遠東宏信
FAR EAST HORIZON

Finance

Industry

2013 Annual Report

Incorporated in Hong Kong with limited liability Stock Code: 3360

Chinese
Wisdom

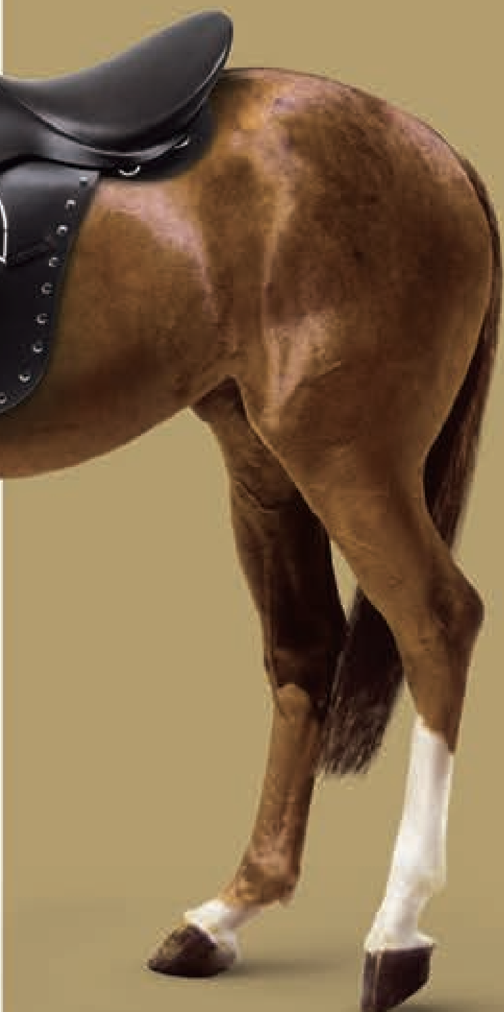
Finance

Industry

International Pattern

Contents

A Thousand-miles Journey for 2013



Start with the First Step in 2014

Corporate Information

Board of Directors

Chairman and Non-Executive Director
Mr. LIU Deshu *(Chairman)*

Executive Director
Mr. KONG Fanxing
(Vice Chairman, Chief Executive Officer)
Mr. WANG Mingzhe
(Chief Financial Officer)

Non-Executive Director
Mr. YANG Lin
Ms. SHI Dai
(resigned on 18 March 2013)
Mr. LIU Haifeng David
Mr. KUO Ming-Jian
(appointed on 18 March 2013)
Mr. John LAW

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
Mr. John LAW

Remuneration and Nomination Committee
Mr. LIU Jialin *(Chairman)*
Mr. HAN Xiaojing
Ms. SHI Dai
(resigned on 18 March 2013)
Mr. KUO Ming-Jian
(appointed on 18 March 2013)

Strategy and Investment Committee
Mr. LIU Haifeng David *(Chairman)*
Mr. KONG Fanxing
Mr. CAI Cunqiang

Company Secretary

Ms. MAK Sze Man

Authorised Representatives

Mr. KONG Fanxing
Ms. MAK Sze Man

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

Baker & McKenzie

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" or "Far East Horizon") 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 organization of resources and value added services, we provide integrated finance, trade, advisory and investment services in healthcare, packaging, transportation, infrastructure construction, industrial machinery, education, textiles, electronic information, 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.

Chairman's Statement

Far East Horizon Limited

Chairman of the Board

LIU Deshu

Dear Shareholders,

On behalf of Far East Horizon Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present our annual results for the year ended 31 December 2013 to all our shareholders.

In 2013, the world economy remained sluggish with slow recovery and China's economy growth was under the pressure of declining and the promotion of reform became increasingly tough and challenging. Meanwhile, China pushed on reform of its financial sector, and made remarkable progress in innovative financial services, such as interest rate liberalisation and RMB internationalisation. As an integral part of innovative financial services, the financial leasing sector also achieved robust growth in 2013. We believe that, in the long run, the financial leasing sector will experience sustainable, healthy and steady growth with the introduction of favourable industrial policies and the convergence of capital and talents.

In 2013, the Group continued to adopt the innovative service model characterized by an "organic and effective combination of finance and industries", adhered to the business strategy of "enhancing the penetration and innovation of traditional businesses and expediting the cultivation and development of non-capital service capability" which was formulated at the beginning of the year, and prudently implemented well-designed business plans to achieve steady development. Thanks to the diligence of all our staff, the Group achieved positive results on all works with another record high operating results and successfully offset the negative impact of changes in external fiscal and tax policies.

As at the end of 2013, total assets of the Group increased by more than 40% from the beginning of the year and exceeded RMB86.0 billion. The net profit attributed to shareholders was RMB1.91 billion for the year, representing a year on year increase of 26%. Meanwhile, non-performing asset ratio and other asset security indicators of the Group were basically stable and the provision coverage ratio was kept at 220%, achieving our annual targets of maintaining overall asset security and healthy business growth.

With the ultimate goal of maximising shareholders' interests, the Board continued to enhance its corporate governance capability and optimise the management system of the Company. In accordance with the requirements of Corporate Governance Code of the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company convened a total of four regular Board meetings in 2013 to consider and approve issues on the annual report, interim report, strategic planning and annual operating budgets of the Company. Meanwhile, the Board also considered matters relating to connected transactions and major financing activities at non-regular meetings. The Audit Committee, the Remuneration and Nomination Committee and the Strategy and Investment Committee under the Board all exercised their rights and performed their duties authorised by the Board in respect of enhancement of internal control level, optimisation of compensation and incentives mechanism and improvement of corporate governance.

Looking forward to 2014, the world economy will continue to face the challenges of complexity and uncertainties, while China will be entering into a critical period of "promoting steady growth and making structural adjustments". Facing such challenges and opportunities, the Group, adhering to the "integrated industry operation services" concept, will strive to expand its financial leasing, factoring and other financial service businesses among specific industrial customers, continue to nurture, develop and enhance its non-capital service capability and fulfill all its operating budgets for 2014, so as to maximize value for our shareholders, contribute wealth to the society and provide our staff with better career development.

Finally, on behalf of all members of the Board, I would like to extend our sincere gratitude to shareholders, partners, management and all staff of the Company. I believe that, with strong support from our shareholders and partners, all our staff will be fully committed to attainment of our corporate mission, consolidating our existing achievements, improving our core capabilities and realizing our sustainable development in 2014.

Far East Horizon Limited
LIU Deshu
Chairman of the Board

26 March, 2014

CEO's Statement

Far East Horizon Limited

Vice Chairman of the Board

and Chief Executive Officer

Kong Fanxing

Dear shareholders,

2013 was an uncommon year that the global economy recovered slowly under crisis and the Chinese economy ushered in a new era of comprehensive in-depth reform, in particular, the reform of the nation's financial sector was put on fast track. Against such backdrop, the nation's financial leasing business, as one of the essential components of its innovative financial services, achieved rapid and vigorous development.

The past decade evidenced the rapid growth of Far East Horizon Limited ("the Company", together with its subsidiaries, the "Group"). Capitalizing on the fast development of China's economy, the Group grasped such historically rare opportunities, forged ahead and made innovations in a determined and aggressive manner, thus achieved leapfrog development and secured its leading position in the domestic financial leasing industry. With ten years of experience, consolidation and innovation in the industry, the Group has also established a solid foundation for strategic upgrading and healthy development in the next decade.

In 2013, the Group took a solid step in its strategic upgrading. Under the guidance of the development strategy of "organically and effectively integrating finance and industry", the Group was realistic and innovative in its operations and enthusiastic in pursuit of excellent management. In order to minimize the impact of external fluctuations in taxation policies on its operations, the Group achieved remarkable results in various works and fulfilled our undertakings to the shareholders, which were mainly reflected in the following aspects:

Operating results: hitting a new record high in profit and maintaining good asset quality

The Group's total assets increased to RMB86.5 billion as at 31 December 2013, representing an increase of 42.8% from last year. The net profit attributed to shareholders was RMB1.91 billion for the year, representing a year on year increase of 26.0%. While the total assets continued to expand and profit scale continued to improve, the asset quality remained relatively stable. The non-performing loan ratio was 0.80%. The provision coverage ratio continued to remain at a healthy level of 219.2%. Our ability of resisting risk was further improved.

Operation: optimizing industry layout and providing diversified services

In 2013, we proactively increased investment in industries with weak cyclicity, such as healthcare, education, infrastructure construction and electronic information. On the other hand, we prudently promoted the relatively strong cyclical industries, such as machinery, packaging, transportation and textiles, and proactively explored new industries, such as public transportation and water supply, so as to optimize overall industry layout. As for the launch of financial products, the Group exerted more efforts in promoting factoring business to satisfy the needs of industrial chain financing of our customers, thus the business scale expanded significantly as compared with previous years. As for services to industries, adhering to the needs of customers, the Group further enhanced its service capability in healthcare and infrastructure construction to establish solid service platforms. Various physical platforms formed by hospital administration subsidiaries and operating leasing subsidiaries of the Group commenced operation one by one in the year. As a result, the business volume and operating results both achieved significant growth in 2013, and formed effective strategic synergy with our traditional financial leasing business. In general, the Group's assets were more balanced in terms of industry distribution and its revenue derived from products was more diversified and our ability to resist influence of single industry or single product grew stronger.

CEO's Statement

Management: securing asset safety and controlling operation risk

In 2013, through a series of measures such as industrial assessment, system analysis and pressure test, the Group proactively improved its risk management system and enhanced the standards for project approval from the outset to optimize higher standards of customer structure to raise threshold for new customers, thus effectively reduce the default risk posted by new customers. Protected by its inherent sensitivity on fluctuations in real economy and leveraging on its strong capability in identifying risks, the Group put more efforts in monitoring and scrutinizing its stock assets in three aspects, namely industry, segment and geographical region, while strengthening the disposal of projects with risks, enhancing accountability and efficiency in disposing projects with risks, so as to effectively secure the asset safety of the Group.

Financing: optimizing financing structure and enhancing resource protection

With an aim of establishing a fund raising system that operates on "multi-platforms, multi-channels, multi-currencies and multi-products", the Group proactively in 2013 expanded its financing channels by leveraging on the strength of domestic and overseas dual-platforms, innovated financial products and achieved a number of progresses in financing sector. As at the end of 2013, the percentage of fund raised through overseas platforms increased to 37% from 20% of total fund as at the end of 2012. Meanwhile, the percentage of direct debt financing exceeded 10% of the Group's total financing. In 2013, under a relatively tight monetary environment in China, through above efforts, the Group effectively satisfied its fund requirements, and mitigated the pressure of increasing fund cost, thus brought the overall finance cost down in 2013 as compared with that in 2012. Meanwhile, the Group constantly adopted prudent policies in managing liquidity risk, and the financial assets and financial liabilities were well matched.

Looking forward to 2014, we will adhere to the development strategy of "concentrating on industries with integrated operation" and keep following a sound and prudent risk control policy. We will promote strategic upgrading, enhance industrial service, improve quality of growth, and steadily carry out various targets set up by the Group while ensure asset safety, so as to proactively achieve continuous, steady and healthy growth in the Group's operating results.

Finally, on behalf of all my colleagues in the management, I would like to thank every shareholder, client and cooperation partner for their continued support and understanding. I also hope that we can create more values for all shareholders, clients and cooperation partners through self-improvement and better cooperation.

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

Business Review

	Year ended 31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Operating results					
Total revenue	7,908,101	6,486,395	4,716,436	2,198,610	1,443,898
Finance leasing and factoring (interest income)	5,243,805	4,333,589	3,063,074	1,199,558	734,628
Advisory services (fee income)	2,245,431	1,525,721	1,099,792	805,494	614,587
Cost of sales	(2,890,185)	(2,908,365)	(2,214,078)	(792,688)	(509,124)
Interest expense	(2,464,876)	(2,208,405)	(1,615,495)	(589,526)	(396,146)
Profit before tax	2,600,741	2,076,020	1,478,809	896,691	610,488
Profit for the year/period attributable to owners of the parent	1,912,744	1,518,577	1,107,630	697,759	471,865
Basic and diluted earnings per share (RMB)	0.58	0.48	0.42	0.37	0.25
Profitability indicators					
Return on average assets(1)	2.61%	2.82%	3.06%	3.52%	3.96%
Return on average equity(2)	14.18%	13.70%	17.33%	25.88%	28.82%
Net interest margin(3)	4.02%	4.27%	4.39%	3.27%	2.95%
Net interest spread(4)	2.87%	3.02%	2.92%	1.71%	1.16%
Service fee income ratio (%)(5)	43.41%	40.71%	41.74%	54.68%	62.60%
Cost to income ratio(6)	37.56%	33.98%	32.56%	31.31%	29.40%
Cost of credit(7)	0.77%	0.71%	0.79%	0.60%	0.54%

Business Review

	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000	31 December 2010 RMB'000	31 December 2009 RMB'000
Assets and liabilities					
Total assets	86,512,872	60,570,275	47,097,345	25,326,291	14,230,221
Net lease receivables	78,587,147	56,809,962	41,110,096	24,223,704	13,459,693
Total liabilities	72,348,002	47,714,829	37,795,575	21,833,929	12,346,758
Interest-bearing bank and other borrowings	56,554,478	36,751,959	29,649,439	17,019,935	8,516,766
Total equity	14,164,870	12,855,446	9,301,770	3,492,362	1,883,463
Equity attributable to owners of the parent	14,125,342	12,844,482	9,297,751	3,489,580	1,883,463
Net asset value per share (RMB)	4.30	3.90	3.27	1.83	0.99
Duration Matching of Assets and Liabilities					
Financial assets	93,346,706	68,746,183	53,699,660	28,555,745	15,714,003
Financial liabilities	74,297,209	50,263,012	40,559,631	22,910,641	13,303,962
Asset quality					
Non-performing asset ratio(8)	0.80%	0.73%	0.60%	0.97%	1.18%
Provision coverage ratio(9)	219.19%	213.87%	218.38%	120.18%	109.51%
Write-off of non-performing assets(10)	2.47%	0.00%	0.00%	0.14%	0.92%
Overdue interest-earning assets (over 30 days) ratio(11)	0.45%	0.30%	0.08%	0.14%	0.38%

Notes:

(1) Return on average assets = profit for the year/average balance of assets at the beginning and the end of the year;

(2) Return on average equity = profit for the year/average balance of equity at the beginning and the end of the year;

(3) Net interest margin = net interest income/average total balance of interest-earning assets;

(4) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities;

(5) Service fee income ratio = service fee income/(interest income – interest expense + service fee income + income from trading and other segments – cost from trading and other segments), income is before business taxes and surcharges;

(6) Cost to income ratio = (selling and distribution costs + administrative expense – provision for loans and accounts receivable)/gross profit;

(7) Cost of credit = provision for loans and accounts receivable/average balance of interest-earning assets at the beginning, middle and the end of the year;

(8) Non-performing asset ratio = balance of non-performing assets/net interest-earning assets;

(9) Provision coverage ratio = provision for impairment of assets/balance of non-performing assets;

(10) Write-off of non-performing assets = assets written-off/non-performing assets at the end of the previous year;

(11) Overdue interest-earning assets (over 30 days) ratio = overdue interest-earning assets (over 30 days)/net interest-earning assets.

(12) In order to more accurately reflect the Group's interest-bearing assets, the calculation of interest-earning assets in the reporting period has included the interest portion of interest-earning assets that already accrued but not yet received, thus the indicators relating to interest-earning assets in this report have been adjusted accordingly. In order to maintain consistency in presentation, the comparative figures have been restated.

Management Discussion and Analysis

1. Economic environment

1.1 Macro-economy environment

In 2013, the overall macro-economy was generally stable, but China's economic growth saw a downward trend and business sentiment was on the low grade. China's GDP grew by 7.7% year-on-year, the new lowest record in history for the past 14 years after three consecutive years of weak growth. This indicated that China's economy growth slowed down as compared to the fast-growing mode in the past. Capital formation, one of the GDP's major components, accounted for 54.4% of GDP growth while final consumption expenditure contributed 50%; and net exports made a contribution of -4.4%. The aggregate sum of capital formation once again surpassed that of final consumption expenditure, playing a dominant role in economic growth, of which, the growth in fixed assets investment was 19.6%. It was the first time in 10 years that the growth rate of the fixed assets investment stood below 20%.

As for domestic financial environment, People's Bank of China, guided by its working principle of 'seeking progress in stability', regulated and controlled the market with an aim to 'stabilize national economy and optimize economic structure', and kept on implementing its sound monetary policies. Throughout 2013, the total financing amount across the country hit a record high of RMB17,290 billion, of which newly-released RMB loans amounted to RMB8,890 billion, representing 51.4% of the total financing amount, being the lowest annual level in history. In general, the domestic financial system ran steadily, and the scale of financing and monetary loans maintained a moderate growth. Meanwhile, China gradually deepened its financial reform as a series of new policies were intensively introduced, including liberalizing interest rates, allowing private capital to tap into the financial market, relaxing limitations on assets management market and fiscal and tax reform.

1.2 Industry environment

China's industrial structure experienced a historical change in 2013, where tertiary industry accounted for 46.1% of GDP, outgrowing the secondary industry for the first time. Enterprises with mass production capacity grew by 9.7% year-on-year in 2013 despite the growth rate declined year by year. The industrial sector was undergoing a period of restructuring with an adjusted growth rate. Even though the issue of domestic production overcapacity has been addressed to some extent, structural overcapacity still remained a major concern. Facing tough market environment and stringent regulatory and control measures, a number of industries were forced 'back' to transform and upgrade their technologies after reducing excess production capacity.

Under such circumstances, eight business segments of the Group were affected by the external factors to a certain degree. Thanks to the increasing financial support from the government, the healthcare and education segments maintained steady growth. In addition, more and more private capital were flowing into these two areas. Affected by the macro-economy, the segment of machinery and textile saw dimmer prospects. The growth in fixed assets investment continued to decline, so did the demand for new financing. The market of the shipping segment fluctuated while the aggregate volume of dry bulk shipments saw a turnaround, responding dramatically and sensitively to seasonal changes.

Management Discussion and Analysis

1.3 The leasing industry

In 2013, despite industrial uncertainties and fluctuations caused by the new tax policy of replacing business tax with value-added tax, the domestic financial leasing industry generally maintained a rapid growth. According to the data from China Leasing Alliance, as at the end of 2013, there were approximately 1,026 registered financial leasing companies (excluding SPV companies) across the country, representing an increase of 466 companies or 83.2% as compared with that of 560 companies at the beginning of the year. Total registered capital of the PRC financial leasing industry surpassed RMB300 billion to RMB306 billion, and total balance amounts of domestic financial leasing contracts exceeded RMB2 trillion to RMB2.1 trillion.

1.4 Company's solutions

Amidst slow macroeconomic growth, intense competition in the financial market, sluggish industrial prospect and unstable industrial policies, the Group continued to implement its business strategy of integrating "finance and industry", expand its niche markets in different industries and explore the industrial operation businesses, which brought remarkable operating results for the Company and consolidated its market position.

In particular, as for its financial business, the Group continued to tap on the fundamental industries of the national economy including medical, packaging, education, construction, transportation, industrial equipment, textile and information technology, expand the customer base with huge growth potential, good standing and high credit rating and optimize its positioning and layout in various industrial sectors. At the same time, the Group actively explored niche markets in the upstream and downstream industry chains, such as public transportation, water and other public utilities.

As for its non-financial business, the Group continued to implement its customer-centric strategies, promote its non-capital services in medical, construction, transportation and other industries, enhance its integrated services and market competitiveness and create synergies with its capital business.

1.5 Future outlook

Looking into the future, the recovery of the global economy will gradually proceed with an improved external environment. As China is in the process of industrialization, urbanization, upgrading in consumption pattern and achieving fast growth in income, market expectations will turn optimistic, and the fundamentals of the Chinese economy will remain positive. The Third Plenary Session of the 18th CPC Central Committee has established the keynotes of economic reform for the next ten years, where the market will become the decisive mechanism for resources allocation, and a new round of reform will roll out to boost economic growth in China.

For the financial environment, reform of the financial market will have profound impact on the entire financial industry. Private capital and industrial capital will continue to enter into the financial sector, both players and financial products in the financial sector will become more diversified, and the trend of "hybrid finance" will become more prominent. Under the macro environment of interest rate liberalization and financial disintermediation, small and medium sized enterprises will gradually become major customer groups of various financial institutions. In addition, as diversified sources of capital are surging into the leasing segment, business competition in this segment will become more intense.

For the industrial trend, the new leadership of the government is determined to adjust the economic and industrial structures, as a result, the secondary industries, primarily manufacturing industry, will face stern challenges, and the rate of increase in investment in the real economy will maintain at a low level. Based on the major segments in which the Group has a presence, the healthcare and education segments will have steady growth and gradually transform from external expansion to organic growth with the increasing investments from government. The growth rate of other manufacturing segments will slow down and a trend of large-scale intensive production and technology upgrade will develop across those industries.

Confronting the external environment of economic restructuring and accelerated financial reform, the Group will adhere to the operating principle of combining financial and industrial development. For the financial side, by grasping opportunities arising from industrial open-up, the Group will exert more efforts in the expansion and exploration of traditional fund business, and constantly innovate and develop new products, business and models. For the industrial side, the Group will accelerate the development of strategic operations and promote the systematic development of these operations through various means including strategic enhancement, innovation in mechanism and synergy of resources, so as to build a solid foundation for the sustainable development of the Group.

Management Discussion and Analysis

2. Analysis of Profit and Loss

2.1 Analysis of Profit and Loss (Overview)

In 2013, the Group achieved 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 RMB2,600,741,000, representing a growth of 25.28% from the previous year and the profit attributable to owners of the parent was RMB1,912,744,000, representing a growth of 25.96% from the previous year. The following table sets forth the figures for the year ended 31 December 2012 for comparison.

	For the year ended 31 December		
	2013 RMB'000	2012 RMB'000	Change %
Revenue	7,908,101	6,486,395	21.92%
Cost of sales	(2,890,185)	(2,908,365)	-0.63%
Gross profit	5,017,916	3,578,030	40.24%
Other income and gains	278,459	119,845	132.35%
Selling and distribution costs	(1,124,955)	(703,143)	59.99%
Administrative expenses	(1,294,330)	(863,635)	49.87%
Other expenses	(282,972)	(52,939)	434.52%
Finance costs	(1,270)	(2,138)	-40.60%
Profit or loss on investment in associates	7,893	–	N/A
Profit before tax from continuing operations	2,600,741	2,076,020	25.28%
Income tax expense	(684,668)	(558,652)	22.56%
Profit for the year from continuing operations	1,916,073	1,517,368	26.28%
Attributable to:			
Owners of the parent	1,912,744	1,518,577	25.96%
Non-controlling interests	3,329	(1,209)	-375.35%

Management Discussion and Analysis

Based on the estimates of the Group, during the process of policy adjustment of levying value added tax in lieu of business tax, in particular, affected by the "Notice on Pilot Tax Policy of Levying Value Added Tax in Lieu of Business Tax in Transportation and Certain Service Sectors across the Nation" (Cai Shui [2013] No. 37, which provides the principal amount needs to be included in the sales amount of a financial leaseback) implemented on 1 August 2013, and the "Notice on Pilot Tax Policy of Levying Value Added Tax in Lieu of Business Tax in Railway Transportation and Postal Services" (Cai Shui [2013] No. 106, which restates that, for a financial leaseback, the lessor can deduct the principal amount from the sales amount with the invoice given by the lessee, and this provision can be applied retrospectively from 1 August 2013), the additional tax burden of the Group in relation to value added tax in 2013 was approximately RMB270,000,000. Without taking into the effect of additional tax burden incurred in relation to value added tax due to changes in tax policies, in 2013, the Group realised revenue of RMB2,870,741,000, representing an increase of 38.28% as compared with the previous year.

2.2. Revenue

In 2013, the Group realised revenue of RMB7,908,101,000, representing a growth of 21.92% from RMB6,486,395,000 as recorded in the previous year, which was mainly attributable to the growth of income in leasing and advisory segment. In 2013, income (before business taxes and surcharges) of the leasing and advisory segment was RMB7,489,236,000, accounting for 92.88% of the total income (before business taxes and surcharges), and representing a growth of 27.82% from the previous year. The share of income from trading and other segments in the total income (before business taxes and surcharges) decreased to 7.12% from 11.98% in the previous year mainly due to the negative growth in revenue from trading business as the Group prudently promoted trading business of lower gross profit margin. The Group was proactively exploring its integrated business with a view to diversifying its revenue distribution.

In addition, in June 2012, International Far Eastern Leasing Co., Ltd., a subsidiary of the Company, obtained approval from the Ministry of Commerce of PRC to expand its scope of business to include commercial factoring and related advisory services. The business scope expansion marked a solid step forward for the industry integrated operation services strategy of the Group. In 2013, the Group promoted factoring business among the existing customer base in the industry and realised revenue in factoring business of RMB52,685,000 in total for the year (RMB1,036,000 for last year).

Management Discussion and Analysis

The table below sets forth the composition and the changes of the Group's revenue by business segment in the indicated period.

	For the year ended 31 December				
	2013		2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Leasing and advisory segment	7,489,236	92.88%	5,859,310	88.02%	27.82%
Financial leasing and factoring (interest income)	5,243,805	65.04%	4,333,589	65.10%	21.00%
Advisory services (fee income)	2,245,431	27.84%	1,525,721	22.92%	47.17%
Trading and other segments	573,800	7.12%	797,111	11.98%	-28.02%
Total	8,063,036		6,656,421		21.13%
Business taxes and surcharges	(154,935)		(170,026)		-8.88%
Revenue (after business taxes and surcharges)	7,908,101		6,486,395		21.92%

The Group also categorised income by industry, and the Group's business mainly focused on eight industries, namely healthcare, packaging, infrastructure construction, education, machinery, transportation, textiles and electronic information industries in 2013. In 2013, the share of each industry in total income tended to be more balanced. As the Group prudently promoted its trading business, the growth of packaging and machinery slowed down, and even resulted in negative growth. Without considering the impact from trading business, the rate of increase in total revenue from packaging and machinery industries reached 32.38% and 16.10% respectively. In April 2013, the Group renamed its printing sector as packaging sector so as to build up a whole-packaging industry chain, expand the scope of business and enhance its operating abilities.

Management Discussion and Analysis

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				
	2013		2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare	1,680,913	20.85%	1,341,437	20.15%	25.31%
Education	1,223,982	15.18%	1,010,115	15.18%	21.17%
Infrastructure construction	1,428,233	17.71%	976,163	14.66%	46.31%
Transportation	959,664	11.90%	630,660	9.47%	52.17%
Packaging	1,178,248	14.61%	1,138,969	17.11%	3.45%
Machinery	617,824	7.66%	756,581	11.37%	-18.34%
Textiles	209,164	2.59%	121,704	1.83%	71.86%
Electronic information	418,268	5.20%	322,319	4.84%	29.77%
Others	346,740	4.30%	358,473	5.39%	-3.27%
Total	8,063,036	100.00%	6,656,421	100.00%	21.13%

2.2.1. Financial Leasing and Factoring (Interest Income)

The interest income (before business taxes and surcharges) from the leasing and advisory segment of the Group rose by 21.00% from RMB4,333,589,000 for the previous year to RMB5,243,805,000 for 2013, accounting for 65.04% of the Group's total revenue (before business taxes and surcharges).

The changes in interest income were mainly driven by two factors: the average balance of interest-earning assets and the average yield.

The interest income for the year rose by 21.00%, which was mainly attributable to the growth of average balance of interest-earning assets, which was partially offset by the decrease in the average yield. The Group's average balance of interest-earning assets rose from RMB49,731,904 for 2012 to RMB69,183,658,000 for 2013, representing an increase of 39.11%. It was attributable to the expansion of the Group's business operation. The average rate of yield of the Group fell from 8.71% for 2012 to 7.58% for 2013. Details of the primary reason for the fall are described under the paragraph headed "Analysis according to average yield" below.

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					
	2013			2012		
	Average Interest-earning assets (1) RMB'000	Interest income (2) RMB'000	Average yield (3) %	Average interest-earning assets (1) RMB'000	Interest income (2) RMB'000	Average yield (3) %
Healthcare	15,027,830	1,119,141	7.45%	10,511,857	890,859	8.47%
Education	11,333,874	832,522	7.35%	8,479,950	708,803	8.36%
Infrastructure construction	10,727,765	777,082	7.24%	7,623,624	684,436	8.98%
Transportation	7,902,930	571,043	7.23%	5,205,398	404,304	7.77%
Packaging	9,855,061	769,952	7.81%	7,068,599	610,988	8.64%
Machinery	5,440,579	429,705	7.90%	4,142,242	393,482	9.50%
Textiles	1,691,174	122,997	7.27%	831,404	81,963	9.86%
Electronic information	3,697,827	313,921	8.49%	2,448,335	220,929	9.02%
Others	3,506,618	307,442	8.77%	3,420,495	337,825	9.88%
Total	69,183,658	5,243,805	7.58%	49,731,904	4,333,589	8.71%

Notes:

(1) Calculated based on the total average balance of interest-earning assets at the beginning, middle and end of the indicated years (the data for the previous year were restated).

(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, entrusted loans, long-term receivables and factoring receivables as well as their respective interest accrued but not received.

Analysis according to average balance of interest-earning assets

Among the eight target industries, healthcare, infrastructure construction, education and packaging were the key drivers to the Group's average balance of interest-earning assets, representing 67.85% of the average balance of interest-earning assets for 2013. 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 from the Group's greater efforts in marketing and promotion, including arranging expositions and exhibitions for major industry participants and professionals, and recruiting more sales and marketing staff. In 2013, the Group enhanced the expansion in the market segment of respective industries, such as the pharmaceutical market for the healthcare industry, the electric power market for the infrastructure construction market, the culture and tourism market for the education industry, the final consumption market for packaging industry and the non-bulk cargo ship market for logistics and maritime work in the transportation industry.

Management Discussion and Analysis

Analysis according to average yield

In 2013, the average yield of the Group was 7.58%, representing 1.13 percentage points lower than 8.71% as compared to the previous year. This was mainly due to the fact that (i) the two consecutive decreases in the benchmark interest rate by the People's Bank of China in 2012 resulted in a decrease of 50 basis points in the benchmark interest rate for 1-3 years and 3-5 years Renminbi loans, the effect of which was gradually reflected in the results for this year; (ii) the Group's major interest-earning assets were invested in healthcare, infrastructure construction and other highly secured civil industries as shown in the above table. Meanwhile, the Group focused on more valued customers in respect of leasing quotation while the growth in total value of new leasing contracts of high gross profit customers slowed down; (iii) the growth rate in the total value of new leasing contracts of valued customers generating low gross profit accelerated due to the optimization of quotation structure for valued customers in respect of the leasing quotation as a result of the more intense competition in the market environment; and (iv) the value-added tax for the financial leasing industry was levied at 17% and was tax excluded in price due to the introduction of the pilot reform of transformation of business tax into value-added tax in Shanghai on 1 January 2012. The yield was affected as compared with the tax included in price in the business tax system. As new leasing contracts of the Group in the value-added tax system grew and leasing contracts in the business tax system declined, the effects were gradually reflected in the 2013 results. It is estimated that this policy would cause Group's average yield to decrease by approximately 0.54 percentage point.

2.2.2 Advisory Services (Fee Income)

In 2013, fee income (before business taxes and surcharges) from leasing and advisory segment grew by 47.17% from RMB1,525,721,000 for 2012 to RMB2,245,431,000 for 2013, accounting for 27.84% of the total revenue (before business taxes and surcharges) of the Group and representing an increase as compared with 22.92% in the previous year.

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

	2013		2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare	497,794	22.17%	384,588	25.21%	29.44%
Education	391,460	17.43%	301,312	19.75%	29.92%
Infrastructure construction	415,499	18.50%	233,547	15.31%	77.91%
Transportation	197,413	8.79%	115,593	7.57%	70.78%
Packaging	360,613	16.06%	243,025	15.93%	48.39%
Machinery	183,136	8.16%	134,385	8.81%	36.28%
Textiles	85,235	3.80%	39,748	2.61%	114.44%
Electronic information	74,983	3.34%	52,894	3.46%	41.76%
Others	39,298	1.75%	20,629	1.35%	90.50%
Total	2,245,431	100.00%	1,525,721	100.00%	47.17%

Management Discussion and Analysis

Infrastructure construction, packaging, healthcare and education accounted for 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 69.87% of the Group's total service charge income in 2013. 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. The Group adjusted the charge rate of some services for these industries and focused on providing service to high quality customers in the industries.

2.2.3 Revenue from Trading and Other Segments

Revenue from trading and other segments of the Group for 2013 (before business taxes and surcharges) decreased by 28.02% from RMB797,111,000 for 2012 to RMB573,800,000 for 2013, accounting for 7.12% of the total revenue (before business taxes and surcharges), representing 4.86 percentage points lower than 11.98% as compared to the previous year. This was attributable to the Group's prudent promotion of trading businesses with low profit margin and a decline in trading revenue of machinery, packaging, electronic information and medical engineering for the corresponding period of the previous year.

The table below sets forth the Group's revenue from the trading and other segments (before business taxes and surcharges) by business segment during the indicated period:

For the year ended 31 December

	2013		2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Revenue from trading	171,040	29.81%	566,851	71.11%	-69.83%
Revenue from brokerage	191,198	33.32%	118,864	14.91%	60.85%
Revenue from construction contracts	26,166	4.56%	53,509	6.71%	-51.10%
Revenue from operating lease	176,854	30.82%	57,887	7.27%	205.52%
Revenue from other businesses	8,542	1.49%	–	–	N/A
Total	573,800	100.00%	797,111	100.00%	-28.02%

In 2013, revenue from trading was RMB171,040,000 (before business taxes and surcharges), representing a decrease of RMB395,811,000 or 69.83% from 2012 as a result of the decline in the Group's machine tool equipment agency sales from the auto spare part customers of the machinery industry, the trading business such as paper trading of the packaging industry and the equipment agency sales from the electronic manufacturing customers of electronic information industry. Revenue from brokerage was RMB191,198,000 (before business taxes and surcharges), representing an increase of RMB72,334,000 or 60.85% from 2012 mainly due to the further expansion in the ship chartering business and the income from brokerage services of the sale and purchase of ships. The construction contracts of the Group achieved revenue (before business taxes and surcharges) of RMB26,166,000, representing a decrease of RMB27,343,000 or 51.10% from 2012 mainly due to the decrease of new construction contracts of medical engineering. The Group's operating leasing business experienced a rapid growth in 2013, and realised revenue (before business taxes and surcharges) of RMB176,854,000, representing an increase of RMB118,967,000 or 205.52% from 2012. Revenue from other businesses (before business taxes and surcharges) amounted to RMB8,542,000, which mainly comprised the revenue generated from the Group's newly expanded hospital management service in 2013.

Management Discussion and Analysis

2.3. Cost of Sales

Cost of sales of the Group in 2013 was RMB2,890,185,000, representing a decrease of 0.63% from RMB2,908,365,000 in the same period of the previous year. This was mainly due to a decrease in the cost of the trading and other segments. Among them, the cost of the leasing and advisory segment was RMB2,464,876,000, accounting for 85.28% of the total costs. The cost of trading and other segments was RMB425,309,000, accounting for 14.72% of the total costs.

The table below sets forth the composition and the changes of Group's cost of sales by business segment in the indicated period.

For the year ended 31 December

	2013		2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Cost of the leasing and advisory segment	2,464,876	85.28%	2,208,405	75.93%	11.61%
Cost of trading and other segments	425,309	14.72%	699,960	24.07%	-39.24%
Cost of sales	2,890,185	100.00%	2,908,365	100.00%	-0.63%

2.3.1 Cost of the Leasing and Advisory Segment

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

The following table sets forth the average balance of the interest-bearing liabilities of the Group, the interest expense of the Group and the average cost of the Group in the indicated period.

For the year ended 31 December

	2013			2012		
	Average balance(1) RMB'000	Interest expense RMB'000	Average cost rate(2) % of total	Average balance(1) RMB'000	Interest expense RMB'000	Average cost rate(2) % of total
Interest-bearing liabilities	52,370,473	2,464,876	4.71%	38,829,932	2,208,405	5.69%

Notes:

(1) Calculated as the average balance of the interest-bearing liabilities at the beginning, middle and end of the year.

(2) Calculated by dividing interest expense by the average balance of interest-bearing liabilities.

Management Discussion and Analysis

The cost of sales of financial leasing increased by 11.61% from RMB2,208,405,000 for 2012 to RMB2,464,876,000 for 2013. The average cost rate of the Group was 4.71% in 2013, representing a decrease of 0.98% from 5.69% in 2012. It's mainly due to the fact that:

(i) against the external market with low interest rate, the Group took full use of its own advantages to promote U.S. dollars financing, so as to further reduce the overall finance costs of the Company.

(ii) while making a good progress in direct financing, the Group, through increasing the contribution to MTN, successfully issued a number of bonds, which reflected that we are able to issue bonds on an on-going basis, thus reduced the cost of capital effectively.

(iii) on the basis of the liquidity safety, the Group reduced the cost of capital effectively through various measures including optimizing financing maturity structure. In 2014, the Group will adhere to the strategy of "resources globalization" to proactively leverage the rating advantage, diversify domestic and overseas financing measures and continuingly optimize liability structure while reducing financing cost.

(iv) the deductible tax rate of interest expense of the Group increased from 5% to 17% due to the introduction of the pilot reform of transformation of business tax into value-added tax in Shanghai on 1 January 2012. In 2013, with the increase of number of loan contracts under value-added tax system, the impact brought by the abovementioned tax transformation will be gradually reflected in the Group's results for the year.

2.3.2 Cost of Trading and Other Segments

The cost of sales of the trading and other segments of the Group is primarily derived from the cost of goods sold for trading business of the Group, cost of charter business, cost of construction business and cost of operating lease.

The following table sets forth the cost of trading and other segments of the Group by business type of the period indicated.

	For the year ended 31 December				
	2013		2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Cost of trading	161,371	37.94%	555,592	79.38%	-70.96%
Cost of brokerage	158,502	37.27%	83,579	11.94%	89.64%
Cost of construction contracts	23,996	5.65%	39,939	5.70%	-39.92%
Cost of operating lease	79,170	18.61%	20,850	2.98%	279.71%
Cost of other businesses	2,270	0.53%	–	–	N/A
Total	425,309	100.00%	699,960	100.00%	-39.24%

Management Discussion and Analysis

Cost of goods sold for trading business of the Group decreased by 70.96% to RMB161,371,000 in 2013 from RMB555,592,000 in 2012, primarily due to a decrease in the aggregate value of trade transactions in machinery, packaging and electronic information for 2013, which resulted in a decrease in the cost of sales relating to the trading business of the Group's machinery, packaging and electronic information. Cost of brokerage of the Group increased by 89.64% to RMB158,502,000 in 2013 from RMB83,579,000 for 2012, mainly due to an increase in cost caused by the increase of the ship chartering business. The cost of construction contracts reduced by 39.92% to RMB23,996,000 for 2013 from RMB39,939,000 for 2012, mainly due to a decrease of cost of construction contracts of medical engineering caused by the drop in new construction contracts of medical engineering. In addition, cost of operating lease of infrastructure construction increased by 279.71% to RMB79,170,000 in 2013 from RMB20,850,000 in 2012. Cost of other businesses of the Group amounted to RMB2,270,000, which mainly comprised the cost of hospital management service.

2.4. Gross Profit

The gross profit of the Group in 2013 was RMB5,017,916,000, which increased by RMB1,439,886,000 or 40.24% from RMB3,578,030,000 in 2012. During 2013 and 2012, the gross profit margin of the Group was 63.45% and 55.16%, respectively.

2.4.1 Gross Profit of Lease and Services Segment

The gross profit margin of the lease and services segment of the Group in 2013 increased to 67.09% from 62.31% in the previous year. The gross profit margin of lease and services segment was affected by the change of net interest income and net interest 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		
	2013 RMB'000	2012 RMB'000	Change %
Interest income[1]	5,243,805	4,333,589	21.00%
Interest expense[2]	2,464,876	2,208,405	11.61%
Net interest income	2,778,929	2,125,184	30.76%
Net interest spread[3]	2.87%	3.02%	-4.97%
Net interest margin[4]	4.02%	4.27%	-5.85%

Notes:

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

(2) Interest expense is the cost of sales for the financial leasing and factoring 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 rate 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.

Management Discussion and Analysis

Net interest spread of the Group for 2013 decreased by 0.15 percentage point to 2.87% as compared with 3.02% in the same period of the previous year. This decrease was primarily due to the decrease of 113 basis points in the average yield on interest-earning assets of the Group, which was partially offset by the decrease of 98 basis points in the average cost on interest-bearing liabilities of the Group. For the changes in respect of the average yield on interest-earning assets and average cost rate on interest-bearing borrowings, please refer to paragraphs 2.2.1 and 2.3.1 of this section. At the same time, the total average balance of interest-earning assets of our Group in 2013 increased by 39.11%. As such, the net interest income of the Group increased by 30.76% to RMB2,778,929,000 for 2013 from RMB2,125,184,000 for 2012. On the basis of the above-mentioned reasons, the net interest margin of the Group fell slightly from 4.27% for 2012 to 4.02% for 2013.

2.4.2 Gross Profit of Trading and Other Segments

The gross profit of trade and other segments increased by 52.85% from RMB97,151,000 for 2012 to RMB148,491,000 for 2013, primarily due to the increase of the gross profit of the operating lease business and the brokerage business of the transportation industry, which was partly offset by the decrease of the gross profit of the trading business and the medical engineering business. The gross profit of the trading business decreased from RMB11,259,000 for 2012 to RMB9,669,000 for 2013. The gross profit of the brokerage business went up from RMB35,285,000 for 2012 to RMB32,696,000 for 2013. The gross profit of the construction business decreased from RMB13,570,000 for 2012 to RMB2,170,000 for 2013. The gross profit of the operating lease business rose from RMB37,037,000 for 2012 to RMB97,684,000 for 2013. The gross profit of other businesses was RMB6,272,000 for 2013.

2.5. Other Income and Gains

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

	For the year ended 31 December		
	2013 RMB'000	2012 RMB'000	Change %
Bank interest income	34,675	48,425	-28.39%
Foreign exchange gain	157,522	–	N/A
Gain from structured financial products	4,989	5,850	-14.72%
Gain from disposing subsidiaries	–	50	-100.00%
Government grants	77,636	62,937	23.36%
Other income	3,637	2,583	40.81%
Total	278,459	119,845	132.35%

Management Discussion and Analysis

In 2013, the Group's other income and gains amounted to RMB278,459,000, representing an increase of 132.35% from the previous year, mainly reflecting the impact of change in exchange rate. Foreign exchange gain for 2013 amounted to RMB157,522,000 (2012: foreign exchange loss of RMB10,716,000). Government grants mainly comprised the rebated value-added tax realized under the instant rebate of value-added tax policy which the Group is entitled to enjoy pursuant to the Document No. 111 [2011] of the Ministry of Finance and the special support fund the Group applied for in respect of the additional tax due to the transformation of business tax into value-added tax under the Document No. 5 [2012] of the Ministry of Finance.

2.6. Selling and Distribution Costs

Selling and distribution costs of the Group in 2013 amounted to RMB1,124,955,000, which increased by RMB421,812,000 or 59.99% as compared to the same period of the previous year, mainly attributable to the increase of 70.27% 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 sales and distribution personnel of the Group from 1,120 in 2012 to 1,503 in 2013. This increase in headcount for sales and distribution personnel was necessary for the expansion of the Group's business operations. Similarly, the increase in staff and business volume also resulted in an increase in our travel expenses, which increased by 14.55%.

2.7. Administrative Expenses

Administrative expenses of the Group in 2013 were RMB1,294,330,000, representing an increase of RMB430,695,000 or 49.87% from the previous year. The increase in administrative expenses was mainly due to: (i) the increase in expenses relating to the impairment of loans and accounts receivable (impairment of loans and accounts receivable for 2013 amounted to RMB534,616,000, representing an increase of RMB183,589,000 or 52.30% from the previous year); (ii) the increase in office expenses resulting from the business expansion (rental expenses of the Group for 2013 amounted to RMB82,577,000, representing an increase of RMB16,546,000 or 25.06% from the previous year); (iii) the increase in the headcount of full-time staff (the cost regarding the remuneration and welfare of staff relating to the administrative expenses rose accordingly by 69.35%). The total headcount of full-time staff of the Group increased from 1,817 in 2012 to 3,250 in 2013.

Management Discussion and Analysis

2.7.1. Impairment of Loans and Accounts Receivable

The impairment of loans and accounts receivable of the Group in 2013 was RMB534,616,000, which increased by RMB183,589,000 or 52.30% from the previous year. This was primarily due to an increase of 40.21% in the net interest-earning assets by the end of 2013 as compared with the same period of 2012. 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 indicated period.

	For the year ended 31 December				
	2013		2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Impairment of loans and accounts receivable:					
Individual assessment	133,888	25.04%	113,194	32.25%	18.28%
Collective assessment	400,728	74.96%	237,833	67.75%	68.49%
Total	534,616	100.00%	351,027	100.00%	52.30%

2.7.2. Cost to income ratio

Cost to income ratio of the Group in 2013 was 37.56%, which was an increase from 33.98% of the previous year. It was mainly due to the labour cost accounting for approximately 70.65% of the operating cost. The total labour cost increased by 69.72% as a result of an increase in the headcount of the staff for the year.

2.8. Other Expenses

Other expenses of the Group for 2013 amounted to RMB282,972,000, representing an increase of RMB230,033,000 from the previous year. Among others, amount of RMB148,305,000 was the value-added tax and surcharges paid for the sale-leaseback principal of financing lease affected by the abovementioned document Caishui No.37 [2013].

2.9. Income Tax Expense

Income tax expense of the Group in 2013 was RMB684,668,000, which increased by RMB126,016,000 or 22.56% from 2012. The increase was primarily due to an increase in the operating profit of the Group during the relevant period. Effective tax rate of the Group for 2013 and 2012 was 26.33% and 26.91%, respectively.

2.10. Profit for the Period Attributable to Owners of the Parent

Based on the above discussion and analysis, profit for the period attributable to owners of the parent was RMB1,912,744,000, which increased by RMB394,167,000 or 25.96% from the previous year. Net profit margin of the Group increased to 24.23% in 2013 from 23.39% in the previous year.

Management Discussion and Analysis

3. Analysis of Financial Position

3.1. Assets (Overview)

As at 31 December 2013, the total assets of the Group increased by RMB25,942,597,000 or 42.83% from the end of the previous year to RMB86,512,872,000. Loans and accounts receivable increased by RMB22,851,864,000 or 40.21% from the end of the previous year to RMB79,687,020,000.

As at 31 December 2013, the cash and cash equivalents of the Group increased by 77.91% from the end of the previous year to RMB2,673,476,000. The increase was primarily because the Group started to reserve relatively sufficient cash in response to the credit crunch in the domestic market, so as to sustain the business development and ensure the capital liquidity safety of the Group.

As at 31 December 2013, the restricted deposits of the Group amounted to RMB463,129,000, which mainly comprised the restricted security deposits and time deposits held in banks over three months.

The following table sets forth the analysis of the assets as of the dates indicated.

	31 December 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Loans and accounts receivable	79,687,020	92.12%	56,835,156	93.83%	40.21%
Including: Net lease receivables	78,587,147	98.62%	56,809,962	99.96%	38.33%
Cash and cash equivalents	2,673,476	3.09%	1,502,698	2.48%	77.91%
Restricted deposits	463,129	0.54%	676,251	1.12%	-31.52%
Prepayment and other accounts receivable	949,681	1.10%	763,697	1.26%	24.35%
Deferred tax assets	583,953	0.67%	264,277	0.44%	120.96%
Property, plant and equipment	964,053	1.11%	355,470	0.59%	171.21%
Repaid land lease payments	973,847	1.13%	–	–	N/A
Investment in associates	80,643	0.09%	–	–	N/A
Derivative financial instruments	968	0.00%	998	0.00%	-3.01%
Inventories	27,461	0.03%	54,683	0.09%	-49.78%
Construction contracts	53,951	0.06%	80,479	0.13%	-32.96%
Other assets	54,690	0.06%	36,566	0.06%	49.57%
Total assets	86,512,872	100%	60,570,275	100%	42.83%

Management Discussion and Analysis

3.2. Loans and Accounts Receivable

The main components of assets of the Group were loans and accounts receivable, accounting for 92.12% of the total assets of the Group as of 31 December 2013. Against the external operating condition with ongoing increase of uncertainty, the Group, in adherence to the existing operating strategy and corresponding management approach and with the direction of main industry as the base and relatively well-managed customers as the target, implemented ongoing and stable expansion of the financial leasing business and increased staff of sales and market promotion on a basis of the Group's effective risk control so as to maintain stable growth in both the number of customers served and the number of new lease contracts entered into by the Group and keep the net lease receivables increase steadily.

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

	31 December 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Lease receivables	88,630,514		64,933,193		36.49%
Less: Unearned finance income	(10,043,367)		(8,123,231)		23.64%
Net lease receivables	78,587,147	96.89%	56,809,962	98.40%	38.33%
Other net interest-earning assets(1)	2,158,609	2.66%	777,248	1.35%	177.72%
Subtotal for interest-earning assets	80,745,756	99.55%	57,587,210	99.74%	40.21%
Others(2)	364,180	0.45%	148,937	0.26%	144.52%
Loans and accounts receivable(3)	81,109,936	100.00%	57,736,147	100.00%	40.48%

Notes:

(1) Other interest-earning assets include entrusted loans, long term receivables and factoring receivables, as well as their respective interest accrued but not received.

(2) Others include notes receivables and accounts receivables.

(3) The amount is before provisions.

Loans and accounts receivable of the Group (before provisions) as of 31 December 2013 amounted to RMB81,109,936,000, representing an increase of 40.48% from RMB57,736,147,000 as of 31 December 2012. Net lease receivables (before provisions) were the most significant component of loans and accounts receivable, accounting for 96.89% of loans and accounts receivable (before provisions) as of 31 December 2013.

3.2.1. Interest-earning Assets

Net interest-earning assets of the Group as of 31 December 2013 were RMB80,745,756,000, representing an increase of 40.21% as compared with RMB57,587,210,000 as of 31 December 2012. The increase was due to a steady increase in both the number of customers served and the number of new contracts entered into by the Group, as a result of the continuous expansion of financial leasing and factoring business of the Group on a basis of the Group's effective risk control in 2013.

Management Discussion and Analysis

3.2.2 Net Interest-earning Assets by industry

The following table sets forth net interest-earning assets[1] of the Group by industry as of the dates indicated.

	31 December 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare	17,754,823	21.99%	11,894,281	20.65%	49.27%
Education	12,455,594	15.43%	10,156,000	17.64%	22.64%
Infrastructure construction	12,305,661	15.24%	8,817,241	15.30%	39.56%
Transportation	9,186,527	11.38%	6,565,995	11.40%	39.91%
Packaging	11,675,559	14.46%	8,114,152	14.09%	43.89%
Machinery	6,851,733	8.49%	4,416,957	7.67%	55.12%
Textiles	2,250,497	2.79%	1,233,444	2.14%	82.46%
Electronic information	4,490,853	5.56%	3,024,878	5.25%	48.46%
Others	3,774,509	4.66%	3,364,262	5.86%	12.19%
Total	80,745,756	100.00%	57,587,210	100.00%	40.21%

Notes:

(1) As there is an increase in other interest-earning assets other than lease receivables, relevant figures were disclosed by interest-earning assets for the reporting period so as to reflect the debt conditions of the Group. Figures as at 31 December 2012 have been restated in view to maintain a consistent reporting ways with financial data as at 31 December 2013.

Net interest-earning assets for healthcare, packaging, infrastructure construction and transportation as of 31 December 2013 grew the most among the target industries of the Group, namely by RMB5,860,542,000, RMB3,561,407,000, RMB3,488,420,000 and RMB2,620,532,000, respectively over those as of 31 December 2012, due to the fact that the Group had assigned more dedicated sales and marketing personnel to the above industries. The development of new fragmented markets in other industries slowed down as a result of prudent consideration.

Management Discussion and Analysis

3.2.3 Ageing Analysis of Net Interest-earning Assets

The following table sets forth an aged analysis of net interest-earning assets as of the dates indicated, categorised by the time elapsed since the effective date of the relevant leases, entrusted loans and factoring contracts.

	31 December 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Net interest-earning assets					
Within 1 year	47,299,860	58.58%	31,882,168	55.37%	48.36%
1 to 2 years	20,304,845	25.15%	17,755,167	30.83%	14.36%
2 to 3 years	9,345,441	11.57%	6,295,016	10.93%	48.46%
3 years and beyond	3,795,610	4.70%	1,654,859	2.87%	129.36%
Total	80,745,756	100.00%	57,587,210	100.00%	40.21%

Net interests-earning assets within one year represent net interest-earning assets the Group received, and are still valid as of the end of the year or the end of the period. As of 31 December 2013, net interest-earning assets within one year as set out in the table above represented 58.58% of net interest-earning assets of the Group, which was higher than the level recorded as of the end of the previous year, indicating that the Group remained able to execute and perform new lease contracts steadily.

3.2.4 Maturity Profile of Net Interest-earning Assets

The following table sets forth, as of the dates indicated, the maturity profile of the net interest-earning assets.

	31 December 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Maturity date					
Within 1 year	31,303,641	38.77%	21,818,088	37.89%	43.48%
1 to 2 years	23,016,610	28.50%	17,489,439	30.37%	31.60%
2 to 3 years	15,325,805	18.98%	10,661,487	18.51%	43.75%
3 years and beyond	11,099,700	13.75%	7,618,196	13.23%	45.70%
Total	80,745,756	100.00%	57,587,210	100.00%	40.21%

Management Discussion and Analysis

Net interest-earning assets due within the first year represent net interest-earning assets which the Group will receive within one year of the reporting date indicated. As of 31 December 2013, net interest-earning assets due within one year as set forth in the table above represented 38.77% of the Group's net interest-earning assets as of each of the respective dates, which was slightly higher as compared to the end of the previous 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.

3.2.5 Asset Quality of Net Interest-earning Assets

3.2.5.1 Five-category Net Interest-earning Assets Classification

The Group implements a five-category classification of interest-earning assets 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 interest-earning assets 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 collect ability of principal and interest on our interest-earning assets. Our interest-earning assets classification criteria focus on a number of factors, if applicable; and our asset classifications include:

Pass. There is no reason to doubt that the loan principal and interest will not be paid by the debtor in full and/or on a timely basis. There is no reason whatsoever to suspect that the interest-earning assets will be impaired.

Special mention. Even though the debtor has been able to pay his 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 debtor's property rights and the debtor's management mechanisms, organizational 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 debtor's ability to repay; while taking into consideration the impact of subjective factors, including any change in the debtor's willingness to repay, on the quality of assets, such as if payments have been overdue for 30 days or more, then the interest-earning assets for this contract shall be classified as special mention or lower.

Substandard. The debtor'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 contract. We take into account other factors, for example, if lease payments have been overdue for over three months, then the interest-earning assets for this contract shall be classified as substandard or lower.

Management Discussion and Analysis

Doubtful. The debtor's ability to pay is in question as it is unable to make 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 contract. We take into account other factors, for example, if payments have been overdue for over six months, the interest-earning assets for this contract shall be classified as doubtful or lower.

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

Asset management measures

With the changes in the economic environment at home and abroad and the advancement of domestic industrialization, China's economy growth has slowed down as compared to the fast-growing mode in the past with GDP growth declining. In particular, small and medium-sized enterprises are still facing sluggish demand. The operating environment faced by our customers did not turned around. There were challenges in the safety of present stock assets. The Group continued to optimise its asset management system, strengthen its asset process monitoring, and intensify risk asset disposal so as to keep the quality of our assets stable and under control on the whole during the reporting period.

Establishing a two-tier risk management system, promoting the customer-centered risk evaluation system and implementing the evaluation system on risk management indicators

In 2013, the Group made great efforts in setting up a two-tier management system at headquarters level and business segment level which combined on-site management, regular management and professional management under business segment category with headquarters system inspection, quantity management as well as regulations execution and supervision under headquarters category. The Group analyzed its external environment and internal resources, properly subdivided the risk strategies for various niche markets as well as made adjustments according to market change and capital position.

The Group promoted the pilot practice of customer-centered risk evaluation system ranging from individual project assessment to overall quota management for customers. In relatively mature niche markets, the Group, by integrating and analyzing historical data and granting credit on single project and employing advanced management technologies including IT, adopted a comprehensive risk management system based on customers' credit records, current situations and potential demands.

While establishing and strengthening the culture of risk management, the Group implemented the evaluation system on risk management indicators and combined the Group's goal with business segment targets and even individual objectives to set up an evaluation system that is able to deal with issues whose causes can be individually and collectively attributed to areas including business, approval and assets management.

Management Discussion and Analysis

Intensifying asset process monitoring to promote the effectiveness of asset process monitoring

In 2013, the Group continued to optimise our asset management system and adjusted our asset management system in accordance with the management concept of "close to assets, close to customers". The asset management system explicitly included customer managers into the main responsible body of the system and brought into force the life responsibility for project assets security according to the principle of 'who initiates, who takes duty'. Moreover, relevant regulations were enforced to raise managers' awareness towards assets security so as to guarantee the safety of the Group's assets from their initial stage. As the Group vigorously promoting the return visit to customers in 2013, the imbalance between the rapid expansion of the Group's business scale and the number of insufficient staff was eased to a certain extent. The Group strengthened its control on the safety of the Group's stock assets by utilizing the resources of monitoring process by customer managers. Besides, assets management staff focused more on key customers and improved their efficiency when dealing with top-priority programs. The assets management headquarters enhanced its control on assets transactions by tracking unusual transfers and conducting on-site random inspections to better improve the Group's compliance work of process management on assets.

In order to ensure the safety of our assets and operation, we organised and launched asset screening action for private sector assets in 2013. Through these special screening actions for key customers, we were able to get a better understanding of the degree of the impact which the changes in macroeconomic environment that may have on clients' business on a timely basis. This allowed us to evaluate the security of the present stock assets systemically, which helped the Group to take effective measures when dealing with the cases from highly-risky regions and industries or individual customers.

Optimising rental management methods to promote the effectiveness of control and management

In respect of rent paying remainder, we classified our customers into different tiers based on their paying records. This not only increases customers' satisfaction, but also helps us have a better control on rent covering from specific customers. Meanwhile, the Group continued to optimise its rent management system by improving the working procedures for customers who want to engage in leasing business with the Group so as to further boost its efficiency to handle initial procedures regarding leasing business for customers. The Group also unified the interactive interface by optimizing the procedures of writing off receivables and coordinating the management of early payment and rent collection.

Management Discussion and Analysis

Increased risk management methods to step up efforts to dispose of risk assets

During 2013, the Group stepped up efforts to dispose of risk assets through various means of disposal such as litigation and mediation, enforcement or disposal of leasing assets, thereby effectively mitigating the risks. In 2013, the Group disposed of 50 risk assets with 35 customers through litigation, with a recovery rate of 96.55%.

The following table sets forth the five-category interest-earning assets classification as of the dates indicated.

	31 December 2013		31 December 2012		31 December 2011		31 December 2010	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Pass	68,819,144	85.23%	48,334,185	83.94%	34,705,439	83.01%	20,167,646	81.42%
Special mention	11,280,176	13.97%	8,832,505	15.34%	6,856,261	16.40%	4,362,610	17.61%
Substandard	259,905	0.32%	252,665	0.44%	190,606	0.46%	197,411	0.80%
Doubtful	386,531	0.48%	167,421	0.28%	55,686	0.12%	38,873	0.15%
Loss	–	0.00%	434	0.00%	3,006	0.01%	4,345	0.02%
Net interest-earning assets	80,745,756	100.00%	57,587,210	100.00%	41,810,998	100.00%	24,770,885	100.00%
Non-performing assets	646,436		420,520		249,298		240,629	
Non-performing asset ratio	0.80%		0.73%		0.60%		0.97%	

The Group has established prudent asset quality control and adhered to a stringent and conservative asset classification policy. As of 31 December 2013, the Group's assets under special mention accounted for 13.97% of its total amount, representing a slight decrease as compared with 15.34% as of the end of the previous year. In particular, assets under special mention in the transportation industry accounted for the largest portion at 26.65%, which was mainly attributed to the overcapacity in shipping industry, which was not expected to be addressed in the short run. Moreover, the imbalance between demand and supply has not been resolved significantly, even though the shipping market saw some recovery in 2013. The increased freight rate in the short term cannot help ease the pressure facing capital-strapped ship owners. So the Group prudently reclassified more assets in this sector as assets under special mention, as the Group paid close attention to the systematic risks of such industry. Assets under special mention in other industries accounted for the second largest portion at 14.99%, mainly because of the exploration of new industries by the Group. Although the clients in this area ran business steadily and thus were financially creditable, given the short period of time since the Group has tapped into the market, it did not have systematic knowledge about this industry, so the Group conservatively reclassified assets in this area under special mention, as the Group paid close attention to the systematic risks of such industry. The assets under special mention for the medical industry accounted for the third largest portion at 11.70%, mainly because the large investment of the infrastructure of medical segment with long establishment time and high debts. The Group prudently kept this asset class under ongoing supervision. The assets under special mention for the packaging industry accounted for the fourth largest portion at 10.91%, mainly because the packaging industry had the overcapacity issue and was impacted by market conditions. Taking into account the ongoing macro environment and the industry risks, the Group prudently reclassified more assets in this sector as assets under special mention.

Management Discussion and Analysis

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

	31 December 2013		31 December 2012		31 December 2011		31 December 2010	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	1,319,246	11.70%	641,070	7.26%	403,832	5.89%	403,408	9.25%
Education	893,569	7.91%	1,591,140	18.00%	1,089,993	15.90%	1,006,356	23.07%
Infrastructure construction	993,563	8.81%	765,693	8.67%	1,323,122	19.30%	677,384	15.53%
Transportation	3,005,841	26.65%	1,462,367	16.56%	761,518	11.11%	437,835	10.04%
Packaging	1,230,813	10.91%	1,217,311	13.78%	337,457	4.92%	218,392	5.01%
Machinery	997,917	8.85%	648,344	7.34%	509,538	7.43%	170,867	3.92%
Textiles	78,540	0.70%	169,256	1.91%	27,911	0.41%	–	0.00%
Electronic information	1,069,806	9.48%	604,410	6.84%	290,159	4.23%	82,042	1.88%
Others	1,690,881	14.99%	1,732,914	19.62%	2,112,731	30.81%	1,366,326	31.30%
Total	11,280,176	100.00%	8,832,505	100.00%	6,856,261	100.00%	4,362,610	100.00%

Based on the Group's historical migration, the proportion of reclassifying the Group's assets under special mention at the beginning of the year as non-performing assets as at the end of the year is low. The quality of the Group's assets under special mention is well maintained.

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
	As at 31 December 2013 (Unaudited)				
Special mention	15.55%	40.77%	0.22%	0.39%	0.00%
	As at 31 December 2012 (Unaudited)				
Special mention	20.88%	49.63%	1.22%	0.17%	0.00%
	As at 31 December 2011 (Unaudited)				
Special mention	16.41%	49.24%	1.26%	0.44%	0.00%
	As at 31 December 2010 (Unaudited)				
Special mention	32.87%	32.18%	1.43%	0.84%	0.00%

Management Discussion and Analysis

The Group's asset quality remained favorable. The non-performing asset ratio slightly increased from 0.73% from the end of the previous year to 0.80% as of 31 December 2013. The Group's write-off amount of non-performing assets was RMB10,389,000. The write-off ratio of non-performing assets was 2.47%.

The non-performing asset ratio for the transportation industry to total non-performing assets was 32.88%, mainly because the overseas and domestic shipping market were volatile and the trend of freight rate remained unexpected, worsen, the dry bulk business were affected severely. The Group prudently reclassified the assets of the segments into substandard assets and doubtful assets. The non-performing asset ratio for the packaging industry to total non-performing assets was 30.73%, primarily because most of the business owners in offset printing industry were medium and small private owners, therefore they did not stand a big chance when dealing with risks, and they were also susceptible to macroeconomic changes. As a result, the Group prudently reclassified more assets of this segment into substandard and doubtful assets. The non-performing assets of the infrastructure construction industry accounted for 13.76% of the total non-performing assets, mainly because some sub-areas in this industry, such as infrastructure, vertical lifting and steel structure were impacted by industry policies and domestic market, so considering the relatively high risk, the Group prudently reclassified more assets of the infrastructure industry into substandard and doubtful assets. The non-performing assets of the machinery industry accounted for 12.57% of the total non-performing assets, mainly because the industry were affected by its market, and the business owners in sub-segments including engineering machinery, machine tools and general spare parts saw great decrease in revenue and profit. So the Group prudently reclassified more assets of the machinery industry into substandard and doubtful assets.

The following table sets forth the analysis on the Group's non-performing assets by industries for the dates indicated.

	31 December 2013		31 December 2012		31 December 2011		31 December 2010	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	5,921	0.91%	16,307	3.88%	9,868	3.97%	17,419	7.24%
Education	8,071	1.25%	16,736	3.98%	19,126	7.67%	7,037	2.92%
Infrastructure construction	88,931	13.76%	80,821	19.22%	61,515	24.67%	24,008	8.98%
Transportation	212,565	32.88%	124,686	29.65%	94,217	37.79%	124,145	51.59%
Packaging	198,641	30.73%	83,287	19.81%	46,282	18.56%	68,020	28.27%
Machinery	81,259	12.57%	56,448	13.41%	18,290	7.34%	–	–
Textiles	19,788	3.06%	5,923	1.41%	–	–	–	–
Electronic information	31,260	4.84%	36,312	8.64%	–	–	–	–
Others	–	0.00%	–	0.00%	–	–	–	–
Total	646,436	100.00%	420,520	100.00%	249,298	100.00%	240,629	100.00%

Management Discussion and Analysis

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

	31 December 2013		31 December 2012		31 December 2011		31 December 2010	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	–	0.00%	2,828	1.12%	9,868	5.18%	10,664	5.40%
Education	–	0.00%	5,349	2.12%	8,573	4.50%	7,037	3.56%
Infrastructure construction	22,086	8.50%	22,556	8.93%	53,568	28.10%	24,008	12.16%
Transportation	108,819	41.87%	118,061	46.73%	94,217	49.44%	124,145	62.89%
Packaging	100,492	38.66%	47,117	18.65%	18,918	9.92%	31,557	15.99%
Machinery	21,855	8.41%	34,748	13.75%	5,462	2.86%	–	–
Textiles	3,949	1.52%	–	0.00%	–	–	–	–
Electronic information	2,704	1.04%	22,006	8.70%	–	–	–	–
Others	–	0.00%	–	0.00%	–	–	–	–
Total	259,905	100.00%	252,665	100.00%	190,606	100.00%	197,411	100.00%

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

	31 December 2013		31 December 2012		31 December 2011		31 December 2010	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	5,921	1.53%	13,479	8.05%	–	–	5,430	13.97%
Education	8,071	2.09%	11,387	6.80%	10,553	18.95%	–	–
Infrastructure construction	66,845	17.29%	58,265	34.80%	7,947	14.27%	–	–
Transportation	103,746	26.84%	6,625	3.97%	–	–	–	–
Packaging	98,149	25.39%	35,736	21.34%	24,358	43.74%	33,443	86.03%
Machinery	59,404	15.37%	21,700	12.96%	12,828	23.04%	–	–
Textiles	15,839	4.10%	5,923	3.54%	–	–	–	–
Electronic information	28,556	7.39%	14,306	8.54%	–	–	–	–
Others	–	0.00%	–	0.00%	–	–	–	–
Total	386,531	100.00%	167,421	100.00%	55,686	100.00%	38,873	100.00%

Management Discussion and Analysis

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

	31 December 2013		31 December 2012		31 December 2011		31 December 2010	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	–	–	–	–	–	–	1,325	30.49%
Education	–	–	–	–	–	–	–	–
Infrastructure construction	–	–	–	–	–	–	–	–
Transportation	–	–	–	–	–	–	–	–
Packaging	–	–	434	100.00%	3,006	100.00%	3,020	69.51%
Machinery	–	–	–	–	–	–	–	–
Textiles	–	–	–	–	–	–	–	–
Electronic information	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–
Total	–	–	434	100.00%	3,006	100.00%	4,345	100.00%

Management Discussion and Analysis

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

	Amount RMB'000	NPA ratio %
31 December 2010	**240,629**	**0.97%**
Downgrades[(1)]	127,645	
Upgrades	-13,025	
Recoveries	-105,951	
Write-offs	–	
31 December 2011	**249,298**	**0.59%**
Downgrades[(1)]	361,853	
Upgrades	-2,638	
Recoveries	-187,993	
Write-offs	–	
31 December 2012	**420,520**	**0.73%**
Downgrades[(1)]	469,784	
Upgrades	-74,095	
Recoveries	-159,384	
Write-offs	-10,389	
31 December 2013	**646,436**	**0.80%**

Note:

(1) Represents downgrades of interest-earning assets classified as normal or special mention at the end of prior year and interest-earning assets newly reclassified in the current year to non-performing categories.

Management Discussion and Analysis

3.2.5.2 Interest-earning assets provisions

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

	31 December 2013		31 December 2012		31 December 2011		31 December 2010	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Asset impairment provisions:								
Individual assessment	312,024	22.02%	189,891	21.11%	75,844	13.93%	59,141	20.45%
Collective assessment	1,104,872	77.98%	709,470	78.89%	468,573	86.07%	230,046	79.55%
Total	1,416,896	100.00%	899,361	100.00%	544,417	100.00%	289,187	100.00%
Non-performing assets	646,436		420,520		249,298		240,629	
Provision coverage ratio	219.19%		213.87%		218.38%		120.18%	

As of 31 December 2013, 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, carried on the relatively prudent provision policy of the Group and increased the provision for asset impairment. Accordingly, the provision coverage ratio of the Group was 219.19% as of 31 December 2013.

3.2.5.3 Write-offs of Interest-earning assets

The following table sets forth the write-offs of interest-earning assets as of the dates indicated.

	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000	31 December 2010 RMB'000
Write-off	10,389	–	–	232
Non-performing assets as at the end of the previous year	420,520	249,298	240,629	161,317
Write-off ratio (1)	2.47%	0.00%	0.00%	0.14%

Note:

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

Management Discussion and Analysis

In 2013, the Group wrote off the bad debts incurred in connection with three projects of its packaging sector and machinery sector in an aggregate amount of RMB10,389,000, the two major of which are set out as follows:

Project I is a project in machinery industry leased from 2011, for which the write-off amount in this year was RMB9,955,000. The Group decided to offer credit to the tenant on the basis that it has strong core competitiveness for its extensive experience and proprietary technology in the industry and its beneficial controller has operated business for years in Shenzhen which will lead to a high cost of default. Subsequently, the tenant invested money in the establishment of a new factory in Chengdu which was regarded as a key investment attracting project by local government. The local government had undertook to invest RMB50,000,000 to back the development of this project, but did not provide the relevant support funds in a timely manner, as a result, the tenant suffered from capital chain rupture and fell into bankruptcy proceedings. The Group preserved the assets and leased equipment of the tenant immediately, but still recognised losses for the project after making a comprehensive judgment from the impediment in dealing with this case due to certain factors including bankruptcy reorganization and offsite auction of properties. As such, the Group wrote off the bad debts in connection with the risk assets amounting to RMB9,955,000, and will continue to recover the relevant payments from the tenant in the future.

Project II is a project in packaging industry leased from 2008, for which the write-off amount in this year was RMB400,000. The tenant was alleged to illegally absorb deposits from the public. Its beneficial controller was arrested and all of its assets were impounded. The Group filed a suit in September 2008. The final realised value of the leased item was reduced and unable to fully recover the balance of the principal of the project as the Group's litigation was delayed for a long time due to the tenant's involvement in other lawsuits. The Group wrote off the loss as non-performing assets.

3.2.5.4 Status of Interest-earning Assets (Over 30 Days)

The following table sets forth status of interest-earning assets (over 30 days) as of the dates indicated.

	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000	31 December 2010 RMB'000
Overdue ratio (over 30 days)	0.45%	0.30%	0.08%	0.14%

As a result of the Group's stringent risk management controls and our management of assets quality, the Group's overdue ratio (over 30 days) was 0.45% as of 31 December 2013, slightly increased as compared with 0.30% as of the end of 2012.

Management Discussion and Analysis

The following table sets forth status of interest-earning assets (over 30 days) by industry as of the dates indicated.

	31 December 2013		31 December 2012	
	RMB'000	% of total	RMB'000	% of total
Healthcare	7,515	2.08%	1,710	1.01%
Education	6,885	1.90%	11,743	6.91%
Infrastructure construction	57,774	15.99%	43,111	25.37%
Transportation	104,337	28.88%	1,923	1.12%
Packaging	108,408	30.00%	35,927	21.16%
Machinery	52,238	14.46%	39,505	23.25%
Textiles	6,152	1.70%	3,906	2.30%
Electronic information	18,023	4.99%	32,107	18.88%
Others	–	0.00%	–	0.00%
Total	361,332	100.00%	169,932	100.00%

Although the Group's overdue ratio (over 30 days) slightly increased as of the end of 2013, the Group adhered to stringent policy on classification and management of asset quality. As a result, most of the interest-earning assets (over 30 days) were reflected in the non-performing assets and the overall asset quality of the Group continued to be favourable.

The following table sets forth the classification of interest-earning assets (over 30 days) as of the dates indicated.

	31 December 2013		31 December 2012	
	RMB'000	% of total	RMB'000	% of total
Special mention	2,167	0.60%	569	0.33%
Substandard	86,911	24.05%	56,717	33.38%
Doubtful	272,254	75.35%	112,646	66.29%
Loss	–	0.00%	–	0.00%
Total	361,332	100.00%	169,932	100.00%

Management Discussion and Analysis

3.3. Liabilities (Overview)

As at 31 December 2013, total liabilities of the Group was RMB72,348,002,000, representing an increase of RMB24,633,173,000 or 51.63% as compared to the end of last year. Interest-bearing bank and other borrowings was the main component of the Group's liabilities, accounting for 78.17% of the total.

The following table sets forth the analysis of the liabilities as of the dates indicated.

	31 December 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Interest-bearing bank and other borrowings	56,554,478	78.17%	36,751,959	77.02%	53.88%
Other payables and accruals	12,495,590	17.27%	8,345,437	17.49%	49.73%
Trade and bills payables	2,299,346	3.18%	2,190,895	4.59%	4.95%
Tax Payable	603,297	0.83%	251,515	0.53%	139.87%
Derivative financial instruments	66,818	0.09%	7,223	0.02%	825.07%
Deferred tax liabilities	124,482	0.18%	92,093	0.19%	35.17%
Deferred income	203,991	0.28%	75,707	0.16%	169.45%
Total Liabilities	72,348,002	100.00%	47,714,829	100.00%	51.63%

3.4. Interest-bearing Bank and Other Borrowings

In 2013, facing the complex financial environment at home and overseas, the Group adhered to the established strategy of "resources globalisation", processed smoothly in both indirect financing and direct financing with debentures structure in a better shape and dramatic reduction in financing cost.

Within the marketplace of direct financing, the Group successfully raised the facility in the medium term note programme to US$1.5 billion from US$1.0 billion, and privately placed several bond issues at home and overseas containing US Dollar Bonds, Dim-sum Bonds and ABS, which reflected our diversity of bond issuance methods and sustainability in the issuance capacity.

Within the marketplace of indirect financing, the Group completed its first dual-currency syndicated loan and promoted a number of different types of innovative products such as overseas direct credit showing our outstanding product innovation and access to large-scale financing in the marketplace of indirect financing.

As our financing methods increased with our debt structure in a better shape, the Group reduced our reliability on a single product and a single market. Meanwhile, a significant decline was seen in the Group's financing costs. The Group is confident that with the global financing network as well as resource advantage, the Group can further improve its competitiveness in the liability landscape.

Management Discussion and Analysis

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 2013, the Group's interest-bearing bank and other borrowings amounted to RMB56,554,478,000, representing an increase of 53.88% compared with RMB36,751,959,000 as of the end of last year. This is primarily because the Group increased the amount of bank loans in 2013 in order to support the growth of the Group's lease receivable portfolio as we expanded our business operations. The Group's borrowings were mainly denominated in RMB and US$ with variable interest rates.

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 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Current	27,283,667	48.24%	18,923,921	51.49%	44.18%
Non-current	29,270,811	51.76%	17,828,038	48.51%	64.18%
Total	56,554,478	100.00%	36,751,959	100.00%	53.88%

As of 31 December 2013, the Group's current interest-bearing bank and other borrowings (including short-term loans and portions that are due within one year in long-term loans) as a percentage of the Group's total interest-bearing bank and other borrowings was 48.24%, representing a slightly decrease as compared with 51.49% as of 31 December 2012. In 2013, 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 at the dates indicated, the distribution between secured and unsecured interest-bearing bank and other borrowings.

	31 December 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Secured	19,864,235	35.12%	14,040,750	38.20%	41.48%
Unsecured	36,690,243	64.88%	22,711,209	61.80%	61.55%
Total	56,554,478	100.00%	36,751,959	100.00%	53.88%

The Group carefully managed its funding risk in 2013. As at 31 December 2013, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 64.88% of the Group's total interest-bearing bank and other borrowings, representing a slight increase as compared to the end of the previous year.

Management Discussion and Analysis

The following table sets forth, as at 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 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Bank loans	48,165,951	85.17%	29,264,936	79.63%	64.59%
Related-party borrowings	174,401	0.31%	1,090,718	2.97%	-84.01%
Other loans	8,214,126	14.52%	6,396,305	17.40%	28.42%
Total	56,554,478	100.00%	36,751,959	100.00%	53.88%

As at 31 December 2013, the proportion of the Group's related-party borrowings as a percentage to the Group's total bank and other borrowings decreased as compared to the end of last year as the Group chose to utilise more bank loans and other loans to expand its business.

The following table sets forth, as at the dates indicated, the interest-bearing bank and other borrowings based on the distribution between China and overseas.

	31 December 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
China	35,466,296	62.71%	29,572,303	80.46%	19.93%
Overseas	21,088,182	37.29%	7,179,656	19.54%	193.72%
Total	56,554,478	100.00%	36,751,959	100.00%	53.88%

As at 31 December 2013, the proportion of the Group's total borrowings from banks and other borrowings in China was 62.71%, which shrunk as compared with that at the end of last year as the Group made full use of the cost advantage of offshore funds and chose to utilise more overseas borrowings such as debts issue and syndicated financing to expand the business of the Group.

Management Discussion and Analysis

The following table sets forth, as at the dates indicated, the interest-bearing bank and other borrowings based on the distribution of currencies.

	31 December 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
RMB	41,482,332	73.35%	32,266,088	87.80%	28.56%
US dollars	13,960,236	24.68%	4,473,526	12.17%	212.06%
Borrowings in other currencies	1,111,910	1.97%	12,345	0.03%	8,906.97%
Total	56,554,478	100.00%	36,751,959	100.00%	53.88%

As at 31 December 2013, the proportion of the Group's total bank and other borrowings in RMB was 73.35%, representing a decrease from the end of last year as the Group proactively chose to utilise more borrowings in US dollars and loans in other currencies to expand the Group's business.

The following table sets forth, as at the dates indicated, the interest-bearing bank and other borrowings based on direct and indirect financing.

	31 December 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Direct financing	5,864,095	10.37%	3,441,276	9.36%	70.40%
Indirect financing	50,690,383	89.63%	33,310,683	90.64%	52.17%
Total	56,554,478	100.00%	36,751,959	100.00%	53.88%

As at 31 December 2013, the proportion of the Group's total indirect bank and other borrowings was 89.63%, representing a slight decrease from the end of last year as the Group proactively chose to utilise more direct financing to expand the Group's business.

Management Discussion and Analysis

3.5. Shareholders' equity

As at 31 December 2013, the total equity of the Group was RMB14,164,870,000, representing an increase of RMB1,309,424,000 or 10.19% from the end of last year.

The following table sets forth the analysis of equity as at the dates indicated.

	31 December 2013		31 December 2012		
	RMB'000	% of total	RMB'000	% of total	Change %
Issued share capital	27,570	0.19%	27,570	0.21%	0.00%
Reserve	14,097,772	99.53%	12,816,912	99.70%	9.99%
Non-controlling interests	39,528	0.28%	10,964	0.09%	260.53%
Total Equity	14,164,870	100.00%	12,855,446	100.00%	10.19%

4. Analysis on Cash Flows Statement

	For the year ended 31 December		
	2013 RMB'000	2012 RMB'000	Change %
Net cash flow from operating activities	(16,771,860)	(11,839,565)	41.66%
Net cash flow from investing activities	(1,724,522)	133,146	-1,395.21%
Net cash flow from financing activities	19,674,790	9,040,437	117.63%
Effect of exchange rate changes on cash and cash equivalents	(7,630)	1,487	-613.11%
Net increase/(decrease) in cash and cash equivalents	1,170,778	(2,664,495)	-143.94%

In 2013, the Group had net cash outflow from operating activities in the amount of RMB16,771,860,000 as the Group expanded its business and increased the balance of its interest-earning assets. Correspondingly, the Group increased its bank and other borrowings, which were recorded as cash inflow from financing activities. As a result, net cash inflow from financing activities was RMB19,674,790,000 in 2013. Net cash outflow from investing activities was RMB1,724,522,000 in 2013, which was primarily attributable to the impact of payment for land and equipment. As at 31 December 2013, the Group's cash and cash equivalents amounted to RMB2,673,476,000, which are mainly denominated in RMB, USD and Hong Kong dollars.

Management Discussion and Analysis

5. 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 2013, no change was made to the objectives, policies or processes for managing capital.

5.1. Gearing Ratio

The Group monitors our capital by gearing ratio.

The following table sets forth the gearing ratios as at the dates indicated:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Total assets	86,512,872	60,570,275
Total liabilities	72,348,002	47,714,829
Total equity	14,164,870	12,855,446
Gearing ratio	83.63%	78.78%

In 2013, the Group made full use of capital leverage for our operations to keep the Group's gearing ratio relatively high while at the same time closely managed the Group's gearing ratio to avoid potential liquidity risk. As at 31 December 2013, our gearing ratio, which was maintained at a reasonable level, was 83.63%.

Management Discussion and Analysis

5.2. 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 2013 RMB'000	31 December 2012 RMB'000
Total assets	82,357,521	57,044,276
Less: Cash	2,751,163	1,987,685
Total assets at risk	79,606,358	55,056,591
Equity	13,065,484	11,738,976
Ratio of assets at risk to equity	6.09	4.69

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. As at 31 December 2013, the ratio of assets at risk to equity of International Far Eastern Leasing Co., Ltd. was 6.09, which was in compliance with the ratio of assets at risk to equity requirements of the measures.

6. Capital Expenditures

The Group's capital expenditure was RMB1,751,615,000 in 2013, which was mainly used for expenditures for additions of property, plant and equipment.

On 21 March 2013, the Group, through Far Eastern Leasing Co., Ltd., entered into the state-owned construction land use rights transfer contract with the Shanghai Land Bureau to acquire the land use rights of a piece of land in Shanghai, the PRC at the consideration of RMB949 million. The land acquisition is suitable for the construction of our new headquarters office building to satisfy our daily office use in the future. With the new headquarters office building, the pressure of the Group for leasing offices will be eased and the adverse impact on the Group's operation and development caused by diversified workplaces will be lessened. Also, the expenses on property leasing will be reduced.

7. Risk Management

7.1. 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.

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 re-pricing within the coming year. The effect of the assumed changes in interest rates on profit before tax is the change in profit of the assets relative to the non-interest-bearing assets (non-interest-bearing liabilities and equity) of the Group. The effect on the interest-bearing part is very slight.

	Increase/(decrease) in profit before tax of the Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Change in basis points		
+ 100 basis points	301,473	195,460
- 100 basis points	(301,473)	(195,460)

7.2. 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 and at the same time takes effective measures to lock in the exchange rate to reduce the risk of change in exchange rate in the future.

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$.

Management Discussion and Analysis

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	
Currency	Change in currency rate	31 December 2013 RMB'000	31 December 2012 RMB'000
US dollar	-1%	5,665	4,808

As of 31 December 2013, the Group's net position with financial instruments as hedges accounted for 30% of the total net position.

7.3. 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 maintaining an efficient internal fund transfer mechanism to ensure liquidity of the Group.

The table below summarises the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows.

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
	As of 31 December 2013					
Total financial assets	2,920,459	9,632,448	27,072,135	52,926,569	795,095	93,346,706
Total financial liabilities	126,291	11,614,089	21,993,953	40,116,917	445,959	74,297,209
Net liquidity gap	2,794,168	(1,981,641)	5,078,182	12,809,652	349,136	19,049,497
	As of 31 December 2012					
Total financial assets	1,564,954	6,932,987	20,297,272	39,236,725	714,245	68,746,183
Total financial liabilities	54,548	6,894,714	17,087,587	26,005,052	221,111	50,263,012
Net liquidity gap	1,510,406	38,273	3,209,685	13,231,673	493,134	18,483,171

8. Charge on Group Assets

The Group had lease receivables in the amount of RMB20,699,613,000 and cash in the amount of RMB463,129,000 pledged to the bank as of 31 December 2013 in order to secure or pay the bank borrowings.

9. Material Investments, Acquisitions or Disposals

As of 31 December 2013, the Group had no material investment and there was no material acquisition and disposal of subsidiaries and associated companies.

10.Human Resources

As of 31 December 2013, the Group had 3,250 full-time employees, representing an increase of 1,433 full-time employees compared to 1,817 as at the end of 2012.

During 2013 and 2012, the Group incurred employee benefit expenses of RMB1,331,548,000 and RMB784,532,000, respectively, representing approximately 16.84% and 12.10% 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 54.4% of the Group's employees having bachelor's degrees and above and approximately 31.1% having master's degrees and above as of 31 December 2013.

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 2013, 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.

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

11.1. Contingent liabilities

As of 31 December 2013, two third parties initiated legal proceedings against the Group as defendant.

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Legal proceedings:		
Claimed amounts	614	–

11.2. Capital Commitments and Credit Commitments

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	59,487	36,693
Irrevocable credit Commitments	5,116,140	3,336,325

The Group's irrevocable credit commitments represent leases that have been signed but the term of the lease has not started. The increase in irrevocable credit commitments from 31 December 2012 to 31 December 2013 was primarily due to the expansion of the Group's business during 2013.

Other than 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 the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2013.

Corporate Governance Practices

The Board of the Company has committed to maintaining good corporate governance standards. 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 Board believes that good corporate governance standards are essential in providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Company's corporate governance practices are based on the Principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

During the accounting period for the year ended 31 December 2013, the Company has complied with all the Code Provisions set out in the CG Code, except for Code Provision E.1.2 as explained in the paragraph headed "Communication with shareholders and Investors/Investor Relations" below.

The Company will continue to enhance its corporate governance practices as 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

Director's Securities Transactions

The Company has devised its own code of conduct regarding directors' dealings in the Company's securities (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2013.

The Company has also established written guidelines no less exacting than the required standard set out in the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Corporate Governance Report

Board of Directors

The Board currently comprises 11 members, consisting of 2 executive directors, 5 non-executive directors and 4 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 4. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board of the Company currently 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 De Shu *(Chairman)*
Mr. Yang Lin
Ms. Shi Dai *(resigned with effect from 18 March 2013)*
Mr. Liu Haifeng David
Mr. Kuo Ming-Jian *(appointed with effect from 18 March 2013)*
Mr. John Law

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.

Corporate Governance Report

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Liu De Shu, 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 judgment. 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 and delegated by the Board.

Independent Non-executive Directors

During the year ended 31 December 2013, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent.

Non-executive Directors and Directors' Re-election

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.

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

According to the articles of the Company, each of the directors of the Company as appointed under a general meeting of the Company is appointed for a specific term of 3 years and he/she may serve consecutive terms if re-elected by the Company in general meeting upon the expiration of his/her term. For further details of the re-election of the directors of the Company, please refer to page 79 of the "Directors' Report".

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board make decisions objectively in the interests of the Company.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

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.

All directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, corporate governance, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

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.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Corporate Governance Report

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2013, all directors have participated in appropriate continuous professional development activities by reading materials including regulatory update and seminar handouts or reviewing the papers and circulars sent by the Company. As part of the continuous professional development programme, directors are also encouraged to participate in the various briefings and visits to local management and the Company's facilities, as arranged and funded by the Company with appropriate emphasis on the roles, functions and duties of the directors. Details are as follows:

Directors	Reading Relevant Materials	Attending Seminars/Visiting/ Interviewing Key Management
Executive Directors		
Mr. Kong Fanxing	√	√
Mr. Wang Mingzhe	√	√
Non-Executive Directors		
Mr. Liu De Shu	√	√
Mr. Yang Lin	√	√
Mr. Liu Haifeng David	√	√
Ms. Shi Dai *(resigned with effect from 18 March 2013)*	√	√
Mr. John Law	√	√
Mr. Kuo Ming-Jian *(appointed with effect from 18 March 2013)*	√	√
Independent Non-Executive Director		
Mr. Cai Cunqiang	√	√
Mr. Han Xiaojing	√	√
Mr. Liu Jialin	√	√
Mr. Yip Wai Ming	√	√

Board Committee

The Board has established 3 committees, namely, Audit Committee, Remuneration and Nomination Committee and 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. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4.

Audit Committee

The Audit Committee comprises 2 independent non-executive directors, namely, Mr. Yip Wai Ming (Chairman of the Committee) and Mr. Han Xiaojing, and 1 non-executive director, namely, Mr. John Law. 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

The Audit Committee held 4 meetings during the year ended 31 December 2013 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committee Members" on page 64.

The Audit Committee also met the external auditors 4 times without the presence of the Executive Directors.

The Company's annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee.

Corporate Governance Report

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises 3 members of 2 independent non-executive directors, namely, Mr. Liu Jialin (Chairman of the Committee), Mr. Han Xiaojing and 1 non-executive director, namely, Mr. Kuo Ming-Jian (who has been appointed with effect from 18 March 2013 to replace Ms. Shi Dai who has resigned with effect from 18 March 2013). The majority of them are independent non-executive directors.

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

- To make recommendations to the Board on the remuneration packages of the individual executive directors and senior management
- To review and make recommendations to the Board on the remuneration of the non-executive directors
- To review and make recommendations to the Board on the Company's policy and structure for the remuneration of all directors and senior management
- To make recommendations to the Board on the terms of service contract(s) or letter(s) of appointment of the new executive director(s) appointed during the year
- To assess the independence of the independent non-executive directors
- To consider and/or make recommendations to the Board on the re-election of directors
- To review the structure, size and composition of the Board and/or where appropriate, make recommendations to the Board on the proposed changes to complement the Company's corporate strategy

The 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. In assessing the Board composition, the Remuneration and Nomination Committee would make full consideration about the diversity of the board before making proposal, to ensure that the Board shall be composed of members having accounting or financial expertise, legal professional qualification, financial investment experience or industry experiences related to the Company. The Remuneration and Nomination Committee would identify individuals suitably qualified for election as directors, select or make recommendations to the Board on the selection of individuals nominated for directorships.

The Remuneration and Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. External recruitment professionals might be engaged to carry out selection process when necessary.

The Remuneration and Nomination Committee met 3 times during the year ended 31 December 2013 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 "Attendance Record of Directors and Committee Members" on page 64.

Strategy and Investment Committee

The Strategy and Investment Committee comprises 3 members, namely, Mr. Liu Haifeng David (Chairman of the Committee), Mr. Kong Fanxing and Mr. Cai Cunqiang.

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

During the year ended 31 December 2013, no meeting of the Strategy and Investment Committee was held. The attendance records of the Strategy and Investment Committee are set out under "Attendance Record of Directors and Committee Members" on page 64.

Attendance Record of Directors and Committee Members

During the year ended 31 December 2013, 4 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.

Corporate Governance Report

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2013 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration and Nomination Committee	Strategy and Investment Committee	Annual General Meeting
Executive Directors					
Mr. Kong Fanxing	4/4	Not applicable	Not applicable	0/0	1/1
Mr. Wang Mingzhe	4/4	Not applicable	Not applicable	Not applicable	1/1
Non-Executive Directors					
Mr. Liu De Shu	4/4	Not applicable	Not applicable	Not applicable	0/1
Mr. Yang Lin	4/4	Not applicable	Not applicable	Not applicable	0/1
Ms. Shi Dai *(resigned with effect from 18 March 2013)*	Not applicable	Not applicable	0/1	Not applicable	Not applicable
Mr. Liu Haifeng David	4/4	Not applicable	Not applicable	0/0	0/1
Mr. John Law	4/4	4/4	Not applicable	Not applicable	0/1
Mr. Kuo Ming-Jian *(appointed with effect from 18 March 2013)*	4/4	Not applicable	2/2	Not applicable	0/1
Independent Non-Executive Directors					
Mr. Cai Cunqiang	4/4	Not applicable	Not applicable	0/0	0/1
Mr. Han Xiaojing	3/4	3/4	3/3	Not applicable	0/1
Mr. Liu Jialin	4/4	Not applicable	3/3	Not applicable	0/1
Mr. Yip Wai Ming	4/4	4/4	Not applicable	Not applicable	1/1

Apart from the Board meetings stated above, the Chairman also held one meeting with the non-executive directors (including independent non-executive directors) without the presence of executive directors on 4 December 2013.

Corporate Governance Report

Directors' Responsibility in Respect of The Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 95.

Where appropriate, a statement will be submitted by the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities relating to the financial statements for the year ended 31 December 2013 is set out in the Independent Auditors' Report on page 95.

The remuneration paid/payable to the Company's external auditors of the Company in respect of annual audit service and interim review service for the year ended 31 December 2013 amounted to RMB2,900,000 and RMB600,000 respectively.

Corporate Governance Report

Internal Controls

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

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 and effectiveness.

The Internal Audit Department operates independently from the business operation and management of the Company. 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 four teams in the Internal Audit Department, namely operation audit team, management audit team, IT audit team and discipline inspection team. Internal Audit Department plans and arranges resources to ensure supervision and assessment of the key control aspects including but not limited to operational monitoring, financial monitoring, compliance monitoring, information security and management duties supervision. During the course of its audits, the Internal Audit Department is authorized to comprehensively inspect, analyze, evaluate and audit all of the business and operational procedures to identify any material issues or risk matters, and to provide advice for improvement and rectification. The Internal Audit Department is also the main communication channel with relevant external regulatory entities, such as courts and public safety bureaus. 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.

Corporate Governance

The Audit Committee is responsible for performing the corporate governance duties including:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

To discharge our corporate governance duties, the compliance manual on connected transactions was updated and a shareholders' communication policy was devised during the year ended 31 December 2013.

Company Secretary

Ms. Mak Sze Man of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Its primary contact person at the Company is Mr. Kong Fanxing, an executive director and Chief Executive Officer of the Company.

Shareholders' Right

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.

Convening an Extraordinary General Meeting by Shareholders

Extraordinary general meetings may be convened by the Board on requisition of shareholder(s) holding not less than one-twentieth of the paid up capital of the Company or by such shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to Section 113 of Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "old Companies Ordinance") (the old Companies Ordinance was replaced with new Companies Ordinance (Chapter 622 of the Law of Hong Kong) on 3 March 2014). The objects of the meeting must be stated in the requisition, which must be signed by the Requisitionist(s) and deposited at the registered office of the Company at Room 4701, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong for the attention of the Company Secretary.

If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an extraordinary general meeting for a day not more than 28 days after the date on which the notice convening an extraordinary general meeting is given, the shareholder(s) concerned or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an extraordinary general meeting, provided that the extraordinary general meeting so convened shall not be held after the expiration of 3 months from such date.

Corporate Governance Report

The extraordinary general meeting convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors. Shareholders should follow the requirements and procedures as set out in section 113 of the old Companies Ordinance for convening an extraordinary general meeting.

Putting Forward Proposals at General Meetings

Pursuant to Section 115A of the old Companies Ordinance, the following shareholders, namely: (1) shareholders representing not less than one-fortieth of the total voting rights of all shareholders; or (2) not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than $2,000, may submit a requisition in writing to put forward a resolution or business to be dealt with at the next general meeting.

The Company shall not be bound by the old Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter refereed to in the proposed resolution to shareholders of the Company entitled to receive notice of a general meeting unless (a) a copy of the requisition signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company at Room 4701, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong for the attention of the Company Secretary not less than 6 weeks before a general meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before a general meeting in the case of any other requisition; and (b) the concerned shareholders have deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

Shareholders should follow the requirements and procedures as set out in Section 115A of the old Companies Ordinance for putting a proposal at a general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Corporate Governance Report

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 4706, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Fax:	86-21-50490066
Email:	IR-Horizon@sinochem.com
Attention:	Board of Directors/Company Secretary

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

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 endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

Code provision E.1.2 of the CG Code stipulates that, among others, the chairman of the Board shall attend the annual general meeting of the listed issuers and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting.

At the annual general meeting of the Company held on 14 June 2013 (the "2013 AGM"), Mr. Liu De Shu, (Chairman of the Board), Mr. Liu Haifeng, David (Chairman of the Strategy and Investment Committee) and Mr. Liu Jialin (Chairman of the Remuneration and Nomination Committee) were unable to turn up due to business trip. In order to ensure smooth holding of the 2013 AGM, Mr. Wang Mingzhe, an executive director and Chief Financial Officer of the Company, chaired the 2013 AGM.

Mr. Kong Fanxing (as a member of the Strategy and Investment Committee) and Mr. Yip Wai Ming (an independent non-executive director of the Company and Chairman of the Audit Committee) has attended the 2013 AGM to answer questions where necessary.

During the year under review, the Company has not made any changes to its Articles. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Biographies of Directors and Senior Management

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

Mr. LIU Deshu (劉德樹), aged 62, 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 50, 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 the general manager since then. Mr. Kong has been the President and Chief Executive Officer of the Company since September 2009. Currently, Mr. Kong is also an executive director and general manager of Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司).

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

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

Mr. YANG Lin (楊林), aged 50, 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 20 years of experience in finance and treasury management.

Biographies of Directors and Senior Management

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

Mr. WANG Mingzhe (王明哲), aged 43, is an executive director and the Chief Financial Officer of the Company. Mr. Wang obtained a bachelor's degree in Economics from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) in China in July 1993 and an MBA degree from Northeastern 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 Chief Financial Officer of the Company and he has held these positions since then.

Mr. Wang has over 18 years of experience in finance management.

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

Ms. Shi Dai (石岱), aged 46, was a non-executive director of the Company since October 2009 and resigned in March 2013. 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), the deputy general manager of the investment department, and the director of Communist Party of China (CPC) office at Sinochem Corporation. Currently, Ms. Shi is the general manager of human resources department of Sinochem Corporation.

Ms. Shi has nearly 20 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 44, 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

Mr. KUO Ming-Jian (郭明鑑) – Non-Executive Director

Mr. KUO Ming-Jian (郭明鑑), aged 52, was appointed as a non-executive director of the Company in March 2013. Mr. Kuo is currently a Senior Advisor of Blackstone Private Equity and was appointed as the Vice Chairman and a Senior Managing Director of Blackstone, Great China since 2007. Before joining Blackstone, Mr. Kuo was a Partner and Co-Vice Chairman and Managing Director, Head of greater China in H&Q Asia Pacific. Before that, Mr. Kuo was also the Country Head and Head of Investment Banking for JPMorgan in Hong Kong and the Vice Chairman of JPMorgan's greater China Operating Committee.

Mr. Kuo is currently an independent non-executive director of Cathay Financial Holdings Co., Ltd., an independent non-executive director of Cathay Life Insurance Co., Ltd. and an independent non-executive director of Samson Holding Limited.

Mr. Kuo received his undergraduate degree from Fu-Jen Catholic University and holds an MBA degree from City University of New York.

Mr. John LAW (羅強) – Non-Executive Director

Mr. John LAW (羅強), aged 63, was appointed as a non-executive director of the Company on 25 October 2012. Mr. Law worked for J.P. Morgan & Co. as training head of Asia Pacific Region, as risk manager for Greater China Region and as senior credit officer for Asia Pacific Region, Euroclear respectively. He then worked for Citibank/Citigroup from August 2000 to November 2003 as the regional credit officer for Asia Pacific Financial Markets. Prior to joining the Company, he worked for International Finance Corporation from March 2004 to September 2012 as the principal banking specialist for global financial markets. Mr. Law also worked for Industrial Bank Co., Ltd. (a company listed in Shanghai) from October 2007 to October 2010 as a non-executive director.

Mr. Law holds a master degree in business administration (finance) from Indiana University in USA and has nearly 30 years' experience in finance.

Mr. CAI Cunqiang (蔡存強) – Independent Non-Executive Director

Mr. CAI Cunqiang (蔡存強), aged 64, 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 37 years of experience in the shipping industry.

Biographies of Directors and Senior Management

Mr. HAN Xiaojing (韓小京) – Independent Non-Executive Director

Mr. HAN Xiaojing (韓小京), aged 59, 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 27 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 Ping An Bank Company Limited (平安銀行股份有限公司).

Mr. LIU Jialin (劉嘉凌) – Independent Non-Executive Director

Mr. LIU Jialin (劉嘉凌), aged 51, 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 25 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.

Mr. YIP Wai Ming (葉偉明) – Independent Non-Executive Director

Mr. YIP Wai Ming (葉偉明), aged 49, 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), Pax Global Technology Limited (百富環球科技有限公司) and Poly Culture Group Corporation Limited (保利文化集團股份有限公司). 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.

Mr. Yip has over 23 years of experience in accounting and finance.

Biographies of Directors and Senior Management

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

Mr. NIU Weidong (牛衛東), aged 44, is the Senior Vice President of the Company. Mr. Niu graduated from Shandong Finance College (山東財政學院) majoring in management of investment economics 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 joined 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 12 years of experience in the financial leasing industry.

Mr. CAO Jian (曹健) – Senior Vice President

Mr. CAO Jian (曹健), aged 39, is the Senior Vice President of the Company. Mr. Cao graduated from Nankai University (南開大學) majoring in finance in August 1997, and obtained a master's degree in finance from University of International Business and Economics (對外經濟貿易大學) in December 2006 and an MBA from Shanghai Jiaotong University (上海交通大學) in June 2008. Mr. Cao Jian was 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 standing deputy general manager and the general manager of the healthcare business division, and the Assistant President and the Vice President of the Company, thus he has adequate experience in corporate management. Mr. Cao was appointed as the Senior Vice President of the Company in January 2013.

Mr. Cao has over 11 years of experience in the financial leasing industry.

Mr. SHANG Bing (尚兵) - Vice President

Mr. SHANG Bing (尚兵), aged 47, is the Vice President of our Company. Mr. Shang graduated from Sichuan University in China, majoring in English language and literature, with a bachelor of arts 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 President of the Company in January 2011 and the Vice President in June 2012.

Mr. Shang has over 24 years of experience in relation to government affairs and enterprise management.

Biographies of Directors and Senior Management

Mr. WANG Ruisheng (王瑞生) – Vice President

Mr. WANG Ruisheng (王瑞生), aged 60, is the Vice President of the Company. Mr. Wang graduated from East China Normal University (華東師範大學) majoring in politics in September 1989 and obtained an EMBA degree from Peking University in September 2005. Prior to joining Far East Horizon Limited, he worked as Section Chief Assistant of Shanghai Chemicals Import and Export Corporation, General Manager of Black & White Advertising Co., Ltd., Deputy General Manager of Sinochem Shanghai Co., Ltd. and Deputy General Manager of Sinochem International Tendering Co., Ltd. He has extensive experience in corporate management and government relationship. Mr. Wang was appointed as the Vice President of the Company in June 2012.

Mr. WU Zhijiun (吳志軍) – Assistant President

Mr. WU Zhijun (吳志軍), aged 41, is the Assistant President of the Company. Mr. Wu graduated from Dongbei University of Finance and Economics (東北財經大學) majoring in management of investment economics in July 1996 and obtained an MBA degree from Northeastern University (東北大學) in July 2002. Prior to joining Far East in 2003, Mr. Wu worked at China Northern Airlines (中國北方航空公司). In Far East, he worked as the deputy general manager of the healthcare business division, the standing deputy general manager and the general manager of Shanghai Domin Medical Engineering Co., Ltd., and the general manager of the healthcare business division, thus has an extensive management experience. Mr. Wu was appointed as the Assistant President of the Company in January 2014.

Mr. Wu has over 12 years of experience in the financial leasing industry.

Mr. WANG Jiayin (王佳音) – Assistant President

Mr. WANG Jiayin (王佳音), aged 41, is the Assistant President of the Company. Mr. Wang graduated from Civil Aviation University of China (中國民航學院) majoring in avionics in July 1995 and obtained an MBA degree from Northeastern University (東北大學) in June 2002. Prior to joining Far East in 2003, Mr. Wang worked at China Northern Airlines (中國北方航空公司). In Far East, he worked as the assistant general manager and the deputy general manager of the first business division, and the deputy general manager and the general manager of the infrastructure construction division, thus has extensive management experience. Mr. Wang was appointed as the Assistant President of the Company in January 2014.

Mr. Wang has over 11 years of experience in the financial leasing industry.

Directors' Report

The Board is pleased to present the Directors' Report of the year 2013 together with the audited financial statements of the Group for the year ended 31 December 2013.

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 2013 are set out in the consolidated statement of profit or loss on page 97 of this annual report.

The Board recommends the payment of a final dividend of HK$0.23 per share in respect of the year ended 31 December 2013 to shareholders whose names appear on the register of members of the Company on Friday, 20 June 2014. The proposed final dividend will be paid on or about Friday, 27 June 2014, following approval at the Annual General Meeting to be held on Wednesday, 11 June 2014.

Closure of Share Register

The annual general meeting ("AGM") of the Company is scheduled to be held on Wednesday, 11 June 2014. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 9 June 2014 to Wednesday, 11 June 2014, 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, 6 June 2014.

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 Wednesday, 18 June 2014 to Friday, 20 June 2014, both days inclusive, during which period no transfer of shares will be registered. The record date on which the shareholders of the Company are qualified to receive the proposed final dividend is Friday, 20 June 2014. 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 Tuesday, 17 June 2014.

Directors' Report

Financial Highlights

The summary of the Group's results, assets, liabilities and non-controlling interests for the past five financial years is extracted from the audited financial information and financial statements published, which are set out on pages 222 to this annual report. This summary does not form a part of the audited financial statements.

Property, Plant and Equipment

The movements in the Group's property, plant and equipment for the year are set out in Note 14 to the financial statements.

Share Capital

Details of the movements in the share capital of the Company are set out in Note 30 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 2013.

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 101 to 102 of this annual report and Note 31 to the financial statements respectively.

Charitable Donations

The Group's external charitable donations for the year amounted to RMB2,000,000 (2012: RMB2,000,000).

Directors' Report

Directors

As at 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 and resigned on 18 March 2013)
Mr. LIU Haifeng David (appointed on 16 October 2009)
Mr. KUO Ming-Jian (appointed on 18 March 2013)
Mr. John LAW (appointed on 25 October 2012)

Independent Non-Executive Directors
Mr. HAN Xiaojing (appointed on 11 March 2011 but taking effect on 30 March 2011)
Mr. LIU Jialin (appointed on 11 March 2011 but taking effect on 30 March 2011)
Mr. CAI Cunqiang (appointed on 11 March 2011 but taking effect on 30 March 2011)
Mr. YIP Wai Ming (appointed on 11 March 2011 but taking effect on 30 March 2011)

Biographical Details of the Directors and Senior Management

Biographical details of the directors and senior management are set out on pages 70 to 75 of this annual report.

Directors' Report

Directors' Service Contracts

Executive Directors

Each of the executive directors has entered into a service contract with the Company. Each of the appointments is for an initial term of three years commencing from 11 March 2011, and is subject to a renewal upon expiration on 11 March 2014. 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 RMB9,270,000.

Non-Executive Directors

In accordance with Article 74(1) of the articles of association of the Company, Mr. Liu Deshu was re-elected at the 2013 AGM. In addition, Mr. YANG Lin and Mr. LIU Haifeng David were re-elected at the 2012 AGM of the Company, respectively. Each of the aforesaid 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, and is subject to a renewal upon expiration on 11 March 2014. In accordance with Article 73 of the articles of association of the Company, Mr. John LAW and Mr. KUO Ming-Jian were re-elected at the 2013 AGM. Each of the two 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 2014. No payment shall be made by the Company to Mr. Liu Deshu and Mr. YANG Lin under the relevant appointment letters. The Company shall pay a total of HK$1,260,000 as director's fee to Mr. LIU Haifeng David, Mr. KUO Ming-Jian and Mr. John LAW under the relevant 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), and is subject to a renewal upon expiration on 30 March 2014. The aggregate amount of annual fees payable to our independent non-executive directors under the appointment letters is HK$1,680,000.

The directors' remuneration is determined with references to directors' duties and responsibilities, individual performance and the results of the Group.

As at 31 December 2013, 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.

Directors' Report

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, is 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 2013 are set out in Note 8 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 2013, 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.

Directors' Report

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 2013, 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	870,000(L)	0.02%
WANG Mingzhe	The Company	Beneficial owner	386,000(L)	0.01%
HAN Xiaojing	The Company	Beneficial owner	30,000(L)	0.00%

Note:

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

Save as disclosed above, as at 31 December 2013, 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 is 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.

Directors' Report

Substantial Shareholders' Interests in the Shares

Based on the information available to the directors of the Company as at 31 December 2013 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 31 December 2013, the 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	919,914,400(L)	27.94%
Greatpart Limited[(2)]	Beneficial owner	919,914,400(L)	27.94%
KKR Future Investments S.À.R.L.[(3)]	Beneficial owner	337,000,000(L)	10.24%
KKR Future Holdings Limited[(3)]	Beneficial owner	104,378,000(L)	3.17%
	Interest in a controlled entity	455,501,000(L)	13.83%
KKR Asian Fund L.P.[(3)]	Interest in a controlled entity	559,879,000(L)	17.01%
KKR Associates Asia L.P.[(3)]	Interest in a controlled entity	559,879,000(L)	17.01%
KKR Asia Limited[(3)]	Interest in a controlled entity	559,879,000(L)	17.01%
KKR Fund Holdings L.P.[(3)]	Interest in a controlled entity	559,879,000(L)	17.01%
KKR Fund Holdings GP Limited[(3)]	Interest in a controlled entity	559,879,000(L)	17.01%
KKR Group Holdings L.P.[(3)]	Interest in a controlled entity	559,879,000(L)	17.01%
KKR Group Limited[(3)]	Interest in a controlled entity	559,879,000(L)	17.01%
KKR & Co. L.P.[(3)]	Interest in a controlled entity	559,879,000(L)	17.01%
KKR Management LLC[(3)]	Interest in a controlled entity	559,879,000(L)	17.01%
Mr. Henry R. Kravis and Mr. George R. Roberts[(3)]	Interest in a controlled entity	559,879,000(L)	17.01%
Techlink Investment Pte Ltd[(4)]	Beneficial owner	176,162,000(L)	5.35%
Tetrad Ventures Pte Ltd[(4)]	Interest in a controlled entity	176,162,000(L)	5.35%
GIC (Ventures) Pte Ltd. (formerly known as Government of Singapore Investment Corporation (Ventures) Pte. Ltd.).[(4)]	Interest in a controlled entity	176,162,000(L)	5.35%
GIC Special Investments Pte. Ltd.[(4)]	Interest in a controlled entity	176,162,000(L)	5.35%
GIC Private Limited (formerly known as Government of Singapore Investment Corporation Pte Ltd)[(4)]	Interest in a controlled entity	176,162,000(L)	5.35%
	Investment manager	65,813,000(L)	2.00%

Directors' Report

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares[(1)]	Approximate percentage of interest
Prime Capital Management (Cayman) Limited	Investment manager	200,939,000(L)	6.10%
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian	329,415,192(L)	10.01%
	Beneficial owner	550,000(S)	0.02%
	Custodian	327,060,766(P)	9.93%
Cathay Life Insurance Co., Ltd.	Beneficial owner	296,316,000(L)	9.00%

Notes:

(1) The letter "L" denotes the person's long position in the Shares of the Company. The letter "S" denotes the person's short position in the Shares of the Company. The letter "P" denotes the person's Shares of the Company in lending pool.

(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) Amongst the 559,879,000 Shares, 104,378,000 Shares are directly held by KKR Future Holdings Limited, 337,000,000 Shares are directly held by KKR Future Investments S.À.R.L, 58,791,000 Shares are directly held by KKR Future Holdings II Limited and 59,710,000 Shares are directly held by KKR Future Holdings III Limited. Each of KKR Future Holdings Limited (as the sole shareholder of KKR Future Investments S.À.R.L, KKR Future Holdings II Limited and KKR Future Holdings III Limited), KKR Asian Fund L.P. (as the controlling shareholder of KKR Future Holdings Limited), KKR Associates Asia L.P. (as the general partner of KKR Asian Fund L.P.), KKR 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. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L.P.) and each of Mr. Henry R. Kravis and Mr. George R. Roberts (as the designated shareholders of KKR Management LLC) is 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 GIC (Ventures) Pte Ltd. (formerly known as Government of Singapore Investment Corporation (Ventures) Pte. Ltd.). GIC Special Investments Pte. Ltd. manages the investments of Techlink, and is wholly-owned by GIC Private Limited (formerly known as Government of Singapore Investment Corporation Pte Ltd). Each of Tetrad Ventures Pte Ltd, GIC (Ventures) Pte Ltd. (formerly known as Government of Singapore Investment Corporation (Ventures) Pte. Ltd.), GIC Special Investments Pte. Ltd. and GIC Private Limited (formerly known as Government of Singapore Investment Corporation Pte Ltd) is deemed to be interested in the Shares of the Company held by Techlink under the SFO. In addition, GIC Private Limited (formerly known as Government of Singapore Investment Corporation Pte Ltd) holds 61,687,000 Shares in the capacity of investment manager.

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.

Directors' Report

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.

Shares Placement

On 25 March 2012, the Company entered into a placing agreement with a sole placing agent, pursuant to which the sole placing agent placed 450,000,000 new shares at a price of HK$6.40 per share. On 23 March 2012, the closing price of the shares of the Company was HK$7.04 per share. The net price per share was HK$6.27. The Company has placed its shares to not less than six placees including sovereign funds, well-known long-term funds and high-net-value individual investors.

The aforesaid placing was completed on 2 April 2012. The net proceeds from the placing was approximately HK$2,821,000,000. Immediately upon completion of the placing, the number of the issued shares of the Company increased from 2,842,400,000 to 3,292,400,000.

The proceeds of the placing was used to replenish its capital and support its ongoing growth. The leverage ratio of the Company further improved due to this placement. Sufficient capital also provided strong support to the business of the Company by seizing development opportunities in launching new businesses such as textiles and electronic information.

Please refer to the announcement of the Company dated 27 March 2012 for further details.

Bond Issue

In order to effectively meet the Company's capital need and improve the efficiency of direct financing, the Company established a Medium Term Note Program (the "Program") in 2012. The Company has, on 2 May 2013, updated the Programme and increased the limit on the aggregate nominal amount of notes which may be outstanding at any time under the Programme from US$1,000,000,000 to US$1,500,000,000. The Stock Exchange of Hong Kong Limited granted the listing of, and the permission to deal in the notes under the Program. Under the Program, the Company carried out three drawdown of notes in nominal amount of RMB300,000,000, RMB700,000,000 and US$11,380,000 on 7 August, 11 December and 22 December 2013 respectively. Among others, the notes dominated in RMB which were listed on The Stock Exchange of Hong Kong Limited, with the aggregate principal of RMB1,000,000,000, would be offered by way of debt issues to professional investors only.

For details, please refer to the announcements published by the Company on 2 May, 7 May, 7 August, 11 December and 20 December 2013, respectively.

Directors' Report

Public Float

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

Major Customers and Suppliers

During the year, the income of the Group's lease and advisory segments accounted for 92.88% 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 2013 Percentage of the total income (before business taxes and surcharges) (%)
Top five customers	1.95%
The largest customer	0.47%

	Percentage of total costs (%)
Top five suppliers	44.01%
The largest supplier	16.28%

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 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.

Directors' Report

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 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 utilizing 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 substantial 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 2013.

Please refer to the announcement made by the Company on 17 June 2011 relating to these transactions.

Framework agreement for the provision of ship chartering services to 中國中化集團公司 ("Sinochem Group")

On 5 December 2012, the Company entered into a framework agreement with Sinochem Group pursuant to which the Group agreed to provide ship chartering and other related products and services to Sinochem Group and/or its subsidiaries and associates for an initial term which will expire on 31 December 2014.

The Group carries on ship chartering in its ordinary course of business. Sinochem Group is a large-scale enterprise with variety of business interests. From time to time, Sinochem Group and its subsidiaries and/or associates are in need of the charter of vessels to transport cargo between ports. Sinochem Group is a substantial shareholder of the Company and therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the ongoing transactions contemplated under this framework agreement will constitute continuing connected transactions of the Company.

The annual caps of this framework agreement, being the total charterhire and other related fees receivable by the Group under this framework agreement, for the three years ending 31 December 2014 are at the same amount of US$35,000,000 per annum. This annual cap is based primarily on the historical transactions amount, the market charter rates for other ship chartering of similar size vessels, and the expected growth in the ship chartering business of the Group. This annual cap was not exceeded for the year ended 31 December 2013.

Please refer to the announcement made by the Company on 5 December 2012 relating to these transactions.

Directors' Report

Lease agreements for various properties

In order to facilitate the Group's business which needs to occupy large office space, 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 with total gross floor area of approximately 128 square meters in Convention Plaza ("Original Convention Plaza Lease Agreement"). As the Original Convention Plaza Lease Agreement expired on 28 February 2013, on 27 March 2013, the Company entered into a new lease agreement with Sinochem HK ("New Convention Plaza Lease Agreement") to renew the lease under the Original Convention Plaza Lease Agreement on substantially the same terns. The term of the New Convention Plaza Lease Agreement is from 1 March 2013 to 31 December 2014 and the Company shall pay to Sinochem HK a monthly rent of HK$92,326 and monthly management and air condition fees of HK$8,916.

On 21 August 2013, the Company entered into a supplemental lease agreement with Sinochem HK ("Supplemental Convention Plaza Lease Agreement") in relation to a commercial unit with total gross floor area of 1,152 square feet, also in Convention Plaza. The term of the Supplemental Convention Plaza Lease Agreement is from 1 October 2013 to 31 December 2014. Pursuant to the Supplemental Convention Plaza Lease Agreement, the Company shall pay to Sinochem HK a monthly rent of HK$77,184 and monthly management and air conditioning fees of HK$7,454.

Sinochem HK is a subsidiary of Sinochem Group, which is a substantial shareholder of the Company. Therefore, Sinochem HK is an associate of Sinochem Group and a connected person of the Company and these lease agreements constitute continuing connected transactions of the Company.

Please refer to the announcements of the Company dated 27 March 2013 and 21 August 2013 for further details.

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

On 30 December 2011, 遠東國際租賃有限公司 (International Far Eastern Leasing Co., Ltd)* ("Far Eastern") entered into an agreement with 北京凱晨置業有限公司 (Beijing Chemsunny Property Company Limited)* ("Chemsunny") to renew a number of lease agreements ("Former Chemsunny Lease Agreement"). Effectively, Chemsunny shall continue to lease to Far Eastern a number of office premises with a gross floor area of 440.62 square meters and provide other ancillary facilities in Chemsunny World Trade Centre, from 1 January 2012 to 31 December 2014. Far Eastern shall pay to Chemsunny a monthly rent of RMB111,476.86 and a monthly management fee of RMB13,218.60.

On 21 August 2013, Far Eastern entered into a new lease agreement with Chemsunny ("New Chemsunny Lease Agreement") to replace the Former Chemsunny Lease Agreement, pursuant to which Chemsunny will lease to Far Eastern certain units of Chemsunny World Trade Centre with a gross floor area of 1,499.32 square meters. The term of the New Chemsunny Lease Agreement is from 1 September 2013 to 31 December 2014. Far Eastern shall pay to Chemsunny a monthly rent of RMB719,673.60 and a monthly management fee of RMB44,979.60.

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 substantial shareholder of the Company. Accordingly, Chemsunny is an associate of Sinochem Group and hence a connected person of the Company. The New Chemsunny Lease Agreement constitutes continuing connected transactions of the Company.

Please refer to the announcements of the Company dated 30 December 2011 and 21 August 2013 for further details.

Directors' Report

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

On 30 December 2011, 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 2014. Far Eastern shall also pay utility, cleaning fees and other fees to 金茂(上海)物業服務有限公司 (Jin Mao (Shanghai) Property Services Co., Ltd)* ("Jin Mao Property Services"), a wholly-owned subsidiary of Jin Mao.

On 7 August 2012, Far Eastern and Jin Mao entered into a new additional agreement to lease further units of Jin Mao Tower. Effectively, Jin Mao shall lease to Far Eastern another set of office premises with total gross floor area of approximately 1,541 square meters, also in Jin Mao Tower for a term up to 31 December 2014. Far Eastern shall pay to Jin Mao a monthly rent of RMB554,760 and shall pay utility, cleaning fees and other charges and outgoings to Jin Mao Property Services.

On 4 December 2013, Far Eastern and Jin Mao entered into a further agreement to lease an extra unit of Jin Mao Tower. Effectively, Jin Mao shall lease to Far Eastern a unit with total gross floor area of 178.21 square meters in Jin Mao Tower, for a term from 16 December 2013 to 31 December 2014. Far Eastern shall pay to Jin Mao a monthly rent of RMB35,642 and shall pay utility, cleaning fees and other charges and outgoings to Jin Mao Property Services.

Jin Mao is a wholly-owned subsidiary of Franshion, which is a subsidiary of Sinochem Group. Sinochem Group is a substantial shareholder of the Company. Accordingly, Jin Mao is an associate of Sinochem Group and hence a connected person of the Company and these lease agreements constitute continuing connected transactions of the Company.

Please refer to the announcements of the Company dated 30 December 2011, 7 August 2012, and 4 December 2013 for further details.

Annual caps of the above lease agreements for various properties

Pursuant to Rule 14A.25 of the Listing Rules, the above lease agreements for various properties would have to be aggregated for the purpose of considering the Company's compliance obligations. The above lease agreements for various properties were entered into on normal commercial terms. The annual caps for such leases were originally set at RMB49,000,000 for the year ended 31 December 2013 and the year ending 31 December 2014. However, due to the entering into of several new lease agreements in 2013 as set out above, the Company estimates that the original annual caps will not be sufficient and need to be revised. Accordingly, the annual caps for such leases have been revised to RMB54,600,000 and RMB62,000,000 for the year ended 31 December 2013 and the year ending 31 December 2014. The revision 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. This revised annual cap was not exceeded for the year ended 31 December 2013.

Please refer to the announcements of the Company dated 27 March 2013, 21 August 2013 and 4 December 2013 for further details.

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.

Confirmation of the Auditors

Pursuant to Rule 14A.38 of the Listing Rules, the Board has received a letter from the auditors, confirming that the continuing connected transactions set out above:

(a) have received the approval of the Board;

(b) have been entered into in accordance with the pricing policies of the Group;

(c) have been entered into in accordance with the relevant agreement governing the transactions; and

(d) have not exceeded the relevant annual caps for the financial year ended 31 December 2013.

Directors' Report

Audit Committee

Audit Committee comprises three members, namely Mr. Yip Wai Ming (Chairman), Mr. Han Xiaojing and Mr. John Law, among whom, two are independent non-executive Directors (including one independent non-executive director who owns appropriate professional qualifications or expertise in accounting or relevant finance management). They have reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing and financial reporting, including reviewing the financial results of the Group for the year ended 31 December 2013.

The consolidated financial statements of the Company for the year ended 31 December 2013 have been reviewed by Ernst & Young, the auditor of the Company, in accordance with Hong Kong Financial Reporting Standards.

Auditor

Pursuant to the resolution of the general meeting of the Company in 2013, the Company reappointed Ernst & Young as the auditor of the Company in 2013. The proposal of re-appointing Ernst & Young as the auditor of the Company will be put forward at the AGM to be held on Wednesday, 11 June 2014 for consideration and approval.

By order of the Board
LIU Deshu
Chairman
26 March 2014

Corporate Social Responsibility Report

Social Responsibility

Concept of Responsibility

Creating value and sharing 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 several 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, sets the basic industries relating to national planning and people's livelihood as its targets of service. We 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 equipment, reducing energy consumption and improving production capacity and industries stepping up.

In the health care sector, we provide medical institutions with integrated industry operation services including financing, medical engineering, investment and development, management consulting and equipment services to promote the development of healthcare. As at the end of 2013, there were nearly 1,800 hospitals served by Far East Horizon. In the education sector, advanced educational facilities and equipment were provided to primary and secondary schools in the poor regions to improve their teaching and learning conditions, driving the continuous progress in education. As at the end of 2013, we were totally serving over 140 colleges, over 220 higher vocational schools, over 170 high schools and over 110 education bureaus.

In the public transportation sector, we provide public transportation companies with financing to help them upgrade their operating vehicles and enhance the emission level of their vehicles. More than 1,000 new energy vehicles powered by LNG, LPG, CNG and hybrid amounting to RMB680 million were upgraded in more than ten cities. In the urban sewage treatment sector, we provided sewage treatment companies and drainage companies in more than twenty cities with approximately RMB780 million to help them optimise the urban sewage collection systems and enhance their sewage treatment capacity and level.

Corporate Social Responsibility Report

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 have 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 have built 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 have delivered industries with professionals who better meet market needs, and providing support to the growth of over 230 industry professionals.

Corporate Social Responsibility Report

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.

Far East Academy

Far East Horizon aims to build a self-examination, self-driven and self-enhancement learning organization 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 to G6. 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 learning appraisal structure and human resources management structure are blended, hence forming a dynamic and complete strategic human resources training structure.

Charity Fund

Adhering to the objective of mutual love and pooling the power of everyone and based on the principle of "helping those in distress and peril, caring for mutual aid", the Company set up a union "Charity Fund" as a platform to provide caring aid to employees who are in difficulty. For the time being, the Charity Fund sets up the "Plan for Helping the Beloved" and the "Plan for Helping the Infant" to extend special care to cover the family members of the employees, and the newcomers who are fresh graduates, respectively.

Far East Health Station Program (遠東健康加油站計劃)

Far East Horizon is always a people-oriented company which is fully concerned about the physical and mental health of its employees. We joined hands with professional healthcare institutions and introduced the idea of "International EAP" to develop a comprehensive employee healthcare system with Far East features – Far East Health Station Program (遠東健康加油站計劃).

The programme identifies and tracks employees' physical and mental health risks, mitigates employees' work and life pressure, and meets the physical and mental health needs in a full range through the "Health Station" connecting the Company and its employees with the help of professional institutions.

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 "Beijing 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

Education:	"Far East Horizon Scholarship", "Far East Horizon Fellowship" and other projects relating to teaching support and education aid
Poverty alleviation:	to implement poverty alleviation projects to practically alleviate the hardships of disadvantaged groups across the country
Disaster relief:	to carry out emergency rescue in major disasters and help people in need in the reconstruction thereafter

In 2013, Far East Horizon Charity Fund contributed RMB3.46 million for developing nine 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 Scholarship" at 17 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, the Xiamen University, Fudan University, Shanghai University of Finance and Economics, Zhejiang University, Tianjin University, Dalian Maritime University, Nanjing University and Harbin Institute of Technology, 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 and eggs donation activity in Jiqu School District, Nangqian County, Qinghai, donating computers, stationeries and sports goods 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 disadvantaged groups, the Company organised the journey to visit the old people in Chenduo County, Yushu, Qinghai, donated Tibetan clothing to nursing homes in Qinghai, funded Gu Shuyu (谷淑雨) suffering from burns, and donated food to impoverished people in Henan, thereby providing disadvantaged groups with basic food aid and other necessities, and ensuring that their basic living needs are met. As a result, more than 200 people benefited from the abovementioned poverty alleviation projects we implemented.

Independent Auditors' Report

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 97 to 221, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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.

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

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

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, 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
22/F, CITIC Tower
1 Tim Mei Tower
Central, Hong Kong

26 March 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 (Restated) RMB'000
CONTINUING OPERATIONS			
REVENUE	5	7,908,101	6,486,395
Cost of sales	7	(2,890,185)	(2,908,365)
Gross profit		5,017,916	3,578,030
Other income and gains	5	278,459	119,845
Selling and distribution costs		(1,124,955)	(703,143)
Administrative expenses		(1,294,330)	(863,635)
Other expenses		(282,972)	(52,939)
Finance costs	6	(1,270)	(2,138)
Share of profits and losses of an associate		7,893	–
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	2,600,741	2,076,020
Income tax expense	10	(684,668)	(558,652)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		1,916,073	1,517,368
PROFIT FOR THE YEAR		1,916,073	1,517,368
Attributable to:			
Owners of the parent	11	1,912,744	1,518,577
Non-controlling interests		3,329	(1,209)
		1,916,073	1,517,368
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	RMB cents	RMB cents
Basic and diluted			
– Earnings per share		58.10	47.78

Details of the dividends payable and proposed for the year are disclosed in Note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 RMB'000	2012 (Restated) RMB'000
PROFIT FOR THE YEAR	1,916,073	1,517,368
OTHER COMPREHENSIVE INCOME		
Item not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements into presentation currency	(29,641)	11,111
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(29,641)	11,111
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(29,641)	11,111
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,886,432	1,528,479
Attributable to:		
Owners of the parent	1,883,103	1,529,688
Non-controlling interests	3,329	(1,209)
	1,886,432	1,528,479

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 (Restated) RMB'000	1 January 2012 (Restated) RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	964,053	355,470	107,173
Prepaid land lease payments	15	973,847	–	–
Other assets	16	54,690	36,566	34,270
Investment in an associate	18	80,643	–	–
Deferred tax assets	29	583,953	264,277	126,672
Loans and accounts receivables	22	48,641,068	35,288,057	26,854,540
Prepayments, deposits and other receivables	23	80,995	56,536	29,488
Derivative financial instruments	19	968	998	4,787
Restricted deposits	24	87,752	–	100,000
Total non-current assets		51,467,969	36,001,904	27,256,930
CURRENT ASSETS				
Inventories	20	27,461	54,683	7,182
Construction contracts	21	53,951	80,479	30,117
Loans and accounts receivables	22	31,045,952	21,547,099	14,467,276
Prepayments, deposits and other receivables	23	868,686	707,161	111,639
Restricted deposits	24	375,377	676,251	1,057,008
Cash and cash equivalents	24	2,673,476	1,502,698	4,167,193
Total current assets		35,044,903	24,568,371	19,840,415
CURRENT LIABILITIES				
Trade and bills payables	25	2,299,346	2,174,155	2,251,651
Other payables and accruals	26	3,183,664	1,852,447	1,200,240
Derivative financial instruments	19	11,832	–	–
Interest-bearing bank and other borrowings	27	27,283,667	18,923,921	12,085,431
Taxes payable		603,297	251,515	220,148
Total current liabilities		33,381,806	23,202,038	15,757,470
NET CURRENT ASSETS		1,663,097	1,366,333	4,082,945

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 (Restated) RMB'000	1 January 2012 (Restated) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		53,131,066	37,368,237	31,339,875
NON-CURRENT LIABILITIES				
Trade and bills payables	25	–	16,740	–
Interest-bearing bank and other borrowings	27	29,270,811	17,828,038	17,564,008
Derivative financial instruments	19	54,986	7,223	–
Deferred tax liabilities	29	124,482	92,093	77,294
Other payables and accruals	26	9,311,926	6,492,990	4,383,528
Deferred revenue	28	203,991	75,707	13,275
Total non-current liabilities		38,966,196	24,512,791	22,038,105
Net assets		14,164,870	12,855,446	9,301,770
EQUITY				
Equity attributable to owners of the parent				
Issued capital	30	27,570	27,570	23,922
Reserves	31	14,097,772	12,816,912	9,273,829
		14,125,342	12,844,482	9,297,751
Non-controlling interests		39,528	10,964	4,019
Total equity		14,164,870	12,855,446	9,301,770

Kong Fanxing
Director

Wang Mingzhe
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the parent									
	Issued capital RMB'000 (Note 30)	Share premium account RMB'000 (Note 30)	Capital reserve RMB'000 (Note 31)	Special reserve RMB'000 (Note 31)	Reserve fund RMB'000 (Note 31)	Exchange fluctuation reserve equity RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013 (Restated)	27,570	7,067,502	2,402,874	–	121,913	(70,642)	3,295,265	12,844,482	10,964	12,855,446
Profit for the year	–	–	–	–	–	–	1,912,744	1,912,744	3,329	1,916,073
Other comprehensive income for the year										
Exchange differences on translation of financial statements into presentation currency	–	–	–	–	–	(29,641)	–	(29,641)	–	(29,641)
Total comprehensive income for the year	–	–	–	–	–	(29,641)	1,912,744	1,883,103	3,329	1,886,432
Dividends	–	–	–	–	–	–	(602,714)	(602,714)	–	(602,714)
Special reserve – safety fund appropriation	–	–	–	671	–	–	(671)	–	–	–
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	24,500	24,500
Disposal of interest of a subsidiary without losing control	–	–	471	–	–	–	–	471	735	1,206
At 31 December 2013	27,570	7,067,502*	2,403,345*	671*	121,913*	(100,283)*	4,604,624*	14,125,342	39,528	14,164,870

* These reserve accounts comprise the consolidated reserves of RMB14,097,772,000 (2012: RMB12,816,912,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the parent								
	Issued capital RMB'000 (Note 30)	Share premium account RMB'000 (Note 30)	Capital reserve RMB'000 (Note 31)	Reserve funds RMB'000 (Note 31)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012 (Restated)	23,922	4,784,138	2,404,348	121,913	(81,753)	2,045,183	9,297,751	4,019	9,301,770
Profit for the year	–	–	–	–	–	1,518,577	1,518,577	(1,209)	1,517,368
Other comprehensive income for the year									
Exchange differences on translation of financial statements into presentation currency	–	–	–	–	11,111	–	11,111	–	11,111
Total comprehensive income for the year	–	–	–	–	11,111	1,518,577	1,529,688	(1,209)	1,528,479
Issue of shares	3,648	2,330,966	–	–	–	–	2,334,614	–	2,334,614
Share issue expenses	–	(47,602)	–	–	–	–	(47,602)	–	(47,602)
Dividends	–	–	–	–	–	(268,495)	(268,495)	–	(268,495)
Capital injection to a subsidiary from non-controlling shareholders	–	–	(1,474)	–	–	–	(1,474)	8,154	6,680
At 31 December 2012 (Restated)	27,570	7,067,502	2,402,874	121,913	(70,642)	3,295,265	12,844,482	10,964	12,855,446

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 (Restated) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,600,741	2,076,020
Adjustments for:			
Finance costs and bank charges		24,926	24,264
Share of profits of an associate		(7,893)	–
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value losses, net	7	60,737	11,015
Realised fair value losses, net	7	18,404	926
Gain on structured financial products	5	(4,989)	(5,850)
Gain on disposal of property, plant and equipment, net		(19)	(566)
Gain on disposal of subsidiaries	5	–	(50)
Depreciation	14	76,974	39,503
Provision for impairment of lease receivables	22	516,933	353,751
Provision/(Reversal of provision) for impairment of other assets		17,683	(2,724)
Amortisation of intangible assets and other assets	7	36,643	20,430
Foreign exchange (gain)/loss, net		(170,773)	14,491
Others		1,206	–
		3,170,573	2,531,210
Decrease/(Increase) in inventories		27,222	(47,501)
Decrease/(Increase) in construction contracts		26,528	(50,362)
Increase in loans and accounts receivable		(23,415,762)	(15,862,437)
Increase in prepayments, deposits and other receivables		(158,613)	(535,793)
Increase in amounts due from related parties		(74,149)	(15,364)
Increase in other assets		(24,922)	(19,884)
Increase/(Decrease) in trade and bills payables		140,765	(100,902)
Increase in other payables, accrued liabilities		4,129,973	2,917,063
Increase/(Decrease) in amounts due to related parties		11,992	(1,636)
Increase in other liabilities		14,372	(7,452)
Net cash flows used in operating activities before tax		(16,152,021)	(11,193,058)
Income tax paid		(619,839)	(646,507)
Net cash flows used in operating activities		(16,771,860)	(11,839,565)

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 (Restated) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Realised fair value losses from derivative financial instruments	7	(18,404)	(926)
Gain on structured financial products	5	4,989	5,850
Proceeds from disposal of property, plant and equipment		1,258	1,522
Disposal of a subsidiary	32	–	(21,738)
Purchase of items of property, plant and equipment, intangible assets and other long term assets		(1,751,615)	(58,349)
Purchase of shareholding for an associate		(72,750)	–
Decrease in pledged deposits and time deposits		112,000	212,514
Deposits for derivative financial instruments		–	(5,727)
Net cash flows (used in)/from investing activities		(1,724,522)	133,146
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	2,287,012
Capital injection from non-controlling shareholders		24,500	6,680
Cash received from borrowings		77,302,249	47,959,337
Cash received from issuance of bonds		3,255,799	1,340,452
Repayments of borrowings		(60,379,563)	(42,525,976)
Dividends paid		(602,714)	(268,495)
Decrease in pledged deposits and time deposits		100,851	269,960
Cash paid for other financing activities		(26,332)	(28,533)
Net cash flows from financing activities		19,674,790	9,040,437
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,178,408	(2,665,982)
Cash and cash equivalents at beginning of year		1,502,698	4,167,193
Effect of exchange rate changes on cash and cash equivalents		(7,630)	1,487
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,673,476	1,502,698
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		2,925,231	2,036,963
Less: Pledged deposits		(251,755)	(534,265)
Cash and cash equivalents as stated in the statement of financial position	24	2,673,476	1,502,698
Cash and cash equivalents as stated in the statement of cash flows		2,673,476	1,502,698

Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 (Restated) RMB'000	1 January 2012 (Restated) RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	29	57	102
Investments in subsidiaries	17	8,727,502	8,997,476	6,932,100
Deferred tax assets		–	–	2,131
Prepayments, deposits and other receivables	23	–	35,136	29,488
Loans and accounts receivables	22	18,273,422	7,983,243	4,459,027
Derivative financial instruments		–	–	3,788
Total non-current assets		27,000,953	17,015,912	11,426,636
CURRENT ASSETS				
Loans and accounts receivables	22	2,259,387	351,812	597,082
Prepayments, deposits and other receivables	23	230,932	115,236	49,633
Dividend receivable from subsidiaries		608,760	746,536	252,036
Restricted deposits	24	–	–	27,378
Cash and cash equivalents	24	143,632	41,629	87,753
Total current assets		3,242,711	1,255,213	1,013,882
CURRENT LIABILITIES				
Trade and bills payables	25	1,957	10,843	36,016
Other payables and accruals	26	245,329	127,466	130,334
Derivative financial instruments	19	11,832	–	–
Tax payable		–	–	(765)
Interest-bearing bank and other borrowings	27	5,519,343	1,166,234	1,013,460
Total current liabilities		5,778,461	1,304,543	1,179,045
NET CURRENT LIABILITIES		(2,535,750)	(49,330)	(165,163)
TOTAL ASSETS LESS CURRENT LIABILITIES		24,465,203	16,966,582	11,261,473
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	27	14,471,349	6,759,068	3,714,879
Derivative financial instruments	19	54,986	7,223	–
Other payables and accruals	26	10,446	7,260	–
Deferred tax liabilities		41,456	–	–
Total non-current liabilities		14,578,237	6,773,551	3,714,879
Net assets		9,886,966	10,193,031	7,546,594
EQUITY				
Issued capital	30	27,570	27,570	23,922
Reserves	31	9,859,396	10,165,461	7,522,672
Total equity		9,886,966	10,193,031	7,546,594

Kong Fanxing
Director

Wang Mingzhe
Director

Notes to Financial Statements

31 December 2013

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 to Far East Horizon Limited. The registered office of the Company is located at Room 4701, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Group is principally engaged in the provision of finance to its customers by a wide array of assets under finance lease arrangements, operating lease arrangements, factoring, 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").

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 derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'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 comprising the Group on 13 March 2009. The Company was listed on the Stock Exchange on 30 March 2011.

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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to Financial Statements

31 December 2013

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of new and revised accounting standards and interpretations

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Notes to Financial Statements

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Adoption of new and revised accounting standards and interpretations (continued)

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in Annual Improvements 2009-2011 Cycle, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) 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. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

As the Group does not have any joint arrangement, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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. Details of the disclosures for subsidiaries and an associate are included in notes 17 and 18 to the financial statements.

Notes to Financial Statements

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Adoption of new and revised accounting standards and interpretations (continued)

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(e) 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 rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 39 to the financial statements.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(g) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

Notes to Financial Statements

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Adoption of new and revised accounting standards and interpretations (continued)

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The amendments have had no material impact on the financial position or performance of the Group.

(i) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

Change in presentation currency

The Group's revenues, profits and cash flows are primarily generated in RMB, and are expected to remain principally denominated in RMB in the future. During the year, the Group changed the currency in which it presents its consolidated financial statements from United States dollar ("US$") to RMB effective from 1 January 2013, in order to better reflect the underlying performance and position of the Group.

The change of the Group's presentation currency has been accounted for in accordance with HKAS 21 *The Effects of Changes in Foreign Exchange Rates* and has been applied retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Notes to Financial Statements

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Change in presentation currency (continued)

The following methodology has been used to re-present the comparative figures as at 1 January 2012 and 31 December 2012 and for the year ended 31 December 2012, originally reported in US$, into RMB:

a) Income and expenditure have been translated at the average rates of exchange prevailing for the relevant period;

b) Assets and liabilities have been translated at the closing rates of exchange on the relevant balance sheet date;

c) Share capital, share premium and other reserves were translated at applicable historical rates, and

d) All resulting exchange differences have been recognised in other comprehensive income.

The relevant exchange rates used are as follows:

Year ended 31 December 2011	US$1=RMB
Average rate	6.4618
Closing rate	6.3009
Year ended 31 December 2012	US$1=RMB
Average rate	6.2932
Closing rate	6.2855
Year ended 31 December 2013	US$1=RMB
Average rate	6.1912
Closing rate	6.0969

The change in presentation currency mainly impacted the carrying amount of foreign currency translation reserve from US$82,125,000 and US$88,031,000 (credit balances) to RMB81,753,000 and RMB70,642,000 (debit balances) as at 31 December 2011 and 2012 respectively.

Notes to Financial Statements

31 December 2013

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.

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
Annual Improvements 2010 -2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011 -2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 January 2016

Further information about those HKFRSs that are expected to be applicable to 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 as 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 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.

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

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss 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.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

The results of associates are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 of disposal, 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 statement of profit or loss 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 statement of profit or loss 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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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,

(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).

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss 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	4.75-19.40 %
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.

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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Vessels under construction are stated at cost less accumulated impairment losses. Cost of vessel under construction includes all direct costs relating to the construction and acquisition of vessels incurred by the Group. No depreciation is provided for vessels under construction until such time as the relevant vessels are completed and ready for intended use. Vessels under construction are transferred to container vessels upon the completion of the construction.

Notes to Financial Statements

31 December 2013

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 statement of profit or loss 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.

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 statement of profit or loss 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 statement of profit or loss 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.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 derivative financial instruments.

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 statement of profit or loss. 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 as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in 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 as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold 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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as 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 statement of profit or loss in other gains or losses, 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 statement of profit or loss. 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 statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

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.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 statement of profit or loss.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

The amount of any impairment loss identified 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).

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 statement of profit or loss. 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 statement of profit or loss.

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 statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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. "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 statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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 statement of profit or loss. 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 statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of 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.

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 repurchasing 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 statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as 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.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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 statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss.

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.

Derivative financial instruments

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 profit or loss,, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

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.

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.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of profit or loss.

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

Income tax

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

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

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

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

- 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 and associates, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 and associates, 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.

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 or is deducted in reporting the related expense.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease;

(b) from rendering of services, where 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;

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

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of profit or loss 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 statement of profit or loss 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 employee benefits.

Contributions to these plans are recognised in the statement of profit or loss as incurred.

Foreign currencies

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. The functional currency of the Company is US$, while the functional currency of the entities in Mainland China is RMB. During the year, the Group changed its presentation currency from the US$ to RMB. The directors of the Company believe consolidated financial statements of the Group presented in RMB will provide shareholders with a more accurate reflection of the Group's underlying financial performance and position because the Group's revenues, profits and cash flows are primarily generated in RMB and are expected to remain principally denominated in RMB in the future.

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 statement of profit or loss.

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 measured. The gain or loss arising on translation 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 difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of the Company, certain subsidiaries are currencies other than RMB. 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 statement of profit or loss are translated into RMB 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 statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and subsidiaries whose functional currency is other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of entities with functional currency other than RMB which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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. 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 of disposal and its value in use. The calculation of the fair value less costs of disposal 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.

Notes to Financial Statements

31 December 2013

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 judgement and estimates. The management measures and monitors the asset quality of the lease receivable portfolio by classifying the lease receivables using the 5-category classification system by referring to guidelines promulgated by the China Banking Regulatory Commission relating to asset quality for financial institutions under its regulation. Based on the guidelines, lease receivables classified in the first two categories of the five categories, i.e., Pass and Special Mention 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 three categories, i.e., Substandard, Doubtful and Loss, are regarded as non-performing 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 made.

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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Classification between Finance Leasing and operating leasing

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor).

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between Finance Leasing and operating leasing (continued)

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the lease assets are of a specialised nature such that only the lessee can use them without major modifications being made.

4. OPERATING SEGMENT INFORMATION

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

- The finance leasing and advisory business comprises (a) direct finance leasing; (b) sale-leaseback; (c) factoring; and (d) advisory services.
- The 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; (d) operating leasing; and (e) hospital and healthcare management.

Management monitors the operating results of the Group's 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.

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4. OPERATING SEGMENT INFORMATION (continued)

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

Year ended 31 December 2013	Finance leasing and advisory RMB'000	Trading and others RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment Revenue:				
Sales to external customers	7,335,416	572,685	–	7,908,101
Intersegment sales	29,844	1,829	(31,673)	–
Cost of sales	(2,465,984)	(425,309)	1,108	(2,890,185)
Other income and gains	268,636	10,931	(1,108)	278,459
Selling and distribution costs and administrative expenses	(2,332,175)	(90,706)	3,596	(2,419,285)
Other expenses	(282,331)	(641)	–	(282,972)
Finance costs	–	(29,347)	28,077	(1,270)
Share of profits and losses of an associate	–	7,893	–	7,893
Profit before tax	2,553,406	47,335	–	2,600,741
Income tax expense	(676,547)	(8,121)	–	(684,668)
Profit after tax	1,876,859	39,214	–	1,916,073
Segment assets	86,387,589	1,642,959	(1,517,676)	86,512,872
Segment liabilities	(72,327,706)	(1,098,810)	1,078,514	(72,348,002)
Other segment information:				
Impairment losses recognised in the statement of profit or loss	529,425	5,191	–	534,616
Depreciation and amortisation	66,968	46,649	–	113,617
Capital expenditure	1,668	57,819	–	59,487

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4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2012	Finance leasing and advisory RMB'000	Trading and others RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment Revenue:				
Sales to external customers	5,691,003	795,392	–	6,486,395
Intersegment sales	8,129	–	(8,129)	–
Cost of sales	(2,209,089)	(699,960)	684	(2,908,365)
Other income and gains	117,503	4,754	(2,412)	119,845
Selling and distribution costs and administrative expenses	(1,514,990)	(52,164)	376	(1,566,778)
Other expenses	(52,314)	(2,404)	1,779	(52,939)
Finance costs	–	(9,840)	7,702	(2,138)
Profit before tax	2,040,242	35,778	–	2,076,020
Income tax expense	(555,244)	(3,408)	–	(558,652)
Profit after tax	1,484,998	32,370	–	1,517,368
Segment assets	60,424,380	807,235	(661,340)	60,570,275
Segment liabilities	(47,662,572)	(587,036)	534,779	(47,714,829)
Other segment information:				
Impairment losses recognised in the statement of profit or loss	353,418	(2,391)	–	351,027
Depreciation and amortisation	44,640	15,293	–	59,933
Capital expenditure	1,760	34,933	–	36,693

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4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2013 RMB'000	2012 (Restated) RMB'000
Mainland China	7,857,173	6,307,815
Hong Kong	24,942	154,688
Other countries or regions	25,986	23,892
	7,908,101	6,486,395

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

(b) Non-current assets

	2013 RMB'000	2012 (Restated) RMB'000
Mainland China	2,046,377	391,979
Hong Kong	26,856	57
	2,073,233	392,036

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

Information about a major customer

There was no single customer from whom the revenue derived has amounted to revenue of 10% or more of the total revenue of the Group during the year.

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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 value-added tax or business tax, during the year.

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

	Notes	2013 RMB'000	2012 (Restated) RMB'000
Revenue			
Finance lease income		5,191,120	4,332,553
Service fee income		2,245,431	1,525,721
Factoring income		52,685	1,036
Sale of goods		171,040	566,851
Chartering and brokerage income		191,198	118,864
Construction contract revenue		26,166	53,509
Operating lease income		176,854	57,887
Hospital management income		5,847	–
Other income		2,695	–
Business tax and surcharges		(154,935)	(170,026)
		7,908,101	6,486,395
Other income and gains			
Bank interest income		34,675	48,425
Foreign exchange gain		157,522	–
Gain on structured financial products		4,989	5,850
Gain on disposal of a subsidiary		–	50
Government grants	5a	77,636	62,937
Others		3,637	2,583
		278,459	119,845

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5. REVENUE, OTHER INCOME AND GAINS (continued)

5a. Government grants

		2013 RMB'000	2012 (Restated) RMB'000
Value Added Tax ("VAT") refund	(i)	40,292	58,814
Transitional financial support for implementing VAT reform	(ii)	32,863	–
Government special subsidy		4,481	4,123
		77,636	62,937

(i) According to *Circular of the China Ministry of Finance ("MOF") and the State Administration of Taxation ("SAT") on Carrying out the Pilot Collection of VAT in Lieu of Business Tax ("BT") to be imposed on Transportation Industry and Part of Modern Services Industry in Shanghai* (Caishui [2011] No. 111) effective from 1 January 2012, all entities and individuals which provide transportation services and part of modern services (hereinafter, the "taxable services") within PRC territory are VAT payers. In connection with their taxable services, such taxpayers shall stop paying BT and instead pay VAT from 1 January 2012. Besides, in order to ensure the steady convergence with the preferential BT policies originally applicable to the pilot taxpayers after the implementation of Caishui [2011] No. 111, some VAT preferential policies for pilot taxpayers during implementation of the pilot change are stipulated:

For finance lease services of corporeal movables provided by general taxpayers who are pilot taxpayers that engage in financial lease with approval from the People's Bank of China, Chinese Banking Regulatory Commission or the Ministry of Commerce, the policy of VAT refund upon collection shall be applicable to the portion of actual VAT burden in excess of the rate of 3%. In accordance with the further clarification about Caishui [2011] No. 111 made by Shanghai tax bureau, the actual VAT burden is the proportion of the amount of VAT actually paid by the tax payer in the current period to the total price and other fees obtained by the tax payer for providing the taxable service after deduction of the actual costs of leased goods.

According to *Supplementary Circular of the MOF and the SAT on Several Tax Policies on the Taxable Scope for the Pilot Collection of VAT in Lieu of BT in Transportation Industry and Some Modern Service Industry* (Cai Shui [2012] No. 86), effective from 1 December 2012, the actual VAT burden under Cai Shui [2011] No. 111 shall mean the proportion of the amount of VAT actually paid by the tax payer in the current period to the total price and other fees obtained by the tax payer for providing the taxable service. That is, the "actual costs of leased goods" cannot be deducted for calculating the actual VAT burden and VAT refund thereafter.

Pursuant to above regulations, International Far Eastern Leasing Co., Ltd. ("Far Eastern Leasing") started to pay VAT in Lieu of BT for the incomes of finance leases and consultation services from 1 January 2012 and received a total VAT refund of RMB40,292,000 in 2013 (2012: RMB58,814,000).

(ii) According to the *"Notice of the Shanghai Municipal Finance Bureau, the Shanghai Municipal Office of the State Administration of Taxation and the Shanghai Local Taxation Bureau on Implementing the Transitional Financial Support Policies for the Pilot Program of Levying Value-added Tax in Lieu of Business Tax"* (Shanghai Caishui [2012] No.5) which became effective on 1 January 2012, during the implementation of the pilot program of levying VAT in lieu of BT in Shanghai municipality, transition financial support shall be provided from 1 January, 2012 for enterprises covered by such program whose tax burdens have increased as a result of the adoption of the new tax system. Far Eastern Leasing received transitional financial support of RMB32,863,000 for the increased tax burden in 2013 (2012: Nil).

6. FINANCE COSTS

	2013 RMB'000	2012 (Restated) RMB'000
Interest on bank loans repayable within five years	1,270	2,138

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7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

		2013 RMB'000	2012 (Restated) RMB'000
Cost of borrowings included in cost of sales		2,464,876	2,208,405
Cost of inventories sold		161,371	555,592
Cost of construction contracts		23,996	39,939
Cost of operating leasing		79,170	20,850
Cost of chartering		158,502	83,579
Cost of hospital management		2,270	–
Depreciation		32,466	25,601
Amortisation of intangible assets and other assets		36,643	20,430
Rental expenses		82,577	66,031
Auditors' remuneration		3,500	3,300
Employee benefit expense (including directors' remuneration (Note 8))			
– Wages and salaries		1,126,792	605,882
– Pension scheme contributions		55,054	40,921
– Other employee benefits		149,702	137,729
Impairment of loans and accounts receivable (Note 22)		534,616	351,027
Entertainment expenses		50,889	41,958
Business travelling expenses		143,982	128,929
Consultancy fees		48,373	23,937
Office expenses		39,489	30,063
Advertising and promotional expenses		1,931	1,399
Transportation expenses		12,431	5,177
Communication expenses		13,909	12,151
Other miscellaneous expenses		86,973	72,396
Loss on disposal of property, plant and equipment		268	162
Donation		2,030	2,000
Bank commission expenses		53,186	27,967
VAT and its surcharges on principal of leaseback business	(i)	148,305	–
Foreign exchange (gains)/losses		(157,522)	10,716
Derivative financial instruments – transaction not qualifying as a hedge:			
– Unrealised fair value losses, net		60,737	11,015
– Realised fair value losses, net		18,404	926

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (continued)

(i) According to *Circular of the MOF and the SAT on Tax Policies in the Nationwide Pilot Collection of VAT in Lieu of BT in the Transportation Industry and Certain Modern Services Industries* (Cai Shui [2013] No.37, hereinafter referred to as "Circular 37")), which superseded the Caishui [2011] No. 111 and Caishui [2012] No.86 mentioned in note 5a(i), effective from 1 August 2013, for corporeal movables finance lease services provided by the pilot taxpayers which engage in financial lease, the sales amount (taxable income) shall be the total price and other fees (including residual value) after deduction of the loan interest, customs duties, import consumption taxes, installation fees, insurance borne by the lessor, that is, the principal of the total price of leased goods received from the lessee are included in sales amount and levied by output VAT.

However, according to *Announcement of the SAT on Tax Issues Concerning the Sale of Assets by the Lessees to the Financing Sale Leaseback* (SAT Announcement [2010] No. 13, hereinafter referred to as "Announcement 13") made by SAT in 2010, an asset sale by a lessee to a lessor in a financing sale leaseback arrangement is out of the scope of VAT levy and a VAT invoice cannot be issued, i.e., there is no input VAT for the principal of leased goods to be deducted from the relevant output VAT for financing sale leaseback business.

On 12 December 2013, according to *Circular of the MOF and the SAT on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of VAT in Lieu of BT* (Caishui [2013] No. 106, hereinafter referred to as "Circular 106"), which shall supersede Circular 37 and come into force as of 1 January 2014 unless otherwise stated, the principal of the total price of leased goods received from the lessee in financing sale leaseback business is excluded from the sales amount calculating output VAT, such provision of Circular 106 was implemented retroactively from 1 August 2013.

Pursuant to Circular 37 and Announcement 13,Far Eastern Leasing was charged and paid VAT and surcharges of RMB657,358,000 on the principal of leased goods in relation to financing sale leaseback business from August 2013 to December 2013. However, according to Circular 106 retroactively effective from 1 August 2013, Far Eastern Leasing should not undertake such levies of VAT.

Due to implementation of Circular 37, the resulting VAT burden by Far Eastern Leasing from August 2013 to December 2013 exceeded the 3% benchmark of actual tax burden and entitled to VAT refund according to the relevant regulations, and a VAT refund amounting to RMB509,053,000 was claimed by Far Eastern Leasing accordingly. Therefore the Group's extra tax burden, after considering the above VAT refund, was RMB148,305,000, which is recorded as other expense taking into account that such extra tax burden was caused by transitory implementation of Circular 37 and one-off.

The Group will apply for a financial subsidiary which may further reduce the tax burden of RMB148,305,000. As such subsidiary depending on the calculation of annual VAT burden on certain finance lease business, it shall only be recognised as an income if any when received.

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8. DIRECTORS' AND CHIEF EXECUTIVE'S 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

	2013 RMB'000	2012 (Restated) RMB'000
Fees	2,352	1,364
Other emoluments:		
Salaries, allowances and benefits in kind	3,281	2,700
Performance related bonuses*	5,600	2,200
Pension scheme contributions	386	327
	9,267	5,227
	11,619	6,591

* 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:

	2013 RMB'000	2012 (Restated) RMB'000
Mr Cai Cunqiang	336	341
Mr Han Xiaojing	336	341
Mr Liu Jialin	336	341
Mr Yip Wai Ming	336	341
	1,344	1,364

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Non-executive directors

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

	2013 RMB'000	2012 (Restated) RMB'000
Mr Liu Deshu	–	–
Mr Yang Lin	–	–
Mrs Shi Dai	–	–
Mr Liu Haifeng	336	–
Mr Luo Qiang	336	–
Mr Guo Mingjian	336	–
	1,008	–

(c) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2013					
Executive directors:					
Mr. Kong Fanxing	–	1,909	3,600	225	5,734
Mr. Wang Mingzhe	–	1,372	2,000	161	3,533
	–	3,281	5,600	386	9,267
Year ended 31 December 2012 (Restated)					
Executive directors:					
Mr. Kong Fanxing	–	1,639	1,400	195	3,234
Mr. Wang Mingzhe	–	1,061	800	132	1,993
	–	2,700	2,200	327	5,227

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

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9. FIVE HIGHEST PAID EMPLOYEES

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

	Number of employees	
	2013	2012
Directors	2	2
Non-directors	3	3
	5	5

The five highest paid employees during the year included two (2012: two) directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining three (2012: three) non-directors, highest paid employees for the year are as follows:

Group

	2013 RMB'000	2012 (Restated) RMB'000
Salaries, allowances and benefits in kind	3,986	3,194
Performance related bonuses	5,500	2,450
Pension scheme contributions	450	339
	9,936	5,983

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

	Number of employees	
	2013	2012
HK$2,000,001 to HK$2,500,000(Equivalent to RMB1,597,081 to RMB1,996,350)	–	1
HK$2,500,001 to HK$3,000,000(Equivalent to RMB1,996,351 to RMB2,395,620)	–	2
HK$3,000,001 to HK$3,500,000(Equivalent to RMB2,395,621 to RMB2,794,890)	–	–
HK$3,500,001 to HK$4,000,000(Equivalent to RMB2,794,891 to RMB3,194,160)	1	–
HK$4,000,001 to HK$4,500,000(Equivalent to RMB3,194,161 to RMB3,593,430)	1	–
HK$4,500,001 to HK$5,000,000(Equivalent to RMB3,593,431 to RMB3,992,700)	1	–
	3	3

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10. INCOME TAX

	2013 RMB'000	2012 (Restated) RMB'000
Current – Hong Kong		
Charge for the year	45,861	15,868
Overprovision in prior years	(1,183)	(505)
Current – Mainland China		
Charge for the year	927,613	665,954
Overprovision in prior years	(87)	(24)
Deferred tax (Note 29)	(287,536)	(122,641)
Total tax charge for the year	684,668	558,652

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 were 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 the applicable CIT rate is 25% from 2012 onwards.

On 25 September 2012, Domin Medical Engineering was recognised as a high-technology enterprise by Shanghai Science and Technology Commission. Since then, Domin Medical Engineering has enjoyed a preferential tax rate of 15%.

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31 December 2013

10. 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:

	2013 RMB'000	2012 (Restated) RMB'000
Profit before tax	2,600,741	2,076,020
Tax at the statutory income tax rates	632,591	646,372
Lower tax rate for enacted by local authority	2,106	208
Expenses not deductible for tax	31,336	22,565
Income not subject to tax	(44,260)	(152,393)
Adjustment to current income tax in respect of prior years	(1,270)	(529)
Effects of change in tax rates	–	257
Utilisation of previously unrecognised tax losses	(7,858)	–
Unrecognised tax losses	7,375	22,650
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	22,911	19,522
Effect of withholding tax on the Company's interest income from the Group's PRC subsidiaries	41,737	–
Income tax expense as reported in the consolidated statement of profit or loss	684,668	558,652

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a profit of RMB604,584,000 (2012: RMB648,590,000) which has been dealt with in the financial statements of the Company (Note 31(b)).

Notes to Financial Statements

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12. DIVIDENDS

	2013 RMB'000	2012 (Restated) RMB'000
Proposed final dividend – HK$0.23 (2012: HK$0.23) per ordinary share	595,374	614,018

A final dividend for the year 2013 of HK$0.23 per share was proposed at the meeting of the Board of Directors held on 26 March 2014. Based on the total number of outstanding ordinary shares of 3,292,400,000, the proposed final dividend amounted to approximately HK$757,252,000 (equivalent to RMB595,374,000). 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.

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2013 is based on the consolidated net profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,292,400,000 in issue for the year.

The calculation of basic earnings per share for the year ended 31 December 2012 is based on the consolidated net 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 450,000,000 shares issued on 2 April 2012, in addition to the outstanding 2,842,400,000 ordinary shares as at 31 December 2011.

The calculation of basic earnings per share is based on:

Earnings

	2013 RMB'000	2012 (Restated) RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,912,744	1,518,577

Notes to Financial Statements

31 December 2013

13. EARNINGS PER SHARE (continued)

Shares

	Number of shares 2013	2012
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	3,292,400,000	3,178,055,738

The Group had no potentially dilutive ordinary shares in issue during both years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2013

	Leasehold improvements RMB'000	Buildings RMB'000	Equipment, tools and moulds RMB'000	Office equipment and computers RMB'000	Motor vehicles RMB'000	Vessel under construction RMB'000	Total RMB'000
At 31 December 2012 and at 1 January 2013:							
Cost	32,127	19,379	299,635	56,770	10,620	–	418,531
Accumulated depreciation	(13,265)	(1,455)	(14,740)	(28,886)	(4,715)	–	(63,061)
Net carrying amount	18,862	17,924	284,895	27,884	5,905	–	355,470
At 1 January 2013, net of accumulated depreciation	18,862	17,924	284,895	27,884	5,905	–	355,470
Additions	13,129	3,726	628,474	7,911	6,731	26,826	686,797
Depreciation provided during the year	(15,314)	(938)	(44,570)	(12,984)	(3,168)	–	(76,974)
Disposal	–	–	(803)	(364)	(72)	–	(1,239)
Exchange realignment	–	–	–	(1)	–	–	(1)
At 31 December 2013, net of accumulated depreciation	16,677	20,712	867,996	22,446	9,396	26,826	964,053
At 31 December 2013:							
Cost	45,009	23,105	916,770	56,612	16,554	26,826	1,084,876
Accumulated depreciation	(28,332)	(2,393)	(48,774)	(34,166)	(7,158)	–	(120,823)
Net carrying amount	16,677	20,712	867,996	22,446	9,396	26,826	964,053

Notes to Financial Statements

31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

31 December 2012 (Restated)

	Leasehold improvements RMB'000	Buildings RMB'000	Equipment, tools and moulds RMB'000	Office equipment and computers RMB'000	Motor vehicles RMB'000	Total RMB'000
At 31 December 2011 and at 1 January 2012:						
Cost	11,205	9,086	60,063	41,833	9,559	131,746
Accumulated depreciation	(2,886)	(648)	(851)	(16,805)	(3,383)	(24,573)
Net carrying amount	8,319	8,438	59,212	25,028	6,176	107,173
At 1 January 2012, net of accumulated depreciation	8,319	8,438	59,212	25,028	6,176	107,173
Additions	20,918	10,295	240,441	14,987	2,115	288,756
Depreciation provided during the year	(10,375)	(809)	(13,902)	(12,111)	(2,306)	(39,503)
Disposal	–	–	(856)	(20)	(80)	(956)
Exchange realignment	–	–	–	–	–	–
At 31 December 2012, net of accumulated depreciation	18,862	17,924	284,895	27,884	5,905	355,470
At 31 December 2012:						
Cost	32,127	19,379	299,635	56,770	10,620	418,531
Accumulated depreciation	(13,265)	(1,455)	(14,740)	(28,886)	(4,715)	(63,061)
Net carrying amount	18,862	17,924	284,895	27,884	5,905	355,470

Notes to Financial Statements

31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

31 December 2013

	Leasehold improvements RMB'000	Office equipment and computers RMB'000	Total RMB'000
31 December 2012 at 1 January 2013:			
Cost	52	84	136
Accumulated depreciation	(47)	(32)	(79)
Net carrying amount	5	52	57
At 1 January 2013, net of accumulated depreciation	5	52	57
Additions	–	–	–
Depreciation provided during the year	(5)	(22)	(27)
Disposal	–	–	–
Exchange realignment	–	(1)	(1)
At 31 December 2013, net of accumulated depreciation	–	29	29
31 December 2013:			
Cost	50	84	134
Accumulated depreciation	(50)	(52)	(102)
Exchange realignment	–	(3)	(3)
Net carrying amount	–	29	29

Notes to Financial Statements

31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company (continued)

31 December 2012 (Restated)

	Leasehold improvements RMB'000	Office equipment and computers RMB'000	Total RMB'000
31 December 2011 at 1 January 2012:			
Cost	51	82	133
Accumulated depreciation	(17)	(14)	(31)
Net carrying amount	34	68	102
At 1 January 2012, net of accumulated depreciation	34	68	102
Additions	–	5	5
Depreciation provided during the year	(29)	(21)	(50)
Disposal	–	–	–
Exchange realignment	–	–	–
At 31 December 2012, net of accumulated depreciation	5	52	57
31 December 2012:			
Cost	52	84	136
Accumulated depreciation	(47)	(32)	(79)
Net carrying amount	5	52	57

Notes to Financial Statements

31 December 2013

15. PREPAID LAND LEASE PAYMENTS

	2013 RMB'000	2012 (Restated) RMB'000
Cost:		
At the beginning of the year	–	–
Additions	987,716	–
At the end of the year	987,716	–
Accumulated amortisation:		
At the beginning of the year	–	–
Addition	(13,869)	–
At the end of the year	(13,869)	–
Net carrying amount:		
At the end of the year	973,847	–
At the beginning of the year	–	–

As at 31 December 2013, the Group has not obtained the land use right certificate for a parcel of land with a total gross area of 20,732.30 square metres and a net book value of RMB949,016,000.

The Group was in the process of applying for the land use right certificate for the above parcel of land as at 31 December 2013.

The Group's leasehold lands are located in the Mainland China, and are held on lease periods ranging from 30 to 50 years. The amortisation of leasehold land has been charged to "administrative expenses".

Notes to Financial Statements

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16. OTHER ASSETS

Group

	2013 RMB'000	2012 (Restated) RMB'000
Software (Note 16a)	18,226	7,813
Other assets	36,464	28,753
	54,690	36,566

16a. SOFTWARE

Group

	2013 RMB'000	2012 (Restated) RMB'000
Cost:		
At the beginning of the year	20,511	17,526
Additions	14,886	2,995
Disposals	–	(10)
Exchange differences	(1)	–
At the end of the year	35,396	20,511
Accumulated amortisation:		
At the beginning of the year	(12,698)	(9,746)
Additions	(4,472)	(2,962)
Disposals	–	10
Exchange differences	–	–
At the end of the year	(17,170)	(12,698)
Net carrying amount:		
At the end of the year	18,226	7,813
At the beginning of the year	7,813	7,780

Notes to Financial Statements

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17. INVESTMENTS IN SUBSIDIARIES

Company

	2013 RMB'000	2012 (Restated) RMB'000
Unlisted shares, at cost	8,727,502	8,997,476

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. (遠東國際租賃有限公司) (Note i)	PRC/Mainland China 13 September 1991	US$1,342,710,922	100	–	Finance leasing
Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司) (Note ii)	PRC/Mainland China 28 April 2006	RMB430,000,000	–	100	Trading
Shanghai Domin Medical Engineering Co., Ltd. (上海德明醫用設備工程有限公司) (Note ii)	PRC/Mainland China 4 March 2010	RMB100,000,000	–	88.31	Engineering and trading
Shanghai Horizon Construction Engineering Equipment Co., Ltd. (上海宏信設備工程有限公司) (Note ii)	PRC/Mainland China 13 July 2011	RMB200,000,000	–	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)	PRC/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)	PRC/Mainland China 10 November 2011	RMB10,000,000	–	100	Trading
Far East Horizon Fortune Shipbrokers (Shanghai) Co., Ltd. (遠東宏信祥瑞航運經紀(上海)有限公司) (Note i)	PRC/Mainland China 5 September 2012	HK$15,000,000	–	100	Shipping brokerage
Tianjin Horizon Equipment & Engineering Ltd. (天津宏信設備工程有限公司) (Note ii)	PRC/Mainland China 27 July 2012	RMB100,000,000	–	100	Operating leasing
Grand Light Development Limited (宏明發展有限公司)	Hong Kong 23 June 2011	HK$1	100	–	Trading
Far East Horizon Shipping Holdings Co., Limited (遠東宏信航運控股有限公司)	Cayman Islands 2 October 2009	US$1,000	100	–	Investment holding

Notes to Financial Statements

31 December 2013

17. INVESTMENTS IN SUBSIDIARIES (continued)

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
Far East Medical Holding Limited (遠東醫療控股有限公司)	Hong Kong 30 August 2012	HK$10,000,000	100	–	Investment holding
Shanghai Hongxin Medical Holding Investment Co., Ltd. (上海宏信醫療控股投資有限公司) (Note ii)	PRC/Mainland China 26 April 2013	RMB100,000,000	–	100	Investment holding
Shanghai Hongjin Equipment & Engineering Co., Ltd. (上海宏金設備工程有限公司) (Note ii)	PRC/Mainland China 2 August 2013	RMB50,000,000	–	55	Operating leasing
Shanghai Deyi Co., Ltd. (上海德藝實業發展有限公司) (Note ii)	PRC/Mainland China 12 July 2013	RMB5,000,000	–	52.99	Manufacturing and trading
Shenyang Domin Medical Equipment Installation Co. Ltd. (沈陽德明醫用設備安裝有限公司) (Note ii)	PRC/Mainland China 7 June 2013	RMB8,000,000	–	88.31	Installation and engineering

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

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2013
Percentage of equity interest held by non-controlling interests:	
Shanghai Hongjin Equipment & Engineering Co., Ltd.	45%
Profit for the year allocated to non-controlling interests:	RMB'000
Shanghai Hongjin Equipment & Engineering Co., Ltd.	5,825
Accumulated balances of non-controlling interests at the reporting dates:	
Shanghai Hongjin Equipment & Engineering Co., Ltd.	28,325

Notes to Financial Statements

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17. INVESTMENTS IN SUBSIDIARIES (continued)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

2013	Shanghai Hongjin Equipment & Engineering Co., Ltd. RMB'000
Revenue	38,773
Total expenses	(25,828)
Profit for the year	12,945
Total comprehensive for the year	12,945
Current assets	84,417
Non-current assets	297,918
Current liabilities	(25,929)
Non-current liabilities	(293,461)
Net cash flows from operating activities	6,272
Net cash flows from/(used in) investing activities	(54,284)
Net cash flows used in financing activities	48,257
Net increase/(decrease) in cash and cash equivalents	245

18. INVESTMENT IN AN ASSOCIATE

Group

	2013 RMB'000	2012 (Restated) RMB'000
Unlisted shares, at cost	72,750	–
Share of results	7,893	–
	80,643	–

Notes to Financial Statements

31 December 2013

18. INVESTMENT IN AN ASSOCIATE (continued)

The Group holds 4.9% equity interest in an associate engaged in the manufacture and sale of moulds as at 31 December 2013. Although the Group holds less than 20% of the voting power of the associate, the Group has the power to exercise significant influence over this company as it has board representation and participates in key operating, financial and investing decisions at the company.

The financial statements of the associate for the year ended 31 December 2013 were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The Group's shareholding in this associate is held through a wholly-owned subsidiary of the Company.

19. DERIVATIVE FINANCIAL INSTRUMENTS

		Group		Company	
		2013	2012 (Restated)	2013	2012 (Restated)
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps	(a)	(66,818)	(7,223)	(66,818)	(7,223)
Call options	(b)	968	998	–	–
		(65,850)	(6,225)	(66,818)	(7,223)
Portion classified as non-current:					
Cross-currency interest rate swaps		(54,986)	(7,223)	(54,986)	(7,223)
Call options		968	998	–	–
		(54,018)	(6,225)	(54,986)	(7,223)
Current portion		(11,832)	–	(11,832)	–
		(65,850)	(6,225)	(66,818)	(7,223)

(a) As at 31 December 2013, the Group has entered into 10 (2012: 2) cross-currency interest rate swaps contracts to manage its exchange rate exposures and interest rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging financial derivatives amounting to RMB60,737,000 (2012: RMB11,015,000) were charged to the statement of profit or loss during the year.

(b) As at 31 October 2011, Bright Time (China) limited ("Bright"), a subsidiary of the Group, entered into a call option agreement (the "Agreement") with a company registered in the Cayman Islands (the "Cayman Islands 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 fulfilment of certain extension criteria, to subscribe for 25% equity interest in the Cayman Islands company at a cash consideration of RMB75,000,000. No change in the fair value of the financial derivative (2012: Nil) was recognised in the statement of profit or loss during the year.

Notes to Financial Statements

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20. INVENTORIES

Group

	2013 RMB'000	2012 (Restated) RMB'000
Commodity goods	27,461	54,683

21. CONSTRUCTION CONTRACTS

	2013 RMB'000	2012 (Restated) RMB'000
Gross amount due from contract customers	53,951	80,479
Contract costs incurred plus recognised profits less recognised losses to date	153,738	102,815
Less: Progress billings	(99,787)	(22,336)
	53,951	80,479

Notes to Financial Statements

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22. LOANS AND ACCOUNTS RECEIVABLES

Group

	2013 RMB'000	2012 (Restated) RMB'000
Loans and accounts receivables due within 1 year	31,045,952	21,547,099
Loans and accounts receivables due after 1 year	48,641,068	35,288,057
	79,687,020	56,835,156

Company

	2013 RMB'000	2012 (Restated) RMB'000
Loans and accounts receivables due within 1 year	2,259,387	351,812
Loans and accounts receivables due after 1 year	18,273,422	7,983,243
	20,532,809	8,335,055

Notes to Financial Statements

31 December 2013

22. LOANS AND ACCOUNTS RECEIVABLES (continued)

22a. Loans and accounts receivables by nature

Group

	2013 RMB'000	2012 (Restated) RMB'000
Lease receivables (Note 22b)	88,630,514	64,933,193
Less: Unearned finance income	(10,043,367)	(8,123,231)
Net lease receivables (Note 22b)*	78,587,147	56,809,962
Bank interest receivables	–	6,435
Lease interest receivables*	386,220	251,237
Notes receivable	140,889	13,464
Accounts receivable (Note 22d)*	223,291	105,018
Factoring receivable (Note 22f)	1,450,632	217,185
Entrusted loans	232,026	323,150
Long term receivables	6,690	9,696
Mortgage loans	83,041	–
Subtotal of loans and accounts receivable	81,109,936	57,736,147
Less:		
Provision for lease receivables (Note 22c)	(1,390,630)	(886,436)
Provision for accounts receivable (Note 22e)	(6,020)	(1,631)
Provision for factoring receivable (Note 22g)	(21,435)	(5,483)
Provision for entrusted loans (Note 22h)	(3,645)	(7,246)
Provision for long term receivables (Note 22i)	(48)	(195)
Provision for mortgage loans (Note 22j)	(1,138)	–
	79,687,020	56,835,156

* These balances included balances with related parties which are disclosed in Note 22(k).

Notes to Financial Statements

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22. LOANS AND ACCOUNTS RECEIVABLES (continued)

22a. Loans and accounts receivables by nature (continued)

Company

	Notes	2013 RMB'000	2012 (Restated) RMB'000
Due from related parties			
Directly held subsidiaries:			
Interest receivables		820,837	181,423
Accounts receivable (Note 22d)	(i)	11,637	46,109
Loans	(ii)	16,970,338	5,618,409
Indirectly held subsidiaries:			
Interest receivables		207,510	126,876
Accounts receivable (Note 22d)	(i)	–	24,684
Loans	(ii)	2,561,163	2,353,879
Provision for loans		(38,676)	(16,325)
		20,532,809	8,335,055

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 ranging from 2.95% to 6.15%.

Notes to Financial Statements

31 December 2013

22. LOANS AND ACCOUNTS RECEIVABLES (continued)

22b(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

	2013 RMB'000	2012 (Restated) RMB'000
Lease receivables:		
Within 1 year	51,423,424	36,115,320
1 to 2 years	22,651,643	20,204,866
2 to 3 years	10,519,918	6,859,953
3 years and beyond	4,035,529	1,753,054
Total	88,630,514	64,933,193

	2013 RMB'000	2012 (Restated) RMB'000
Net lease receivables:		
Within 1 year	45,384,245	31,436,617
1 to 2 years	20,270,979	17,694,702
2 to 3 years	9,310,084	6,092,324
3 years and beyond	3,621,839	1,586,319
Total	78,587,147	56,809,962

Notes to Financial Statements

31 December 2013

22. LOANS AND ACCOUNTS RECEIVABLES (continued)

22b(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

	2013 RMB'000	2012 (Restated) RMB'000
Lease receivables:		
Due within 1 year	35,082,592	25,377,604
Due in 1 to 2 years	25,455,971	19,726,778
Due in 2 to 3 years	16,407,465	11,699,397
Due after 3 years and beyond	11,684,486	8,129,414
Total	88,630,514	64,933,193

	2013 RMB'000	2012 (Restated) RMB'000
Net lease receivables:		
Due within 1 year	29,893,379	21,253,036
Due in 1 to 2 years	22,582,580	17,370,474
Due in 2 to 3 years	15,081,793	10,631,266
Due after 3 years and beyond	11,029,395	7,555,186
Total	78,587,147	56,809,962

There was 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.

Notes to Financial Statements

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22. LOANS AND ACCOUNTS RECEIVABLES (continued)

22c. Change in provision for lease receivables

Group

	Individually assessed		Collectively assessed		Total	
	2013 RMB'000	2012 (Restated) RMB'000	2013 RMB'000	2012 (Restated) RMB'000	2013 RMB'000	2012 (Restated) RMB'000
At beginning of year	189,891	75,843	696,545	456,940	886,436	532,783
Charge for the year	129,909	114,062	387,024	239,689	516,933	353,751
Write-off	(10,389)	–	–	–	(10,389)	–
Exchange difference	(537)	(14)	(1,813)	(84)	(2,350)	(98)
At end of year	308,874	189,891	1,081,756	696,545	1,390,630	886,436

	2013 RMB'000	2012 (Restated) RMB'000
Lease receivables:		
Individually assessed (Note (i))	719,822	461,286
Collectively assessed	87,910,692	64,471,907
Total	88,630,514	64,933,193

	2013 RMB'000	2012 (Restated) RMB'000
Net lease receivables:		
Individually assessed (Note (i))	642,238	415,001
Collectively assessed	77,944,909	56,394,961
Total	78,587,147	56,809,962

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

Note (ii) As at 31 December 2013, the carrying value of the lease receivables pledged or charged as security for the Group's borrowings amounted to RMB20,699,613,000 (2012: RMB20,266,455,000) (Note 27(a)).

Notes to Financial Statements

31 December 2013

22. LOANS AND ACCOUNTS RECEIVABLES (continued)

22d. 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

	2013 RMB'000	2012 (Restated) RMB'000
Within 1 year	208,450	102,572
More than 1 year	14,841	2,446
Total	223,291	105,018

Company

	2013 RMB'000	2012 (Restated) RMB'000
Within 1 year	–	70,793
More than 1 year	11,637	–
Total	11,637	70,793

22e. Change in provision for accounts receivables

Group

	2013 RMB'000	2012 (Restated) RMB'000
At beginning of year	1,631	5,636
Charge/(Reversal) for the year	4,324	(4,014)
Exchange difference	65	9
At end of year	6,020	1,631

Notes to Financial Statements

31 December 2013

22. LOANS AND ACCOUNTS RECEIVABLES (continued)

22f. An aged analysis of factoring receivables as at the end of the reporting period is as follows:

Group

	2013 RMB'000	2012 (Restated) RMB'000
Within 1 year	1,416,766	217,185
More than 1 year	33,866	–
	1,450,632	217,185

22g. Change in provision for factoring receivables

Group

	2013 RMB'000	2012 (Restated) RMB'000
At beginning of year	5,483	–
Charge for the year	15,952	5,483
At end of year	21,435	5,483

22h. Change in provision for entrusted loans

Group

	2013 RMB'000	2012 (Restated) RMB'000
At beginning of year	7,246	11,518
Reversal for the year	(3,601)	(4,272)
At end of year	3,645	7,246

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22. LOANS AND ACCOUNTS RECEIVABLES (continued)

22i. Change in provision for long term receivables

Group

	2013 RMB'000	2012 (Restated) RMB'000
At beginning of year	195	116
(Reversal)/Charge for the year	(147)	79
At end of year	48	195

22j. Change in provision for mortgage loans

Group

	2013 RMB'000	2012 (Restated) RMB'000
At beginning of year	–	–
Charge for the year	1,155	–
Exchange difference	(17)	–
At end of year	1,138	–

Notes to Financial Statements

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22. LOANS AND ACCOUNTS RECEIVABLES (continued)

22k. The balances of loans and account receivables of the Group included the balances with related parties as follow:

	Notes	2013 RMB'000	2012 (Restated) RMB'000
Subsidiary of the ultimate holding company of a shareholder with significant influence:			
Sinochem International (Overseas) Pte. Ltd.			
– Accounts receivable	(i)	–	8,572
Associate:			
Changchun Engley Automobile Industry Co., Ltd.	(ii)		
– Net lease receivables		80,089	N/A
– Lease interest receivables		147	N/A
		80,236	8,572

(i) Balance with the related party was unsecured and non-interest-bearing.

(ii) Balances of net lease receivables were interest-bearing of annual interest rates ranging from 7.35% to 8.32%.

Notes to Financial Statements

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Notes	2013 RMB'000	2012 (Restated) RMB'000
Current assets:			
Prepayments		74,673	21,721
Leased assets*		198,285	607,374
Other receivables		111,703	77,821
Provision for other receivables		–	–
Deposit from cross-currency interest rate swap contracts		34,082	–
Input VAT		174,344	–
VAT refund receivable		258,595	–
Due from related parties	(23a)	17,004	245
		868,686	707,161
Non-current assets:			
Deposit for cross-currency interest rate swap contracts		–	35,136
Rental deposit due after 1 year		5,398	6,689
Deduction of output VAT		75,597	–
Project quality guarantee deposit		–	437
Due from related parties	(23a)	–	14,274
		80,995	56,536
		949,681	763,697

* 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 the lease contracts 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 leases to customers. Once the terms of a 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.

Notes to Financial Statements

31 December 2013

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Company

	Notes	2013 RMB'000	2012 (Restated) RMB'000
Current assets:			
Due from related parties	(23a)	196,497	114,982
Prepayment		297	101
Deposit from cross-currency interest rate swap contracts		34,082	–
Others		56	153
		230,932	115,236
Non-current asset:			
Deposit from cross-currency interest rate swap contracts		–	35,136
		230,932	150,372

Notes to Financial Statements

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

23a. BALANCES WITH RELATED PARTIES

		Group		Company	
		2013	2012 (Restated)	2013	2012 (Restated)
		RMB'000	RMB'000	RMB'000	RMB'000
Due from related parties:					
Subsidiaries of the ultimate holding company of a shareholder with significant influence:					
China Jin Mao Group Co., Ltd.	(i)	13,898	13,898	–	–
Beijing Chemsunny Property Co., Ltd.	(i)	2,668	376	–	–
Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong")	(i)	438	245	438	246
Sinochem Growth Enterprises Vision Co., Ltd.		–	–	–	–
Directly held subsidiaries		–	–	16,671	–
Indirectly held subsidiaries		–	–	179,388	114,736
		17,004	14,519	196,497	114,982

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

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24. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	2,925,231	2,036,963	143,632	41,629
Time deposits	211,374	141,986	–	–
	3,136,605	2,178,949	143,632	41,629
Less:				
Pledged deposits	463,129	564,251	–	–
Time deposits with original maturity of more than 3 months	–	112,000	–	–
Cash and cash equivalents	2,673,476	1,502,698	143,632	41,629

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB2,655,974,000 (2012: RMB1,904,177,000). 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 2013, cash of RMB463,129,000 (2012: RMB178,094,000) was pledged for bank and other borrowings (Note 27(b)).

As at 31 December 2013, cash of RMB764,130,000 (2012: RMB217,658,000) was deposited with Sinochem Finance Co., a subsidiary of the ultimate holding company of a shareholder with significant influence.

Notes to Financial Statements

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25. TRADE AND BILLS PAYABLES

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	1,538,501	1,473,369	815	9,664
Trade payables	760,845	717,526	1,142	1,179
	2,299,346	2,190,895	1,957	10,843

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

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,178,539	2,029,346	1,142	10,525
1 to 2 years	80,923	83,206	815	318
2 to 3 years	11,871	47,063	–	–
3 years and beyond	28,013	31,280	–	–
	2,299,346	2,190,895	1,957	10,843

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

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26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Leases, entrusted loans and factoring deposits due within 1 year	1,567,652	904,880	–	–
Salary payables	867,618	313,511	1,546	9,183
Welfare payables	32,577	18,605	–	–
Advances from customers	366,551	370,822	–	3
Due to related parties (Note (26a))	1,465	3,526	126,958	65,402
Other taxes payable	46,027	20,286	33,505	–
Interest payable	246,972	170,784	76,653	48,574
Other payables	54,802	50,033	6,667	4,304
	3,183,664	1,852,447	245,329	127,466
Non-current:				
Leases, entrusted loans and factoring deposits due after 1 year	9,297,873	6,492,990	–	–
Due to related parties (Note (26a))	14,053	–	10,446	7,260
	9,311,926	6,492,990	10,446	7,260
	12,495,590	8,345,437	255,775	134,726

Notes to Financial Statements

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26. OTHER PAYABLES AND ACCRUALS (continued)

26a. BALANCES WITH RELATED PARTIES

	Group		Company	
	2013 RMB'000	2012 (Restated) RMB'000	2013 RMB'000	2012 (Restated) RMB'000
Due to related parties:				
Subsidiaries of the ultimate holding company of a shareholder with significant influence:				
Sinochem Finance Co., Ltd.	356	1,987	–	–
Sinochem Corporation	1,109	1,539	1,109	1,539
Associate:				
Changchun Engley Automobile Industry Co., Ltd.	14,053	–	–	–
Direct subsidiary: Far Eastern leasing	–	–	1,366	–
Indirectly held subsidiaries	–	–	134,929	71,123
	15,518	3,526	137,404	72,662

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

Notes to Financial Statements

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27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2013			2012		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	(Restated) RMB'000
Current						
Bank loans – secured	2.44~5.60	2014	1,172,907	2.51~6.15	2013	775,710
Current portion of long term bank loans – secured	2.71~6.72	2014	8,311,837	2.16~7.04	2013	5,193,833
Bank loans – unsecured	1.65~6.30	2014	7,097,549	1.50~7.40	2013	5,120,214
Current portion of long term bank loans – unsecured	1.39~6.77	2014	8,000,708	1.83~6.98	2013	4,658,994
Current portion of loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	6.15	2014	174,401	6.15	2013	623,575
Other loans – secured	5.40~8.00	2014	1,431,383	6.00~7.75	2013	2,105,722
Other loans – unsecured	5.70	2014	498,648	8.65	2013	320,000
Bonds – secured	–	–	–	6.80~7.00	2013	125,873
Bonds – unsecured	3.90	2014	596,234	–	–	–
			27,283,667			18,923,921
Non-current						
Bank loans – secured	2.71~6.72	2015~2020	8,528,108	2.16~7.04	2014~2017	5,430,305
Bank loans – unsecured	1.39~6.77	2015~2021	15,054,842	1.83~6.98	2014~2019	8,085,880
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	–	–	–	6.15	2014	467,143
Other loans– secured	6.15~8.00	2015~2016	420,000	6.15~7.75	2014~2015	409,307
Other loans– unsecured	–	–	–	8.65	2014	120,000
Bonds – unsecured	3.70~6.95	2015~2017	5,267,861	4.12~7.54	2014~2016	3,315,403
			29,270,811			17,828,038
			56,554,478			36,751,959

Notes to Financial Statements

31 December 2013

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

Company

	2013			2012		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	(Restated) RMB'000
Current						
Bank loans – secured	–	–	–	2.51	2013	125,710
Current portion of long term bank loans – secured	–	–	–	2.49~2.51	2013	19,764
Bank loans – unsecured	2.04~4.31	2014	1,702,290	1.91~5.01	2013	779,617
Current portion of long term bank loans – unsecured	1.39~5.21	2014	2,975,898	3.30~4.50	2013	228,571
Loans from indirectly held subsidiaries – unsecured	2.47~3.97	2014	187,175	3.97	2013	6,286
Current portion of loans from indirectly held subsidiaries – unsecured	3.97	2014	57,746	3.31~3.97	2013	6,286
Bonds– unsecured	3.90	2014	596,234	–	–	–
			5,519,343			1,166,234
Non-current						
Bank loans – secured	–	–	–	2.49~2.51	2014~2015	241,003
Bank loans – unsecured	1.39~5.21	2015~2021	8,693,140	3.30~4.50	2014~2016	2,766,004
Loans from indirectly held subsidiaries – unsecured	3.31	2015	266,472	3.31~3.97	2014~2015	436,658
Loans from directly held subsidiaries – unsecured	4.20	2015	243,876	–	–	–
Bonds– unsecured	3.70~6.95	2015~2017	5,267,861	4.12~7.54	2014~2016	3,315,403
			14,471,349			6,759,068
			19,990,692			7,925,302

Notes to Financial Statements

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

	Group		Company	
	2013 RMB'000	2012 (Restated) RMB'000	2013 RMB'000	2012 (Restated) RMB'000
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand	24,583,001	15,748,751	4,678,188	1,153,662
In the second year	12,232,655	8,550,223	2,315,040	1,890,223
In the third to fifth years, inclusive	11,132,337	4,921,963	6,378,100	1,116,784
Beyond five years	217,958	43,999	–	–
	48,165,951	29,264,936	13,371,328	4,160,669
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence repayable:				
Within one year	174,401	623,575	–	–
In the second year	–	467,143	–	–
In the third to fifth years, inclusive	–	–	–	–
	174,401	1,090,718	–	–
Loans from indirectly holding subsidiaries repayable:				
Within one year	–	–	244,921	12,572
In the second year	–	–	266,472	161,944
In the third to fifth years, inclusive	–	–	–	274,714
	–	–	511,393	449,230
Loans from directly holding subsidiaries repayable:				
Within one year	–	–	–	–
In the second year	–	–	243,876	–
In the third to fifth years, inclusive	–	–	–	–
	–	–	243,876	–
Other borrowings repayable:				
Within one year	2,526,265	2,551,595	596,234	–
In the second year	2,227,515	2,510,857	2,047,515	2,081,482
In the third to fifth years, inclusive	3,460,346	1,333,853	3,220,346	1,233,921
	8,214,126	6,396,305	5,864,095	3,315,403
	56,554,478	36,751,959	19,990,692	7,925,302

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31 December 2013

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

(a) As at 31 December 2013, the Group's bank and other borrowings secured by the pledge of or the transfer of certain of the Group's lease receivables amounting to RMB18,679,073,000 (2012: RMB12,996,987,000). As at 31 December 2013, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB20,699,613,000 (2012: RMB20,266,455,000). The transfers of financial assets are disclosed in Note 40.

(b) As at 31 December 2013, the Group's bank borrowings pledged by cash amounted to RMB1,147,722,000 (2012: RMB943,946,000).

(c) In May 2012, the Company entered into a facility agreement (the "Agreement") with certain banks pursuant to which the Company assigned, among other things, certain rights in an inter-company loan to those banks as security for the payment and discharge. As at 31 December 2013, no bank borrowing was in relation to the Agreement (31 December 2012: RMB261,376,000), and the Group had no account lease receivables charged as security for the borrowing in relation to the Agreement (31 December 2012: RMB655,625,000).

(d) As at 31 December 2013, no bank borrowing was pledged by the shares in indirectly held subsidiaries (2012: RMB180,253,000, pledged by shares in indirectly held subsidiaries namely Treasure Shipping Limited and Far East Horizon Shipping Holdings Ltd.)

(e) As at 31 December 2013, no property, plant and equipment of the Group was provided as collateral for borrowings nor had the Group provided any guarantees for other entities.

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28. DEFERRED REVENUE

Group

	Service fee		Government special subsidy	
	2013	2012 (Restated)	2013	2012 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year	7,208	13,275	68,499	–
Additions during the year	–	–	200,626	68,499
Amortised to the statement of profit or loss	(3,024)	(6,067)	(69,318)	–
At the end of year	4,184	7,208	199,807	68,499

(i) Service fee

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

(ii) Government special subsidy

As at 31 December 2013, Far Eastern Leasing received a government special subsidy of RMB200,626,000 (2012: RMB68,499,000), which was granted in accordance with the policies on Shanghai Pudong New Area government financial subsidy of the 12th five-year plan. The special subsidy is required to be used for certain expenditure. The special subsidy is deducted in reporting the related expense or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

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29. DEFERRED TAX

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

Group

Deferred tax assets

	Allowances for impairment losses RMB'000	Salary and welfare payable RMB'000	Losses available for offsetting against future taxable profits RMB'000	Safety production cost RMB'000	Government special subsidy RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2013	204,052	80,406	1,506	73	17,125	303,162
Credited to the statement of profit or loss during the year	125,075	142,203	2,434	95	32,827	302,634
Exchange differences	(390)	–	(68)	–	–	(458)
Gross deferred tax assets at 31 December 2013	328,737	222,609	3,872	168	49,952	605,338
Gross deferred tax assets at 1 January 2012(Restated)	118,471	33,024	1,800	–	–	153,295
Credited to the statement of profit or loss during the year	85,599	47,382	(291)	73	17,125	149,888
Exchange differences	(18)	–	(3)	–	–	(21)
Gross deferred tax assets at 31 December 2012	204,052	80,406	1,506	73	17,125	303,162

Notes to Financial Statements

31 December 2013

29. DEFERRED TAX (continued)

Group (continued)

Deferred tax liabilities

	Lease deposits RMB'000	Withholding tax RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2013	38,885	92,093	130,978
(Credited)/Charged to the statement of profit or loss during the year	(17,500)	32,598	15,098
Exchange differences	–	(209)	(209)
Gross deferred tax liabilities at 31 December 2013	21,385	124,482	145,867

	Lease deposits RMB'000	Withholding tax RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2012 (Restated)	26,623	77,294	103,917
Charged to the statement of profit or loss during the year	12,262	14,985	27,247
Exchange differences	–	(186)	(186)
Gross deferred tax liabilities at 31 December 2012	38,885	92,093	130,978

For the purpose of the presentation of the consolidated statement 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:

	2013 RMB'000	2012 (Restated) RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	583,953	264,277
Net deferred tax liabilities recognised in the consolidated statement of financial position	124,482	92,093

Notes to Financial Statements

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29. DEFERRED TAX (continued)

Group (continued)

As at 31 December 2013, the Group had tax losses arising in Hong Kong of RMB6,407,000 (31 December 2012: RMB6,606,000) that is available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China of RMB18,766,000 (31 December 2012: RMB2,539,000) that will expire in one to five years for offsetting against future taxable profits. The Group has recognised deferred tax assets in respect of the tax losses mentioned above. Aside from this, as at 31 December 2013, the Group did not recognise deferred tax assets arising in the Mainland China and Hong Kong in respect of unutilized tax losses of RMB15,989,000 (31 December 2012: RMB4,688,000) and RMB113,485,000 (31 December 2012: RMB133,535,000), respectively, due to uncertainty in their recoverability.

Pursuant to the resolution of the Company, part of the Mainland China subsidiaries' profits generated from 2012 onwards will be retained by the Mainland China subsidiaries for the use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed will not reverse in the foreseeable future. As at 31 December 2013, the aggregate amount of unrecognised deferred tax liabilities (i.e., withholding taxes relating to such temporary differences) was approximately RMB92,887,000 (2012: RMB43,135,000).

30. ISSUED CAPITAL

	Number of shares	Amounts HK$
Authorised ordinary shares:		
At 31 December 2012 (HK$0.01 each)	10,000,000,000	100,000,000
At 31 December 2013 (HK$0.01 each)	**10,000,000,000**	**100,000,000**
Issued and fully paid ordinary shares:		
At 31 December 2012 (HK$0.01 each)	3,292,400,000	32,924,000
At 31 December 2013 (HK$0.01 each)	**3,292,400,000**	**32,924,000**

Notes to Financial Statements

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30. ISSUED CAPITAL (continued)

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	RMB equivalent Issued capital RMB'000	RMB equivalent Share premium account RMB'000	RMB equivalent Total RMB'000
At 1 January 2013 and 31 December 2013	3,292,400,000	32,924	8,498,456	27,570	7,067,502	7,095,072
At 1 January 2012	2,842,400,000	28,424	5,681,678	23,922	4,784,138	4,808,060
Issuance of new shares	450,000,000	4,500	2,875,500	3,648	2,330,966	2,334,614
Share issue expenses	–	–	(58,722)	–	(47,602)	(47,602)
As at 31 December 2012	3,292,400,000	32,924	8,498,456	27,570	7,067,502	7,095,072

31. 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 6 to 7 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 Reorganisation as defined in the Prospectus, over the nominal value of the Company's shares issued as consideration plus the amount of borrowings capitalised in excess of the nominal value of shares issued.

Pursuant to the relevant PRC rules and regulations, those subsidiaries which are domestic enterprises in 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.

Special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiaries Shanghai Horizon Construction Engineering Equipment Co., Ltd. and Tianjin Horizon Equipment & Engineering Co., Ltd. set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders.

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31. RESERVES (continued)

(b) Company

	Capital reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012	7,698,765	(410,576)	234,483	7,522,672
Profit for the year	–	–	648,590	648,590
Other comprehensive income	–	(20,670)	–	(20,670)
Dividend distribution (Note 12)	–	–	(268,495)	(268,495)
Issued ordinary shares (Note 30)	2,283,364	–	–	2,283,364
At 31 December 2012 and 1 January 2013	9,982,129	(431,246)	614,578	10,165,461
Profit for the year	–	–	604,584	604,584
Other comprehensive income	–	(307,935)	–	(307,935)
Dividend distribution (Note 12)	–	–	(602,714)	(602,714)
At 31 December 2013	9,982,129	(739,181)	616,448	9,859,396

Notes to Financial Statements

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32. DISPOSAL OF A SUBSIDIARY

	2012 (Restated) RMB'000
Net assets disposal of:	
Cash and cash equivalents	32,630
Other receivables	1,981
Taxes payable	(135)
Other payables	(23,632)
	10,844
Gain on disposal of a subsidiary	50
Exchange difference	(2)
	10,892
Satisfied by:	
Cash	10,892
An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:	
Cash consideration	10,892
Cash and bank balances disposed of	(32,630)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(21,738)

33. CONTINGENT LIABILITIES

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

Group

	2013 RMB'000	2012 (Restated) RMB'000
Claimed amounts	614	–

Notes to Financial Statements

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34. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in Notes 22, 24 and 27 to the financial statements.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its equipment, tools and moulds (Note 14 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 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Group

	2013 RMB'000	2012 (Restated) RMB'000
Within one year	15,808	12,664
In the second to fifth years, inclusive	–	107
	15,808	12,771

(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 more than five years.

At 31 December 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013 RMB'000	2012 (Restated) RMB'000	2013 RMB'000	2012 (Restated) RMB'000
Within one year	80,572	66,537	1,754	164
In the second to fifth years, inclusive	18,060	70,050	–	–
More than five years	2,240	–	–	–
	100,872	136,587	1,754	164

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36. COMMITMENTS

(a) Capital commitments

In addition to the operating lease commitments detailed in Note 35 above, the Group had the following capital commitments at the end of the reporting period:

Group

	2013 RMB'000	2012 (Restated) RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of plant and machinery	59,487	36,693

(b) Credit commitments

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

Group

	2013 RMB'000	2012 (Restated) RMB'000
Irrevocable credit commitments:	5,116,140	3,336,325

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.

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37. 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.
Jin Mao (Shanghai) Property Management Services Co., Ltd.
Sinochem Jinmao Property Management (Beijing) Co., Ltd.
Sinochem Corporation
Sinochem Growth Enterprises Vision Co., Ltd
Sinochem International (Overseas) Pte. Ltd.
Shenyang International Science and Technology Industrial Park Co., Ltd.

Associate
Changchun Engley Automobile Industry Co., Ltd.

In addition to the transactions and balances in Notes 22, 23, 24, 26 and 27 to the financial statements, the Group had the following material transactions with related parties during the year.

(i) Interest income from cash at banks:

Group

	2013 RMB'000	2012 (Restated) RMB'000
Sinochem Finance Co., Ltd.	5,889	6,348

The interest income was charged at rates ranging from 0.39% to 1.64% per annum.

Notes to Financial Statements

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37. RELATED PARTY TRANSACTIONS (continued)

(ii) Service fee income:

Group

	2013 RMB'000	2012 (Restated) RMB'000
Sinochem International (Overseas) Pte. Ltd.	22,823	8,582
Changchun Engley Automobile Industry Co., Ltd.	81	–
	.22,904	8,582

Services were provided based on prices mutually agreed between the parties.

(iii) Interest expense on borrowings:

Group

	2013 RMB'000	2012 (Restated) RMB'000
Sinochem Finance Co., Ltd.	21,707	75,328

The interest expenses were charged at rate of 6.15% per annum.

(iv) Commission fee:

Group

	2013 RMB'000	2012 (Restated) RMB'000
Sinochem Finance Co., Ltd.	3,332	4,688

Notes to Financial Statements

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37. RELATED PARTY TRANSACTIONS (continued)

(v) Rental expenses:

Group

	2013 RMB'000	2012 (Restated) RMB'000
China Jin Mao Group Co., Ltd.	43,282	38,315
Beijing Chemsunny Property Co., Ltd.	4,229	1,686
Jin Mao (Shanghai) Property Management Services Co., Ltd.	2,020	1,580
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	426	247
Sinochem Hong Kong	1,038	990
	50,995	42,818

These rentals were charged based on rates mutually agreed between the parties.

(vi) Information and technology services:

Group

	2013 RMB'000	2012 (Restated) RMB'000
Sinochem Corporation	850	850

The information and technology service expenses were charged based on prices mutually agreed between the parties.

(vii) Commission fee income:

Group

	2013 RMB'000	2012 (Restated) RMB'000
Shenyang International Science and Technology Industrial Park Co., Ltd.	–	568

Notes to Financial Statements

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37. RELATED PARTY TRANSACTIONS (continued)

(viii) Lease interest income

Group

	2013 RMB'000	2012 (Restated) RMB'000
Changchun Engley Automobile Industry Co., Ltd.	753	N/A

(ix) Non-cancellable operating leases:

At 31 December 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2013 RMB'000	2012 (Restated) RMB'000
China Jin Mao Group Co., Ltd.	41,271	82,542
Beijing Chemsunny Property Co., Ltd.	9,974	2,993
Sinochem Hong Kong	1,754	164
	52,999	85,699

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 notes (i) to (ix) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

Group

	2013 RMB'000	2012 (Restated) RMB'000
Short term employee benefits	21,819	14,421

Further details of directors' emoluments are set out in Note 8 to the financial statements.

Notes to Financial Statements

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38. 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 2013

Financial assets

	Loans and receivables RMB'000	Financial assets at fair value through profit or loss designated as such upon initial recognition RMB'000	Total RMB'000
Loans and accounts receivables	79,687,020	–	79,687,020
Deposits and other receivables	261,087	–	261,087
Restricted deposits	463,129	–	463,129
Derivative financial instruments	–	968	968
Cash and cash equivalents	2,673,476	–	2,673,476
	83,084,712	968	83,085,680

Financial liabilities

	At amortised cost RMB'000	Financial liability at fair value through profit or loss designated as such upon initial recognition RMB'000	Total RMB'000
Trade and bills payables	2,299,346	–	2,299,346
Other payables and accruals	11,335,318	–	11,335,318
Interest-bearing bank and other borrowings	56,554,478	–	56,554,478
Derivative financial instruments	–	66,818	66,818
	70,189,142	66,818	70,255,960

Notes to Financial Statements

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38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

As at 31 December 2012 (Restated)

Financial assets

	Loans and receivables RMB'000	Financial assets at fair value through profit or loss designated as such upon initial recognition RMB'000	Total RMB'000
Loans and accounts receivables	56,835,156	–	56,835,156
Deposits and other receivables	691,762	–	691,762
Restricted deposits	676,251	–	676,251
Derivative financial instruments	–	998	998
Cash and cash equivalents	1,502,698	–	1,502,698
	59,705,867	998	59,706,865

Financial liabilities

	At amortised cost RMB'000	Financial liability at fair value through profit or loss designated as such upon initial recognition RMB'000	Total RMB'000
Trade and bills payables	2,190,895	–	2,190,895
Other payables and accruals	7,866,238	–	7,866,238
Interest-bearing bank and other borrowings	36,751,959	–	36,751,959
Derivative financial instruments	–	7,223	7,223
	46,809,092	7,223	46,816,315

Notes to Financial Statements

31 December 2013

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

As at 31 December 2013

Financial assets – Loans and receivables

	Total RMB'000
Loans and receivables	20,532,809
Deposits and other receivables	230,635
Dividend receivable	608,760
Cash and cash equivalents	143,632
	21,515,836

Financial liabilities

	At amortised cost RMB'000	Financial liability at fair value through profit or loss designated as such upon initial recognition RMB'000	Total RMB'000
Trade and bills payables	1,957	–	1,957
Other payables and accruals	220,724	–	220,724
Interest-bearing bank and other borrowings	19,990,692	–	19,990,692
Derivative financial instruments	–	66,818	66,818
	20,213,373	66,818	20,280,191

Notes to Financial Statements

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38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company (continued)

As at 31 December 2012 (Restated)

Financial assets – Loans and receivables

	Total RMB'000
Loans and receivables	8,335,055
Deposits and other receivables	150,212
Dividened receivable	746,536
Cash and cash equivalents	41,629
	9,273,432

Financial liabilities

	At amortised cost RMB'000	Financial liability at fair value through profit or loss designated as such upon initial recognition RMB'000	Total RMB'000
Trade and bills payables	10,843	–	10,843
Other payables and accruals	117,438	–	117,438
Interest-bearing bank and other borrowings	7,925,302	–	7,925,302
Derivative financial instruments	–	7,223	7,223
	8,053,583	7,223	8,060,806

Notes to Financial Statements

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39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Financial assets and liabilities not presented at their fair value on the statement of financial position mainly represent cash and cash equivalents, restricted deposits, loans and accounts receivables, financial assets included in deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and borrowings.

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

Cash and cash balances, current portion of financial assets included in deposits and other receivables, trade and bill payables, short-term borrowings and current portion of financial liabilities included in other payables and accruals

Substantially all of the financial assets and liabilities mature within one year from the balance sheet date and their carrying value approximates fair value.

Loans and accounts receivables, interest-bearing bank and other borrowing except for bonds issue and short-term borrowings and restricted deposit

Substantially all of loans and accounts receivables, restricted deposit and interest-bearing bank and other borrowing except for bonds issued and short-term borrowings are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Notes to Financial Statements

31 December 2013

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value (continued)

Bonds issued

The fair values of the bonds issued are calculated based on a discounted cash flow model that is used based on a current yield curve appropriate for the remaining term to maturity.

The table below summarises the carrying amounts and fair values of bonds issued which included in interest-bearing bank and other borrowings not presented at fair value on the statement of financial position.

Group

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial liabilities				
Bond issued	5,864,095	3,441,276	5,714,366	3,481,889

Company

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial liabilities				
Bonds issued	5,864,095	3,315,403	5,714,366	3,356,016

Non-current portion of financial assets included in in prepayments deposits and other receivables and non-current portion of financial liabilities included in other payables and accruals

The fair values of the non-current portion of financial assets included in prepayments deposits and other receivables and non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The difference between the carrying amounts and fair values of those financial assets and liabilities are not significant.

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39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments measured at fair value

Non-deliverable cross-currency swaps

Non-deliverable cross-currency swaps are 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.

Call options

Call options are measured using valuation techniques including the Binomial Lattice model. The model incorporates various inputs including the value of the underlying equity interest. The valuation of the underlying equity interest requires management to make certain assumptions about the unobservable inputs of the model, which are disclosed in the table below:

	31 December 2013
Terminal growth rate	2%
Discount rate	13%
Discount for lack of marketability	16%
Minority discount	30%

The fair value of the call option is not significantly sensitive to the changes in the value of the underlying equity interest which could be caused by a reasonable change in the terminal growth rate, discount rate, discount for lack of marketability or minority discount.

Fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair values 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)

Notes to Financial Statements

31 December 2013

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy: (continued)

Assets and Liabilities measured at fair value:

Group

As at 31 December 2013

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Cross-currency interest rate swaps	–	(66,818)	–	(66,818)
Call options	–	–	968	968

As at 31 December 2012 (Restated)

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Cross-currency interest rate swaps	–	(7,223)	–	(7,223)
Call options	–	–	998	998

The movements in fair value measurements in Level 3 during the year were as follows (see Note 19 for further details):

	RMB'000
Call option:	
At 31 December 2012 and 1 January 2013	998
Addition	–
Exchange difference	(30)
At 31 December 2013	968
At 31 December 2011 and 1 January 2012	998
Addition	–
Exchange difference	–
At 31 December 2012	998

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39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy: (continued)

Assets and Liabilities measured at fair value: (continued)

Company

As at 31 December 2013

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Cross-currency interest rate swaps	–	(66,818)	–	(66,818)

As at 31 December 2012 (Restated)

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Cross-currency interest rate swaps	–	(7,223)	–	(7,223)

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 (2012: Nil).

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39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy: (continued)

Liabilities for which fair values are disclosed:

Group

As at 31 December 2013

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Bonds issued	–	5,714,366	–	5,714,366

As at 31 December 2012 (Restated)

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Bonds issued	–	3,481,889	–	3,481,889

Company

As at 31 December 2013

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Bonds issued	–	5,714,366	–	5,714,366

As at 31 December 2012 (Restated)

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Bonds issued	–	3,356,016	–	3,356,016

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40. TRANSFERS OF FINANCIAL ASSETS

40(a) Transferred financial assets that are not derecognised in their entirety

At 31 December 2013, the Group entered into a lease receivable transfer agreement (the "Agreement") and transferred the lease receivables (the "Transferred Lease Receivables") to a bank for financing. Under the Agreement, the Group was required to reimburse the bank for loss of rental if any lessees have late payment. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the lease receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the lease receivables transferred under the agreement that have not been settled as at 31 December 2013 amounted to RMB556,178,000. The carrying amount of the assets that the Group continued to recognise as at 31 December 2013 amounted to RMB556,178,000 and that of the associated liabilities as at 31 December 2013 amounted to RMB343,688,000.

At 31 December 2013, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "Endorsed Bills") with a carrying amount of RMB44,420,000 (2012: Nil) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB44,420,000 (2012: Nil) as at 31 December 2013.

40(b) Transferred financial assets that are derecognised in their entirety

At 31 December 2013, the Group entered into a lease receivable factoring arrangement (the "Arrangement") and transferred certain lease receivables to a bank (the "Derecognised Lease Receivables) with a carrying amount in aggregate of RMB164,818,000. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Lease Receivables. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Lease Receivables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Lease Receivables and the undiscounted cash flows to repurchase these Derecognised Lease Receivables is equal to their carrying amounts. In the opinion of the directors, the fair value of the Group's Continuing Involvement in the Derecognised Lease Receivables is not significant.

41. 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 and derivative financial instruments. 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.

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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, lease receivables and other loans.

A principal objective 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 the reporting period subject to repricing within the coming year.

Group

	Increase/(decrease) in profit before tax As at 31 December	
	2013	2012 (Restated)
	RMB'000	RMB'000
Change in basis points		
+100 basis points	301,473	195,460
– 100 basis points	(301,473)	(195,460)

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.

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

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

Group

	As at 31 December 2013					
	Non-interest-bearing RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	744,380	73,063,049	5,293,136	586,455	–	79,687,020
Deposits and other receivables	242,796	18,291	–	–	–	261,087
Restricted deposits	–	131,476	243,901	87,752	–	463,129
Derivative financial instruments	968	–	–	–	–	968
Cash and cash equivalents	50	2,673,426	–	–	–	2,673,476
Total financial assets	988,194	75,886,242	5,537,037	674,207	–	83,085,680
FINANCIAL LIABILITIES:						
Trade and bills payables	2,299,346	–	–	–	–	2,299,346
Other payables and accruals	10,904,338	427,595	3,385	–	–	11,335,318
Interest-bearing bank and other borrowings	–	41,954,369	7,808,199	6,791,910	–	56,554,478
Derivative financial instruments	66,818	–	–	–	–	66,818
Total financial liabilities	13,270,502	42,381,964	7,811,584	6,791,910	–	70,255,960
Interest rate risk exposure	(12,282,308)	33,504,278	(2,274,547)	(6,117,703)	–	12,829,720

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Group (continued)

	As at 31 December 2012 (Restated)					
	Non-interest–bearing RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	720,718	50,087,059	5,892,227	135,152	–	56,835,156
Deposits and other receivables	639,762	52,000	–	–	–	691,762
Restricted deposits	–	497,751	178,500	–	–	676,251
Derivative financial instruments	998	–	–	–	–	998
Cash and cash equivalents	74	1,502,624	–	–	–	1,502,698
Total financial assets	1,361,552	52,139,434	6,070,727	135,152	–	59,706,865
FINANCIAL LIABILITIES:						
Trade and bills payables	2,190,895	–	–	–	–	2,190,895
Other payables and accruals	511,867	39,479	820,332	6,335,421	159,139	7,866,238
Interest-bearing bank and other borrowings	–	30,454,667	1,681,506	4,615,786	–	36,751,959
Derivative financial instruments	7,223	–	–	–	–	7,223
Total financial liabilities	2,709,985	30,494,146	2,501,838	10,951,207	159,139	46,816,315
Interest rate risk exposure	(1,348,433)	21,645,288	3,568,889	(10,816,055)	(159,139)	12,890,550

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Company

	As at 31 December 2013					
	Non-interest-bearing RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	1,039,984	2,524,421	1,864,460	15,103,944	–	20,532,809
Deposits and other receivables	230,635	–	–	–	–	230,635
Dividend receivable	608,760	–	–	–	–	608,760
Cash and cash equivalents	–	143,632	–	–	–	143,632
Total financial assets	1,879,379	2,668,053	1,864,460	15,103,944	–	21,515,836
FINANCIAL LIABILITIES:						
Trade and bills payables	1,957	–	–	–	–	1,957
Other payables and accruals	220,724	–	–	–	–	220,724
Interest-bearing bank and other borrowings	–	11,790,491	1,971,884	6,228,317	–	19,990,692
Derivative financial instruments	66,818	–	–	–	–	66,818
Total financial liabilities	289,499	11,790,491	1,971,884	6,228,317	–	20,280,191
Interest rate risk exposure	1,589,880	(9,122,438)	(107,424)	8,875,627	–	1,235,645

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Company (continued)

	As at 31 December 2012 (Restated)					
	Non-interest–bearing RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	379,093	–	92,672	7,430,601	432,689	8,335,055
Deposits and other receivables	150,212	–	–	–	–	150,212
Dividend Receivable	746,536	–	–	–	–	746,536
Cash and cash equivalents	–	41,629	–	–	–	41,629
Total financial assets	1,275,841	41,629	92,672	7,430,601	432,689	9,273,432
FINANCIAL LIABILITIES:						
Trade and bills payables	10,843	–	–	–	–	10,843
Other payables and accruals	117,438	–	–	–	–	117,438
Interest-bearing bank and other borrowings	–	2,912,797	804,133	4,208,372	–	7,925,302
Derivative financial instruments	7,223	–	–	–	–	7,223
Total financial liabilities	135,504	2,912,797	804,133	4,208,372	–	8,060,806
Interest rate risk exposure	1,140,337	(2,871,168)	(711,461)	3,222,229	432,689	1,212,626

Notes to Financial Statements

31 December 2013

41. 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 exposure to treasury operations 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 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 is 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 shows the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax. This effect, however, was based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period were 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 in profit before tax As at 31 December	
Currency	Change in currency rate	2013 RMB'000	2012 RMB'000
US$	-1%	5,665	4,808

Notes to Financial Statements

31 December 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

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

Group

	As at 31 December 2013			
(In RMB'000 equivalent)	**RMB**	**US$**	**Others**	**Total**
FINANCIAL ASSETS:				
Loans and accounts receivables	75,735,556	3,904,355	47,109	79,687,020
Deposits and other receivables	145,029	115,564	494	261,087
Restricted deposits	463,129	–	–	463,129
Derivative financial instruments	968	–	–	968
Cash and cash equivalents	2,404,218	152,713	116,545	2,673,476
Total financial assets	78,748,900	4,172,632	164,148	83,085,680
FINANCIAL LIABILITIES:				
Trade and bills payables	2,284,171	14,363	812	2,299,346
Other payables and accruals	10,904,338	427,595	3,385	11,335,318
Interest-bearing bank and other borrowings	41,482,332	13,960,236	1,111,910	56,554,478
Derivative financial instruments	–	66,818	–	66,818
Total financial liabilities	54,670,841	14,469,012	1,116,107	70,255,960
Net position	24,078,059	(10,296,380)	(951,959)	12,829,720

Notes to Financial Statements

31 December 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Group (continued)

	As at 31 December 2012 (Restated)			
(In RMB'000 equivalent)	**RMB**	**US$**	**Others**	**Total**
FINANCIAL ASSETS:				
Loans and accounts receivables	53,985,907	2,842,496	6,753	56,835,156
Deposits and other receivables	308,034	383,388	340	691,762
Restricted deposits	658,197	18,054	–	676,251
Derivative financial instruments	998	–	–	998
Cash and cash equivalents	1,357,980	130,647	14,071	1,502,698
Total financial assets	56,311,116	3,374,585	21,164	59,706,865
FINANCIAL LIABILITIES:				
Trade and bills payables	2,151,493	24,016	15,386	2,190,895
Other payables and accruals	7,386,557	479,462	219	7,866,238
Interest-bearing bank and other borrowings	32,266,088	4,473,526	12,345	36,751,959
Derivative financial instruments	–	7,223	–	7,223
Total financial liabilities	41,804,138	4,984,227	27,950	46,816,315
Net position	14,506,978	(1,609,642)	(6,786)	12,890,550

Notes to Financial Statements

31 December 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Company

(In RMB'000 equivalent)	As at 31 December 2013 RMB	US$	Others	Total
FINANCIAL ASSETS:				
Loans and accounts receivables	17,412,990	3,118,547	1,272	20,532,809
Deposits and other receivables	–	230,141	494	230,635
Dividend receivable	479,517	129,243	–	608,760
Cash and cash equivalents	204	133,979	9,449	143,632
Total financial assets	17,892,711	3,611,910	11,215	21,515,836
FINANCIAL LIABILITIES:				
Trade and bills payables	–	1,736	221	1,957
Other payables and accruals	31,110	186,229	3,385	220,724
Interest-bearing bank and other borrowings	5,991,852	12,886,931	1,111,909	19,990,692
Derivative financial instruments	–	66,818	–	66,818
Total financial liabilities	6,022,962	13,141,714	1,115,515	20,280,191
Net position	11,869,749	(9,529,804)	(1,104,300)	1,235,645

Notes to Financial Statements

31 December 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Company (continued)

(In RMB'000 equivalent)	As at 31 December 2012 (Restated) RMB	US$	Others	Total
FINANCIAL ASSETS:				
Loans and accounts receivables	5,842,504	2,484,070	8,481	8,335,055
Deposits and other receivables	–	146,134	4,078	150,212
Dividend Receivable	639,617	106,919	–	746,536
Cash and cash equivalents	632	39,011	1,986	41,629
Total financial assets	6,482,753	2,776,134	14,545	9,273,432
FINANCIAL LIABILITIES:				
Trade and bills payables	–	3,101	7,742	10,843
Other payables and accruals	35,045	82,174	219	117,438
Interest-bearing bank and other borrowings	4,164,974	3,757,281	3,047	7,925,302
Derivative financial instruments	–	7,223	–	7,223
Total financial liabilities	4,200,019	3,849,779	11,008	8,060,806
Net position	2,282,734	(1,073,645)	3,537	1,212,626

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 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 the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

Notes to Financial Statements

31 December 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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

	As at 31 December 2013		As at 31 December 2012	
	RMB'000	%	RMB'000	%
Net lease receivables				
Healthcare	17,235,826	22	11,729,838	21
Printing	11,479,550	14	8,090,543	14
Shipping	9,045,651	11	6,545,352	12
Infrastructure construction	11,448,183	15	8,718,466	15
Machinery	6,813,078	8	4,354,563	8
Education	12,282,050	16	10,049,954	18
Textile	2,244,726	3	1,229,958	2
Electronic information	4,430,869	6	3,015,816	5
Others	3,607,214	5	3,075,472	5
	78,587,147	100	56,809,962	100
Less: Impairment provision on lease receivables	(1,390,630)		(886,436)	
Net	77,196,517		55,923,526	

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 22, Note 19 and Note 23 respectively.

Notes to Financial Statements

31 December 2013

41. 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	
	2013 RMB'000	2012 RMB'000
Lease receivables	77,816,897	56,345,299
Notes receivable	140,889	13,464
Accounts receivable	210,882	104,682
Factoring receivable	1,447,132	213,904
Entrusted loans	232,026	323,150
Mortgage loans	83,041	–
Lease interest receivables	386,220	251,237
Bank interest receivables	–	6,435
Derivative financial instruments	968	998
Deposits and other receivables	261,087	691,762
Long term receivables	6,690	9,696

As 31 December 2013, the assets which are past due but are not considered impaired amounted to RMB128,010,000 (2012: RMB49,662,000). The aging analysis is as below:

2013	Less than 90 days RMB'000	90 days to 1 year RMB'000	1 year to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Loans and account receivables	128,010	–	–	–	128,010

2012	Less than 90 days RMB'000	90 days to 1 year RMB'000	1 year to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Loans and account receivables	49,662	–	–	–	49,662

Notes to Financial Statements

31 December 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet the 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 executive of 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.

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 2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	246,983	9,420,894	26,648,995	52,827,792	795,095	89,939,759
Deposits and other receivables	–	79,945	175,981	5,398	–	261,324
Restricted deposits	–	131,609	247,159	92,411	–	471,179
Derivative financial instruments	–	–	–	968	–	968
Cash and cash equivalents	2,673,476	–	–	–	–	2,673,476
Total financial assets	2,920,459	9,632,448	27,072,135	52,926,569	795,095	93,346,706
FINANCIAL LIABILITIES:						
Trade and bills payables	43,310	1,179,748	1,076,288	–	–	2,299,346
Other payables and accruals	82,663	443,540	1,623,903	9,610,467	60,081	11,820,654
Interest-bearing bank and other borrowings	318	9,990,801	19,281,930	30,451,464	385,878	60,110,391
Derivative financial instruments	–	–	11,832	54,986	–	66,818
Total financial liabilities	126,291	11,614,089	21,993,953	40,116,917	445,959	74,297,209
Net liquidity gap	2,794,168	(1,981,641)	5,078,182	12,809,652	349,136	19,049,497

Notes to Financial Statements

31 December 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

	As at 31 December 2012 (Restated)					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	62,038	6,422,384	19,484,474	39,179,162	714,245	65,862,303
Deposits and other receivables	218	194,505	440,474	56,565	–	691,762
Restricted deposits	–	316,098	372,324	–	–	688,422
Derivative financial instruments	–	–	–	998	–	998
Cash and cash equivalents	1,502,698	–	–	–	–	1,502,698
Total financial assets	1,564,954	6,932,987	20,297,272	39,236,725	714,245	68,746,183
FINANCIAL LIABILITIES:						
Trade and bills payables	39,059	878,292	1,256,745	16,799	–	2,190,895
Other payables and accruals	14,911	425,144	959,618	7,209,940	175,196	8,784,809
Interest-bearing bank and other borrowings	578	5,591,278	14,871,224	18,771,090	45,915	39,280,085
Derivative financial instruments	–	–	–	7,223	–	7,223
Total financial liabilities	54,548	6,894,714	17,087,587	26,005,052	221,111	50,263,012
Net liquidity gap	1,510,406	38,273	3,209,685	13,231,673	493,134	18,483,171

Notes to Financial Statements

31 December 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	As at 31 December 2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	46,412	7,850	2,268,007	21,899,164	177,220	24,398,653
Deposits and other receivables	–	27	230,608	–	–	230,635
Dividend Receivable	–	–	608,760	–	–	608,760
Cash and cash equivalents	143,632	–	–	–	–	143,632
Total financial assets	190,044	7,877	3,107,375	21,899,164	177,220	25,381,680
FINANCIAL LIABILITIES:						
Trade and bills payables	–	1,957	–	–	–	1,957
Other payables and accruals	10,992	177,192	22,093	10,447	–	220,724
Interest-bearing bank and other borrowings	6,415	2,381,878	3,460,130	15,125,696	158,257	21,132,376
Derivative financial instruments	–	–	11,832	54,986	–	66,818
Total financial liabilities	17,407	2,561,027	3,494,055	15,191,129	158,257	21,421,875
Net liquidity gap	172,637	(2,553,150)	(386,680)	6,708,035	18,963	3,959,805

Notes to Financial Statements

31 December 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company (continued)

	As at 31 December 2012 (Restated)					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	4	84,568	269,568	8,510,795	456,433	9,321,368
Deposits and other receivables	–	273	114,774	35,165	–	150,212
Dividend Receivable	–	–	746,536	–	–	746,536
Cash and cash equivalents	41,629	–	–	–	–	41,629
Total financial assets	41,633	84,841	1,130,878	8,545,960	456,433	10,259,745
FINANCIAL LIABILITIES:						
Trade and bills payables	9,922	921	–	–	–	10,843
Other payables and accruals	2,038	17,047	91,093	7,260	–	117,438
Interest-bearing bank and other borrowings	6,863	421,049	1,067,943	7,183,311	–	8,679,166
Derivative financial instruments	–	–	–	7,223	–	7,223
Total financial liabilities	18,823	439,017	1,159,036	7,197,794	–	8,814,670
Net liquidity gap	22,810	(354,176)	(28,158)	1,348,166	456,433	1,445,075

Notes to Financial Statements

31 December 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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	
	2013 RMB'000	2012 (Restated) RMB'000
Bank and other borrowings	56,554,478	36,751,959
Net debt	56,554,478	36,751,959
Total equity	14,164,870	12,855,446
Total equity and net debt	70,719,348	49,607,405
Gearing ratio	80%	74%

Notes to Financial Statements

31 December 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

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 aforementioned general requirements that are relevant to the Group. 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 program of business development and capital management 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 dividend policy or financing channels in light of risks confronted. During the year, there were no significant changes in the policies or processes for managing the capital of Far Eastern Leasing.

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

	As at 31 December	
	2013	2012 (Restated)
	RMB'000	RMB'000
Total assets	82,357,521	57,044,276
Less: Cash	(2,751,163)	(1,987,685)
Total assets at risk	79,606,358	55,056,591
Equity	13,065,484	11,738,976
Ratio of assets at risk to equity	6.09	4.69

Notes to Financial Statements

31 December 2013

42. EVENTS AFTER THE REPORTING PERIOD

There are no further material subsequent events undertaken by the Company or by the Group after 31 December 2013.

43. COMPARATIVE AMOUNTS

As disclosed in Note 2.2 to the financial statements, as the result of change in the Group's presentation currency from US$ to RMB, comparative amounts have been restated to conform with the current year's presentation, and a third statement of financial position as at 1 January 2012 has been presented.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2014.

Financial Summary

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

Results

	For the year ended 31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
REVENUE	7,908,101	6,486,395	4,716,436	2,198,610	1,443,898
Cost of sales	(2,890,185)	(2,908,365)	(2,214,078)	(792,688)	(509,124)
Gross profit	5,017,916	3,578,030	2,502,358	1,405,922	934,774
Other income and gains	278,459	119,845	75,131	66,784	18,117
Selling and distribution costs	(1,124,955)	(703,143)	(449,295)	(252,971)	(159,390)
Administrative expenses	(1,294,330)	(863,635)	(624,514)	(299,881)	(177,733)
Other expenses	(282,972)	(52,939)	(24,871)	(23,163)	(5,280)
Finance costs	(1,270)	(2,138)	–	–	–
Profit or loss on investment in associates	7,893	–	–	–	–
PROFIT BEFORE TAX	2,600,741	2,076,020	1,478,809	896,691	610,488
Income tax expense	(684,668)	(558,652)	(369,945)	(201,158)	(138,623)
Profits for the year	1,916,073	1,517,368	1,108,864	695,533	471,865
Attributable to:					
Owners of the parent	1,912,744	1,518,577	1,107,630	697,759	471,865
Non-controlling interests	3,329	(1,209)	1,234	(2,226)	–
	1,916,073	1,517,368	1,108,864	695,533	471,865

Financial Summary

The following table sets forth the results of the Group converted into US dollars at the respective average exchanged rate of each year[(1)] as of the dates indicated.

	For the year ended 31 December				
	2013 US$'000	2012 US$'000	2011 US$'000	2010 US$'000	2009 US$'000
REVENUE	1,277,313	1,030,699	729,895	326,909	211,362
Cost of sales	(466,821)	(462,144)	(342,641)	(117,864)	(74,527)
Gross profit	810,492	568,555	387,254	209,045	136,835
Other income and gains	44,977	19,044	11,627	9,930	2,652
Selling and distribution costs	(181,702)	(111,731)	(69,531)	(37,614)	(23,332)
Administrative expenses	(209,060)	(137,233)	(96,647)	(44,589)	(26,017)
Other expenses	(45,706)	(8,411)	(3,849)	(3,444)	(773)
Finance costs	(205)	(340)	–	–	–
Profit or loss on investment in associates	1,275	–	–	–	–
PROFIT BEFORE TAX	420,071	329,884	228,854	133,328	89,365
Income tax expense	(110,587)	(88,771)	(57,251)	(29,910)	(20,292)
Profits for the year	309,484	241,113	171,603	103,418	69,073
Attributable to:					
Owners of the parent	308,946	241,305	171,412	103,749	69,073
Non-controlling interests	538	(192)	191	(331)	–
	309,484	241,113	171,603	103,418	69,073

Financial Summary

ASSETS, LIABILITIES AND NON-CONTROLLING EQUITY

	As at 31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Total assets	86,512,872	60,570,275	47,097,345	25,326,291	14,230,221
Total liabilities	(72,348,002)	(47,714,829)	(37,795,575)	(21,833,929)	(12,346,758)
Non-controlling interests	(39,528)	(10,964)	(4,019)	(2,782)	–
	14,125,342	12,844,482	9,297,751	3,489,580	1,883,463

The following table sets forth the assets, liabilities and non-controlling equity of the Group converted into US dollars at the respective exchange rate as at the end of each year[(1)] as of the dates indicated.

	As at 31 December				
	2013 US$'000	2012 US$'000	2011 US$'000	2010 US$'000	2009 US$'000
Total assets	14,189,649	9,636,509	7,474,702	3,824,164	2,084,037
Total liabilities	(11,866,359)	(7,591,255)	(5,998,442)	(3,296,832)	(1,808,201)
Non-controlling interests	(6,483)	(1,744)	(638)	(420)	–
	2,316,807	2,043,510	1,475,622	526,912	275,836

Note:

(1) Exchange rate

	Exchange rate as at the end of the year	Average exchange rate
2007	7.3046	7.5567
2008	6.8346	7.0696
2009	6.8282	6.8314
2010	6.6227	6.7255
2011	6.3009	6.4618
2012	6.2855	6.2932
2013	6.0969	6.1912

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