2,192,931	4,772,240	98,960	8,522,538
Total financial liabilities	32,277	852,791	1,585,660	3,946,671	19,718	6,437,117
Net liquidity gap	638,008	(64,669)	607,271	825,569	79,242	2,085,421
			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

18. Charges on Group Assets

The Group had lease receivables in the amount of US$2,245.76 million and cash in the amount of US$74.22 million pledged to the bank as of 31 December 2011 in order to secure the bank borrowings.

19. Material Investments, Acquisitions or Disposals

As of 31 December 2011, the Company had no material investment and there was no material acquisition and disposal of subsidiaries and associated companies.

20. Human Resources

As of 31 December 2011, the Group had 1,353 full-time employees, an increase of 479 full-time employees compared to 874 by the end of 2010.

During 2010 and 2011, the Group incurred employee benefit expenses of US$35.10 million and US$76.31 million, respectively, representing approximately 10.74% and 10.45% of the Group's total revenue for those periods.

The Group believes it has a high quality work force with specialised industry expertise, with approximately 92% of the Group's employees having bachelor's degrees and above and approximately 52% having master's degrees and above as of 31 December 2011.

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 31 December 2011, the Group had complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.

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

21.1. Contingent liabilities

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

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

	As of 31 December 2011 US$'000	As of 31 December 2010 US$'000
Legal proceeding:		
Claimed amounts	**158**	151

21.2. 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 2011 US$'000	As of 31 December 2010 US$'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	**2,071**	358
Irrevocable credit commitments	**605,542**	551,112

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 2010 to 31 December 2011 was primarily due to the expansion of the Group's business during 2011.

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

Corporate Governance Report

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2011.

The manner in which the principles and code provisions 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 (the "Listing Rules") are applied and implemented is explained in the following sections of this Corporate Governance Report:

Corporate Governance Practices

The Group acknowledges the vital importance of good corporate governance to the Group's success and sustainability. We are committed to achieving a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of our business.

The Company has adopted various measures to ensure a high standard of corporate governance and has put in place corporate governance practices that are considered to be relevant to the Group, to meet the code provisions as set out in the CG Code.

Throughout the year ended 31 December 2011, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from code provision E.1.2, which is explained in the paragraph headed "Communication with Shareholders and Investors/Investor Relations" of this report.

The Company has also put in place certain recommended best practices as set out in the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

Corporate Governance Report

Board of Directors

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 have carried out their 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 senior officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

Delegation of Management Functions

The Board reserves for its decision all major matters of the Company, including approving and monitoring 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 to the advice and services of the joint company secretaries, with a view of 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.

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 before any significant transactions may be entered into by the aforesaid officers.

Board Composition

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

The Company has adopted the recommended best practice under the CG Code for the Board to have at least one-third of its membership comprising independent non-executive directors.

The list of all directors, which also specifies the posts held by each director is 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 of the Company comprises the following directors:

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

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

During the year ended 31 December 2011, 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.

Corporate Governance Report

The non-executive directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive directors have made various contributions to the effective direction of the Company.

An updated list of directors identifying their role and function and whether they are INEDs is published on the websites of the Company and of the Stock Exchange.

Appointment and Re-election of Directors

The procedures and process of 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 Board composition, monitoring the appointment of directors and assessing the independence of independent non-executive 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 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 determinable 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 causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first annual general meeting after appointment.

The procedure for shareholders to propose a person for election as director is published on the Company's website.

Training Induction and Continuing Development of Directors

Each newly appointed director receives induction on the first occasion of his/her appointment to ensure appropriate adequate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

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

Board and Board Committee Meetings

Number of Meetings and Directors' Attendance

During the year ended 31 December 2011, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the meetings of the Board, Audit Committee, Remuneration and Nomination Committee and Strategy and Investment Committee during the year ended 31 December 2011 are set out below:

	Attendance and Number of Meetings			
Name of Director	**Board**	**Audit Committee**	**Remuneration and Nomination Committee**	**Strategy and Investment Committee**
Executive Directors				
Mr. Kong Fanxing	4/4	Not applicable	Not applicable	1/1
Mr. Wang Mingzhe	4/4	Not applicable	Not applicable	Not applicable
Non-Executive Directors				
Mr. Liu Deshu	3/4	Not applicable	Not applicable	Not applicable
Mr. Yang Lin	4/4	Not applicable	Not applicable	Not applicable
Ms. Shi Dai	4/4	Not applicable	3/3	Not applicable
Mr. Liu Haifeng David	4/4	Not applicable	Not applicable	1/1
Ms. Sun Xiaoning	4/4	4/4	Not applicable	Not applicable
Independent Non-Executive Directors				
Mr. Cai Cunqiang	4/4	Not applicable	Not applicable	1/1
Mr. Han Xiaojing	4/4	4/4	3/3	Not applicable
Mr. Liu Jialin	4/4	Not applicable	3/3	Not applicable
Mr. Yip Wai Ming	4/4	4/4	Not applicable	Not applicable

Corporate Governance Report

Practices and Conduct of Meetings

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.

Board papers 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 developments 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 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.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Liu Deshu, and the Chief Executive Officer is Mr. Kong Fanxing. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balance of views and judgement. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

Board Committees

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

Remuneration and Nomination Committee

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

Principal duties of the Remuneration and Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of directors, making recommendations to the Board on the remuneration package of directors and senior management and assessing the independence of independent non-executive 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.

The Company has published the Terms of Reference of Remuneration and Nomination Committee on the websites of the Stock Exchange and of the Company.

The Remuneration and Nomination Committee held three meetings during the year ended 31 December 2011 and reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The attendance records of the Remuneration and Nomination Committee are set out under "Board and Board Committee Meetings" on page 48.

Strategy and Investment Committee

The Strategy and Investment Committee comprises three members, namely, Mr. Liu Haifeng David (Chairman of this 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.

The Strategy and Investment Committee met once during the year ended 31 December 2011. The attendance records of the Strategy and Investment Committee are set out under "Board and Board Committee Meetings" on page 48.

Audit Committee

The Audit Committee comprises two independent non-executive directors, namely, Mr. Yip Wai Ming (Chairman of this committee) and Mr. Han Xiaojing, and one non-executive director, namely, Ms. Sun Xiaoning. Mr. Yip Wai Ming possesses the appropriate professional qualifications or accounting or related financial management expertise.

The main duties of the Audit Committee include the following:

- To review the financial information
- To review the relationship with the external auditors
- To review financial reporting system, internal control system and risk management system
- To review the annual budget and final accounts

Corporate Governance Report

The Company has published the Terms of Reference of Audit Committee on the websites of the Stock Exchange and of the Company.

The Audit Committee held four meetings during the year ended 31 December 2011 to review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors. The attendance records of the Audit Committee are set out under "Board and Board Committee Meetings" on page 48.

The Company's annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee.

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 of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

The Company has also established guidelines for the relevant employees' securities transactions, which are no less exacting than the Model Code. No incident of non-compliance with the Model Code by the employees was noted by the Company.

Directors' Responsibilities for Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and 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.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is contained in the "Independent Auditors' Report" on page 80.

For the year ended 31 December 2011, the remuneration paid/payable to the external auditors of the Company amounted to a total of US$511,000, of which US$426,000 was for audit service fee of the Group's financial statements, US$85,000 was for non-audit service fee.

Internal Controls

The Company has established its Internal Audit Department and 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 controls. 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 authorised to comprehensively inspect, analyse, 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.

Corporate Governance Report

Communication with Shareholders and Investors/Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises 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 up-to-date information, including the Company's financial information, corporate governance practices and other information are available for public access.

The general meetings of the Company provide a forum for communication between the Board and the shareholders.

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

Code provision E.1.2 stipulates that the Chairman should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in their absence, other members of such committees or their duly appointed delegates, to be available to answer questions at the annual general meeting.

In the 2011 AGM, Mr. Liu Deshu (Chairman of the Board) and Mr. Liu Jialin (Chairman of the Remuneration and Nomination Committee) were unable to attend the 2011 AGM due to other important business engagements. In order to ensure the smooth holding of the 2011 AGM, Mr. Liu Deshu authorised Mr. Kong Fanxing, an executive director, the Vice Chairman and Chief Executive Officer of the Company, to chair the 2011 AGM. Further, Ms. Shi Dai (a non-executive director of the Company and member of the Remuneration and Nomination Committee) and Mr. Yip Wai Ming (an independent non-executive director of the Company and Chairman of the Audit Committee) were available at the 2011 AGM to answer questions where necessary.

Shareholder Rights

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

All resolutions put forward at shareholder 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 of the Stock Exchange after each shareholder meeting.

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

Mr. LIU Deshu (劉德樹), aged 60, was appointed as a non-executive Director and the 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, Sinochem Corporation and 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 48, is an executive Director, the Vice Chairman and the Chief Executive Officer of the Company. Mr. Kong received an EMBA degree from Peking University (北京大學) 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 Mr. Kong worked for Sinochem Group, he 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 fertiliser 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 (遠東國際租賃有限公司) ("Far Eastern") and has become an executive director and the general manager since then. Currently, Mr. Kong is also an executive director and general manager of Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司). Mr. Kong has been the President and Chief Executive Officer of the Company since September 2009.

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

Biographies of Directors and Senior Management

Mr. WANG Mingzhe (王明哲) – Executive Director, Chief Financial Officer and Vice President

Mr. WANG Mingzhe (王明哲), aged 41, is an executive Director, the Chief Financial Officer and the Vice President 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. Mr. Wang joined Far Eastern in October 1995 and has worked there since then. In Far Eastern, 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 the Chief Financial Officer of the Company and he has held these positions ever since. Mr. Wang has over 16 years of experience in finance management.

Mr. YANG Lin (楊林) – Non-Executive Director

Mr. YANG Lin (楊林), aged 48, has been a non-executive Director of the Company since October 2009. Mr. Yang obtained a bachelor's degree in Economics from Tianjin Commerce Collage (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. Mr. Yang 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 the budget and evaluation committee of Sinochem Corporation. Mr. Yang has approximately 19 years of experience in finance and treasury management.

Ms. SHI Dai (石岱) – Non-Executive Director

Ms. SHI Dai (石岱), aged 45, has been a non-executive Director of the Company since 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 deputy general manager of human resources department, 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), and the deputy general manager of the investment department. Currently, Ms. Shi is a director of Communist Party of China (CPC) office at Sinochem Corporation. Ms. Shi has approximately 18 years of experience in risk management, sales management and human resources management.

Mr. LIU Haifeng David (劉海峰) – Non-Executive Director

Mr. LIU Haifeng David (劉海峰), aged 42, has been a non-executive Director of the Company since October 2009. Mr. Liu is a global partner of KKR Asia Limited and the head of KKR Greater China. Prior to joining KKR, Mr. Liu served as managing director and co-head of Morgan Stanley Private Equity Asia. Mr. Liu has 18 years of experience in direct investment; he has achieved excellent result in long-term investment. Mr. Liu 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 the Company etc. Mr. Liu graduated from Columbia University in the United States as Class Salutatorian with a B.S. in Electrical Engineering. He 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. Mr. Liu is also a non-executive director of United Envirotech Ltd which is a listed company in Singapore.

Biographies of Directors and Senior Management

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

Ms. SUN Xiaoning (孫小寧), aged 43, 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 21 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.

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

Mr. CAI Cunqiang (蔡存強), aged 62, 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 35 years of experience in the shipping industry.

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

Mr. HAN Xiaojing (韓小京), aged 57, 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 (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 25 years of experience in the legal profession.

Currently, Mr. Han is an independent non-executive Director of Sino-Ocean Land Holdings Limited (遠洋地產控股有限公司) 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 49, 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 23 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 47, 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 (禹州地產股份有限公司) 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 21 years of experience in accounting and finance.

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

Mr. FANG Weihao (方蔚豪), aged 39, is the Executive Vice President of the Company. 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 12 years of experience in enterprise management.

Biographies of Directors and Senior Management

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

Mr. NIU Weidong (牛衛東), aged 42, 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 10 years of experience in the financial leasing industry.

Mr. LIU Honglai (劉宏來) – Assistant General Manager

Mr. LIU Honglai (劉宏來), aged 41 is the Assistant General Manager 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 served as the deputy general manager of the quality control department, the general manager of the internal audit department, the general manager of the president office, Assistant General Manager of the Company respectively. Mr. Liu was appointed as Assistant General Manager of the Company in September 2009. Mr. Liu has over 18 years of experience in the financial service industry.

Biographies of Directors and Senior Management

Mr. CAO Jian (曹健) – Assistant General Manager

Mr. CAO Jian (曹健), aged 37, 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 (中國對外經濟貿易大學) 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 9 years of experience in the financial leasing industry.

Mr. SHANG Bing (尚兵) – Assistant General Manager

Mr. SHANG Bing (尚兵), aged 45, 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 22 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 2011 together with the audited financial statements of the Group for the year ended 31 December 2011.

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 2011 are set out in the consolidated income statements on page 82 of this annual report.

The Board recommends the payment of a final dividend of HK$0.1 per share in respect of the year ended 31 December 2011 to shareholders whose names appear on the register of members of the Company on Thursday, 21 June 2012.

Closure of Share Register

The Annual General Meeting ("AGM") of the Company is scheduled on Wednesday, 13 June 2012. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 11 June 2012 to Wednesday, 13 June 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all completed transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 8 June 2012.

The final dividend is subject to the approval of the shareholders of the Company at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 19 June 2012 to Thursday, 21 June 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 18 June 2012.

Directors' Report

Financial Highlights

The summary of the Group's results, assets, liabilities and non-controlling interests for the past five financial years are extracted from the audited financial information and financial statements published, which are set out on page 188 to this annual 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 27 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 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 86 and 87 of this annual report and Note 28 to the financial statements respectively.

Charitable Donations

The Group's external charitable donations for the year amounted to US$310,000 (2010: US$15,000).

Directors

As of the date of this annual 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)

Directors' Report

Biographical Details of the Directors and Senior Management

Biographical details of the Directors and senior management are set out on pages 54 to 61 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 US$766,000.

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 US$216,000.

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

As at 31 December 2011, none of the Directors of the Company 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 Senior Management' Emoluments

Details of the remuneration of the Directors and that of the senior management of the Group for the year ended 31 December 2011 are set out in note 7 and note 33 to the consolidated financial statements of the Group.

Directors' Interests in Contract

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

As at 31 December 2011, 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 2011, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and 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, were detailed as follows:

Name of shareholder	Name of corporation	Capacity/ nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
KONG Fanxing	The Company	Beneficial owner	364,000(L)	0.01%
WANG Mingzhe	The Company	Beneficial owner	21,000(L)	0.00%
HAN Xiaojing	The Company	Beneficial owner	30,000(L)	0.00%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the Company.

Save as disclosed above, as at 31 December 2011, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be 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 he/she had taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in the Shares

As at 31 December 2011, the following entities who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO or had otherwise notified to the Company were as follows:

Name of shareholder	Capacity/nature of interest	Number of ordinary 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 Limited[3]	Beneficial owner	105,481,000(L)	3.71%
	Interest in a controlled corporation	395,791,000(L)	13.92%
KKR Future Holdings II Limited[3]	Beneficial owner	58,791,000(L)	2.07%
KKR Asian Fund L.P.[3]	Interest in a controlled entity	501,272,000(L)	17.64%
KKR Associates Asia L.P.[3]	Interest in a controlled entity	501,272,000(L)	17.64%
KKR SP Limited[3]	Interest in a controlled entity	501,272,000(L)	17.64%
KKR Asia Limited[3]	Interest in a controlled entity	501,272,000(L)	17.64%
KKR Fund Holdings L.P.[3]	Interest in a controlled entity	501,272,000(L)	17.64%
KKR Fund Holdings GP Limited[3]	Interest in a controlled entity	501,272,000(L)	17.64%
KKR Group Holdings L.P.[3]	Interest in a controlled entity	501,272,000(L)	17.64%
KKR Group Limited[3]	Interest in a controlled entity	501,272,000(L)	17.64%
KKR & Co. L.P.[3]	Interest in a controlled entity	501,272,000(L)	17.64%
KKR Management LLC[3]	Interest in a controlled entity	501,272,000(L)	17.64%
Mr. Henry R. Kravis and Mr. George R. Roberts[3]	Interest in a controlled entity	501,272,000(L)	17.64%
Techlink Investment Pte Ltd[4]	Beneficial owner	214,014,000(L)	7.53%

Directors' Report

Name of shareholder	Capacity/nature of interest	Number of ordinary shares [(1)]	Approximate percentage of interest
Tetrad Ventures Pte Ltd[(4)]	Interest in a controlled corporation	214,014,000(L)	7.53%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.[(4)]	Interest in a controlled corporation	214,014,000(L)	7.53%
GIC Special Investments Private Limited[(4)]	Interest in a controlled corporation	214,014,000(L)	7.53%
Government of Singapore Investment Corporation Private Limited[(4)]	Interest in a controlled corporation	214,740,000(L)	7.55%
Prime Capital Management (Cayman) Limited	Investment manager	189,862,000(L)	6.68%

Notes:

(1) The letter "L" denotes the person's long position in the Shares of the Company.

(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 of the Company held by Greatpart Limited.

(3) KKR Future Holdings (as the sole shareholder as KKR Future Investment S.À.R.L and KKR Future Holdings II Limited). Each of 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 shareholder of KKR Asia Limited), KKR Fund Holdings GP Limited (as the general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as the general partner of KKR Fund Holdings L.P.), 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 the designated shareholders of KKR Management LLC) may be deemed to be interested in the Shares of the Company. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares of the Company.

(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 of the Company 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 global offering (taking into account the exercise of the over-allotment option) were approximately US$742,356,000. The Company intends to use the net proceeds in accordance with the proposed applications set out in the prospectus of the Company dated 18 March 2011.

Public Float

Based on the information publicly available to the Company and as far as the Directors are aware, at least 25% of the total issued share capital of the Company is held by the public pursuant to the Listing Rules prior to the printing of the annual report.

Major Customers and Suppliers

During the year, the income of the Group's lease and advisory segments accounted for 85.85% of the total income, and the information of the customers and suppliers of the lease and advisory segments is as follows:

	For the year ended 31 December 2011 Percentage of the total income (before business taxes and surcharges) (%)
Top five customers	**3.64%**
The largest customer	**1.03%**

	Percentage of total costs (%)
Top five suppliers	**38.97%**
The largest supplier	**19.08%**

As far as the Directors are aware, none of the Directors of the Company, their associates or shareholders holding more than 5% shares of the Company had any interest in the top five customers or top five suppliers of the Group.

Connected and Continuing Connected Transactions

The Company entered into certain connected transactions and continuing connected transactions, as defined in the Listing Rules, which are subject to the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Connected Transactions

Chartering of ship vessels to Sinochem International (Overseas) Pte Ltd ("Sinochem Overseas")

On 2 September 2011 and 11 October 2011 respectively, the Company's wholly-owned subsidiary, Far East Horizon Chartering Co., Ltd. ("Far East Chartering"), entered into ship charter agreements in its ordinary course of business with Sinochem Overseas in respect of the chartering of two vessels by Far East Chartering to Sinochem Overseas for single-voyage journeys.

The ship charter agreements were agreed following arm's length negotiations and are based on normal commercial terms. The aggregate charter fees payable to Far East Chartering under the ship charter agreements, were US$2,042,792.18.

Sinochem Overseas is a wholly-owned subsidiary of 中化國際(控股)股份有限公司 (Sinochem International Corporation)* ("Sinochem International Corporation"). 中國中化集團公司 (Sinochem Group)* ("Sinochem Group") is the controlling shareholder of both the Company and Sinochem International Corporation. Accordingly, Sinochem Overseas is an associate of Sinochem Group and hence a connected person of the Company and the ship charter agreements constituted connected transactions of the Company.

Please refer to the announcement made by the Company on 11 December 2011 relating to this transaction.

* *for identification purposes only*

Continuing Connected Transactions

Framework agreement for the provision of financial services from 中化集團財務有限責任公司 (Sinochem Group Finance Co., Ltd.) ("Sinochem Finance")

On 17 June 2011, the Company entered into a framework agreement with Sinochem Finance with a term of three years, whereby the Group agreed to utilise various financial services from Sinochem Finance. The Company entered into this framework agreement due to various advantages of utilising financial services provided by Sinochem Finance over independent commercial banks and also because the risk profile of Sinochem Finance is not greater than independent commercial banks in the PRC.

Sinochem Finance is a wholly-owned subsidiary of 中國中化股份有限公司 (Sinochem Corporation Co., Limited)* ("Sinochem Corporation"), which in turn is owned as to approximately 98% by Sinochem Group, which is a controlling shareholder of the Company. Accordingly, Sinochem Finance is an associate of Sinochem Group and hence a connected person of the Company and the financial services provided by Sinochem Finance to the Group under this framework agreement constitutes continuing connected transactions of the Company.

The annual cap on the maximum daily outstanding balance of any such deposits (excluding deposits for extending entrustment loans) is RMB919 million for the term of this framework agreement. This annual cap is based primarily on the requirement to settle accounts receivables through the deposit accounts of the members of the Group maintained with Sinochem Finance, the strategies of the treasury management of the Group, the development and financial needs of the Group, and the average cash balance of the Group. This annual cap was not exceeded for the year ended 31 December 2011.

Please refer to the announcement made by the Company on 17 June 2011 relating to this transaction.

Lease agreements for various properties

The Group entered into various lease agreements and corresponding supplementary agreements that constitute continuing connected transactions, namely:

Lease of property in Convention Plaza

On 1 March 2011, the Company entered into a lease agreement with Sinochem Hong Kong (Group) Company Limited ("Sinochem HK") in relation to commercial premises. The term of the lease agreement is from 1 March 2011 to 28 February 2013. Pursuant to the lease agreement, the Company shall pay to Sinochem HK a monthly rent of HK$92,326 and monthly management and air conditioning fees of HK$8,916.

Directors' Report

Sinochem HK is a wholly-owned subsidiary of Sinochem Corporation, which in turn is owned as to 98% by Sinochem Group. Sinochem Group is a controlling shareholder of the Company. Therefore, Sinochem HK is an associate of Sinochem Group and also a connected person of the Company and this lease agreement constitutes a continuing connected transaction of the Company.

Lease of properties in 凱晨世貿中心 (Chemsunny World Trade Center)* ("Chemsunny World Trade Center")

遠東國際租賃有限公司 (International Far Eastern Leasing Co., Ltd)* ("Far Eastern") entered into a supplementary agreement with 北京凱晨置業有限公司 (Beijing Chemsunny Property Company Limited)* ("Chemsunny") in relation to a lease agreement upon its expiry. Effectively, Chemsunny shall lease to Far Eastern office premises in Chemsunny World Trade Center from 1 January 2010 to 31 December 2011. Far Eastern shall pay to Chemsunny a monthly rent of RMB68,452.60 and shall pay to 北京世紀凱晨物業管理有限公司 (Beijing Chemsunny Property Management Company Limited)* a monthly management fee of RMB8,928.60 and also other miscellaneous fees.

On 26 May 2010, Far Eastern and Chemsunny entered into another supplementary agreement in relation to another lease agreement. Effectively, Chemsunny shall lease to Far Eastern another set of office premises also in Chemsunny World Trade Center) from 1 July 2010 to 31 December 2011. Far Eastern shall pay rent and management fees at the monthly rate of RMB32,890 and RMB4,290, respectively.

Far Eastern is a wholly-owned subsidiary of the Company. Chemsunny is a wholly-owned subsidiary of Franshion Properties (China) Limited ("Franshion"), which in turn is a subsidiary of Sinochem Group. Sinochem Group is a controlling shareholder of the Company. Accordingly, Chemsunny is an associate of Sinochem Group and hence a connected person of the Company. These supplementary agreements constitute continuing connected transactions of the Company.

Please note that these transactions have been renewed. Please refer to the announcement of the Company dated 30 December 2011 for further details.

Lease of property in 金茂大廈 (Jin Mao Tower)* ("Jin Mao Tower")

On 29 November 2010, Far Eastern entered into an agreement with 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited)* ("Jin Mao") to renew a number of lease agreements. Effectively, Jin Mao shall lease to Far Eastern a number of office premises and other ancillary facilities in Jin Mao Tower, for a term up to 31 December 2011. Far Eastern shall also pay utilities and other miscellaneous fees to Jin Mao or 上海金茂英泰設施管理有限公司 (Shanghai Jin Mao Imtech Facility Services Co., Ltd.)*.

Jin Mao is a wholly-owned subsidiary of Franshion, which is owned as to approximately 62.87% by Sinochem Group. Sinochem Group is a controlling shareholder of the Company. Accordingly, Jin Mao is an associate of Sinochem Group and hence a connected person of the Company and this renewal agreement constitutes a continuing connected transaction of the Company.

Please note that this transaction has been renewed. Please refer to the announcement of the Company dated 30 December 2011 for further details.

The above agreements were agreed upon following arm's length negotiations and were based on normal commercial terms. They have been aggregated pursuant to Rule 14A.25 of the Listing Rules. The annual cap for the above leases is RMB36,104,091 for the year ended 31 December 2011. The annual cap is based on several factors, including the total gross floor area leased, rent, management fees and other miscellaneous fees to be incurred under the lease agreements. The annual cap was not exceeded for the year ended 31 December 2011.

Confirmation of Independent Non-Executive Directors

Pursuant to Rule 14A.37 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive Directors, who confirmed that the aforesaid continuing connected transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors has received a letter from the auditors, which stated that these continuing connected transactions:

(a) have been approved by the Board of Directors;

(b) have been entered into in accordance with the relevant agreement governing such transactions;

(c) have been entered into in accordance with the pricing policies of the Company; and

(d) have not exceeded the relevant caps for the financial year ended 31 December 2011.

Directors' Report

Auditor

Pursuant to the resolution of the general meeting of the Company for 2011, the Company proposes to re-appoint Ernst & Young as the auditor of the Company in 2012. The resolution of appointing Ernst & Young as the auditor of the Company is proposed at the AGM to be held on Wednesday, 13 June 2012 for review and approval.

By order of the Board
Liu Deshu
Chairman

21 March 2012

Social Responsibility

Concept of Responsibility

Creating value sharing and harmonious development

We believe that the essence of corporate social responsibility lies in achieving the win-win situation of sharing values with all stakeholders, including investors, customers, partners, employees, governments and the entire society, through which truly motivating the healthy, sustained, stable and harmonious development of the industrial economy and the society as a whole.

Investor Responsibility

Deepening value cooperation and sharing China's growth

Far East Horizon has closely linked up its own developments with China's economic growth by focusing on comprehensive operational services in the basic industries, achieving sustained business growth and value enhancement. In the past 21 years, Far East Horizon has brought investors value greater than sustained and stable returns.

Industry Responsibility

Innovating financial services and supporting industrial upgrading

Far East Horizon, in the process of serving industries, will set the basic industries relating to national planning and people's livelihood as its targets of service. We will spare no efforts in deepening our understanding of user needs, integrating global resources, cultivating industrial sectors including healthcare, education, printing, construction, machinery, shipping and textile, and actively promoting industrial interaction and exchanges to help enterprises upgrading equipments, reducing energy consumption and improving production capacity and industries stepping up.

In the healthcare sector, to improve the infrastructure of county-level hospitals in providing service, we promote the development of healthcare in medically underserved regions. As at the end of 2011, there were altogether 1,507 hospitals served by Far East Horizon. In the education sector, advanced educational facilities and equipments were provided to primary and

Corporate Social Responsibility Report

secondary schools in the poor regions to improve their teaching and learning conditions, driving the continuous progress in education. As at the end of 2011, we were serving 70 colleges, 220 higher vocational schools and 120 high schools.

In the construction sector, we expanded investments in hydropower projects which have generated on-grid power volume of more than 1.6 billion kwh in a year. In the machinery sector, we provided and improved sewage treatment equipments which have largely improved sewage treatment standards, increasing the daily water treatment capacity by a total of 1.074 million tonnes while transforming water plants and providing new equipments, increasing the daily water supply capacity by a total of 0.887 million tonnes.

Constructing high-end resources platform and driving industrial management upgrading

While injecting funds into the industries to help enterprises upgrade and transform hardware, we actively carry out the following actions to help customers continuously improve their competitiveness, enhance the level of development and competitiveness of the industry as a whole and accordingly promote the healthy growth of the national economy:

In 2007, we founded the Free Flow Club and the Family Union to actively create the atmosphere for "mutual trust and win-win" industrial exchanges. In industrial sectors like healthcare and machinery, we joined hands with international and domestic mainstream manufacturers in establishing a vendor alliance platform on the basis of the philosophy for "jointly promoting industrial development", driving China to move from a key manufacturing country to a country of great creative power.

Since 2008, we have been organising several "Far East High-Level Shipping and Vessel Finance Forum" every year, inviting top-class international and domestic shipping and financial experts and scholars to hold seminars, providing the impetus to cultivating high-end financial personnel for China's shipping and shipbuilding sectors. We have held a number of "Construction Enterprise Summit Forum", gathering municipal, transportation and industrial construction enterprises in establishing platforms for strategic cooperation and communication exchanges, boosting the urbanisation process in China.

The "Far East Printing Elite Program" was launched in 2009. Training programs are held regularly by us exclusively for managers in the printing enterprises, covering areas including accounting, finance, management and printing technology, to help enterprises improve their own operating capabilities.

In 2009, we set up the "Far East Healthcare Managers Institute" aiming at introducing advanced hospital management concepts and experience by establishing a high-end exchange platform for hospital administrators in China, helping hospitals strengthen the organisation's management advantages and enhance staff competitiveness, thereby helping hospital administrators to explore new ideas for the rapid improvement in integrated management standards, hence further promoting the development of hospitals and the whole healthcare business in China. By now, nearly 500 students have participated.

Since the establishment of the "Far East Educators Union" in 2010, we has been organising union meetings and forums every year, actively building a bridge among members to achieve the realisation of complementary advantages and the sharing of resources. We build a bridge between the union and the government, giving advice on national education developments and ultimately driving the continuous progress in education.

Deepening industrial research and supporting personnel training

Far East Horizon pays great attention to nurture personnel through scholarships and fellowships, establishing a personnel exchange platform for enterprises and colleges which has delivered industries with professionals who better meet market needs, and providing support to the growth of over 230 industry professionals.

Employee Responsibility

Respect for the value of employees and care for their growth

At Far East Horizon, we create vast space for every employee to develop and conditions for each of them to improve capacity through comprehensive training and mentoring systems, helping each of our employees to achieve maximum value from their professions.

Moreover, we help employees resolve issues encountered in personal growth through a series of caring activities, creating a homely environment for the comprehensive growth of our employees.

Dual Mentorship Program

In 2010, Far East Horizon commenced the dual mentorship program to support the growth of new employees. After assigning a mentor within their respective departments, the company then appoints another key staff of different professional orientation as the second mentor. The second mentor will, within a one-year counseling period, cooperate with the first mentor to enhance the professional skills of the new employees and provide guidance on their career planning.

Far East Academy

Far East Horizon aims to build a self-examination, self-driven and self-enhancement learning organisation and create a team atmosphere for lifelong learning for all staff through the full-swing creation of the "Far East Academy". The academy organises classes for all staff, with altogether 15 faculties and 26 disciplines and covering all employees being divided into six levels from G1-G5. Courses are divided into three major programs, namely vision and concepts, techniques and skills, and knowledge and systems, comprising altogether 20 categories. The training is in the form of credit system through which the academy's appraisal structure and human resources management structure are blended, hence forming a dynamic and complete strategic human resources training structure.

Charity Fund

Based on the principle of "helping those in distress and peril, caring for mutual aid" and adhering to the Far East spirit of mutual love and pooling the power of everyone, the company set up a "Charity Fund" to provide caring aid to employees who are indeed in difficulty. The Charity Fund sets up the "Plan for Helping the Beloved" and the "Plan for Helping the Infant", spreading the corporate culture of Far East Horizon and promoting common progress of the employees.

VHS Health Plan

Fully concerned about the physical and mental health of its employees, Far East Horizon joined hands with Valurise Health Solutions International and introduced the "VHS H-EAP Integrated Health Management Plan".

Being another helpful attempt on employee benefits, the plan will, through a third party, safeguard the health of employees by identifying and tracking employees' physical and mental health risks, mitigating employees' work and life pressure, and meeting the health needs in a full range.

Corporate Social Responsibility Report

Public Responsibility

Contributing to society and promoting social harmony

In addition to directly driving the development of the Chinese economy through industrial services, Far East Horizon contributes directly to the community through various ways. The "Far East Horizon Charity Fund", a special charity fund initiated and managed by the company, has made contributions in such purposes as providing financial aids for the education cause as well as promoting poverty alleviation and disaster relief.

In terms of charity

- "Far East Horizon Scholarship" is to reward outstanding students of Chinese universities and colleges.
- "Far East Horizon Fellowship" is to help independent but poor students to complete studies at Chinese universities and colleges.
- National reconstruction after super disaster and donation to the poor.
- Other charities.

In 2011, Far East Horizon Charity Fund invested more than RMB1.43 million for developing six major projects along the two main directions of education and poverty alleviation, taking an active role in fulfilling its corporate social responsibilities and giving back to society.

In terms of education

- To support the growth of outstanding students in China, the company set up the "Far East Horizon Scholarships" at 11 colleges, namely the University of International Business and Economics, the Beijing Normal University, Nankai University, the Southwestern University of Finance and Economics, the Wuhan University, the Shanghai Jiaotong University, the Tongji University, the Shanghai Maritime University, the Zhongshan University and the Xiamen University, encouraging outstanding undergraduates for studious habit, constant innovation, caring attitude and determination for success.
- To improve the learning and living conditions of students in the poor regions, the Far East Horizon Fund has successively carried out the activity to assist Wazi Street in Shaanxi, the activity to support students in Gansu and Yunnan and the milk donation activity in Jiqu School District, Nangqian County, Qinghai, donating computers, supplies and nutritious food to schools and helping schools in opening multimedia programs, fostering the children's awareness toward learning, enriching their cultural and sports life and improving their nutritional status.

In terms of poverty alleviation

- To alleviate the hardships of minority groups, the company organised the journey to visit the old people in Chenduo County, Yushu, Qinghai and donated Tibetan clothing to nursing homes in Qinghai, providing 25 elderly persons with food and other necessities enough for a year and 80 elderly persons with Tibetan clothing respectively, and funded children suffering from burns for rehabilitation, ensuring that their basic living needs are met.

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 82 to 187, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 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.

Independent Auditors' Report

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.

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 2011, 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

22F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

21 March 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
CONTINUING OPERATIONS			
REVENUE	5	729,895	326,909
Cost of sales	6	(342,641)	(117,864)
Gross profit		387,254	209,045
Other income and gains	5	11,627	9,930
Selling and distribution costs		(69,531)	(37,614)
Administrative expenses		(96,647)	(44,589)
Other expenses		(3,849)	(3,444)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	228,854	133,328
Income tax expense	9	(57,251)	(29,910)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		171,603	103,418
Attributable to:			
Owners of the parent	10	171,412	103,749
Non-controlling interests		191	(331)
		171,603	103,418
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12	US cents	US cents
Basic and diluted			
– earnings per share		6.56	5.45

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 2011

	2011 US$'000	2010 US$'000
PROFIT FOR THE YEAR	171,603	103,418
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Gain on disposal	–	(4,276)
Exchange differences	–	53
Income tax effect	–	940
	–	(3,283)
Exchange differences on translation of financial statements of entities in Mainland China	47,985	13,859
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	47,985	10,576
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	219,588	113,994
Attributable to:		
Owners of the parent	219,370	114,308
Non-controlling interests	218	(314)
	219,588	113,994

Consolidated Statement of Financial Position

31 December 2011

	Notes	31 December 2011 US$'000	31 December 2010 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	17,009	4,002
Other assets	14	5,439	3,316
Deferred tax assets	26	20,103	9,263
Loans and accounts receivable	19	4,262,017	2,429,303
Prepayments, deposits and other receivables	20	4,680	–
Restricted deposits	21	15,871	–
Derivative financial instruments	16	760	–
Total non-current assets		4,325,879	2,445,884
CURRENT ASSETS			
Inventories	17	1,140	495
Construction contracts	18	4,780	–
Loans and accounts receivable	19	2,296,065	1,271,026
Prepayments, deposits and other receivables	20	17,718	28,870
Restricted deposits	21	167,755	24,527
Cash and cash equivalents	21	661,365	53,362
Total current assets		3,148,823	1,378,280
CURRENT LIABILITIES			
Trade and bills payables	22	357,354	160,539
Other payables and accruals	23	190,487	113,804
Interest-bearing bank and other borrowings	24	1,918,048	910,000
Tax payable		34,940	25,425
Total current liabilities		2,500,829	1,209,768
NET CURRENT ASSETS		647,994	168,512

Consolidated Statement of Financial Position

31 December 2011

	Notes	31 December 2011 US$'000	31 December 2010 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		4,973,873	2,614,396
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	2,787,540	1,659,939
Deferred tax liabilities	26	12,267	5,287
Other payables and accruals	23	695,699	418,670
Deferred revenue	25	2,107	3,168
Total non-current liabilities		3,497,613	2,087,064
Net assets		1,476,260	527,332
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	3,647	2
Reserves	28	1,471,975	526,910
		1,475,622	526,912
Non-controlling interests		638	420
Total equity		1,476,260	527,332

Kong Fanxing
Director

Wang Mingzhe
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the parent								
	Issued capital US$'000 (Note 27)	Share premium account US$'000 (Note 27)	Capital reserve US$'000 (Note 28)	Reserve funds US$'000 (Note 28)	Exchange fluctuation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2011	2	–	342,737	16,350	34,167	133,656	526,912	420	527,332
Profit for the year	–	–	–	–	–	171,412	171,412	191	171,603
Other comprehensive income for the year									
Exchange differences on translation of financial statements of entities in Mainland China	–	–	–	–	47,958	–	47,958	27	47,985
Total comprehensive income for the year	–	–	–	–	47,958	171,412	219,370	218	219,588
Transfer from capital reserve (Note 27)	2,441	–	(2,441)	–	–	–	–	–	–
Issue of shares (Note 27)	1,204	756,416	–	–	–	–	757,620	–	757,620
Share issue expenses (Note 27)	–	(27,156)	–	–	–	–	(27,156)	–	(27,156)
Dividends (Note 11)	–	–	–	–	–	(1,124)	(1,124)	–	(1,124)
At 31 December 2011	3,647	729,260*	340,296*	16,350*	82,125*	303,944*	1,475,622	638	1,476,260

* These reserve accounts comprise the consolidated reserves of US$1,471,975,000 (2010: US$526,910,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the parent								
	Issued capital US$'000 (Note 27)	Capital reserve US$'000 (Note 28)	Available-for-sale investment revaluation reserve US$'000	Reserve funds US$'000 (Note 28)	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 an 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 a shareholder's loan	1	215,679	–	–	–	–	215,680	–	215,680
Capital injection	–	–	–	–	–	–	–	734	734
Dividends	–	–	–	–	–	(78,912)	(78,912)	–	(78,912)
At 31 December 2010	2	342,737	–	16,350	34,167	133,656	526,912	420	527,332

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		228,854	133,328
Adjustments for:			
Finance costs and bank charges		2,872	3,408
Gain on disposal of an available-for-sale investment	5	–	(4,276)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value gains, net	5	(760)	–
Realised fair value gains, net	5	(320)	–
Gain on disposal of property, plant and equipment, net		(2)	(358)
Depreciation	13	2,019	902
Provision for impairment of lease receivables	19	39,451	15,471
Provision for impairment of other assets		645	1,283
Amortisation of intangible assets and other assets	6	2,435	862
Foreign exchange gain, net	5	(4,987)	(1,281)
Listing expense		1,604	867
		271,811	150,206
(Increase)/decrease in inventories		(601)	135
Increase in construction contracts		(4,661)	–
Increase in loans and accounts receivable		(2,652,106)	(1,659,217)
Decrease/(increase) in prepayments, deposits and other receivables		20,703	(8,553)
Decrease/(increase) in amounts due from related parties		834	(898)
Increase in other assets		(4,597)	(2,269)
Increase in trade and bills payables		178,385	59,339
Increase in other payables, accrued liabilities and expenses		27,806	37,125
(Decrease)/increase in amounts due to related parties		(838)	883
Increase in other liabilities		274,871	191,433
Net cash flows used in operating activities before tax		(1,888,393)	(1,231,816)
Income tax paid		(55,336)	(17,811)
Net cash flow used in operating activities		(1,943,729)	(1,249,627)

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Realised fair value gains from derivative financial instruments		320	–
Proceeds from disposal of an available-for-sale investment		–	19,968
Proceeds from disposal of property, plant and equipment		49	1,748
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets		(13,980)	(5,242)
Increase in pledged deposits and time deposits		(36,292)	(24,175)
Deposits for derivative financial instruments		(4,680)	–
Decrease in amounts due from related parties		–	10,000
Net cash flows (used in)/from investing activities		(54,583)	2,299
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		730,464	55,680
Contribution from non-controlling interest		–	745
(Decrease)/increase in amounts due to related parties		(50,000)	50,000
Cash received from borrowings		7,614,826	3,188,166
Cash received from issuance of bonds		479,327	–
Repayments of borrowings		(6,066,794)	(1,966,448)
Dividends paid	11	(1,124)	(78,912)
Increase in pledged deposits and time deposits		(118,088)	–
Cash paid for other financing activities		(4,855)	(4,027)
Net cash flows from financing activities		2,583,756	1,245,204
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		585,444	(2,124)
Cash and cash equivalents at beginning of year		53,362	54,444
Effect of exchange rate changes on cash and cash equivalents		22,559	1,042
CASH AND CASH EQUIVALENTS AT END OF YEAR		661,365	53,362
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		751,304	53,362
Less: pledged deposits		89,939	–
Cash and cash equivalents as stated in the statement of financial position	21	661,365	53,362
Cash and cash equivalents as stated in the statement of cash flows		661,365	53,362

Statement of Financial Position

31 December 2011

	Notes	31 December 2011 US$'000	31 December 2010 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	16	–
Investments in subsidiaries	15	1,100,176	420,175
Deferred tax assets		338	–
Prepayments, deposits and other receivables	20	4,680	–
Loan and account receivables	19	707,682	151,565
Derivative financial instruments		601	–
Total non-current assets		1,813,493	571,740
CURRENT ASSETS			
Loan and account receivables	19	94,761	24,344
Prepayments, deposits and other receivables	20	7,877	2,240
Dividend receivable from subsidiaries		40,000	–
Restricted deposits	21	4,345	500
Cash and cash equivalents	21	13,927	132
Total current assets		160,910	27,216
CURRENT LIABILITIES			
Trade and bills payables		5,716	–
Other payables and accruals	23	20,685	2,620
Tax payable		(121)	50
Interest-bearing bank and other borrowings	24	160,844	87,880
Total current liabilities		187,124	90,550
NET CURRENT LIABILITIES		(26,214)	(63,334)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,787,279	508,406
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	589,579	77,649
Total non-current liabilities		589,579	77,649
Net assets		1,197,700	430,757
EQUITY			
Issued capital	27	3,647	2
Reserves	28	1,194,053	430,755
Total equity		1,197,700	430,757

Kong Fanxing
Director

Wang Mingzhe
Director

Notes to Consolidated Financial Statements

31 December 2011

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, operating lease arrangements, the provision of leasing advisory services, import and export trade, and the provision of other services as approved by the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China (the "PRC") in the Mainland China during the year.

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 an available-for-sale financial investment, which has 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 "Reorganisation") 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.

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 2011. 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Total comprehensive income within a subsidiary is 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 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

Notes to Consolidated Financial Statements

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2.3 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. Currently, the Group expects to adopt them when they become effective.

HKFRS 1 Amendments	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	*Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of financial Assets*[1]
HKFRS 7 Amendments	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	*Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	*Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

Further information about those changes that may significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

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

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified.

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

2.4 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2011 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 2011 has not been restated.

Notes to Consolidated Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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), 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.

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 is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary of fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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.

Notes to Consolidated Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 depreciates them accordingly.

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	Annual depreciation rate
Leasehold improvements	shorter of the remaining period of the lease and the useful life of the assets
Buildings	4.75 %
Equipment, tools and moulds	9.00 %
Office equipment and computers	19.40-32.33 %
Motor vehicles	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.

2.4 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 recognised 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 recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

Notes to Consolidated Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

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 transaction cost, except in the case of financial assets recorded at fair value through profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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.

Notes to Consolidated Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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 them to maturity. Held-to-maturity investments 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 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 investment 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 revaluation 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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, 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. 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 Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

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 have 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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 plus 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent 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.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

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 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.

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2.4 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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

(a) Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

(b) Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

(c) Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 with original maturity of less than three months), 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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

- when 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, when 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:

- when 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.

2.4 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 recognised 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 recognised 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;

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(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.

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 recognised in the income statement as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Dividend income is recognised when the shareholders' right to receive payment is established.

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 arising on settlement or translation of monetary items 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 gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

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.

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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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 they 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 of in the period in which such estimate is changed.

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.

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4. OPERATING SEGMENT INFORMATION

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

- Finance leasing and advisory business comprises (a) direct finance leasing (b) sale-leaseback and (c) advisory services.
- Trade and others business comprises primarily (a) import and export trade and domestic trade of medical equipment and parts, paper, ink, cardboard and paper goods primarily for the healthcare and printing industries, as well as the provision of trade agency services primarily within the machinery industry (b) the ship brokerage services (c) medical engineering and (d) operating leasing.

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.

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 2011 and for the year then ended	Leasing and advisory US$'000	Trading and others US$'000	Intersegment US$'000	Total US$'000
Revenue	624,158	105,819	(82)	729,895
Cost of sales	(250,160)	(92,634)	153	(342,641)
Selling and distribution costs/ administrative expenses	(160,083)	(6,095)	–	(166,178)
Profit before tax	223,697	5,157	–	228,854
Profit after tax	166,791	4,812	–	171,603
Segment assets	7,463,515	42,831	(31,644)	7,474,702
Segment liabilities	5,993,914	18,498	(13,970)	5,998,442

4. OPERATING SEGMENT INFORMATION (continued)

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

Geographical information

(a) Revenue from external customers

	2011 US$'000	2010 US$'000
Mainland China	**715,247**	321,898
Hong Kong	**9,533**	4,740
Other countries or regions	**5,115**	271
	729,895	326,909

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

(b) Non-current assets

	2011 US$'000	2010 US$'000
Mainland China	**22,448**	7,318

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

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4. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

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

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

	Notes	2011 US$'000	2010 US$'000
Revenue			
Finance lease income		474,028	178,361
Service fee income		170,199	119,768
Sale of goods		79,105	31,782
Brokerage income		16,287	6,633
Construction contract revenue		10,134	371
Operating lease income		652	–
Business tax and surcharges		(20,510)	(10,006)
		729,895	326,909
Other income and gains			
Bank interest income		4,702	1,569
Foreign exchange gain/(loss)		4,987	1,281
Derivative financial instruments – transaction not qualifying hedge:			
Unrealised fair value gains,net		760	–
Realised fair value gains,net		320	–
Gain on disposal of an available-for-sale investment		–	4,276
Government grants	5a	778	2,230
Others		80	574
		11,627	9,930

5. REVENUE, OTHER INCOME AND GAINS (continued)

5a. GOVERNMENT GRANTS

	2011 US$'000	2010 US$'000
Government special subsidy	778	2,230

The government special subsidy was granted to International Far Eastern Leasing Co., Ltd. ("Far Eastern Leasing"). In accordance with the notice of "regarding the allocation of the annual domestic trade credit insurance subsidy of 2011" issued by Qingdao Municipal Finance Bureau of the PRC, Far Eastern Leasing was granted a one-off government subsidy of RMB5 million as a credit insurance allowance for domestic trade.

In 2010, the government special subsidy was granted to Far Eastern Leasing. The Group was awarded a one-off subsidy of RMB15 million by the Shanghai Pudong New Area Regional Government for the promotion and development of the finance lease business.

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6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	2011 US$'000	2010 US$'000
Cost of borrowings included in cost of sales		250,007	87,656
Cost of inventories sold		76,693	29,945
Cost of construction contracts		7,039	263
Cost of transportation		8,902	–
Depreciation	13	2,019	902
Amortisation of intangible assets and other assets		2,435	862
Rental expenses		5,470	3,701
Auditors' remuneration		511	639
Employee benefit expense (including directors' remuneration (note 7))			
– Wages and salaries		57,833	23,651
– Pension scheme contributions		4,258	3,010
– Other employee benefits		14,216	8,435
Impairment of loans and accounts receivable	19	40,096	16,754
Entertainment expenses		5,138	3,689
Business travelling expenses		14,711	9,371
Consultancy fees		2,976	1,525
Office expenses		5,170	2,397
Advertising and promotion expenses		496	304
Transportation expenses		406	263
Communication expenses		1,459	1,085
Other miscellaneous expenses		9,005	5,615
Loss on disposal of property, plant and equipment		23	216
Donation		310	15
Bank commission expenses		3,495	3,213

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

	2011 US$'000	2010 US$'000
Fees	216	–
Other emoluments:		
Salaries, allowances and benefits in kind	377	602
Performance related bonuses*	340	1,031
Pension scheme contributions	49	73
	766	1,706
	982	1,706

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

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2011 US$'000	2010 US$'000
Mr. Cai Cunqiang	54	–
Mr. Han Xiaojing	54	–
Mr. Liu Jialin	54	–
Mr. Yip Wai Ming	54	–
	216	–

(b) Non-executive directors

There were no fees and other emoluments payable to the non-executive directors during the year (2010: Nil).

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7. DIRECTORS' REMUNERATION (continued)

(c) Executive directors

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses US$'000	Pension scheme contributions US$'000	Total US$'000
Year ended 31 December 2011					
Executive Directors:					
Mr. Kong Fanxing	–	238	216	29	483
Mr. Wang Mingzhe	–	139	124	20	283
	–	377	340	49	766
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

** Mr. Fang Weihao resigned from his position as the Company's executive director on 8 December 2010 due to personal reason but he remains as the executive vice president of the Company.

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 is as follows:

	Number of employees	
	2011	2010
Directors	2	3
Non-directors	3	2
	5	5

The five highest paid employees during the year included two (2010: three) directors, details of whose remuneration are set out in Note 7 above. Details of the remuneration of the remaining three (2010: two) non-director, highest paid employees for the year are as follows:

Group

	2011	2010
	US$'000	US$'000
Salaries, allowances and benefits in kind	480	304
Performance related bonuses	433	516
Pension scheme contributions	51	39
	964	859

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

	Number of employees	
	2011	2010
US$190,001 to US$250,000	–	–
US$250,001 to US$310,000	2	–
US$310,001 to US$370,000	1	1
US$370,001 to US$430,000	–	–
US$430,001 to US$490,000	–	–
US$490,001 to US$550,000	–	1
	3	2

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9. INCOME TAX

	2011 US$'000	2010 US$'000
Current – Hong Kong		
Charge for the year	963	613
Underprovision in prior years	46	61
Current – Mainland China		
Charge for the year	60,618	33,460
Overprovision in prior years	(759)	–
Deferred tax (Note 26)	(3,617)	(4,224)
Total tax charge for the year	57,251	29,910

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010:16.5%) on the estimated assessable profits arising in Hong Kong for the year.

Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of its 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 Mainland China are subject to CIT at the statutory rate of 33%. For each of the subsidiaries of the Group in Mainland China, CIT is provided at the applicable rate of the profits for the purpose of Mainland China 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. were entitled to transitional CIT rates of 18% in 2008, 20% in 2009, 22% in 2010 and 24% in 2011 and they are entitled to a CIT rate of 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 the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2011 US$'000	2010 US$'000
Profit before tax	228,854	133,328
Tax at the statutory income tax rates	53,734	29,131
Expenses not deductible for tax	2,443	953
Income not subject to tax	(3,736)	(3,175)
Adjustment to current income tax in respect of prior years	(713)	–
Effects of change in tax rates	(731)	(697)
Utilisation of previously unrecognised tax losses	(309)	–
Unrecognised tax losses	20	3
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	6,543	3,695
Income tax expense reported in the consolidated income statement	57,251	29,910

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a profit of US$37,603,000 (2010: profit of US$78,852,000) which has been dealt with in the financial statements of the Company (Note 28(b)).

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11. DIVIDENDS PAID AND PROPOSED

	2011	2010
	US$'000	US$'000
Dividends before listing	**1,124**	78,912
Proposed final dividend – HK$0.10 (2010: Nil) per ordinary share	**36,572**	–

The dividends paid to the Company's shareholders during 2010 were based on the dividends received from its subsidiaries in Mainland China for profits appropriation in respect of the years 2008 and 2009.

The dividends paid to the Company's shareholders during the year were dividends distributed to Fortune Ally ("Fortune Ally"), the original parent company of the Company, on 7 March 2011, prior to the Company's listing.

A final dividend for the year 2011 of HK$0.10 per share was proposed at the meeting of Board of Directors held on 21 March 2012. Based on the total number of outstanding ordinary shares of 2,842,400,000, the proposed final dividend amounted to approximately HK$284,240,000 (equivalent to US$36,572,000). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the financial statements.

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the consolidated profit for the year attributable to ordinary equity holders of the parent and on 1,904,000,000 ordinary shares in issue prior to the Global Offering, as though the shares had been issued on 1 January 2010.

The calculation of basic earnings per share for the year ended 31 December 2011 is based on the consolidated profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue for the year. The weighted average number of ordinary shares includes the weighted average of 938,400,000 shares issued in connection with the Company's IPO and an exercise of an over-allotment option as defined in the Prospectus of the Company dated 18 March 2011 (the "Prospectus"), in addition to the aforesaid 1,904,000,000 ordinary shares.

12. EARNINGS PER SHARE (continued)

The calculation of basic earnings per share is based on:

Earnings

	2011 US$'000	2010 US$'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	171,412	103,749

Shares

	Number of shares 2011	2010
Weighted average number of ordinary shares in issue during the year, used in the basic earning per share calculation	2,611,237,260	1,904,000,000

There was no potential dilutive ordinary shares in issue during the year.

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13. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2011

	Leasehold improvements US$'000	Buildings US$'000	Equipment, tools and moulds US$'000	Office equipment and computers US$'000	Motor vehicles US$'000	Total US$'000
At 31 December 2010 and at 1 January 2011						
Cost	153	1,359	–	3,633	710	5,855
Accumulated depreciation	(33)	(32)	–	(1,486)	(302)	(1,853)
Net carrying amount	120	1,327	–	2,147	408	4,002
At 1 January 2011, net of Accumulated depreciation	120	1,327	–	2,147	408	4,002
Additions	1,578	12	9,294	2,846	804	14,534
Depreciation provided during the year	(413)	(67)	(131)	(1,146)	(262)	(2,019)
Disposal	–	–	–	(26)	(5)	(31)
Exchange realignment	36	66	234	152	35	523
At 31 December 2011 net of Accumulated depreciation	1,321	1,338	9,397	3,973	980	17,009
At 31 December 2011						
Cost	1,779	1,441	9,532	6,640	1,517	20,909
Accumulated depreciation	(458)	(103)	(135)	(2,667)	(537)	(3,900)
Net carrying amount	1,321	1,338	9,397	3,973	980	17,009

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

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	–	–	(909)	(244)	(1,153)
Net carrying amount	–	–	1,540	322	1,862
At 1 January 2010, net of					
Accumulated depreciation	–	–	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	120	1,327	2,147	408	4,002
At 31 December 2010					
Cost	153	1,359	3,633	710	5,855
Accumulated depreciation	(33)	(32)	(1,486)	(302)	(1,853)
Net carrying amount	120	1,327	2,147	408	4,002

Notes to Consolidated Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

31 December 2011

	Leasehold Improvements US$'000	Office equipment and computers US$'000	Total US$'000
31 December 2010 at 1 January 2011			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net carrying amount	–	–	–
At 1 January 2011, net of			
Accumulated depreciation	–	–	–
Additions	8	13	21
Depreciation provided during the year	(3)	(2)	(5)
Disposal	–	–	–
Exchange realignment	–	–	–
At 31 December 2011, net of			
Accumulated depreciation	5	11	16
31 December 2011			
Cost	8	13	21
Accumulated depreciation	(3)	(2)	(5)
Net carrying amount	5	11	16

14. OTHER ASSETS

Group

	2011 US$'000	2010 US$'000
Software (Note 14a)	1,235	1,158
Other assets	4,204	2,158
	5,439	3,316

14a. SOFTWARE

Group

	2011 US$'000	2010 US$'000
Cost		
At the beginning of the year	2,230	1,528
Additions	426	713
Disposals/write-off	–	(68)
Exchange differences	125	57
At the end of the year	2,781	2,230
Accumulated amortisation		
At the beginning of the year	(1,072)	(687)
Additions	(409)	(403)
Disposals/write-off	–	44
Exchange differences	(65)	(26)
At the end of the year	(1,546)	(1,072)
Net carrying amount		
At the end of the year	1,235	1,158
At the beginning of the year	1,158	841

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15. INVESTMENTS IN SUBSIDIARIES

Company

	2011 US$'000	2010 US$'000
Unlisted shares, at cost	1,100,176	420,175

Particulars of the principal subsidiaries are as follows:

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ 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)	Mainland China 13 September 1991	US$1,012,710,922	100	–	Finance leasing
Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司) (Note ii)	Mainland China 28 April 2006	RMB105,000,000	–	100	Trading
Shanghai Domin Medical Engineering Co., Ltd. (上海德明醫用設備工程有限公司) (Note ii)	Mainland China 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)	Mainland China 29 November 2010	RMB10,000,000	–	100	Finance leasing
Shanghai Horizon Construction Engineering Equipment Co., Ltd. 上海宏信設備工程有限公司 (Note ii)	Mainland China 13 July 2011	RMB100,000,000	–	100	Operating leasing
Far East Horizon Mingrui (Shanghai) Shipping Leasing Co., Ltd. 遠東宏信明瑞(上海)船舶租賃有限公司 (Note ii)	Mainland China 2 April 2011	RMB500,000	–	100	Finance leasing
Shanghai Depeng Co., Ltd. 上海德朋實業有限公司 (Note ii)	Mainland China 10 November 2011	RMB10,000,000	–	100	Trading
Hongming Development Co., Ltd. 宏明發展有限公司	Hong Kong 23 June 2011	HK$1	100	–	Trading
Far East Horizon Shipping Holdings Co., Limited	Cayman Islands 2 October 2009	US$1	100	–	Investment holding

15. INVESTMENTS IN SUBSIDIARIES (continued)

Company (continued)

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	Notes	2011 US$'000	2010 US$'000
Cross-currency interest rate swaps	(a)	601	–
Call options	(b)	159	–
		760	–

(a) As at 31 December 2011, to manage the exchange rate exposure and interest rate exposure arising from the borrowings from Standard Chartered Bank by Far Eastern Leasing which amounting to US$100,000,000 with floating interest rates determined with reference to LIBOR and measured at amortised cost, the Company accordingly entered into 2 (2010: Nil) non-deliverable cross currency swap contracts with Standard Chartered Bank with a nominal amount of US$100,000,000. Changes in the fair value of the financial derivatives amounting to US$601,000 (2010: Nil) were charged to the income statement during the year.

(b) As at 31 October 2011, Bright Time (China) limited ("Bright"), the subsidiary of the Company, entered into a call option agreement (the "Agreement") with a company located in Cayman Island (the "Cayman company"). According to the Agreement, Bright shall have the right at any time between the date of signing the Agreement and the expiration of the exercise period, that is, 3 years or 5 years upon fulfillment of certain extension criteria, to subscribe by cash the newly issued common stock of the Cayman company representing 25% of the fully-diluted, as converted common stock of the Cayman company. Thus the changes in the fair value of the financial derivative amounting to US$159,000 (2010: Nil) were charged to the income statement during the year.

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17. INVENTORIES

Group

	2011 US$'000	2010 US$'000
Commodity goods	1,140	495

18. CONSTRUCTION CONTRACTS

	2011 US$'000	2010 US$'000
Gross amount due from contract customers	4,780	–
Gross amount due to contract customers included in other payables	–	(94)
	4,780	(94)
Contract costs incurred plus recognised profits less recognised loss to date	10,520	371
Less: Progress billings	5,860	471
Exchange difference	120	6
	4,780	(94)

19. LOANS AND ACCOUNTS RECEIVABLE

Group

	2011 US$'000	2010 US$'000
Loans and accounts receivable due within 1 year	2,296,065	1,271,026
Loans and accounts receivable due after 1 year	4,262,017	2,429,303
	6,558,082	3,700,329

19. LOANS AND ACCOUNTS RECEIVABLE (continued)

Company

	2011 US$'000	2010 US$'000
Loans and accounts receivable due within 1 year	94,761	24,344
Loans and accounts receivable due after 1 year	707,682	151,565
	802,443	175,909

19a. LOANS AND ACCOUNTS RECEIVABLE BY NATURE

Group

	2011 US$'000	2010 US$'000
Lease receivables (Note 19b)	7,609,623	4,152,964
Less: Unearned finance income	(1,085,143)	(495,286)
Net lease receivables (Note 19b)	6,524,480	3,657,678
Lease interest receivables	34,373	14,100
Notes receivables	2,672	238
Accounts receivables (Note 19d)	11,163	3,713
Entrusted loans	70,468	68,785
Long term receivables	2,223	–
Subtotal of loans and accounts receivable	6,645,379	3,744,514
Less:		
Provision for lease receivables (Note 19c)	(84,557)	(42,200)
Provision for accounts receivable (Note 19e)	(894)	(519)
Provision for entrusted loans (Note 19f)	(1,828)	(1,466)
Provision for long term receivables (Note 19g)	(18)	–
	6,558,082	3,700,329

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19. LOANS AND ACCOUNTS RECEIVABLE (continued)

19a. LOANS AND ACCOUNTS RECEIVABLE BY NATURE (continued)

Company

The loans and accounts receivable of the Company were due from related parties.

	Notes	2011 US$'000	2010 US$'000
Due from related parties			
Directly held subsidiaries:			
Interest receivables	(i)	5,854	–
Accounts receivable (Note 19d)	(i)	54,960	–
Loans	(ii)	477,466	–
Indirectly held subsidiaries:			
Interest receivables	(i)	11,043	4,298
Accounts receivable (Note 19d)	(i)	3,163	–
Loans	(ii)	250,971	171,611
Provision for loans (Note 19h)		(1,014)	–
		802,443	175,909

Notes:

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

(ii) This is in relation to long term loans granted to subsidiaries with annual interest rates of 2.95% to 4.12%.

19. LOANS AND ACCOUNTS RECEIVABLE (continued)

19b(1). **An aged analysis of lease receivables, determined based on the age of the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period is as follows:**

Group

	2011	2010
	US$'000	US$'000
Lease receivables		
Within 1 year	**4,938,514**	2,820,536
1 to 2 years	**1,973,561**	954,189
2 to 3 years	**549,470**	276,748
3 years and beyond	**148,078**	101,491
Total	**7,609,623**	4,152,964

	2011	2010
	US$'000	US$'000
Net lease receivables		
Within 1 year	**4,186,672**	2,446,603
1 to 2 years	**1,713,888**	860,555
2 to 3 years	**490,452**	254,851
3 years and beyond	**133,468**	95,669
Total	**6,524,480**	3,657,678

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19. LOANS AND ACCOUNTS RECEIVABLE (continued)

19b(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

	2011 US$'000	2010 US$'000
Lease receivables:		
Due within 1 year	2,768,003	1,479,620
Due in 1 to 2 years	2,227,659	1,178,751
Due in 2 to 3 years	1,424,709	769,062
Due after 3 years and beyond	1,189,252	725,531
Total	7,609,623	4,152,964

	2011 US$'000	2010 US$'000
Net lease receivables:		
Due within 1 year	2,261,453	1,255,456
Due in 1 to 2 years	1,913,043	1,038,151
Due in 2 to 3 years	1,263,148	694,227
Due after 3 years and beyond	1,086,836	669,844
Total	6,524,480	3,657,678

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

19. LOANS AND ACCOUNTS RECEIVABLE (continued)

19c. CHANGE IN PROVISION FOR LEASE RECEIVABLES

Group

	Individually assessed		Collectively assessed		Total	
	2011	2010	**2011**	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At beginning of year	**8,930**	8,013	**33,270**	17,788	**42,200**	25,801
Charge for the year	**2,685**	728	**36,766**	14,743	**39,451**	15,471
Write-off	**–**	(35)	**–**	–	**–**	(35)
Exchange difference	**422**	224	**2,484**	739	**2,906**	963
At end of year	**12,037**	8,930	**72,520**	33,270	**84,557**	42,200

	2011	2010
	US$'000	US$'000
Lease receivables:		
Individually assessed (Note (i))	**43,665**	39,667
Collectively assessed	**7,565,958**	4,113,297
Total	**7,609,623**	4,152,964

	2011	2010
	US$'000	US$'000
Net lease receivables:		
Individually assessed (Note (i))	**39,450**	36,262
Collectively assessed	**6,485,030**	3,621,416
Total	**6,524,480**	3,657,678

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

Note (ii) As at 31 December 2011, the carrying values of lease receivables pledged as security for the Group's borrowings amounted to US$2,245,760,000 (2010: US$2,146,352,000) (see Note 24).

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19. LOANS AND ACCOUNTS RECEIVABLE (continued)

19d. An aged 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

	2011 US$'000	2010 US$'000
Within 1 year	10,719	3,184
More than 1 year	444	529
Total	11,163	3,713

Company

	2011 US$'000	2010 US$'000
Within 1 year	58,123	–
More than 1 year	–	–
Total	58,123	–

19e. CHANGE IN PROVISION FOR ACCOUNTS RECEIVABLE

Group

	2011 US$'000	2010 US$'000
At beginning of year	519	596
Charge/(Reversal) for the year	347	(89)
Exchange difference	28	12
At end of year	894	519

19. LOANS AND ACCOUNTS RECEIVABLE (continued)

19f. CHANGE IN PROVISION FOR ENTRUSTED LOANS

Group

	2011 US$'000	2010 US$'000
At beginning of year	1,466	70
Charge for the year	280	1,372
Exchange difference	82	24
At end of year	1,828	1,466

19g. CHANGE IN PROVISION FOR LONG TERM RECEIVABLES

Group

	2011 US$'000	2010 US$'000
At beginning of year	–	–
Charge for the year	18	–
Exchange difference	–	–
At end of year	18	–

19h. CHANGE IN PROVISION FOR LOANS

Company

	2011 US$'000	2010 US$'000
At beginning of year	–	–
Charge for the year	1,014	–
Exchange difference	–	–
At end of year	1,014	–

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20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Note	2011 US$'000	2010 US$'000
Current assets:			
Prepayments		5,549	2,611
Leased assets*		7,951	21,687
Other receivables		3,187	2,297
Provision for other receivables		(420)	(2)
Export tax refund receivables		223	205
Due from related parties	(20a)	1,228	2,072
		17,718	28,870
Non-current asset:			
Deposit from Cross-Currency Interest Rate Swaps contracts		4,680	–
		22,398	28,870

* The leased assets arise from the situations where the Group had already made payments to vendors or suppliers of machinery and equipment, but the terms of related lease contract of the said machinery and equipment have not commenced. The Group records these paid amounts under leased assets among its current assets as such assets had already been earmarked for lease to customers. Once the terms of the lease contract commence, the Group ceases to recognise the amount relating to the leased assets and recognise the lease receivables due under the lease contract.

Company

	Notes	2011 US$'000	2010 US$'000
Current assets:			
Due from related parties	(20a)	4,800	1,074
Prepayment related to the listing of the Company's shares		–	1,160
Prepayment		3,062	–
Others		15	6
		7,877	2,240
Non-current asset:			
Deposit from Cross-Currency Interest Rate Swaps contracts		4,680	–
		12,557	2,240

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

20a. BALANCES WITH RELATED PARTIES

		Group		Company	
		2011	2010	**2011**	2010
	Note	**US$'000**	US$'000	**US$'000**	US$'000
Due from related parties:					
Parent company:					
Fortune Ally	(i)	–	1,074	–	1,074
Subsidiaries of the ultimate holding company of a shareholder with significant influence:					
China Jin Mao Group Co., Ltd.	(i)	1,078	946	–	–
Beijing Chemsunny Property Co., Ltd.	(i)	54	52	–	–
Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong")	(i)	39	–	39	–
Shanghai JM Imtech Facility Services Co., Ltd.		–	–	–	–
Sinochem Growth Enterprises Vision Co., Ltd.		57	–	–	–
Indirectly held subsidiaries		–	–	4,761	–
		1,228	2,072	4,800	1,074

Note:

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

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21. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Cash and bank balances	751,304	53,362	18,272	132
Time deposits	93,687	24,527	–	500
	844,991	77,889	18,272	632
Less:				
Pledged deposits	132,123	10,937	4,345	500
Time deposits with original maturity of more than 3 months	51,503	13,590	–	–
Cash and cash equivalents	661,365	53,362	13,927	132

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$701,425,000 (2010: US$46,518,000). 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 2011, cash of US$74,221,000 (2010: US$1,500,000) was pledged for bank borrowings (see Note 24).

As at 31 December 2011, cash of US$145,750,000 (2010: US$25,574,000) was deposited with Sinochem Finance Co., Ltd.

22. TRADE AND BILLS PAYABLES

Group

	2011 US$'000	2010 US$'000
Bills payable	196,113	80,939
Trade payables	161,241	79,600
	357,354	160,539

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

Group

	2011 US$'000	2010 US$'000
Within 1 year	342,360	140,284
1 to 2 year	11,589	18,985
2 to 3 year	2,532	497
3 years and beyond	873	773
	357,354	160,539

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

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23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Current:				
Lease deposits due within 1 year	94,077	54,355	–	–
Salary payables	21,262	6,203	1,291	–
Welfare payables	1,778	845	–	–
Advances from customers	52,447	42,586	3,020	–
Due to related parties (Note (23a))	823	1,518	112	976
Other taxes payable	4,177	1,670	–	–
Interest payable	11,386	4,403	3,146	135
Other payables	4,537	2,224	13,116	1,509
	190,487	113,804	20,685	2,620
Non-current:				
Lease deposits due after 1 year	695,699	418,670	–	–
	886,186	532,474	20,685	2,620

23a. BALANCES WITH RELATED PARTIES

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Due to related parties:				
Subsidiaries of the ultimate holding company of a shareholder with significant influence:				
Sinochem Finance Co., Ltd.	711	540	–	–
Sinochem Hong Kong	–	978	–	588
Sinochem Corporation	112	–	112	–
Indirectly held subsidiaries	–	–	–	388
	823	1,518	112	976

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

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2011			2010		
	Effective annual interest rate (%)	Maturity	US$'000	Effective annual interest rate (%)	Maturity	US$'000
Current						
Bank loans – secured	0.98~6.56	2012	274,718	3.64~5.00	2011	176,851
Current portion of long term bank loans – secured	1.95~7.32	2012	421,555	2.00~5.88	2011	138,986
Bank loans – unsecured	1.16~7.22	2012	519,735	0.83~5.10	2011	136,048
Current portion of long term bank loans – unsecured	2.47~7.48	2012	401,484	5.04~5.27	2011	62,854
Current portion of loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	6.65	2012	3,405	1.85~5.00	2011	392,761
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	6.56	2012	165,056	–	–	–
Other loans – secured	6.89~9.00	2012	61,102	–	–	–
Other loans – unsecured	–	–	–	5.00	2011	2,500
Bonds – secured	6.30~7.00	2012	70,993	–	–	–
			1,918,048			910,000
Non-current						
Bank loans – secured	1.90~7.32	2013~2016	1,142,728	1.79~5.76	2012~2015	1,201,807
Bank loans – unsecured	2.47~7.48	2013~2014	757,159	4.86~5.76	2012~2013	413,483
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	6.65	2013~2014	482,537	1.49~5.04	2012~2013	44,649
Other loans – secured	7.315	2013~2014	58,722	–	–	–
Bonds – secured	6.30~7.00	2013	30,273	–	–	–
Bonds – unsecured	3.90~6.95	2014~2016	316,121	–	–	–
			2,787,540			1,659,939
			4,705,588			2,569,939

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

Company

	2011			2010		
	Effective annual interest rate (%)	**Maturity**	**US$'000**	Effective annual interest rate (%)	Maturity	US$'000
Current						
Bank loans – unsecured	0.98	2012	40,000	–	–	–
Current portion of long term bank loans – secured	1.98~2.04	2012	28,412	–	–	–
Bank loans – unsecured	1.16~3.05	2012	82,282	0.83	2011	13,000
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	–	–	–	1.85~2.04	2011	50,000
Loans from indirectly held subsidiaries – unsecured	3.29~3.49	2012	10,150	3.29~3.30	2011	24,880
			160,844			87,880
Non-current						
Bank loans – secured	1.98~2.04	2013	116,740	1.95	2012~2013	70,529
Bank loans – unsecured	3.30~3.65	2013~2014	152,848	–	–	–
Loans from indirectly held subsidiaries – unsecured	3.26~3.53	2013~2014	3,870	3.30	2013	7,120
Bonds – unsecured	3.90~6.95	2014~2016	316,121	–	–	–
			589,579			77,649
			750,423			165,529

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

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand	**1,617,492**	514,739	**150,694**	13,000
In the second year	**1,404,965**	465,724	**156,338**	14,106
In the third to fifth years, inclusive	**494,922**	1,149,566	**113,250**	56,423
	3,517,379	2,130,029	**420,282**	83,529
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence repayable:				
Within one year	**168,461**	392,761	**–**	50,000
In the second year	**3,438**	36,499	**–**	–
In the third to fifth years, inclusive	**479,099**	8,150	**–**	–
	650,998	437,410	**–**	50,000
Loans from Indirectly holding subsidiaries repayable:				
Within one year	**–**	–	**10,150**	24,880
In the second year	**–**	–	**2,340**	–
In the third to fifth years, inclusive	**–**	–	**1,530**	7,120
	–	–	**14,020**	32,000
Other borrowings repayable:				
Within one year	**132,095**	2,500	**–**	–
In the second year	**68,363**	–	**–**	–
In the third to fifth years, inclusive	**336,753**	–	**316,121**	–
	537,211	2,500	**316,121**	–
	4,705,588	2,569,939	**750,423**	165,529

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

(a) As at 31 December 2011, the Group had no borrowings from banks guaranteed by Sinochem (2010: US$34,137,000).

(b) As at 31 December 2011, the Group's bank borrowings pledged by lease receivables amounted to US$1,949,098,000 (2010: US$1,483,507,000). As at 31 December 2011, the Group's lease receivables pledged as security for the Group's bank borrowings amounted to US$2,245,760,000 (2010: US$2,146,352,000).

(c) As at 31 December 2011, the Group's bank borrowings pledged by cash amounted to US$195,123,000 (2010: US$83,029,000).

(d) As at 31 December 2011, the Group's bank borrowings pledged by the shares in indirectly held subsidiaries amounted to US$157,135,000 (2010: US$70,529,000). The indirectly held subsidiaries are Chinese Port Shipping Limited, Speedway Transportation Limited, Surplus Transportation Limited, Good Vantage Shipping Limited, Ever Trend Shipping Limited, Treasure Shipping Limited, Grand Eastern Shipping Limited, Sino Trend Shipping Company Limited, Max Power Shipping Limited, Far East Horizon Ship Finance Co., Ltd, Goodway Transportation Limited, Wealth Spread Shipping Limited and Easy Grand Shipping Limited.

(e) As at 31 December 2011, 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.

25. DEFERRED REVENUE

Group

	2011 US$'000	2010 US$'000
At the beginning of year	3,168	1,304
Additions during the year	–	3,108
Amortised to the income statement	(1,193)	(1,311)
Exchange differences	132	67
At the end of year	2,107	3,168

The Group recognized the revenue in accordance with the progress of the services rendered.

26. 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 2011	7,771	1,484	8	9,263
Charged to the income statement during the year	10,415	3,590	275	14,280
Exchange differences	616	167	2	785
Gross deferred tax assets at 31 December 2011	18,802	5,241	285	24,328
Gross deferred tax assets at 1 January 2010	3,542	1,537	–	5,079
Charged/(credited) 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

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26. DEFERRED TAX (continued)

Group (continued)

Deferred tax liabilities

	Lease deposits US$'000	Withholding tax US$'000	Total US$'000
Gross deferred tax liabilities at 1 January 2011	–	5,287	5,287
Charged to the income statement during the year	4,120	6,543	10,663
Exchange differences	105	437	542
Gross deferred tax liabilities at 31 December 2011	4,225	12,267	16,492

	Available-for-sale Investment US$'000	Withholding tax US$'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

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:

	2011 US$'000	2010 US$'000
Net deferred tax assets recognised in the consolidated statements of financial position	20,103	9,263
Net deferred tax liabilities recognised in the consolidated statements of financial position	12,267	5,287

26. DEFERRED TAX (continued)

Group (continued)

The Group has tax losses arising in Hong Kong of US$115,000 (2010: US$50,000) that are available indefinitely for offsetting 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.

The Group did not recognise deferred tax assets arising in the Mainland China and Hong Kong in respect of unutilised tax losses of US$1,000 (2010: US$1,166,000) and US$116,000 (2010: US$19,000), respectively, due to uncertainty in their 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 recognised 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 is no withholding income tax requirement attached to the payment of dividends by the Company to its shareholders.

27. ISSUED CAPITAL

	Number of shares	Amounts HK$
Authorised ordinary shares:		
At 31 December 2010 (HK$1.00 each)	18,496	18,496
At 31 December 2011 (HK$0.01 each)	10,000,000,000	100,000,000
Issued and fully paid ordinary shares:		
At 31 December 2010 (HK$1.00 each)	18,496	18,496
At 31 December 2011 (HK$0.01 each)	2,842,400,000	28,424,000

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27. ISSUED CAPITAL (continued)

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

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	US$ Equivalent Issued capital US$'000	US$ Equivalent Share premium account US$'000	US$ Equivalent Total US$'000
At 1 January 2010	10,000	10	–	1	–	1
Issuance of shares	8,496	8	–	1	–	1
At 1 January 2011	18,496	18	–	2	–	2
Issuance and sub-division of shares in connection with pre-IPO restructuring	1,903,981,504	19,022	–	2,441	–	2,441
Issuance of new shares	816,000,000	8,160	5,124,480	1,047	657,519	658,566
Over-allotment	122,400,000	1,224	768,672	157	98,897	99,054
	2,842,400,000	28,424	5,893,152	3,647	756,416	760,063
Share issue expenses				–	(27,156)	(27,156)
As at 31 December 2011				3,647	729,260	732,907

(a) On 30 March 2011, in connection with the Company's IPO as defined in the Prospectus, 816,000,000 new ordinary shares of the Company of HK$0.01 each were issued at a price of HK$6.29 per share resulting in gross proceeds of HK$5,132,640,000 (equivalent to US$658,566,000).

(b) On 31 March 2011, an over-allotment option was exercised and an additional 122,400,000 ordinary shares of HK$0.01 each were then issued on 6 April 2011 at a price of HK$6.29 per share resulting in gross proceeds of HK$769,896,000 (equivalent to US$99,054,000).

28. 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 pages 86 to 87 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 defined in the Prospectus, 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 subsidiaries which are domestic enterprises in the Mainland China 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.

(b) Company

	Capital reserve	Retained profits	Total
	US$'000	US$'000	US$'000
Balance at 1 January 2010	214,494	642	215,136
Profit for the year	–	78,852	78,852
Dividend distribution	–	(78,912)	(78,912)
Capitalisation of shareholder's loan	215,679	–	215,679
At 31 December 2010 and 1 January 2011	430,173	582	430,755
Profit for the year	–	37,603	37,603
Dividend distribution (Note 11)	–	(1,124)	(1,124)
Capital reserve transfer to share capital	(2,441)	–	(2,441)
Issued ordinary share (Note 27)	729,260	–	729,260
At 31 December 2011	1,156,992	37,061	1,194,053

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29. CONTINGENT LIABILITIES

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

Group

	2011 US$'000	2010 US$'000
Claimed amounts	158	151

It represents the disputed amounts of purchase contracts regarding payments withheld either due to the quality or the quantity of the purchased equipments between the Group and the equipment suppliers.

Other than the legal proceedings summarised as claimed amounts above, the Group also has one outstanding legal proceeding in India involving one of the Group's leased ships (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$1,500,000. The Ship has been arrested by the charterer of another ship in India since 9 December 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 such charterer was afforded 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 Group won the first trial but had lost the second trial, and the legal proceeding is currently at the final stage of trial. 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 19, 21 and 24 to the financial statements.

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its equipment, tools and moulds (note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms less than one year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Group

	2011	2010
	US$'000	US$'000
Within one year	**1,964**	–

(b) As lessee

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

At 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**8,021**	4,263	**156**	10
In the second to fifth years, inclusive	**14,457**	394	**26**	–
	22,478	4,657	**182**	10

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32. COMMITMENTS

(a) Capital Commitments

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

	2011 **US$'000**	2010 US$'000
Contracted, but not provided for: Capital expenditure for acquisition of plant and machinery	2,071	358

(b) Credit commitments

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

Group

	2011 **US$'000**	2010 US$'000
Irrevocable credit commitments:	605,542	551,112

At any given time, the Group also has outstanding commitments to extend credit, which are included in irrevocable credit commitments. These commitments are in the form of approved lease contracts, which have yet to be provided at the end of each reporting period.

33. RELATED PARTY TRANSACTIONS

Relationship between the Group and its related parties:

Ultimate holding company of a shareholder with significant influence
Sinochem Group

A shareholder with significant influence
Greatpart Limited

Subsidiaries of the ultimate holding company of a shareholder with significant influence
Sinochem Hong Kong
Sinochem Finance Co., Ltd.
China Foreign Economy and Trade Trust Co., Ltd.
China Jin Mao Group Co., Ltd.
Beijing Chemsunny Property Co., Ltd.
Shanghai Jin Mao Imtech Facility Services Co., Ltd.
Sinochem Jinmao Property Management (Beijing) Co., Ltd
Sinochem Corporation
Sinochem Growth Enterprises Vision Co., Ltd
Sinochem International (Overseas) Pte. Ltd.

In addition to the transactions and balances in Notes 19, 20, 21, 23 and 24 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

	2011 **US$'000**	2010 US$'000
Sinochem Finance Co., Ltd.	813	537

The interest income was charged at rates ranging from 0.36% to 1.49% per annum.

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33. RELATED PARTY TRANSACTIONS (continued)

(ii) Loan interest income:

Group

	2011 US$'000	2010 US$'000
Sinochem Hong Kong	–	4

The interest income was charged at 0.83% per annum.

(iii) Service fee income:

Group

	2011 US$'000	2010 US$'000
Sinochem International (Overseas) Pte. Ltd.	2,691	–

These transactions for service fee were based on prices mutually agreed between the parties.

(iv) Interest expense on borrowings:

Group

	2011 US$'000	2010 US$'000
Sinochem Hong Kong	271	1,299
Sinochem Finance Co., Ltd.	19,035	13,770

The interest expenses were charged at rates ranging from 1.48% to 6.65% per annum.

33. RELATED PARTY TRANSACTIONS (continued)

(v) Commission fee:

Group

	2011 US$'000	2010 US$'000
Sinochem Finance Co., Ltd.	327	16

(vi) Rental expenses:

Group

	2011 US$'000	2010 US$'000
China Jin Mao Group Co., Ltd.	4,132	2,936
Beijing Chemsunny Property Co., Ltd.	191	154
Sinochem Corporation	–	29
Shanghai Jin Mao Imtech Facility Services Co., Ltd.	200	127
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	32	26
Sinochem Hong Kong	122	5

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

(vii) IT Service:

Group

	2011 US$'000	2010 US$'000
Sinochem Corporation	110	–

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

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33. RELATED PARTY TRANSACTIONS (continued)

(viii) Non-cancellable operating leases:

At 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	the Group	
	2011	2010
	US$'000	US$'000
China Jin Mao Group Co., Ltd.	16,637	3,595
Beijing Chemsunny Property Co., Ltd.	712	208
Sinochem Hong Kong	182	10

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.

The related party transactions disclosed in note (i) to (vii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

Group

	2011	2010
	US$'000	US$'000
Short term employee benefits	2,427	2,882

(x) 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:

Group
As at 31 December 2011
Financial Assets

	Loans and receivables US$'000	Derivative financial instruments US$'000	Total US$'000
Loans and accounts receivable	6,558,082	–	6,558,082
Deposits and other receivables	16,821	–	16,821
Restricted deposits	183,626	–	183,626
Derivative financial instruments	–	760	760
Cash and cash equivalents	661,365	–	661,365
	7,419,894	760	7,420,654

Financial liabilities – at amortised cost

	US$'000
Trade and bills payables	357,354
Other payables and accruals	849,249
Interest-bearing bank and other borrowings	4,705,588
	5,912,191

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34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

As at 31 December 2010

Financial assets – Loans and receivables

	US$'000
Loans and accounts receivable	3,700,329
Deposits and other receivables	24,791
Restricted 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

34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

As at 31 December 2011

Financial assets

	Loans and receivables US$'000	Derivative financial instruments US$'000	Total US$'000
Loans and receivables	802,443	–	802,443
Deposits and other receivables	9,486	–	9,486
Restricted deposits	4,345	–	4,345
Cash and cash equivalents	–	601	601
Derivative financial instruments	13,927	–	13,927
	830,201	601	830,802

Financial liabilities – at amortised cost

	US$'000
Trade and bills payables	5,716
Other payables and accruals	19,394
Interest-bearing bank and other borrowings	750,423
	775,533

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34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company (continued)

As at 31 December 2010

Financial assets – Loans and receivable

	US$'000
Loans and receivables	175,909
Deposits and other receivables	1,080
Restricted deposits	500
Cash and cash equivalents	132
	177,621

Financial liabilities – at amortised cost

	US$'000
Trade and bills payables	–
Other payables and accruals	2,620
Interest-bearing bank and other borrowings	165,529
	168,149

35. FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, the current portion of restricted deposits, loans and accounts receivable and financial assets included in prepayments, deposits and other receivables, trade and bills payable, the current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of restricted deposits, loans and accounts receivable and financial assets included in prepayments, deposits and other receivables, the non-current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair value of the bonds is estimated using an equivalent market interest rate for a similar bond.

The Group enters into two derivative financial instruments with two counterparties, one is non- deliverable cross-currency swap measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The other is a call option measured using valuation techniques including the Binomial Lattice model. The model incorporates various inputs including the value of the underlying equity interest. The carrying amounts of the derivatives aforementioned are the same as their fair values.

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).

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35. FAIR VALUE HIERARCHY (continued)

Fair value hierarchy: (continued)

Assets measured at fair value:

Group

As at 31 December 2011

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Derivative financial instruments	–	601	159	760

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

	US$'000
Derivative financial instruments:	
At 31 December 2010 and 1 January 2011	–
Addition	155
Exchange difference	4
At 31 December 2011	159

The Group did not have any financial assets or financial liabilities measured at fair value as at 31 December 2010.

Assets measured at fair value:

Company

As at 31 December 2011

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Derivative financial instruments	–	601	–	601

The Company did not have any financial assets or financial liabilities measured at fair value as at 31 December 2010.

During the year, there were no transfers at fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

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 is 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 risk mitigation measure.

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, 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 the end of each reporting period subject to repricing within the coming year.

Group

	increase/(decrease) in profit before tax	
	As at 31 December	
	2011	2010
	US$'000	US$'000
Change in basis points		
+100 basis points	28,163	10,077
– 100 basis points	(28,163)	(10,077)

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

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 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.

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 2011					
	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:						
Loans and accounts receivable	43,681	5,652,636	849,533	12,232	–	6,558,082
Deposits and other receivables	10,790	6,031	–	–	–	16,821
Restricted deposits	–	159,821	7,935	15,870	–	183,626
Derivative financial instruments	760	–	–	–	–	760
Cash and cash equivalents	9	661,356	–	–	–	661,365
Total financial assets	55,240	6,479,844	857,468	28,102	–	7,420,654
FINANCIAL LIABILITIES:						
Trade and bills payables	357,354	–	–	–	–	357,354
Other payables and accruals	64,553	5,308	122,521	640,736	16,131	849,249
Interest-bearing bank and other borrowings	–	3,530,293	625,883	549,412	–	4,705,588
Total financial liabilities	421,907	3,535,601	748,404	1,190,148	16,131	5,912,191
Interest rate risk exposure	(366,667)	2,944,243	109,064	(1,162,046)	(16,131)	1,508,463

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Group (continued)

	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:						
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
Restricted deposits	–	24,527	–	–	–	24,527
Cash and cash equivalents	6	53,356	–	–	–	53,362
Total financial assets	23,244	3,290,171	466,366	23,228	–	3,803,009
FINANCIAL LIABILITIES:						
Trade and bills payables	160,539	–	–	–	–	160,539
Other payables and accruals	524,047	2,100	–	–	–	526,147
Interest-bearing bank and other borrowings	–	2,328,989	226,500	14,450	–	2,569,939
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

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Company

	As at 31 December 2011					
	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:						
Loans and accounts receivable	75,020	249,957	–	477,466	–	802,443
Deposits and other receivables	9,486	–	–	–	–	9,486
Restricted deposits	–	4,345	–	–	–	4,345
Derivative financial instruments	601	–	–	–	–	601
Cash and cash equivalents	–	13,927	–	–	–	13,927
Total financial assets	85,107	268,229	–	477,466	–	830,802
FINANCIAL LIABILITIES:						
Trade and bills payables	5,716	–	–	–	–	5,716
Other payables and accruals	19,394	–	–	–	–	19,394
Interest-bearing bank and other borrowings	–	234,436	43,147	472,840	–	750,423
Total financial liabilities	25,110	234,436	43,147	472,840	–	775,533
Interest rate risk exposure	59,997	33,793	(43,147)	4,626	–	55,269

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Company (continued)

	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:						
Loans and accounts receivable	4,298	171,611	–	–	–	175,909
Deposits and other receivables	1,080	–	–	–	–	1,080
Restricted deposits	–	500	–	–	–	500
Cash and cash equivalents	–	132	–	–	–	132
Total financial assets	5,378	172,243	–	–	–	177,621
FINANCIAL LIABILITIES:						
Other payables and accruals	2,620	–	–	–	–	2,620
Interest-bearing bank and other borrowings	–	115,529	50,000	–	–	165,529
Total financial liabilities	2,620	115,529	50,000	–	–	168,149
Interest rate risk exposure	2,758	56,714	(50,000)	–	–	9,472

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 change of the currency 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 rate 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 the end of each reporting period 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.

Group

		increase/(decrease) in profit before tax	
		As at 31 December	
Currency	Change in currency rate	2011 US$'000	2010 US$'000
US$	-1%	1,089	592

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Group (continued)

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

	As at 31 December 2011			
(In US$'000 equivalent)	**RMB**	**US$**	**Others**	**Total**
FINANCIAL ASSETS:				
Loans and accounts receivable	6,235,843	322,239	–	6,558,082
Deposits and other receivables	11,597	4,839	385	16,821
Restricted deposits	151,461	32,165	–	183,626
Derivative financial instruments	159	601	–	760
Cash and cash equivalents	627,652	33,167	546	661,365
Total financial assets	7,026,712	393,011	931	7,420,654
FINANCIAL LIABILITIES:				
Trade and bills payables	349,081	4,985	3,288	357,354
Other payables and accruals	806,532	42,717	–	849,249
Interest-bearing bank and other borrowings	4,328,655	376,933	–	4,705,588
Total financial liabilities	5,484,268	424,635	3,288	5,912,191
Net position	1,542,444	(31,624)	(2,357)	1,508,463

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Group (continued)

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Company

	As at 31 December 2011			
(In US$'000 equivalent)	**RMB**	**US$**	**Others**	**Total**
FINANCIAL ASSETS:				
Loans and accounts receivable	503,916	290,805	7,722	802,443
Deposits and other receivables	–	9,101	385	9,486
Restricted deposits	–	4,345	–	4,345
Derivative financial instruments	–	601	–	601
Cash and cash equivalents	909	12,472	546	13,927
Total financial assets	504,825	317,324	8,653	830,802
FINANCIAL LIABILITIES:				
Trade and bills payables	–	2,429	3,287	5,716
Other payables and accruals	112	19,282	–	19,394
Interest-bearing bank and other borrowings	508,880	241,543	–	750,423
Total financial liabilities	508,992	263,254	3,287	775,533
Net position	(4,167)	54,070	5,366	55,269

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Company (continued)

	As at 31 December 2010			
(In US$'000 equivalent)	RMB	US$	Others	Total
FINANCIAL ASSETS:				
Loans and accounts receivable	–	175,909	–	175,909
Deposits and other receivables	–	1,080	–	1,080
Restricted deposits	–	500	–	500
Cash and cash equivalents	–	132	–	132
Total financial assets	–	177,621	–	177,621
FINANCIAL LIABILITIES:				
Other payables and accruals	–	2,620	–	2,620
Interest-bearing bank and other borrowings	–	165,529	–	165,529
Total financial liabilities	–	168,149	–	168,149
Net position	–	9,472	–	9,472

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 recognised and creditworthy 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, derivative financial instruments, 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.

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 2011		As at 31 December 2010	
	US$'000	**%**	US$'000	%
Net lease receivables				
Healthcare	**1,427,091**	**22**	959,717	26
Printing	**954,311**	**15**	600,789	16
Shipping	**624,504**	**9**	396,609	11
Infrastructure construction	**981,333**	**15**	524,751	14
Machinery	**628,344**	**10**	319,288	9
Education	**1,094,533**	**17**	540,579	15
Textile	**79,459**	**1**	9,700	–
Others	**734,905**	**11**	306,245	9
	6,524,480	**100**	3,657,678	100
Less: Impairment provision on lease receivables	**84,557**		42,200	
Net	**6,439,923**		3,615,478	

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, derivative financial instruments and other receivables are set out in Note 19, Note 16 and Note 20, respectively.

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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:

Group

	As at 31 December	
	2011	2010
	US$'000	US$'000
Lease receivables	6,477,649	3,621,416
Notes receivable	2,672	238
Accounts receivable	8,905	3,194
Entrusted loans	70,468	68,785
Lease interest receivables	34,373	14,100
Derivative financial instruments	760	–
Deposits and other receivables	16,821	24,791
Non-current accounts receivable	2,223	–

As 31 December 2011, the assets which are past but not considered impaired amounted to US$7,381.000, which are all past due within one month (2010: nil).

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 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 summarise 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 2011					
	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:						
Loans and accounts receivable	8,920	649,633	2,150,384	4,749,612	98,960	7,657,509
Deposits and other receivables	–	9,534	2,631	4,680	–	16,845
Restricted deposits	–	128,955	39,916	17,188	–	186,059
Derivative financial instruments	–	–	–	760	–	760
Cash and cash equivalents	661,365	–	–	–	–	661,365
Total financial assets	670,285	788,122	2,192,931	4,772,240	98,960	8,522,538
FINANCIAL LIABILITIES:						
Trade and bills payables	26,355	95,129	59,186	171,280	5,404	357,354
Other payables and accruals	5,922	56,736	92,879	778,895	14,314	948,746
Interest-bearing bank and other borrowings	–	700,926	1,433,595	2,996,496	–	5,131,017
Total financial liabilities	32,277	852,791	1,585,660	3,946,671	19,718	6,437,117
Net liquidity gap	638,008	(64,669)	607,271	825,569	79,242	2,085,421

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

	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:						
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
Restricted deposits	–	20,238	4,435	–	–	24,673
Cash and cash equivalents	53,362	–	–	–	–	53,362
Total financial assets	55,462	377,212	1,169,476	2,636,859	72,789	4,311,798
FINANCIAL LIABILITIES:						
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
Interest-bearing bank and other borrowings	–	276,077	732,584	1,763,503	–	2,772,164
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

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 2011					
	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:						
Loans and accounts receivable	1,853	22,928	64,084	726,840	58,346	874,051
Deposits and other receivables	–	4,767	–	4,719	–	9,486
Restricted deposits	–	4,345	–	–	–	4,345
Derivative financial instruments	–	–	–	601	–	601
Cash and cash equivalents	13,927	–	–	–	–	13,927
Total financial assets	15,780	32,040	64,084	732,160	58,346	902,410
FINANCIAL LIABILITIES:						
Trade and bills payables	–	5,182	384	150	–	5,716
Other payables and accruals	1,044	3,332	14,172	846	–	19,394
Interest-bearing bank and other borrowings	–	96,231	80,089	646,315	–	822,635
Total financial liabilities	1,044	104,745	94,645	647,311	–	847,745
Net liquidity gap	14,736	(72,705)	(30,561)	84,849	58,346	54,665

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company (continued)

	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:						
Loans and accounts receivable	–	1,581	18,465	148,209	24,971	193,226
Deposits and other receivables	–	1,080	–	–	–	1,080
Restricted deposits	–	357	143	–	–	500
Cash and cash equivalents	132	–	–	–	–	132
Total financial assets	132	3,018	18,608	148,209	24,971	194,938
FINANCIAL LIABILITIES:						
Other payables and accruals	49	135	2,424	12	–	2,620
Interest-bearing bank and other borrowings	–	13,276	76,908	80,189	–	170,373
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

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise 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 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	
	2011	2010
	US$'000	US$'000
Bank and other borrowings	**4,705,588**	2,569,939
Net debt	**4,705,588**	2,569,939
Total equity	**1,476,260**	527,332
Total equity and bank and other borrowings	**6,181,848**	3,097,271
Gearing ratio	**76%**	83%

Far Eastern Leasing

The primary objectives of the capital management of Far Eastern Leasing, a principal subsidiary of the Group located in Mainland China, 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 were no significant changes on the policies or processes for managing the capital of Far Eastern Leasing.

Notes to Consolidated Financial Statements

31 December 2011

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Far Eastern Leasing (continued)

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 the ratios of assets at risk to equity as at each of the reporting dates are as follows:

	As at 31 December	
	2011	2010
	US$'000	US$'000
Total assets	**7,098,560**	3,583,059
Less: Cash	**795,360**	64,931
Total assets at risk	**6,303,200**	3,518,128
Equity	**1,389,894**	509,852
Ratio of assets at risk to equity	**4.54**	6.90

37. EVENTS AFTER THE REPORTING PERIOD

There are no further material subsequent events undertaken by the Company or by the Group after 31 December 2011.

38. COMPARATIVE AMOUNTS

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

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2012.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial information and financial statements is set out below.

RESULTS

	Year ended 31 December				
	2007 US$'000	2008 US$'000	2009 US$'000	2010 US$'000	**2011** **US$'000**
REVENUE	90,883	155,119	211,362	326.909	729,895
Cost of sales	(32,525)	(65,689)	(74,527)	(117,864)	(342,641)
Gross profit	58,358	89,430	136,835	209,045	387,254
Other income and gains	3,936	9,349	2,652	9,930	11,627
Selling and distribution costs	(11,082)	(17,485)	(23,332)	(37,614)	(69,531)
Administrative expenses	(15,497)	(17,944)	(26,017)	(44,589)	(96,647)
Other expenses	515	(376)	(773)	(3,444)	(3,849)
Finance costs	–	(6)	–	–	–
PROFIT BEFORE TAX	36,230	62,968	89,365	133,328	228,854
Income tax expense	(5,337)	(12,468)	(20,292)	(29,910)	(57,251)
PROFIT AFTER TAX	30,893	50,500	69,073	103,418	171,603
Attributable to:					
Owners of the parent	30,789	50,321	69,073	103,749	171,412
Non-controlling interests	104	179	–	(331)	191
	30,893	50,500	69,073	103,418	171,603

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2007 US$'000	2008 US$'000	2009 US$'000	2010 US$'000	**2011** **US$'000**
TOTAL ASSETS	979,911	1,404,688	2,084,037	3,824,164	7,474,702
TOTAL LIABILITIES	(801,566)	(1,201,148)	(1,808,201)	(3,296,832)	(5,998,442)
NON-CONTROLLING INTERESTS	(101)	(262)	–	(420)	(638)
	178,244	203,278	275,836	526,912	1,475,622

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