遠東宏信有限公司
FAR EAST HORIZON LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 3360)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the "Board") of Far East Horizon Limited (the "Company") hereby announces the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015. This announcement, containing the full text of the 2015 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results.

By Order of the Board
Far East Horizon Limited
Chairman
Ning Gaoning

Hong Kong, March 30, 2016

As at the date of this announcement, the executive directors of the Company are Mr. KONG Fanxing and Mr. WANG Mingzhe, the non-executive directors of the Company are Mr. NING Gaoning (Chairman), Mr. YANG Lin, Dr. CHEN Guogang, Mr. LIU Haifeng David, Mr. Kuo Ming-Jian and Mr. John LAW, and the independent non-executive directors of the Company are Mr. CAI Cunqiang, Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming.

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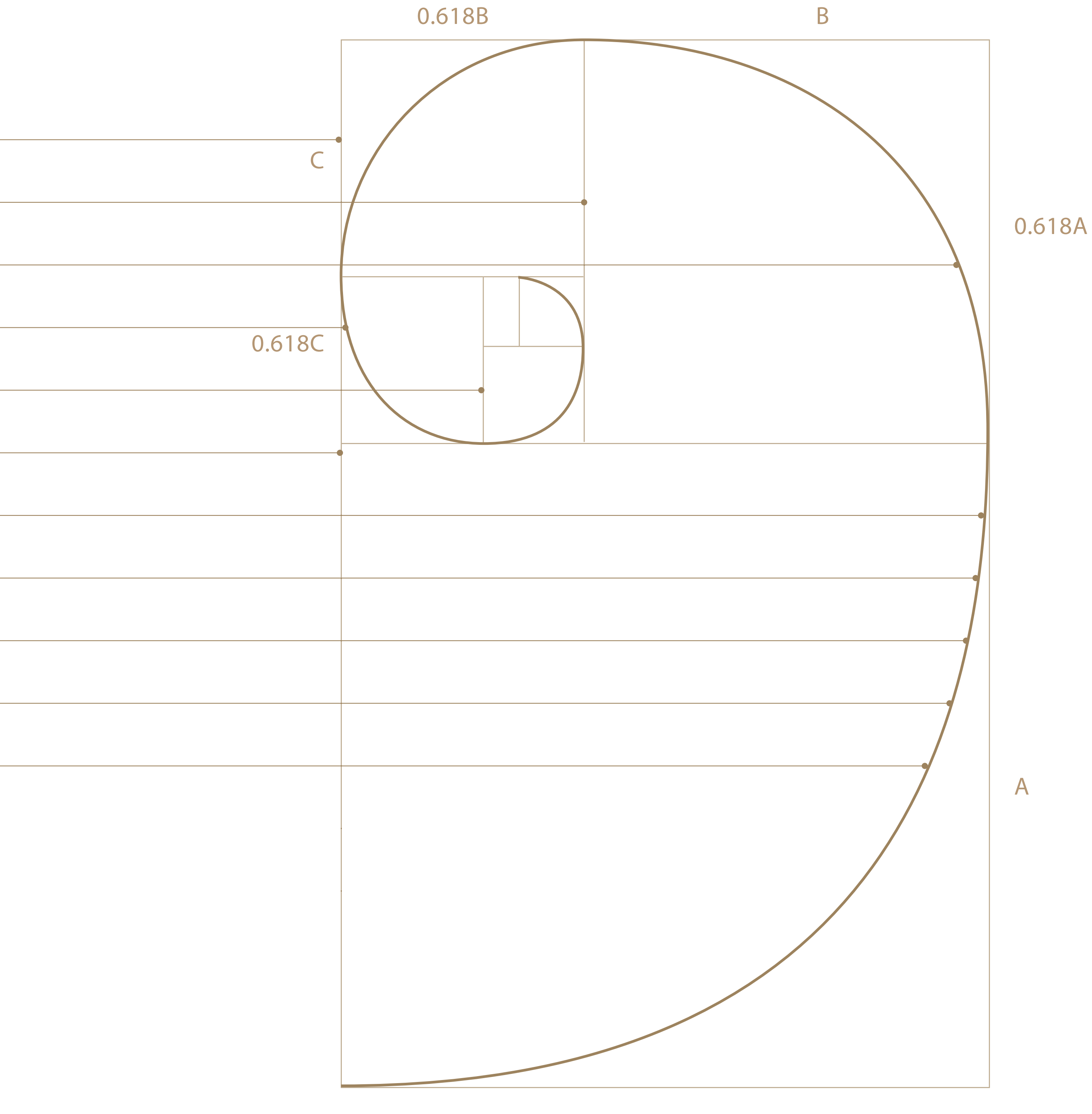
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Corporate Information

Board of Directors

Chairman and Non-Executive Director

Mr. NING Gaoning *(Chairman)*

Executive Director

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

Non-Executive Director

Mr. YANG Lin
Dr. CHEN Guogang
Mr. LIU Haifeng David
Mr. KUO Ming-Jian
Mr. John LAW

Independent Non-Executive Director

Mr. CAI Cunqiang
Mr. HAN Xiaojing
Mr. LIU Jialin
Mr. YIP Wai Ming

Composition of Committee

Audit and Risk Management Committee

Mr. YIP Wai Ming *(Chairman)*
Mr. HAN Xiaojing
Mr. John LAW

Remuneration and Nomination Committee

Mr. LIU Jialin *(Chairman)*
Mr. HAN Xiaojing
Mr. KUO Ming-Jian

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,
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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 fundamental industries and leveraging the business model of integrating finance and industry to serve enterprises of greatest vitality with the support of the fast-growing and enormous economy in China. Based on its philosophy of "creating value and pursuing excellence", Far East Horizon endeavours to realize its vision of "Integrating global resources and promoting China's industries" by making innovations in products and services to provide our customers with tailor-made integrated operations services.

Over the past two decades, 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 services and financial capital and with unique advantages in the organization of resources and value added services, we provide integrated finance, investment, trade, advisory and engineering services in healthcare, education, infrastructure construction, electronic information, urban public utility, packaging, transportation, industrial machinery, as well as other sectors. The Group, headquartered in Hong Kong, has operations centers in Shanghai and Tianjin, and has offices in major cities throughout China such as Beijing, Shenyang, Ji'nan, Zhengzhou, Wuhan, Chengdu, Chongqing, Changsha, Shenzhen, Xi'an, Harbin, Xiamen, Kunming and Hefei, 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 services, industrial investment, hospital investment and operations, equipment operation services, high-end education, trade brokerage, management consulting, engineering services, 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

NING Gaoning

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 2015 to all our shareholders.

The unbalanced development of the global economy continued in 2015. The US economy rebounded with the first rate hike in a decade, while the growth of other developed economies remained weak in their trough. In China, there remained severe challenges despite a series of stimulus. On one hand, the economic growth rate decelerated from top gear to normal speed; and on the other hand, industrial structural optimisation and adjustment was expected to be prolonged. Meanwhile, China continued its reforms of the financial sector with the RMB internationalization clearing another stage, and the interest rate liberalization stretching deeper with substantial breakthroughs in building a multi-layered capital market. All of these will facilitate China's liberalization of its economy. With the support and guidance of China's national industrial policies, the financial leasing industry experienced substantial development with all types of fundings and talents entering the industry, further serving and supporting real economy development, which also promoted the transformation and upgrade of China's economy.

In 2015, the Group continued to adopt the innovative development model characterized by an "organic and effective combination of finance and industries", conscientiously implemented the business strategy of "promoting the steady growth of traditional financial businesses and accelerating the allocation of assets of industrial operations" which was formulated at the beginning of the year, and prudently implemented well-designed business plans. Thanks to the persistent efforts made by our staff, the Group again fulfilled anticipation and achieved all objectives set at the beginning of the year, delivering another record high of operating results despite difficulties and challenges posed by the external environment.

As at the end of 2015, total assets of the Group reached approximately RMB140.0 billion, up by approximately 26% from the beginning of the year. Net profit amounted to approximately RMB2.6 billion for the year, representing a year-on-year increase of approximately 10%. Meanwhile, asset quality of the Group remained stable with non-performing assets less than 1% and the provision coverage ratio was maintained at over 200%, fulfilling our commitments to shareholders of maintaining asset security and healthy business growth. The above achievements would not have been possible without the long-term strong support and understanding from our shareholders and business partners as well as diligent mental and physical efforts made by our management team and all of our staff. On behalf of the Board of Directors, I would like to extend our sincere gratitude and warm congratulations to each and every one of them.

Chairman's Statement

With the ultimate goal of safeguarding shareholders' interest and maximising shareholders' value in mind, the Board spared no efforts 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 Hong Kong Stock Exchange, the Company convened a total of four regular Board meetings in 2015 to consider and approve issues on the annual results for 2014, interim results for 2015, strategic planning report for the next three years, annual operating budgets, the remuneration and incentive schemes and continuing connected transactions. In accordance with requirements of the Hong Kong Stock Exchange relating to enhancing the internal control level of listed companies, we further defined duties of the Audit Committee under the Board which was then renamed the Audit and Risk Management Committee to further tighten our internal requirements on financial risk management. Meanwhile, 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 appointment of directors, optimisation of the remuneration and incentive systems and improvement of corporate development strategies.

Looking forward to 2016, the landscape of the global economy will continue to present both challenges and opportunities. China's economic development will remain in the hardship of "reforms and adjustments", posing aggravating challenges to the traditional economy and financial sector. However, fundamental industries related to the livelihood such as healthcare and education will encounter unprecedented opportunities for development afforded by the reforms. Facing such challenges and opportunities presented by the external environment and adhering to the operation concept of "integrated industry operation services", the Group will strive to safeguard the asset security and steady growth of its financial leasing business, proactively strengthen the asset allocation of industrial operation businesses including hospital investment and operation, equipment operation services and high-end education, further enhance industrial service and management capabilities, and strive to fulfill all the operation, management and budget objectives approved by the Board for 2016, so as to create greater value for all our shareholders, partners, our employees and all sectors of the community as well.

Far East Horizon Limited
NING Gaoning
Chairman of the Board

30 March 2016

CEO's Statement

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

Kong Fanxing

Dear shareholders,

In 2015, China's economy recorded a slower growth rate and the real economy sector remained in its restructuring. Facing challenges such as decreasing market demand and higher operational risk, Far East Horizon Limited (the "Company", together with its subsidiaries, the "Group") made proactive responding adjustments that, while securing steady growth in traditional financial leasing, we expanded our industrial operation businesses to develop new engines for business expansion. All our tasks were well performed to fulfil our commitments to all shareholders, which are mainly reflected in the following aspects:

Steadily enhancing results and continual assets security

The Group's total assets increased to approximately RMB140.0 billion as at 31 December 2015, representing an increase of approximately 26% or, when restoring off-balance-sheet assets under asset securitization, over 38% from last year. The net profit was approximately RMB2.6 billion for the year, representing a year-on-year increase of approximately 10%. While soundly expanding total assets and ensuring steady profit growth, our asset allocation, in light of the expansion in robust industries related to livelihood such as healthcare and education in recent years, was further optimized with nearly 70% assets in such industries. Through active allocation to such robust industries and introduction of quality high-end clients as well as more prudent risk management measures, our asset quality remained stable with the ratio of non-performing assets at 0.97% and the provision coverage ratio stayed at a healthy level above 200%, which ensured our resistance to risks.

Fruitful industrial operations and diversifying financial structure

Based on our profound industry experience and industrial client base accumulated through the years, we have focused our attention and resources on industrial operations in recent years and made exploration and innovations in relevant models for such industries as healthcare, construction and education, which have obtained preliminary achievements and gains.

CEO's Statement

After over a decade of unrelenting exploration, we have built an organic operational framework for the healthcare sector generating synergies spanning five areas namely financial services, consultancy, construction services, investment management and hospital operation. In 2015, as supported by this system, our wholly-owned subsidiary Horizon Healthcare Investment & Holding (Shanghai) Co., Ltd. (上海宏信醫療投資控股有限公司) made a rapid breakthrough in hospital investment operation. As at the end of 2015, we have gained control over or acquired equity interest in eight hospitals in total including Huakang Hospital, Siping Cancer Hospital, Weihai Haida Hospital, Binhai Xinrenci Hospital, Anda Jiren Hospital, Zhoushan Dinghai Guanghua Hospital, Kunming Boya Hospital (昆明博亞) and Yunnan Kidney Hospital under Kunming Broadhealthcare with over 3,000 beds under control. By virtue of measures such as resources sharing among departments with a competitive edge, introduction of external experts and sub-divided internal management, the hospitals received effective enhancement in their operational capabilities and management efficiency, which is a firm step of us towards becoming a hospital operation and management corporation perched on a leading position in China.

The equipment operation services for the construction industry also recorded rapid development. As at the end of 2015, our subsidiaries engaged in equipment operation services had assets of approximately RMB3.7 billion and revenue of approximately RMB660 million, an increase of over 55% as compared with last year. Wide recognition was received in the industries of equipment services for engineering construction and leasing of high-end scaffolding, and the network of our operation services has gradually spread nation-wide and created relevant advantages in related sub-markets.

We also had substantial breakthroughs in the education industry in 2015. Adhering to the operating positioning of "Chinese-western integration and elite creation for the people", we focused on the two major areas of developing high-end international kindergartens and high schools. As at the end of 2015, we operated with controlling interest three such kindergartens and one such high school, which gave shape to our capabilities to operate and manage high-end educational institutions and laid a sound foundation for further expansion of our operation services for the education industry in the future.

The industrial operations segment has made substantial progress in asset allocation and in enhancing operational capabilities in sub-areas, which diversified the driving forces for and the stability of our business growth, as well as diversified our asset allocation, revenue structure and income sources, which will prove to be a stepping stone to our further sustainable, healthy and stable development.

More active resources safeguard and progressing risk management

In 2015, faced with different financial environment in China and overseas, we proactively adjusted our financing strategies. For China where there were a more loose monetary market and lowering financing costs, we increased our ratio of financing, whereas in light of overseas environment where the effect of the USD entering into the rate hike cycle causing significant fluctuation in the exchange rate of USD against RMB, we postponed our financing in foreign currencies.

CEO's Statement

With regard to indirect financing, we proactively expanded our bank financing channels, and have obtained over RMB110.0 billion credit facilities from banks, with a noticeable overall downward trend in borrowing costs. With regard to direct financing, we promoted a series of direct financing products such as medium term notes, PPN, corporate bonds, short-term notes and asset securitization amid the favourable environment in the domestic bond market, which reduced our financing costs to record lows. Particularly through asset securitization products, we sold assets underlying RMB financial leases totalling over RMB15.0 billion in 2015, effectively accelerating our assets turnover and created the conditions for our further development on balance sheet.

Furthermore, we have continued the prudent and cautious management of interest rate and foreign exchange risk in 2015. We secured our foreign currency financing at over 90% through swaps based on interest rates and exchange rates to reduce our exposure to risks relating to interest rates of debt in foreign currency and exchange rates, effectively mitigating relevant uncertainties in our course of operation.

Looking forward, we will continue to adopt the innovative development model characterized by an "organic and effective combination of finance and industries" by optimizing the asset allocation for the traditional financial leasing industry and strengthening management of risks relating to assets to effectively safeguard assets security, while actively accelerating the expansion of our industrial operations. Our efforts in facilitating the organic combination of and effective interactions between our financing businesses and industrial operations businesses and in actively releasing their financial value will ultimately maximize shareholder value.

Finally, on behalf of the management and all of our staff, I would like to thank every shareholder, client and partner for their continued understanding and support.

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

Business Overview

	Year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Operating results					
Total revenue	11,795,983	10,060,717	7,868,382	6,486,395	4,716,436
Financial services (interest income)	6,849,330	6,457,748	5,170,398	4,333,589	3,063,074
Advisory services (fee income)	3,850,659	2,709,366	2,245,431	1,525,721	1,099,792
Revenue from industrial operation	1,206,807	1,009,959	573,800	797,111	686,101
Business tax and surcharges	(110,813)	(116,356)	(121,247)	(170,026)	(132,531)
Cost of sales	(4,771,610)	(4,106,547)	(2,890,185)	(2,908,365)	(2,214,078)
Borrowing Costs	(3,963,282)	(3,422,599)	(2,464,876)	(2,208,405)	(1,615,495)
Costs for industrial operation	(808,328)	(683,948)	(425,309)	(699,960)	(598,583)
Profit before tax	3,579,725	3,211,200	2,600,741	2,076,020	1,478,809
Profit for the year attributable to holders of ordinary shares of the Company	2,503,109	2,295,954	1,912,744	1,518,577	1,107,630
Basic earnings per share (RMB)	0.70	0.70	0.58	0.48	0.42
Diluted earnings per share (RMB)	0.70	0.70	0.58	0.48	0.42
Profitability indicators					
Return on average assets[(1)]	2.06%	2.37%	2.61%	2.82%	3.06%
Return on average equity[(2)]	13.35%	15.19%	14.18%	13.72%	17.32%
Net interest margin[(3)]	2.62%	3.30%	3.91%	4.27%	4.39%
Net interest spread[(4)]	1.22%	2.01%	2.76%	3.02%	2.92%
Cost to income ratio[(5)]	36.04%	38.06%	37.86%	33.98%	32.56%

Business Overview

	31 December 2015 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000
Assets and liabilities					
Total assets	139,312,889	110,726,124	86,512,872	60,570,275	47,097,345
Net interest-earning assets	121,970,478	100,828,572	80,745,756	57,587,210	41,810,998
Total liabilities	116,351,469	93,276,231	72,348,002	47,714,829	37,795,575
Interest-bearing bank and other borrowings	83,428,801	71,777,837	56,554,478	36,751,959	29,649,439
Gearing Ratio	83.52%	84.24%	83.63%	78.78%	80.25%
Total equity	22,961,420	17,449,893	14,164,870	12,855,446	9,301,770
Equity attributable to holders of ordinary shares of the Company	21,391,037	16,112,952	14,125,342	12,844,482	9,297,751
Net assets per share (RMB)	5.41	4.89	4.30	3.90	3.27
Duration Matching of Assets and Liabilities					
Financial assets	128,291,002	104,545,229	83,085,680	59,706,865	46,756,799
Financial liabilities	112,958,002	90,313,636	70,255,960	46,816,315	37,252,124
Quality of interest-earning assets					
Non-performing asset ratio(6)	0.97%	0.91%	0.80%	0.73%	0.60%
Provision coverage ratio(7)	201.24%	218.66%	219.19%	213.87%	218.38%
Write-off of non-performing assets ratio(8)	27.39%	19.02%	2.47%	0.00%	0.00%
Overdue interest-earning assets (over 30 days) ratio(9)	1.08%	0.91%	0.45%	0.30%	0.08%

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 attributable to holders of ordinary shares of the Company/average balance of equity at the beginning and the end of the year attributable to holders of ordinary shares of the Company;

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

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

(5) Cost to income ratio = (selling and distribution costs + administrative expense – provision for assets)/gross profit;

(6) Non-performing asset ratio = net non-performing assets/net interest-earning assets;

(7) Provision coverage ratio = provision for interest-earning assets/net non-performing assets;

(8) Write-off of non-performing assets ratio = interest-earning bad debt written-off/non-performing assets at the end of the previous year;

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

Management Discussion and Analysis

1. Economic Environment

1.1 Macro-economy Environment

In 2015, the growth rate of China's macro-economy further slowed down. Gross domestic product (GDP) grew by 6.9% year on year, being the first time below 7% in six years and showing insufficient momentum in economic growth. As for investment, the high inventories and over-capacity of the real economy remained unsolved, leading to the growth rate of fixed asset investment falling down to a new low of 10.0% in nearly 15 years. As for exports, the global economic downturn and weak external demand resulted in continuous contraction of exports, which decreased by nearly 2.9% over the year as compared with last year. With respect to domestic demand, the growth of total retail sales of consumer goods declined to 10.7%.

For the financial environment, challenges in growth and asset quality were presented by the economic environment to the credit agency business of its indirect financing. In 2015, net profit of commercial banks in China grew by mere 2.4%, while the non-performing loan ratio rose to 1.67%. Meanwhile, the bond market recorded satisfactory development contrary to the capital market shocked by the volatility in the stock market, and the size of the Chinese bond market amounted to USD6.7 trillion as at November 2015, becoming the third largest in the world following the US's and Japan's.

1.2 Industry Environment

With China's economic and industrial restructuring deepening, the secondary sector dominated by manufacture made less contribution to economic growth, accounting for mere 40.5% of the GDP while the ratio of tertiary sector rose to 50.4% for 2015. Facing problems mainly including over-capacity and insufficient new orders, the secondary sector recorded growth of the added value of industrial enterprises above designated size of mere 6.1% for the year and that of investment in fixed assets fell to 8.0% year-on-year, resulting in a decline in the gross profit from industrial enterprises of 2.3% from last year.

Against this backdrop, the nine major industries in which the Group was involved were affected by external conditions to various extents. The non-cyclical sectors including healthcare, education and urban utilities maintained stable and rapid growth under the new economic cycle, with robust demand for investment in fixed assets. Infrastructure construction had a significantly slower growth rate of overall output, but still had room for development on the back of the new urbanization and upgrade of infrastructures. Electronic information found stable growth in information media, but saw a moderated growth rate of electronic manufacture, although it was the 15th consecutive quarter higher than the industry median. Textile, machinery, transportation and packaging were affected by the economic slowdown and underwent continual fluctuation and adjustments

Management Discussion and Analysis

1.3 The Leasing Industry

Benefiting from China's supportive policies, China's financial leasing industry doubled its participants to a total of 4,508 operating companies (excluding SPVs) registered as at the end of 2015, 2,306 more than 2,202 as at the end of last year. In addition, financial companies carried out capital increase and listing, resulting in a rapid increase in industry capital, which increased by RMB855.4 billion from RMB661.1 billion as at the end of last year to RMB1.5 trillion as registered as at the end of 2015, as well as in output. The balance of contracts exceeded the threshold of RMB4 trillion and reached RMB4.4 trillion, an increase of 38.8% as compared to last year.

1.4 Company's solutions

Amidst slow macroeconomic growth, intensified competition in the financial market and downturn of industries, the Group continued to implement its strategic philosophy of integrating "finance and industry" and keep stable business growth subject to operation safety.

With regard to financial business, the Group will: (1) adapt to the new economic cycle by increasing budget for and allocation to more robust sectors such as healthcare, education and electronic information and making adjustments and further structural optimization to sectors such as machinery, packaging, transportation and textile; (2) actively develop new areas benefiting from the new economic cycle such as setting up an urban utility department and develop tourism-related businesses to drive its business growth; (3) continue to elevate its client targets and step up efforts in developing leaders in sub-markets to safeguard assets; and (4) strengthen risk management through contraction in perfectly competitive areas with high-risk for industry risk management and rigorous control over high-risk regional operations for regional risk management, as well as introduce monitoring over non-state-owned clients to enhance the effectiveness and precision of its risk control measures.

As for industrial operation business, the Group, focusing on healthcare, infrastructure construction and education, made progressive advance and quickened deployment in building an operational system organically integrating finance and industry to lay down cornerstones of its long-term sustainable development in 2015. As regards healthcare, it made constant investments in acquiring quality hospitals to build a healthcare group featuring major specialties combined with small-scale general consultation service covering major regions. For construction, it promoted comprehensive services such as operation of machinery and scaffolding equipment and effective linkage with the financial business in an orderly manner to lay out a framework of an industry service corporation. For education, it seized opportunities in relation to high-end education and, taking kindergartens and international high schools as starting points, explored the international education system K-12 to build a high-end education franchise step by step.

2. Analysis of Profit and Loss

2.1 Analysis of Profit and Loss (Overview)

In 2015, the Group relied on China's real economy and continued to implement its operational philosophy of integrating "finance and industry", which led to an overall healthy and steady growth in its results with the growth in revenue being in line with the growth in costs and various expenses. The Group realized a profit before tax of RMB3,579,725,000, representing growth of 11.48% from the previous year and the profit attributable to owners of the parent was RMB2,503,109,000 representing growth of 9.02% from the previous year. The following table sets forth the figures for 2014 for comparison.

	For the year ended 31 December		
	2015 RMB'000	2014 RMB'000	Change %
Revenue	11,795,983	10,060,717	17.25%
Cost of sales	(4,771,610)	(4,106,547)	16.20%
Gross profit	7,024,373	5,954,170	17.97%
Other income and gains	510,032	523,689	-2.61%
Selling and distribution costs	(1,452,611)	(1,356,023)	7.12%
Administrative expenses	(1,925,049)	(1,659,885)	15.97%
Other expenses	(454,489)	(249,400)	82.23%
Finance costs	(122,221)	(14,667)	733.31%
Gains and loss on investment in Joint Ventures	(310)	(195)	58.97%
Gains and loss on investment in associates	–	13,511	-100.00%
Profit before tax	3,579,725	3,211,200	11.48%
Income tax expense	(999,734)	(869,026)	15.04%
Profit for the year	2,579,991	2,342,174	10.15%
Attributable to:			
Holders of ordinary shares of the Company	2,503,109	2,295,954	9.02%
Holders of senior perpetual securities	73,080	36,036	102.80%
Non-controlling interests	3,802	10,184	-62.67%

Management Discussion and Analysis

2.2. Revenue

In 2015, the Group realized revenue of RMB11,795,983,000, representing growth of 17.25% from RMB10,060,717,000 as recorded in the previous year. It also recorded steady growth of income in financial and advisory segment and industrial operation segment. In 2015, income (before business taxes and surcharges) of the financial and advisory segment was RMB10,699,989,000, accounting for 89.86% of the total income (before business taxes and surcharges), and representing growth of 16.72% from the previous year. Income derived from advisory services grew by 42.12% due to the Group's active efforts in providing comprehensive value-added services encompassing financial management, business operation, management advisory services and others. The Group also accelerated its pace in developing integrated industrial operation business with income derived from industrial operations grew by 19.49% as compared with last year.

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

	For the year ended 31 December				
	2015		2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Financial and advisory segment	10,699,989	89.86%	9,167,114	90.08%	16.72%
Financial services (interest income)	6,849,330	57.52%	6,457,748	63.45%	6.06%
Advisory services (fee income)	3,850,659	32.34%	2,709,366	26.63%	42.12%
Industrial operation segment	1,206,807	10.14%	1,009,959	9.92%	19.49%
Total	11,906,796	100.00%	10,177,073	100.00%	17.00%
Business taxes and surcharges	(110,813)		(116,356)		-4.76%
Income (after Business taxes and surcharges)	11,795,983		10,060,717		17.25%

The Group also categorized income by industry, and the Group was mainly engaged in 9 industries covering healthcare, education, infrastructure construction, machinery, packaging, transportation, electronic information, urban utility and textiles for 2015. In 2015, the overall income of transportation and packaging industries decreased by 25.70% and 19.93% respectively as compared to the previous year due to the continuous sluggish in shipping market and the implied overcapacity in printing, packaging, processing and manufacturing industries. Meanwhile, with the promulgation of national macro-control policies and the further promotion of the industrial operation of the Group, the overall income of healthcare, education and infrastructure construction segments increased by 29.06%, 21.36% and 27.39% respectively as compared to the previous year.

In addition, after exploring and incubating for nearly four years, the urban utility business of the Group, which was originally operated within the Business Development Department, was separated in March 2015 to establish the urban utility business department, with the aim of keeping consistent with the strategic promotion of the Group, expanding the industrial growth engine and optimizing the asset structure and allocation.

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 periods.

	For the year ended 31 December				
	2015		2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare	3,026,497	25.42%	2,344,946	23.04%	29.06%
Education	1,697,344	14.26%	1,398,583	13.74%	21.36%
Infrastructure construction	2,543,229	21.36%	1,996,457	19.62%	27.39%
Transportation	926,967	7.79%	1,247,585	12.26%	-25.70%
Packaging	977,589	8.21%	1,220,990	12.00%	-19.93%
Machinery	1,055,890	8.87%	811,959	7.98%	30.04%
Textiles	367,125	3.08%	261,069	2.56%	40.62%
Electronic information	774,200	6.50%	514,107	5.05%	50.59%
Urban utilities	533,033	4.48%	366,814	3.60%	45.31%
Others	4,922	0.03%	14,563	0.15%	-66.20%
Total	11,906,796	100.00%	10,177,073	100.00%	17.00%

Management Discussion and Analysis

2.2.1 Financial Services (Interest Income)

The interest income (before business taxes and surcharges) from the financial and advisory segment of the Group rose by 6.06% from RMB6,457,748,000 for 2014 to RMB6,849,330,000 for 2015, accounting for 57.52% of the Group's total revenue (before business taxes and surcharges).

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

	For the year ended 31 December					
	2015			2014		
	Average balance of interest-earning assets(1) RMB'000	Interest income(2) RMB'000	Average yield(3) %	Average balance of interest-earning assets(1) RMB'000	Interest income(2) RMB'000	Average yield(3) %
Healthcare	27,235,413	1,751,974	6.43%	21,111,975	1,464,101	6.93%
Education	17,062,899	1,087,631	6.37%	14,094,616	981,635	6.96%
Infrastructure construction	17,832,175	1,147,681	6.44%	14,897,292	1,012,044	6.79%
Transportation	9,614,874	585,171	6.09%	9,832,955	729,754	7.42%
Packaging	11,536,878	668,613	5.80%	11,881,056	834,022	7.02%
Machinery	11,058,754	624,802	5.65%	8,375,328	576,208	6.88%
Textiles	3,693,743	178,030	4.82%	2,683,019	164,116	6.12%
Electronic information	6,923,040	468,443	6.77%	5,140,219	371,283	7.22%
Urban utilities	5,237,752	336,245	6.42%	3,966,684	320,097	8.07%
Others	80,324	740	0.92%	38,514	4,488	11.65%
Total	110,275,852	6,849,330	6.21%	92,021,658	6,457,748	7.02%

Notes:

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

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

Management Discussion and Analysis

Analysis according to average balance of interest-earning assets

In 2015, the average balance of interest-earning assets of the Group increased by 19.84% from RMB92,021,658,000 for 2014 to RMB110,275,852,000 for 2015. On the one hand, the expansion of the business operation resulted in the improvement of average balance of interest-earning assets, and on the other hand, the active engagement in asset securitization business by the Group during the year resulted in less growth of interest-earning assets than the previous year.

Among the nine target industries, healthcare, education, infrastructure construction and machinery were the key drivers to the increase in the Group's average balance of interest-earning assets, representing 66.37% of the average balance of interest-earning assets in 2015. The increase in the average balance of interest-earning assets reflected the business expansion of the Group and its in-depth exploration into each of the industries, as well as the benefits from the Group's greater efforts in marketing and promotion. In addition, the Group strategically reduced industrial layout in some depressed fields according to market condition, which resulted in the average balance of interest-earning assets in transportation and packaging industries decreased as compared to the previous year.

Analysis according to average yield

In 2015, the average yield of the Group was 6.21%, representing 0.81 percentage point lower than 7.02% as compared to the previous year. This was mainly due to the fact that: (i) in 2015, the People's Bank of China reduced the benchmark interest rate for five times, which resulted in the benchmark interest rate of Renminbi loans with respective terms of 1 to 5 years decreased by 125 basis points from 6% to 4.75%, thus the average asset yield of the Group decreased by approximately 0.50 percentage point. In order to cope with the effect caused by lower interest rate, the Group promoted the business contract with fixed interest rate to some extent to reduce the adverse effect arising from the reduction of benchmark interest rate; and (ii) the Group strengthened the promotion of healthcare, infrastructure construction, education, electronic information, public transportation, water supply and other stable industries. The balance growth of the assets in stable industries at the end of the period reached 30.88% as compared to the end of the previous year, and the percentage of the total interest-earning assets increased from 60.67% as at the end of the previous year to 65.63% as at the end of the period. At the same time, the Group continuously increased the investments in high-end quality customers, according to the statistics, customers who contributed revenue of more than RMB100 million accounted for 60.30% of the newly contracted customers in 2015, up by 13.64 percentage points from 46.66% in the previous year.

Management Discussion and Analysis

The table below sets forth the breakdown of interest income by region in the indicated periods.

	For the year ended 31 December			
	2015		2014	
	RMB'000	% of total	RMB'000	% of total
Northeast China	525,127	7.67%	431,078	6.68%
Northern China	701,016	10.23%	734,155	11.37%
Eastern China	2,660,500	38.85%	2,705,900	41.90%
Southern China	698,051	10.19%	621,509	9.62%
Central China	1,028,411	15.01%	950,298	14.72%
Northwest China	226,393	3.31%	188,190	2.91%
Southwest China	1,009,832	14.74%	826,618	12.80%
Total	6,849,330	100.00%	6,457,748	100.00%

Management Discussion and Analysis

2.2.2 Advisory Services (Fee Income)

In 2015, fee income (before business taxes and surcharges) from financial and advisory segment grew by 42.12% from RMB2,709,366,000 for 2014 to RMB3,850,659,000 for 2015, accounting for 32.34% of the total revenue (before business taxes and surcharges) of the Group and representing an increase as compared with 26.63% 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				
	2015		2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare	951,562	24.71%	679,200	25.07%	40.10%
Education	599,755	15.58%	415,344	15.33%	44.40%
Infrastructure construction	736,960	19.14%	558,599	20.62%	31.93%
Transportation	179,205	4.65%	199,155	7.35%	-10.02%
Packaging	296,414	7.70%	344,749	12.72%	-14.02%
Machinery	416,963	10.83%	217,290	8.02%	91.89%
Textiles	189,095	4.91%	96,953	3.58%	95.04%
Electronic information	283,917	7.37%	141,829	5.23%	100.18%
Urban utilities	196,788	5.11%	46,717	1.72%	321.23%
Others	–	–	9,530	0.36%	-100.00%
Total	3,850,659	100.00%	2,709,366	100.00%	42.12%

Healthcare, machinery, education and construction accounted for the greatest contribution to the aggregate growth of the Group's service charge income (before business taxes and surcharges). 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 Group focused on providing service to high quality customers in the industries given the interest rate cut.

Management Discussion and Analysis

The table below sets forth the breakdown of the Group's service charge income (before business taxes and surcharges) by region in the indicated periods.

	For the year ended 31 December			
	2015		2014	
	RMB'000	% of total	RMB'000	% of total
Northeast China	334,500	8.69%	205,157	7.57%
Northern China	372,202	9.67%	326,322	12.04%
Eastern China	1,281,912	33.29%	1,018,428	37.59%
Southern China	344,818	8.95%	294,496	10.87%
Central China	570,962	14.83%	403,782	14.90%
Northwest China	220,592	5.73%	89,832	3.32%
Southwest China	725,673	18.84%	371,349	13.71%
Total	3,850,659	100.00%	2,709,366	100.00%

Management Discussion and Analysis

2.2.3 Revenue from Industrial Operation Segment

Revenue from industrial operation segment of the Group for 2015, before business taxes and surcharges increased by 19.49% from RMB1,009,959,000 for 2014 to RMB1,206,807,000 for 2015, accounting for 10.14% of the total revenue (before business taxes and surcharges) of the Group.

The table below sets forth the Group's revenue from industrial operation segment (before business taxes and surcharges) by business segment during the indicated periods.

	For the year ended 31 December				
	2015		2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Income from industrial operation segment	1,206,807	100.00%	1,009,959	100.00%	19.49%
Including:					
Revenue from equipment operation	601,200	49.82%	390,090	38.62%	54.12%
Revenue from hospital operation	194,477	16.12%	60,458	5.99%	221.67%
Chartering and brokerage income	166,225	13.77%	322,538	31.94%	-48.46%
Revenue from trading	120,356	9.97%	135,931	13.46%	-11.46 %
Revenue from construction contracts	96,620	8.01%	85,639	8.48%	12.82%

In 2015, the Group's equipment operation business development had established a complete preliminary marketing system and the assets scale has joined the front ranks in sub-markets such as engineering equipment and scaffolds. Revenue (before business taxes and surcharges) of RMB601,200,000, accounting for 49.82% of the revenue from industrial operation segment for the year, representing an increase of 54.12% as compared to last year.

Continuing to treat its hospital investment and operation as its core businesses for 2015, the Group committed itself to accelerating deployment and gradually built a hospital group featuring advanced technologies and quality service with integrity and safety. Revenue amounted to RMB194,477,000, representing an increase of 221.67% as compared to last year. As at the end of 2015, the Group had controlled or invested in 8 hospitals with number of beds more than 3,000 in total and outpatient volume more than one million. In the future, the Group will continue to increase resources into the healthcare industry to accelerate deployment and strengthen ancillary facilities and services to build an operation covering the whole healthcare supply chain.

At the same time, the Group began its systematic deployment in the education industry in 2015 and completed acquisitions of one international school and three high-end kindergartens, namely Chengdu Anren Confucius Foreign Language School (成都安仁孔裔外國語學校), Shanghai Xiwei Kindergarten (上海習威幼兒園) and two Sunflower Kindergartens (太陽花幼兒園), at the end of 2015,with number of students more than 450. In future, the Group will further its investment in the education industry and accelerate its deployment to build top-tier international education and kindergarten education brands.

Revenue from chartering and brokerage (before business taxes and surcharges) was RMB166,225,000, representing a decrease of 48.46% as compared to last year, which was affected by the sluggish shipping industry.

Management Discussion and Analysis

2.3 Cost of Sales

Cost of sales of the Group in 2015 was RMB4,771,610,000, representing an increase of 16.20% from RMB4,106,547,000 in the previous year. This was mainly due to an increase in the cost of the financial and advisory service segment. Among them, the cost of the financial and advisory segment was RMB3,963,282,000, accounting for 83.06% of the total cost. The cost of the industrial operation segment was RMB808,328,000, accounting for 16.94% of the total cost.

The table below sets forth the composition and the change of the Group's cost of sales by business segments during the indicated periods.

	For the year ended 31 December				
	2015		2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Cost of the finance and advisory segment	3,963,282	83.06%	3,422,599	83.34%	15.80%
Cost of the industrial operation segment	808,328	16.94%	683,948	16.66%	18.19%
Cost of sales	4,771,610	100.00%	4,106,547	100.00%	16.20%

2.3.1 Cost of the Financial and Advisory Segment

The cost of sales of the financial and advisory segment of the Group comprised solely of the relevant interest expenses of the interest-bearing bank and other financing 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					
	2015			2014		
	Average balance[(1)] RMB'000	Interest expense RMB'000	Average cost rate[(2)]	Average balance[(1)] RMB'000	Interest expense RMB'000	Average cost rate[(2)]
Interest-bearing liabilities	79,367,236	3,963,282	4.99%	68,341,364	3,422,599	5.01%

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.

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The cost of sales of financial and advisory increased from RMB3,422,599,000 for 2014 to RMB3,963,282,000 for 2015. The average cost rate of the Group was 4.99% in 2015, a slight decrease from 2014. It is mainly due to the fact that: (i) the Group continued to expand the proportion of domestic direct financing and promoted corporate bonds, short-term financial bonds, medium term notes and other low-cost direct financing products in 2015 to reduce financial costs while enriching financing products; (ii) with the advance of the Group's diversified financing strategy, the proportion of direct financing increased from 17.76% for the end of 2014 to 26.43% for the end of 2015, and the proportion of financing in foreign currency was 32.50%, leading to the sensitivity of the overall financing costs to the benchmark interest rate published by the central bank of China declined, so that the effect of interest rate cuts by the central bank of China was not fully reflected in the short term; and (iii) in 2015, average financing costs increased by approximately 0.30% as the result of the purchase of interest rate swap and other financial instruments by the Group for the control of interest rate risk.

In 2016, the Group will continue to optimize its liability structure and effectively control its finance costs. Our major measures are as follows: (i) the Group will continue to expand the proportion of domestic direct financing and plan to promote corporate bonds, short-term financial bonds and other low-cost direct financing products to reduce financial costs while enriching financing products; (ii) in traditional bank financing, the Group will withdrawal more low-cost funds to replace part of high-cost financing; (iii) the Group will pay more attention to the international market and enhance the communication with rating agencies and investors to introduce foreign low-cost funds as and when appropriate.

2.3.2 Cost of Industrial Operational Segments

The cost of sales of the industrial operational segments of the Group is primarily derived from the cost of equipment operation, cost of hospital operation and cost of chartering and brokerage.

The following table sets forth the cost of industrial operational segments of the Group by business type of the period indicated.

	For the year ended 31 December				
	2015		2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Cost of the industrial operational segments	808,328	100.00%	683,948	100.00%	18.19%
Of which:					
Cost of equipment operation	343,584	42.51%	176,591	25.82%	94.56%
Cost of hospital operation	132,362	16.37%	32,144	4.70%	311.78%
Cost of chartering and brokerage	149,332	18.47%	282,360	41.28%	-47.11%
Cost of trading	114,263	14.14%	130,520	19.08%	-12.46%
Cost of construction contracts	55,973	6.92%	56,299	8.23%	-0.58%

Cost of equipment operation of the Group increased by 94.56% to RMB343,584,000 in 2015 from RMB176,591,000 in 2014, mainly due to the addition in the leased assets as the result of the rapid growth of the equipment operation business of the Group.

Management Discussion and Analysis

In 2015, with the accelerate of mergers and acquisitions of hospitals and the addition in operating hospitals, cost of hospital operation increased by 311.78% to RMB132,362,000 in 2015 from RMB32,144,000 in 2014.

Due to the sluggish shipping industry and the decline in the ship chartering business, cost of chartering and brokerage business decreased by 47.11% to RMB149,332,000 in 2015 from RMB282,360,000 in 2014.

2.4 Gross Profit

The gross profit of the Group in 2015 was RMB7,024,373,000, which increased by RMB1,070,203,000 or 17.97% from RMB5,954,170,000 in 2014. In 2015 and 2014, the gross profit margin of the Group was 59.55% and 59.18% respectively.

2.4.1 Gross profit of the Financial and Advisory Segment

The gross profit margin of the financial and advisory segment of the Group in 2015 was 62.96%, which remained stable as compared to 62.66% in the previous year.

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		
	2015 RMB'000	2014 RMB'000	Change%
Interest income[1]	6,849,330	6,457,748	6.06%
Interest expense[2]	3,963,282	3,422,599	15.80%
Net interest income	2,886,048	3,035,149	-4.91%
Net interest spread[3]	1.22%	2.01%	-39.30%
Net interest margin[4]	2.62%	3.30%	-20.61%

Notes:

(1) Interest income is the interest income of the financial and advisory segment of the Group.

(2) Interest expense is the borrowing cost of the financial and advisory 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 2015 decreased by 0.79 percentage point to 1.22% from 2.01% in the previous year. The decrease in net interest spread was primarily due to the decrease of 81 basis points in the average yield on interest-earning assets of the Group and the decrease of 2 basis points in respect of 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 on interest-bearing liabilities, please refer to paragraphs 2.2.1 and 2.3.1 of this section. Meanwhile, net interest income of the Group decreased by 4.91% from RMB3,035,149,000 in 2014 to RMB2,886,048,000 in 2015, and the average total balance of interest-earning assets of the Group increased by 19.84% as compared to the previous year. As a result, the net interest margin of the Group of 2.62% decreased by 0.68 percentage point as compared to 3.30% in 2014.

2.4.2 Gross Profit of the Industrial Operations Segment

The gross profit of the industrial operation segment increased by 22.23% from RMB326,011,000 for 2014 to RMB398,479,000 for 2015, among which the gross profit of the equipment operation business was RMB257,616,000 for 2015, accounting for 64.65% of the total gross profit of the industrial operation segment.

	For the year ended 31 December				
	2015		2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Gross profit of industrial operations segment	398,479	100.00%	326,011	100.00%	22.23%
Of which:					
Gross profit of equipment operation	257,616	64.65%	213,499	65.49%	20.66%
Gross profit of hospital operation	62,115	15.59%	28,314	8.68%	119.38%
Gross profit of chartering and brokerage	16,893	4.24%	40,178	12.32%	-57.95%
Gross profit of trading	6,093	1.53%	5,411	1.66%	12.60%
Gross profit of construction contracts	40,647	10.20%	29,340	9.00%	38.54%

Management Discussion and Analysis

2.5 Other Income and Gains

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

	For the year ended 31 December		
	2015 RMB'000	2014 RMB'000	Change %
Bank interest income	56,163	51,981	8.05%
Gains from deductible inter-group loans[1]	188,114	85,483	120.06%
Gains from structured financial products	6,597	7,798	-15.40%
Government grants	130,508	326,187	-59.99%
Net gains from the fair value of derivative instruments	48,235	20,772	132.21%
Gains from the transfer of financial assets	67,203	15,638	329.74%
Other income	13,212	15,830	-16.54%
Total	510,032	523,689	-2.61%

Note:

(1) Since the interest expenses that the Group's domestic subsidiaries paid for inter-group loans qualify for deductible taxes under value-added tax, these saved taxes constitute those companies' gains from deductible inter-group borrowings. Specifically, these unpaid taxes include the business tax and additional effects that have been accrued based on the interest expenses.

In 2015, the Group's other income and gains amounted to RMB510,032,000, representing a decrease of 2.61% from the previous year, in which government grants decreased RMB195,679,000 as compared to last year, mainly attributable to the special financial funds received due to the transformation of business tax into value-added tax in 2014. In addition, gains from deductible inter-group borrowings increased RMB102,631,000 for the year. For 2015, the Group's interest expenses on inter-group borrowings with tax benefits amounted to RMB1,962,924,000, representing an increase of 59.65% from the previous year.

2.6 Selling and Distribution Costs

Selling and distribution costs of the Group in 2015 amounted to RMB1,452,611,000, which increased by RMB96,588,000 or 7.12% as compared to the previous year. Among which, the remuneration and welfare costs of the Group's sales staff accounted for 77.74% of total selling and distribution costs, remained basically flat with 2014. At the same time, the Group strengthened the control of operation costs, adopted early-warning management on various traveling expenses, strictly controlled over-spending behaviour, thus traveling expenses fell down as compared with the previous year.

Management Discussion and Analysis

2.7 Administrative Expenses

In 2015, the cost to income ratio of the Group was 36.04%, which was lower than 38.06% for the previous year.

Administrative expenses of the Group were RMB1,925,049,000, representing an increase of RMB265,164,000 or 15.97% from the previous year. The change in administrative expenses was mainly due to: (i) the cost regarding the remuneration and welfare of staff relating to the administrative expenses increased by RMB131,653,000 or 22.93% from the previous year, which was due to the effectively control of the costs by the Group in light of the increase in the headcount of full-time staff. The total headcount of full-time staff of the Group increased from 5,016 in 2014 to 6,084 as at the end of 2015; (ii) the increase in expenses relating to the impairment of loans and accounts receivable (impairment of loans and accounts receivable in 2015 amounted to RMB821,103,000, representing an increase of RMB71,094,000 or 9.48% from the previous year); (iii) the administrative expenses incurred by newly acquired subsidiaries of the Group of approximately RMB21,198,000, representing 7.99% of the net increase in administrative expenses; and (iv) the increase in office expenses resulting from business expansion (rental expenses of the Group in 2015 represented an increase of RMB17,721,000 or 18.32% from the previous year).

2.8 Other Expenses

Other expenses of the Group in 2015 amounted to RMB454,489,000, representing an increase of RMB205,089,000 or 82.23% from the previous year. Other expenses comprised the loss resulting from the disposal of financial assets of RMB300,810,000, which was generated from the derecognition of the transferred financial assets.

2.9 Income Tax Expense

Income tax expense of the Group in 2015 was RMB999,734,000, which increased by RMB130,708,000 or 15.04% from the previous year. 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 in 2015 was 27.93%, which increased by 0.87 percentage point from 27.06% for the previous year, mainly due to the increase in intra-group cross-border affairs, which mainly represented domestic members' borrowings from and dividends to the parent company overseas.

The following table sets forth a breakdown of particulars of the income tax rate:

	2015	2014
Consolidated income tax rate on ordinary business (A)	23.36%	23.82%
Additional income tax rate due to cross-border affairs (B)	4.57%	3.24%
Overall income tax rate of the Group (A+B)	27.93%	27.06%

2.10 Profit for the Year Attributable to Owners of the Parent

Based on the above discussion and analysis, profit for the period attributable to holders of ordinary shares of the Company was RMB2,503,109,000, which increased by RMB207,155,000 or 9.02% from the previous year. Net profit margin of the Group in 2015 was 21.87%, which was slightly lower than 23.28% in the previous year.

Management Discussion and Analysis

3. Analysis of Financial Position

3.1 Assets (Overview)

As at 31 December 2015, the total assets of the Group increased by RMB28,586,765,000 or 25.82% from the end of the previous year to RMB139,312,889,000. Loans and accounts receivable increased by RMB21,124,880,000 or 21.24% from the end of the previous year to RMB120,566,309,000.

As at 31 December 2015, the cash and cash equivalents of the Group amounted to RMB2,500,665,000. The Group started to reserve relatively sufficient cash to sustain the business development and ensure the capital liquidity safety of the Group.

As at 31 December 2015, the restricted deposits of the Group amounted to RMB2,640,891,000, which mainly comprised the restricted security deposits.

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

	31 December 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Loans and accounts receivable	120,566,309	86.54%	99,441,429	89.81%	21.24%
Cash and cash equivalents	2,500,665	1.79%	3,317,850	3.00%	-24.63%
Restricted deposits	2,640,891	1.90%	953,805	0.86%	176.88%
Prepayment and other accounts receivable	3,636,873	2.61%	2,248,499	2.03%	61.75%
Deferred tax assets	1,300,724	0.93%	904,331	0.82%	43.83%
Property, plant and equipment	3,357,879	2.41%	1,733,169	1.57%	93.74%
Prepaid land lease payments	1,150,026	0.83%	987,878	0.89%	16.41%
Investment in joint ventures	1,187,975	0.85%	80,985	0.07%	1366.91%
Investment in associates	–	–	94,154	0.08%	-100.00%
Available-for-sale financial assets	427,142	0.31%	394,253	0.36%	8.34%
Financial assets held for trading	244,132	0.18%	–	–	N/A
Derivative financial instruments	1,117,234	0.80%	290,277	0.26%	284.89%
Inventories	114,793	0.08%	78,708	0.07%	45.85%
Construction contracts	42,387	0.03%	82,339	0.07%	-48.52%
Goodwill	359,452	0.26%	64,164	0.06%	460.21%
Assets with continuing involvement	569,062	0.41%	–	–	N/A
Other assets	97,345	0.07%	54,283	0.05%	79.33%
Total assets	139,312,889	100.00%	110,726,124	100.00%	25.82%

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 86.54% of the total assets of the Group as of the end of 2015. In 2015, the Group adjusted development strategies for each industry based on dynamic environment and industry situation to develop relevant markets and strengthened its risk control in a prudent manner to, while safeguarding its assets, implement ongoing and stable expansion of the financial business so as to maintain stable growth in both the number of customers served and the number of new contracts entered into by the Group and keep the net interest-earning assets increase steadily.

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

	31 December 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Lease receivables	121,510,395		108,061,474		
Less: Unearned finance income	(11,176,329)		(11,002,267)		
Net lease receivables	110,334,066	89.73%	97,059,207	95.66%	13.68%
Other net interest-earning assets[1]	11,636,412	9.46%	3,769,365	3.71%	208.71%
Subtotal for interest-earning assets	121,970,478	99.19%	100,828,572	99.37%	20.97%
Others[2]	994,872	0.81%	636,463	0.63%	56.31%
Subtotal for loans and accounts receivable	122,965,350	100.00%	101,465,035	100.00%	21.19%
Less: Provisions	(2,399,041)		(2,023,606)		18.55%
Net loans and accounts receivable	120,566,309		99,441,429		21.24%

Notes:

(1) Other interest-earning assets include entrusted loans, mortgage 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.

3.2.1 Interest-earning Assets

Net interest-earning assets of the Group as of 31 December 2015 were RMB121,970,478,000, representing an increase of 20.97% as compared with RMB100,828,572,000 as of 31 December 2014. 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 business of the Group on a basis of the Group's effective risk control in 2015.

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3.2.2 Net Interest-earning Assets by Industry

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

	31 December 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare	28,854,340	23.66%	23,507,871	23.31%	22.74%
Education	19,831,084	16.26%	15,466,615	15.34%	28.22%
Infrastructure construction	19,570,163	16.04%	16,647,106	16.51%	17.56%
Transportation	9,447,205	7.74%	9,886,786	9.81%	-4.45%
Packaging	12,383,851	10.15%	11,837,094	11.74%	4.62%
Machinery	12,764,877	10.47%	10,021,061	9.94%	27.38%
Textiles	4,800,342	3.94%	3,190,946	3.16%	50.44%
Electronic information	7,706,454	6.32%	5,868,285	5.82%	31.32%
Urban utilities	6,540,732	5.36%	4,317,154	4.29%	51.51%
Others	71,430	0.06%	85,654	0.08%	-16.61%
Total	121,970,478	100.00%	100,828,572	100.00%	20.97%

Net interest-earning assets for healthcare, education and infrastructure construction as of 31 December 2015 grew the most in amount among the target industries of the Group, namely by RMB5,346,469,000, RMB4,364,469,000 and RMB2,923,057,000, respectively over those as at 31 December 2014. The increase was attributable to the business expansion and exploration in different industries, as well as contribution from enhanced promotion and marketing activities. Furthermore, the Group, in order to adapt to the market environment, made strategic moves to reduce allocation to certain sluggish industries, which led to lower growth rates for transportation and packaging.

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3.2.3 Net Interest-earning Assets by Region

The table below sets forth net interest-earning assets of the Group by region as of the dates indicated.

	31 December 2015		31 December 2014	
	RMB'000	% of total	RMB'000	% of total
Northeast China	9,653,007	7.91%	7,336,340	7.28%
Northern China	11,534,818	9.46%	10,986,111	10.90%
Eastern China	44,395,257	36.40%	40,784,706	40.44%
Southern China	12,530,028	10.27%	10,347,896	10.26%
Central China	18,659,555	15.30%	15,258,855	15.13%
Northwest China	5,830,127	4.78%	2,769,301	2.75%
Southwest China	19,367,686	15.88%	13,345,363	13.24%
Total	121,970,478	100.00%	100,828,572	100.00%

3.2.4 Aged 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, mortgage loans, credit assignment a and factoring contracts.

	31 December 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Net interest-earning assets					
Within 1 year	67,753,107	55.55%	55,185,382	54.73%	22.77%
1 to 2 years	31,936,459	26.18%	29,932,332	29.69%	6.70%
2 to 3 years	15,807,212	12.96%	10,080,236	10.00%	56.81%
3 years and beyond	6,473,700	5.31%	5,630,622	5.58%	14.97%
Total	121,970,478	100.00%	100,828,572	100.00%	20.97%

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 2015, net interest-earning assets within one year as set out in the table above represented 55.55% of net interest-earning assets of the Group.

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3.2.5 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 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Maturity date					
Within 1 year	46,742,416	38.32%	39,513,571	39.19%	18.29%
1 to 2 years	35,302,937	28.94%	30,248,447	30.00%	16.71%
2 to 3 years	22,085,071	18.11%	17,857,336	17.71%	23.68%
3 years and beyond	17,840,054	14.63%	13,209,218	13.10%	35.06%
Total	121,970,478	100.00%	100,828,572	100.00%	20.97%

Net interest-earning assets due within one year represent net interest-earning assets which the Group will receive within one year of the reporting date indicated. As of 31 December 2015, net interest-earning assets due within one year as set forth in the table above represented 38.32% of the Group's net interest-earning assets as of each of the respective dates, which was flat as compared to the end of the previous year. This indicated that the maturity of the Group's net financial leasing receivable was widely spread and could provide the Group with consistent and sustainable cash inflows that facilitated the matching of our liabilities.

3.2.6 Asset Quality of Net Interest-earning Assets

3.2.6.1 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.

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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.

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

In 2015, domestic and overseas demand remained insufficient, which, compounded with structural and cyclical factors, placed huge downward pressure on the operation of the economy. The operating environment faced by our certain 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.

Continuously optimizing risk allocation and structure under the general control structure to further improve credit operating process.

In 2015, the Group further enhanced its management of the systemic risks of industries through the differentiated allocation of industry credit resources in four categories, namely encouragement, unchanged, restriction and compression, under which credit facilities to industries under restriction and compression was subject to strict control so as to achieve both reinforcement and compression in terms of the overall budget and structure.

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In 2015, the Group further optimized its client base after proper allocation of credit resources in different industries. State-owned companies or entities were prioritized in establishing business relationships, and higher standards were set for clients of industries with marketized competition such that companies with higher ranking in their respective industries or listed public companies were given preference.

In 2015, the Group further strengthened its risk mitigation measures and management of the effectiveness thereof. In light of the expanding average credit facilities to clients, the Company on the one hand strengthened the precision of evaluation and analysis on credit facilities to be granted to clients who were large company groups, and on the other further defined its requirements on management of the effectiveness of release conditions with respect to collateral and guarantees. Overall credit facilities accounted for a lower ratio of the credit business while the ratio of secured facilities was raised, resulting in higher security than before.

In view of the rising number of events relating to operating risk, the Group, while stressed on controlling credit risk, strengthened its management of operating risk. Relevant measures to minimize operating risk included initiating certification for operational qualification of client managers based on new standards, a dual client manager system for non-state-controlled entities, dual evaluation and approval by credit managers for industries with a higher NPL ratio and higher thresholds and more rigorous approval procedures for clients under the category of market competition.

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

In 2015, the Group continued to vigorously advance the localization process of asset management, enabling persons responsible for local asset management to be in place, the client coverage and the efficiency of asset monitoring to be improved.

In 2015, the Group continued to promote the construction of internet monitoring system and carry out the complete and uninterrupted information monitoring over information on the ownership of customers' leased items, the authenticity of invoices and litigations by way of inquiries on public internet information in the phase of introduction and process management.

Optimizing management mechanism on risk disposal to step up efforts to dispose of risk assets

In 2015, the Group continued to optimize the management mechanism on risk assets disposal and expand the disposal resources and methods to effectively mitigate risk. For judicial resources, it made effective interactions with resources such as courts in other places and successfully implemented distant entrusted preservation and executions, which enhanced the efficiency of disposal. Specifically for the transportation and packaging divisions of which assets were subject to more severe situation, additional staff were assigned and efforts were stepped up to dispose of risk assets, along with centralized allocation of internal and external resources to simplify decision-making procedures and effectively prevent asset quality of key projects from declining, thereby shortened the schedule of non-performing assets disposal.

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

	31 December 2015		31 December 2014		31 December 2013		31 December 2012	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Pass	105,643,641	86.61%	86,066,609	85.36%	68,819,144	85.23%	48,334,185	83.94%
Special mention	15,143,803	12.42%	13,841,631	13.73%	11,280,176	13.97%	8,832,505	15.34%
Substandard	793,889	0.65%	597,030	0.59%	259,905	0.32%	252,665	0.44%
Doubtful	389,145	0.32%	323,302	0.32%	386,531	0.48%	167,421	0.28%
Loss	–	–	–	–	–	–	434	0.00%
Net interest-earning assets	121,970,478	100.00%	100,828,572	100.00%	80,745,756	100.00%	57,587,210	100.00%
Non-performing assets	1,183,034		920,332		646,436		420,520	
Non-performing asset ratio	0.97%		0.91%		0.80%		0.73%	

The Group has established prudent asset quality control and adhered to a stringent and conservative asset classification policy. As at 31 December 2015, the Group's assets under special mention accounted for 12.42% of its net interest-earning assets, a slight decrease from 13.73% at the end of the previous year. In particular, assets under special mention in the transportation industry accounted for the largest portion at 25.11%. In 2015, the global shipping industry remained sluggish and the shipping market was still fraught with over-capacity and lowering freight rates due to factors such as weak purchasing ability on the demand side in international wholesale commodity market. As the imbalanced supply and demand in the market was not likely to be resolved in the short term, it is expected that the severe situation will persist for a certain period of time. The Group prudently monitored assets in this sector and kept close attention to the systematic risks of such industry. The assets under special mention in the healthcare industry accounted for the second largest portion at 17.60%, mainly attributable to the large investment of the infrastructure of the healthcare segment with high debts and the inelastic heavy pressure on payment. The Group prudently kept this asset class under ongoing supervision. The assets under special mention in the packaging industry accounted for the third largest portion at 13.60%, mainly attributable to the fact that the packaging industry has yet to see a turnaround and certain SME clients were in arrears with tight liquidity. Therefore, the Group prudently reclassified more assets in this sector as assets under special mention. Assets under special mention in the machinery industry accounted for the fourth largest portion at 13.13%, mainly attributable to the slump in certain segments of the machine manufacturing industry due to sluggish growth in demand and rising inelastic cost under the impact of the prolonged macro-economic downturn, and thus the Group prudently reclassified more assets in this sector as assets under special mention.

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

	31 December 2015		31 December 2014		31 December 2013		31 December 2012	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	2,665,640	17.60%	2,163,851	15.63%	1,319,246	11.70%	641,070	7.26%
Education	1,228,615	8.11%	1,092,498	7.89%	893,569	7.91%	1,591,140	18.00%
Infrastructure construction	984,774	6.50%	1,208,022	8.73%	993,563	8.81%	765,693	8.67%
Transportation	3,803,153	25.11%	3,203,122	23.14%	3,005,841	26.65%	1,462,367	16.56%
Packaging	2,059,459	13.60%	2,002,526	14.47%	1,230,813	10.91%	1,217,311	13.78%
Machinery	1,988,419	13.13%	1,676,805	12.11%	997,917	8.85%	648,344	7.34%
Textiles	464,485	3.07%	220,133	1.59%	78,540	0.70%	169,256	1.91%
Electronic information	1,027,950	6.79%	1,043,528	7.54%	1,069,806	9.48%	604,410	6.85%
Urban utilities	915,313	6.05%	1,145,490	8.28%	1,690,881	14.99%	1,732,914	19.63%
Others	5,995	0.04%	85,656	0.62%	–	–	–	–
Total	15,143,803	100.00%	13,841,631	100.00%	11,280,176	100.00%	8,832,505	100.00%

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

	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Pass	6.60%	8.59%	15.55%	20.88%
Special mention	43.05%	51.83%	40.77%	49.63%
Substandard	2.18%	2.16%	0.22%	1.22%
Doubtful	1.42%	0.07%	0.39%	0.17%
Loss	–	–	–	–
Recoveries	46.75%	37.35%	43.07%	28.10%
Total	100.00%	100.00%	100.00%	100.00%

The Group's asset quality remained favorable. The non-performing asset ratio slightly increased from 0.91% from the end of the previous year to 0.97% as at 31 December 2015.

The non-performing asset ratio for the transportation industry to total non-performing assets was 35.75%, mainly because of the disruption of capital chain due to the lasting loss of certain clients under the prolonged downturn in the shipping market. The Group prudently reclassified the assets of the segment into substandard and doubtful assets. The non-performing asset ratio for the packaging industry to total non-performing assets was 26.47%, primarily because the Group prudently reclassified the assets of the segment into substandard and doubtful assets in view of deteriorated creditworthiness of clients in the industry upon the outbreak of withdrawal of loan grants from banks and enforcement of mutual guarantees, in particular clients in the printing industry who were continually distressed by insufficient liquidity in segments experiencing over-capacity and fierce competition. The non-performing assets of the infrastructure construction industry accounted for 18.88% of the total non-performing assets, mainly because of the decrease in state fixed assets investment, which resulted in the business decline of certain customers and difficulties to recover the receivables. Hence, the Group prudently reclassified more assets of the segment into substandard and doubtful assets. The non-performing assets of the industrial machinery accounted for 8.24% of the total non-performing assets. Due to the effects of the market fluctuation, the revenue and profit of sub-sectors business such as engineering machinery and machine tools plummeted, with certain private enterprise customers facing tight liquidity resulting from difficulties in recovering payment. The Group prudently reclassified more assets of the machinery industry into substandard and doubtful assets.

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

	31 December 2015		31 December 2014		31 December 2013		31 December 2012	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	13,196	1.11%	8,116	0.88%	5,921	0.91%	16,307	3.88%
Education	1,607	0.14%	3,557	0.39%	8,071	1.25%	16,736	3.98%
Infrastructure construction	223,328	18.88%	101,783	11.06%	88,931	13.76%	80,821	19.22%
Transportation	422,961	35.75%	478,051	51.94%	212,565	32.88%	124,686	29.65%
Packaging	313,142	26.47%	184,098	20.00%	198,641	30.73%	83,287	19.81%
Machinery	97,468	8.24%	120,802	13.13%	81,259	12.57%	56,448	13.41%
Textiles	25,371	2.14%	9,048	0.98%	19,788	3.06%	5,923	1.41%
Electronic information	20,526	1.74%	14,877	1.62%	31,260	4.84%	36,312	8.64%
Urban utilities	–	–	–	–	–	–	–	–
Others	65,435	5.53%	–	–	–	–	–	–
Total	1,183,034	100.00%	920,332	100.00%	646,436	100.00%	420,520	100.00%

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

	31 December 2015		31 December 2014		31 December 2013		31 December 2012	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	7,724	0.97%	3,403	0.57%	–	–	2,828	1.12%
Education	–	–	1,779	0.30%	–	–	5,349	2.12%
Infrastructure construction	157,634	19.86%	56,582	9.48%	22,086	8.50%	22,556	8.93%
Transportation	281,559	35.46%	302,711	50.70%	108,819	41.87%	118,061	46.73%
Packaging	237,288	29.89%	119,926	20.09%	100,492	38.66%	47,117	18.65%
Machinery	61,742	7.78%	104,415	17.49%	21,855	8.41%	34,748	13.75%
Textiles	21,287	2.68%	4,909	0.82%	3,949	1.52%	–	–
Electronic information	16,445	2.07%	3,305	0.55%	2,704	1.04%	22,006	8.70%
Urban utilities	–	–	–	–	–	–	–	–
Others	10,210	1.29%	–	–	–	–	–	–
Total	793,889	100.00%	597,030	100.00%	259,905	100.00%	252,665	100.00%

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

	31 December 2015		31 December 2014		31 December 2013		31 December 2012	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	5,472	1.41%	4,713	1.46%	5,921	1.53%	13,479	8.05%
Education	1,607	0.41%	1,778	0.55%	8,071	2.09%	11,387	6.80%
Infrastructure construction	65,694	16.88%	45,201	13.98%	66,845	17.29%	58,265	34.80%
Transportation	141,402	36.34%	175,340	54.23%	103,746	26.84%	6,625	3.97%
Packaging	75,854	19.49%	64,172	19.85%	98,149	25.39%	35,736	21.34%
Machinery	35,726	9.18%	16,387	5.07%	59,404	15.37%	21,700	12.96%
Textiles	4,084	1.05%	4,139	1.28%	15,839	4.10%	5,923	3.54%
Electronic information	4,081	1.05%	11,572	3.58%	28,556	7.39%	14,306	8.54%
Urban utilities	–	–	–	–	–	–	–	–
Others	55,225	14.19%	–	–	–	–	–	–
Total	389,145	100.00%	323,302	100.00%	386,531	100.00%	167,421	100.00%

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

	31 December 2015		31 December 2014		31 December 2013		31 December 2012	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	–	–	–	–	–	–	–	–
Education	–	–	–	–	–	–	–	–
Infrastructure construction	–	–	–	–	–	–	–	–
Transportation	–	–	–	–	–	–	–	–
Packaging	–	–	–	–	–	–	434	100.00%
Machinery	–	–	–	–	–	–	–	–
Textiles	–	–	–	–	–	–	–	–
Electronic information	–	–	–	–	–	–	–	–
Urban utilities	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	434	100.00%

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

	31 December 2015 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000
At the beginning of the year	920,332	646,436	420,520
Downgrades[1]	1,033,727	699,657	469,784
Upgrades	(37,013)	(32,440)	(74,095)
Recoveries	(481,950)	(270,397)	(159,384)
Write-offs	(252,062)	(122,924)	(10,389)
At the end of the year	1,183,034	920,332	646,436
NPA ratio	0.97%	0.91%	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 classified in the current year to non-performing categories.

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3.2.6.2 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 2015		31 December 2014		31 December 2013		31 December 2012	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Interest-earning Assets Provisions:								
Individual assessment	392,455	16.48%	407,940	20.27%	312,024	22.02%	189,891	21.11%
Collective assessment	1,988,296	83.52%	1,604,453	79.73%	1,104,872	77.98%	709,470	78.89%
Total	2,380,751	100.00%	2,012,393	100.00%	1,416,896	100.00%	899,361	100.00%
Non-performing assets	1,183,034		920,332		646,436		420,520	
Provision coverage ratio	201.24%		218.66%		219.19%		213.87%	

3.2.6.3 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 2015 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Write-off	252,062	122,924	10,389	–
Non-performing assets as at the end of the previous year	920,332	646,436	420,520	249,298
Write-off ratio[(1)]	27.39%	19.02%	2.47%	–

Note:

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

Management Discussion and Analysis

In 2015, the Group wrote off bad debts of RMB252,062,000 mainly for the industries with fierce competition, of which, the transportation industry accounted for RMB110,441,000; the packaging industry accounted for RMB85,308,000; the infrastructure construction industry accounted for RMB38,973,000; the machinery accounted for RMB17,340,000. On the one hand, due to the continuous sluggish in shipping market, the situation of imbalanced demand and supply was basically remained unchanged. Freight cost and shipping price kept on decreasing and repeatedly hit record-low levels. Some customers suffered from long-term operating loss, ran out of funds and became insolvent. Disposals of underlying assets of ships were unable to cover the risk exposures of the Group. On the other hand, some small and medium sized enterprises, which could be represented by customers from packaging, were susceptible to external economic fluctuations during economic downturns, together with the unfavorable situations such as weak demand, intensified competition and difficulty in financing, their capital chains were broken. Certain losses were recorded upon confirmation that customers did not possess other valid assets for enforcement following recovery through measures such as legal procedures.

3.2.6.4 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 2015 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Overdue ratio (over 30 days)	1.08%	0.91%	0.45%	0.30%

As a result of the Group's prudent risk control and asset management, the Group's lease overdue ratio (over 30 days) was 1.08% as at 31 December 2015, 0.17 percentage point higher as compared with 0.91% as of the end of 2014.

Management Discussion and Analysis

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

	31 December 2015		31 December 2014	
	RMB'000	% of total	RMB'000	% of total
Healthcare	7,928	0.60%	2,982	0.32%
Education	4,623	0.35%	3,557	0.39%
Infrastructure construction	133,061	10.09%	89,104	9.68%
Transportation	649,426	49.25%	423,483	46.00%
Packaging	342,669	25.98%	359,588	39.06%
Machinery	69,062	5.24%	30,332	3.29%
Textiles	26,276	1.99%	–	–
Electronic information	20,305	1.54%	11,572	1.26%
Urban utilities	–	–	–	–
Others	65,435	4.96%	–	–
Total	1,318,785	100.00%	920,618	100.00%

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

	31 December 2015		31 December 2014	
	RMB'000	% of total	RMB'000	% of total
Special mention	655,258	49.69%	423,128	45.96%
Substandard	369,224	28.00%	197,562	21.46%
Doubtful	294,303	22.31%	299,928	32.58%
Loss	–	–	–	–
Total	1,318,785	100.00%	920,618	100.00%

Management Discussion and Analysis

The assets under special mention that were overdue more than 30 days mostly fell into the transportation and packaging industries, of which, the transportation industry accounted for 75.49% while the packaging industry accounted for 21.33%. In recent years, there were stagnant markets in the packaging and transportation industries. Enterprises lacked bargaining power to downstream customers and turnover period of accounts receivable was generally extended, leading to frequent occurrence of financial strains, thus rents were overdue at points of time. The Group continued to prudently pay attention to the tense capital arrangements at points of time.

3.3 Assets other than Loans and Accounts Receivable

On 31 December 2015, the balance of the Group's goodwill amounted to RMB359,452,000, which is the goodwill recognized for the acquisition of five medical institutions and three educational institutions.

3.4 Liabilities (Overview)

On 31 December 2015, total liabilities of the Group amounted to RMB116,351,469,000, representing an increase of RMB23,075,238,000 or 24.74% as compared to the end of last year. Interest-bearing bank and other borrowings were the main component of the Group's liabilities, accounting for 71.70% of the total, representing a decrease as compared to 76.95% of the end of last year.

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

	31 December 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Interest-bearing bank and other borrowings	83,428,801	71.70%	71,777,837	76.95%	16.23%
Other payables and accruals	22,693,575	19.51%	16,511,583	17.70%	37.44%
Trade and bills payables	8,337,635	7.17%	3,489,071	3.74%	138.96%
Tax Payable	644,112	0.55%	840,356	0.90%	-23.35%
Derivative financial instruments	288,114	0.25%	223,947	0.24%	28.65%
Deferred tax liabilities	129,392	0.11%	137,556	0.15%	-5.94%
Liabilities for continuing involvement	569,062	0.49%	–	–	N/A
Deferred revenue	260,778	0.22%	295,881	0.32%	-11.86%
Total Liabilities	116,351,469	100.00%	93,276,231	100.00%	24.74%

Management Discussion and Analysis

3.5 Interest-bearing Bank and Other Borrowings

In 2015, as the complex financial environment at home and overseas faced the Group, the Group adhered to the established strategy of "resources globalization", and made good progress in both indirect financing and direct financing with an improved liability structure, thus obviously enjoying a finance cost advantage over the peers.

With respect to direct financing, the Group further enriched the bond portfolios at home and overseas to basically form the continued issuing trend. In the domestic market, the Group adhered to the strategy of product diversification and achieved several first issuances in exchange and bank markets, which are the two big marketplaces for issuing bonds, and became one of the most active issuers. The Group successfully issued bonds, such as medium-term notes, corporate bonds, short-term financing coupon and PPN, while the issuance costs continued to hit a fresh record low and establish a new model in the industry. In the overseas market, the Group successfully expanded the facility in the MTN programme to US$4.0 billion from US$3.0 billion, and in the first half of 2015, the Group issued several USD and HKD privately-raised bonds, further expanding the investors base.

Within the market of indirect financing, the Group continued to strengthen its co-operation relationship with key bank channels as required by its strategic development and promoted the obtainment of offshore facility to achieve the diversification in financing channels. In the domestic market, the credit facility with main cooperative banks was further expanded, and the strategic cooperation with them was also further strengthened. Taking advantage of opening the domestic capital market and promoting the free trade zone, the Group lowered the finance cost by way of innovative financing products like FT account. For the promotion of offshore facility, the credit facility of the platform in Tianjin region grew rapidly, with an increase from RMB3 billion at the end of 2014 to RMB8.5 billion at the end of 2015. In the overseas marketplace, the Group successfully developed the first order from syndicates in Middle East marketplace and completed non-deal road shows in countries such as Japan and Singapore, expanding the overseas financing layout.

In terms of ABS financing, the Group achieved the breakthrough in quantity in 2015 and the scale effect began to unfold, with accumulated borrowing for the asset securitization business amounting to RMB15.4 billion in 2015, which enabled us to be the most active financial leasing company in issuing asset-backed securities products in China. ABS financing diversified funding sources, optimized liability structure. Meanwhile, in the situation that the total cost has been continuously reducing, the Group achieved the best issuance in the market of similar products over the same period. Currently, the Group is fully equipped with the continuous and effective issue ability, enabling it to establish the market standard, solidify the project model and set up the image of a mature issuer in the capital market.

In conclusion, the Group had diverse financing methods with an improved liability structure, thus further reducing our reliability on a single product and a single market, and in turn achieving diversity of financing products, decentralization of financing regions and acquisition of long term finance resources. The Group was confident that with the global financing network as well as resource advantage, the Group can further improve its competitiveness in liability side.

As at 31 December 2015, the total sum of the Group's interest-bearing bank and other borrowings amounted to RMB83,428,801,000, representing an increase of 16.23% as compared with RMB71,777,837,000 as of the end of last year, mainly resulting from supporting of the expansion of the Group's business operations.

Management Discussion and Analysis

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

	31 December 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Current	41,699,533	49.98%	30,272,870	42.18%	37.75%
Non-current	41,729,268	50.02%	41,504,967	57.82%	0.54%
Total	83,428,801	100.00%	71,777,837	100.00%	16.23%

As at 31 December 2015, 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 49.98%, representing a slight increase as compared with 42.18% as of 31 December 2014, with a reasonable liability structure.

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

	31 December 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Secured	13,055,751	15.65%	13,730,579	19.13%	-4.91%
Unsecured	70,373,050	84.35%	58,047,258	80.87%	21.23%
Total	83,428,801	100.00%	71,777,837	100.00%	16.23%

The Group carefully managed its funding risk in 2015. As at 31 December 2015, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 84.35% of the Group's total interest-bearing bank and other borrowings, higher than that of the end of last year, mainly due to the fact that the Group's remnant secured loan reduced continuously and the newly-added finance were introduced with optimized conditions, indicating the strengthened financing capacity 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 between bank loans and other loans.

	31 December 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Bank loans	57,708,184	69.17%	55,946,919	77.94%	3.15%
Other loans	25,720,617	30.83%	15,830,918	22.06%	62.47%
Total	83,428,801	100.00%	71,777,837	100.00%	16.23%

The proportion of the Group's other loans as a percentage to the Group's total interest-bearing bank and other borrowings increased slightly as at 31 December 2015, as the Group increased its proportion of direct financing by introducing financing products such as medium-term notes, short-term financing coupon and PPN in order 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 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
China	51,766,734	62.05%	41,752,340	58.17%	23.99%
Overseas	31,662,067	37.95%	30,025,497	41.83%	5.45%
Total	83,428,801	100.00%	71,777,837	100.00%	16.23%

As at 31 December 2015, the proportion of the Group's borrowings from overseas as a percentage to the Group's total interest-bearing banks and other borrowings was 37.95%, which slightly shrunk as compared with that at the end of last year as the Group, taking into the consideration of the uncertainty in overseas market and the relevant hedging costs, proactively expanded various direct financing channels such as PPN and corporate bonds in China.

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 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
RMB	56,311,765	67.50%	47,568,897	66.27%	18.38%
US$	21,163,378	25.37%	18,191,255	25.34%	16.34%
Borrowings in other currencies	5,953,658	7.13%	6,017,685	8.39%	-1.06%
Total	83,428,801	100.00%	71,777,837	100.00%	16.23%

As at 31 December 2015, the proportion of the Group's borrowings as a percentage to the Group's total interest-bearing bank and other borrowings in RMB was 67.5%, representing an increase from the end of last year as the Group, taking into the consideration of the uncertainty in overseas market, proactively promoted financing in RMB.

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 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Direct financing	22,050,220	26.43%	12,751,188	17.76%	72.93%
Indirect financing	61,378,581	73.57%	59,026,649	82.24%	3.98%
Total	83,428,801	100.00%	71,777,837	100.00%	16.23%

As at 31 December 2015, the proportion of the Group's direct borrowings as a percentage to the Group's total interest-bearing banks and other borrowings was 26.43%, representing an increase from the end of last year as the Group proactively expanded the bonds market in China by issuing medium-term notes, short-term financial bonds, corporate bonds and PPN. For the overseas market, it placed several private bond issues in the first half of the year, and utilized direct financing such as enlarging the MTN facility to expand the Group's business.

Management Discussion and Analysis

3.6 Shareholders' Equity

As at 31 December 2015, the total equity of the Group was RMB22,961,420,000, representing an increase of RMB5,511,527,000 or 31.58% from the end of last year, which was mainly due to placing of new shares pursuant to the placing agreement on 14 July 2015, with the increase of issued share capital by RMB3,526,821,000, the increase of profit for the year by RMB2,579,991,000 and payment of dividend for 2014 of RMB592,476,000.

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

	31 December 2015		31 December 2014		
	RMB'000	% of total	RMB'000	% of total	Change %
Issued share capital	10,210,572	44.47%	6,683,751	38.30%	52.77%
Reserve	11,180,465	48.69%	9,429,201	54.04%	18.57%
Equity attributable to ordinary shareholders of the Company	21,391,037	93.16%	16,112,952	92.34%	32.76%
Senior perpetual securities	1,227,203	5.35%	1,258,170	7.21%	-2.46%
Non-controlling interests	343,180	1.49%	78,771	0.45%	335.67%
Total Equity	22,961,420	100.00%	17,449,893	100.00%	31.58%

4. Analysis on Cash Flows Statement

	For the year ended 31 December		
	2015	2014	
	RMB'000	RMB'000	Change %
Net cash flow from operating activities	(10,289,709)	(13,347,036)	-22.91%
Net cash flow from investing activities	(3,207,620)	(1,912,709)	67.70%
Net cash flow from financing activities	12,738,740	15,829,277	-19.52%
Effect of exchange rate changes on cash and cash equivalents	(58,596)	74,842	-178.29%
Net (decrease)/increase in cash and cash equivalents	(817,185)	644,374	-226.82%

In 2015, the Group had net cash outflow from operating activities in the amount of RMB10,289,709,000, representing a decrease from last year, which was mainly due to the cash inflow from the transfer of financial assets recorded in the operating activities and directly invested in the new leasing projects. Correspondingly, the Group decreased its bank and other borrowings in financing activities. As a result, in 2015, net cash inflow from financing activities was RMB12,738,740,000, representing a decrease from last year. Net cash outflow from investing activities was RMB3,207,620,000 in 2015, which was primarily attributable to the impact of capital expenses such as external equity investments. As at 31 December 2015, the Group's cash and cash equivalents amounted to RMB2,500,665,000, which wee mainly denominated in RMB, US$ and Hong Kong dollars.

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 maximize shareholder value. In 2015, 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 2015 RMB'000	31 December 2014 RMB'000
Total assets (A)	139,312,889	110,726,124
Total liabilities (B)	116,351,469	93,276,231
Total equity	22,961,420	17,449,893
Gearing ratio (C=B/A)	83.52%	84.24%

In 2015, the Company 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 2015, our gearing ratio, which was maintained at a reasonable level, was 83.52%.

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 2015 RMB'000	31 December 2014 RMB'000
Total assets	119,918,073	102,816,856
Less: Cash	2,721,314	2,796,205
Total assets at risk	117,196,759	100,020,651
Equity	19,263,095	15,195,810
Ratio of assets at risk to equity	6.08	6.58

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 2015, the ratio of assets at risk to equity of International Far Eastern Leasing Co., Ltd. was 6.08, 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 RMB3,488,983,000 in 2015, which was mainly used for expenditures for additions of property, plant and equipment, and external equity investments.

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, factoring 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. In order to further mitigate the interest risk exposure, the Group vigorously promoted the development of leasing and factoring business with fixed rates in its business direction and strengthened the real-time monitoring process. Through the efforts made in 2015, the proportion of fixed rate products of the Group increased largely from 6.7% at the end of 2014 to 25.92% as at 31 December 2015, thus the exposure shrank more than 30% as compared to the end of last year.

Management Discussion and Analysis

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

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to re-pricing within the coming year.

	Increase/(decrease) in profit before tax of the Group	
	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Change in basis points		
+ 100 basis points	277,617	512,555
- 100 basis points	(277,617)	(512,555)

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. In order to control currency risk, the Group adopted prudent currency risk management which hedges risk exposures one by one under comprehensive risk exposure management. It proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as foreign exchange forwards and currency swaps. According to relevant statistics, the percentage of hedges against foreign exchange exposure increased to 96% as at the end of 2015 from 87% as at the end of 2014.

Without regard to the influence of senior perpetual securities, 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 exchange rate of US$ and HK$ to RMB on profit before tax, with all other variables held constant.

		Increase/(decrease) in profit before tax of the Group	
Currency	Change in currency rate	31 December 2015 RMB'000	31 December 2014 RMB'000
US$ and HK$	-1%	8,387	21,158

The effect above was based on the assumption that the Group's foreign exchange exposures as of the end of each reporting period are kept unchanged and the average percentage of foreign exchange exposure with hedges remained as above so as to calculate the effect of exchange rate change on profit before tax.

Management Discussion and Analysis

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 summarizes 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 2015			
Total financial assets	2,449,884	16,602,376	40,378,365	83,112,148	173,954	142,716,727
Total financial liabilities	50,726	18,359,243	39,150,463	59,511,689	867,080	117,939,201
Net liquidity gap	2,399,158	(1,756,867)	1,227,902	23,600,459	(693,126)	24,777,526
			As of 31 December 2014			
Total financial assets	3,733,926	12,384,884	34,282,287	66,959,098	557,005	117,917,200
Total financial liabilities	379,063	12,570,533	25,209,279	54,963,865	842,870	93,965,610
Net liquidity gap	3,354,863	(185,649)	9,073,008	11,995,233	(285,865)	23,951,590

8. Charge on Group Assets

The Group had lease receivables in the amount of RMB13,793,514,000, cash in the amount of RMB331,907,000 pledged to the bank as at 31 December 2015 in order to secure or pay the bank borrowings, and cash of RMB1,259,564,000 was pledged for bank acceptances, letter of credit and etc.

Management Discussion and Analysis

9. Material Investments, Acquisitions or Disposals

In 2015, the Group completed the acquisition of Siping Cancer Institute & Hospital (四平市腫瘤醫院), Binhai Xinrenci Hospital (濱海新仁慈醫院), Anda Jiren Hospital (安達濟仁醫院), Zhoushan Dinghai Guanghua Hospital (舟山定海廣華醫院). Therefore, they became subsidiaries of the Group. Meanwhile, the Group successfully invested in Kunming Broad Healthcare Investment Limited (昆明博健醫療投資有限公司) in 2015, which therefore became a joint venture of the Group. Yunnan Boya Hospital (雲南博亞醫院) and Yunnan Kidney Hospital (雲南腎臟病醫院) are under the control of Kunming Broad Healthcare Investment Limited. The investment and acquisition of the above hospitals are important to the hospital operation segment of the Group. The Group is now facilitating its expansion in medical industry layout, and gradually establishing a hospital group with advanced technology and quality service.

In 2015, the Group completed the acquisition of a Confucius International School and three Montessori International Kindergartens. Therefore, they became subsidiaries of the Group. This is a significant breakthrough in the education operating segment of the Group, and in turn has profound strategic implications for further improvement of its operating capability in education industry.

10.Human Resources

As at 31 December 2015, the Group had 6,084 full-time employees, an increase of 1,068 full-time employees compared with 5,016 by the end of 2014.

The Group believes it has a high quality work force with specialized industry expertise. As at 31 December 2015, approximately 58.48% of the Group's employees had bachelor's degrees and above, and approximately 28.21% had master's degrees and above.

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.

With a view to promoting the Group to establish and complete the medium-long term stimulation and restriction system for fully arousing the enthusiasm of the management, attracting and retaining the excellent management talents, and effectively integrate the interests of shareholders, the Company and the management to guarantee the long, stable and healthy development, the board of the Company considered and passed the programme of setting up the equity incentive plan (including the restricted stock incentive plan and stock option plan) in 2014.

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 2015 the Group 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

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Legal proceedings:		
Claimed amounts	2, 103	–

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 2015 RMB'000	31 December 2014 RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	370,454	63,826
Capital expenditure for equity investment	103,593	120,000
Irrevocable credit commitments	4,840,547	3,693,206

The Group's irrevocable credit commitments represent leases that have been signed but the term of the lease has not started.

Capital expenditure for equity investment mainly represents the joint-equity co-operation with hospitals including Kunming Broad, Siping Cancer Hospital and Anda Jiren Hospital.

13.Future Outlook

Looking forward, major economies across the world are facing challenges in maintaining growth in view of the external demand. Moreover, non-WTO trading agreements such as TPP and the rise of trade protectionism have adversely affected the external trading in PRC. In respect of the domestic economy, China economy is still under the structural adjustment phase. Apart from slow overall growth, there may be in-depth adjustment in some of the sectors with low production efficiency and excess capacity. The real economy will start to enter the phase of capacity reduction and deleveraging. However, as the reforms implemented gradually increase economic activities, couple with strengthened innovation in the PRC transforming into advanced production capacity, the China economy is likely to exit its adjustment phase and enter into a new phase of economic growth.

Management Discussion and Analysis

For the financial environment, in view of the deterioration of economic environment in short term, issues related to risk exposure become the major problem to be faced by enterprises in their operations and government authorities in their supervision. Amid various challenges ahead such as rapid exposure of risky assets, increased difficult in identifying risk exposure of new business opportunities, as well as speedy development of direct financing market, the growth of traditional banking industry, as the key component of the China financial industry, seems to have a negative prospect. The banking industry will implement various measures including conducting hybrid operations, diversifying product and service offerings and replenishing their capital as to increase their competitiveness. Meanwhile, there are better development opportunities in capital market. The direct financing channels for quality enterprises and assets will further expanded.

For the industry trend, from mining industry and raw materials production of coal, cement, steel and others in the upstream to manufacturing industry for various production equipment and consumer products in the middle stream, the secondary industry is facing huge challenges in general. The opportunities for expansion and leveraging of enterprises will decrease. For the third industry, there are still opportunities for development for industries under their medium-weak phase. For industries such as healthcare industry, education industry and urban infrastructure industry, national investment has increased while the demand for advanced services has increased as well.

Amid the economic environment as mentioned above, the Group will adhere to the implementation of its business model by "combining financial and industrial developments" in order to promote the Company's sustainable, steady and healthy development. For the financial side, putting effective risk management and control as the top priority of its business operation, the Group will conduct rational asset allocation in different industries, while innovating its product and service offerings as to grasp golden business opportunities. For the industrial side, the Group will grasp opportunities arising from the development of domestic medical and education industry. It will continue to facilitate the implementation of strategies for different operations, improve its operating efficiency and strive to achieve synergic operation with its financial operation, thereby making industry business gradually become a new driver for the growth of the Company, and ultimately realize the implementation of business models "combining financial and industrial developments".

Corporate Governance Report

The Board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2015.

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 2015, 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

Directors' 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 2015.

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 for the year ended 31 December 2015.

Corporate Governance Report

Board of Directors

The Board currently comprises 12 members, consisting of 2 executive directors, 6 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. Ning Gaoning *(Chairman) (appointed on 30 March 2016)*
Dr. Chen Guogang *(appointed on 2 December 2015)*
Mr. Yang Lin
Mr. Liu Haifeng David
Mr. Kuo Ming-Jian
Mr. John Law

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

Note: Mr. Liu Deshu resigned as non-executive director and Chairman on 30 March 2016 due to retirement.

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

Corporate Governance Report

Chairman and Chief Executive Officer

Mr. Liu Deshu resigned as the non-executive director and the Chairman of the Board on 30 March 2016. Mr. Ning Gaoning was appointed as the non-executive director and the Chairman of the Board on 30 March 2016. 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 as delegated by the Board.

Independent Non-executive Directors

During the year ended 31 December 2015, 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

Dr. Chen Guogang was appointed as the non-executive director on 2 December 2015.

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 86 of the "Directors' Report".

Corporate Governance 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.

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.

Corporate Governance Report

During the year ended 31 December 2015, the following directors have participated in appropriate continuous professional development activities, for example:

- Mr Liu Haifeng David attended management training and other internal training.
- Mr Kuo Ming-Jian attended "A Game For Transforming Taiwan Companies" organized by Taiwan Corporate Governance Association on 29 May 2015 and "Explanation on Cases of Directors, Supervisors and Family Succession Planning and Practice" organized by Securities and Futures Institute on 18 June 2015.
- Mr Yip Wai Ming attended "Macroeconomics Trend and Capital Market Update" organized by Ernst and Young on 8 December 2015.

During the year ended 31 December 2015, 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 Deshu	✓	✓
Mr. Yang Lin	✓	✓
Dr. Chen Guogang	✓	✓
Mr. Liu Haifeng David	✓	✓
Mr. Kuo Ming-Jian	✓	✓
Mr. John Law	✓	✓
Independent Non-Executive Directors		
Mr. Cai Cunqiang	✓	✓
Mr. Han Xiaojing	✓	✓
Mr. Liu Jialin	✓	✓
Mr. Yip Wai Ming	✓	✓

Corporate Governance Report

Board Committee

The Board has established 3 committees, namely, Audit and Risk Management 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 and Risk Management Committee

The Audit and Risk Management 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 and Risk Management 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 and Risk Management Committee held 3 meetings during the year ended 31 December 2015 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 and Risk Management Committee are set out under "Attendance Record of Directors and Committee Members" on page 70.

The Audit and Risk Management Committee also met the external auditors 3 times without the presence of the Executive Directors.

The Company's annual results for the year ended 31 December 2015 have been reviewed by the Audit and Risk Management Committee.

During the year under review, the Company has updated the Terms of Reference of the Audit and Risk Management Committee. An updated version of the Terms of Reference of the Audit and Risk Management Committee is available on the Company's website and the Stock Exchange's website.

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. 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

Corporate Governance Report

The criteria adopted by the Remuneration and Nomination Committee in considering whether the relevant personnel are suitable for directorship 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 of 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 2 times during the year ended 31 December 2015 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 70.

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 2015, 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 70.

Attendance Record of Directors and Committee Members

During the year ended 31 December 2015, 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.

The attendance record of each director during their tenure of office at the Board and Board Committee meeting(s) and the general meeting of the Company held during the year ended 31 December 2015 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director Note	Board	Audit and Risk Management 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. Yang Lin	4/4	Not applicable	Not applicable	Not applicable	0/1
Mr. Liu Haifeng David	1/4	Not applicable	Not applicable	0/0	0/1
Mr. John Law	4/4	2/3	Not applicable	Not applicable	0/1
Mr. Kuo Ming-Jian	4/4	Not applicable	2/2	Not applicable	0/1
Dr. Chen Guogang	0/1	Not applicable	Not applicable	Not applicable	0/0
Mr. Liu Deshu	2/4	Not applicable	Not applicable	Not applicable	0/1
Independent Non-Executives					
Mr. Cai Cunqiang	4/4	Not applicable	Not applicable	0/0	0/1
Mr. Han Xiaojing	4/4	3/3	2/2	Not applicable	0/1
Mr. Liu Jialin	3/4	Not applicable	2/2	Not applicable	0/1
Mr. Yip Wai Ming	4/4	3/3	Not applicable	Not applicable	0/1

Note: Dr. Chen Guogang was appointed as a director on 2 December 2015.
Mr. Liu Deshu resigned as a director on 30 March 2016.
Mr. Ning Gaoning was appointed as a director on 30 March 2016 and his attendance is not recorded.

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 26 August 2015.

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 2015.

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. When the directors are aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this corporate governance report.

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 103.

Where appropriate, a statement will be submitted by the Audit and Risk Management 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 and Risk Management 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 2015 is set out in the Independent Auditors' Report on page 103.

The remuneration paid/payable to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2015 is set out below:–

Type of services provided by the external auditors	Amount of fees RMB'000
Audit services	4,380
Non-audit service	1,919
Total	6,299

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 and Risk Management 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.

The Risk Management Committee and Internal Audit Department report to the Board on any findings and make recommendations to the Board as and when appropriate. The Board at least annually conducts a review of the effectiveness of the Company and its subsidiaries' internal control systems. Such review covers all material controls, including financial, operational and compliance controls and risk management functions.

Corporate Governance Report

Corporate Governance

The Audit and Risk Management 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 and make recommendations to the Board;

(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.

The Board has reviewed the shareholders' communication policy on a regular basis to ensure its effectiveness.

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 a General Meeting

General meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"). Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening a general meeting.

Corporate Governance Report

Putting Forward Proposals at General Meeting

Pursuant to Sections 580 and 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant general meeting, may put forward proposals for considerations at a general meeting by sending requests in writing to the Company. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for 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.

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@fehorizon.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 and risk management, 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 10 June 2015 (the "2015 AGM"), Mr. Liu Deshu (Chairman of the Board), Mr. Yip Wai Ming (Chairman of the Audit and Risk Management Committee), 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 attend due to other important business engagements. In order to ensure smooth transaction of business at the 2015 AGM, Mr. Kong Fanxing, the vice chairman, executive director, Chief Executive Officer and a member of the Strategy and Investment Committee of the Company chaired the 2015 AGM.

Mr. Wang Mingzhe (as an executive director and the Chief Financial Officer) has attended the 2015 AGM to answer questions where necessary.

Biographies of Directors and Senior Management

Mr. NING Gao Ning (寧高寧) – Non-Executive Director and Chairman of the Board

Mr. NING Gao Ning (寧高寧), aged 57, was appointed as Non-executive director and Chairman of the Board in March 2016. Mr. Ning holds a Bachelor's degree in Economics from Shandong University in China and a Master of Business Administration degree from University of Pittsburgh in the United States. Mr. Ning is currently the chairman of the board of directors of Sinochem Group. Prior to this, Mr. Ning served as the chairman of the board of directors of COFCO Corporation from December 2004 to January 2016, and also served as a director of certain subsidiaries of COFCO. Before joining COFCO, Mr. Ning held various positions such as vice chairman, director and 2 general manager at China Resources (Holdings) Company Limited and certain of its subsidiaries. Mr. Ning was a non-executive director of China Agri-Industries Holdings Limited, a non-executive director of China Foods Limited, a non-executive director of CPMC Holdings Limited, the chairman of the board of directors and a non-executive director of China Mengniu Dairy Company Limited until February 2016, all of which are companies listed in Hong Kong. Mr. Ning was a director of BOC International Holdings Limited, an independent non-executive director of Bank of China (Hong Kong) Limited and an independent non-executive director of BOC Hong Kong (Holdings) Limited (a company listed in Hong Kong) until October 2014. Mr. Ning was also an independent director of Huayuan Property Co., Ltd. (a company listed on the Shanghai Stock Exchange) until November 2014.

Mr. Ning is currently the chairman of the board of directors of Sinofert Holdings Limited.

Mr. Ning has rich business management experience and extensive knowledge about capital market.

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

Mr. LIU Deshu (劉德樹), aged 64, was appointed as a non-executive director and the Chairman of the Company in December 2010, and resigned as a non-executive director and the Chairman of the Company in March 2016. 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. 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.

Mr. Liu served as the chairman of Sinochem Group, Sinofert Holdings Limited, Sinochem Corporation and Sinochem Quanzhou Petrochemical Co., Ltd. (中化泉州石化有限公司), and retired in December 2015.

Mr. Liu has approximately 30 years of experience in foreign trade, machinery and petrochemical industry.

Biographies of Directors and Senior Management

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

Mr. KONG Fanxing (孔繁星), aged 52, 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 March 2005, 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 of China National Chemicals Import & Export Corporation (中國化工進出口總公司), 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 over 21 years of experience in enterprise management.

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

Mr. WANG Mingzhe (王明哲), aged 45, 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 a 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 20 years of experience in finance management.

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

Mr. YANG Lin (楊林), aged 52, 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 also holds directorships in Sinochem International Corporation, Sinofert holdings Limited and Franshion Properties (China) Limited and is the chairman of China Foreign Economy and Trade Trust Co., Ltd and Sinochem Finance Co., Ltd..

Mr. Yang has approximately 20 years of experience in finance and treasury management.

Biographies of Directors and Senior Management

Dr. CHEN Guogang (陳國鋼) – Non-executive Director

Dr. CHEN Guogang, aged 55, was appointed as a Non-executive Director of the Company in December 2015. He obtained a doctorate degree in economics from Xiamen University in 1988. Dr. Chen is currently the vice-president of China Minsheng Investment Corp., Ltd.. From February 1999 to April 2010, Dr. Chen subsequently served as the deputy chief accountant, general manager of the finance department, and chief accountant of Sinochem Group. He was a director of Sinofert Holdings Limited and Sinochem International Corporation prior to 2010. Since 2010, Dr. Chen has joined New China Life Insurance Company Ltd., and act as several roles such as the chief financial officer, vice president and chief financial officer.

Dr. Chen is currently the independent non-executive director of Guotai Junan Securities Co. Ltd..

Other than doctorate degree in economics, Dr. Chen is also the Senior Accountant granted by Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China, and Certified Public Accountant granted by the Chinese Institute of Certified Public Accountants.

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

Mr. LIU Haifeng David (劉海峰), aged 46, has been a non-executive director of the Company since October 2009. Mr.Liu serves as Partner of KKR, Co-head of KKR Asia Private Equity and CEO of KKR Greater China. Mr. Liu is also a member of KKR's Asian Private Equity Investment Committee, Asian Portfolio Management Committee and China Growth Fund Investment Committee. Prior to joining KKR, Mr. Liu was Managing Director and Co-head of Morgan Stanley Private Equity Asia. Mr. Liu has 21 years of experience in direct investment. He has established one of the leading investment track records in Greater China and was responsible for a number of successful and innovative investments such as Mengniu Dairy, Ping An Insurance, Belle International, Far East Horizon, Nanfu Battery, China Modern Dairy, United Envirotech Ltd, China Cord Blood Corporation, Qingdao Haier Co., Ltd, Paradise Retail, Hengan International, Shanshui Cement, Rundong Auto, etc. Mr. Liu graduated from Columbia University as Class Salutatorian with a B.S. in Electrical Engineering. He is a member of Tau Beta Pi National Engineering Honor Society and a winner of the Edwin Howard Armstrong Memorial Award for the top electrical engineering student at Columbia University.

Mr. Liu also serves as a non-executive director for United Envirotech Ltd which is a listed company in Singapore, China Rundong Auto Group Limited which is a listed company in Hong Kong, and Qingdao Haier which is an A-share listed Company.

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

Mr. KUO Ming-Jian (郭明鑑), aged 54, 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 nonexecutive 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.

Biographies of Directors and Senior Management

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

Mr. John LAW (羅強), aged 65, 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 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 66, 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 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).

Mr. Cai is admitted to practicing law in the PRC. Mr. Cai has 39 years of experience in the shipping industry.

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

Mr. HAN Xiaojing (韓小京), aged 61, 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 29 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 Sinotrans Limited (中國外運股份有限公司). He also serves as independent director of Ping An Bank Company Limited (平安銀行股份有限公司), and Beijing Sanju Environmental Protection Company Limited (北京三聚環保新材料股份有限公司).

Biographies of Directors and Senior Management

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

Mr. LIU Jialin (劉嘉凌), aged 53, 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 27 years of experience in finance and securities industry.

Mr. Liu also serves as the independent non-executive director of Ping An Securities.

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 51, 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 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), Poly Culture Group Corporation Limited (保利文化集團股份有限公司) and Yida China Holdings Limited (億達中國控股有限公司).

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 25 years of experience in accounting and finance.

Mr. CAO Jian (曹健) – Senior Vice President

Mr. CAO Jian (曹健), aged 41, 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 was a manager of the human resources department in Sinochem Group. He joined International Far Eastern Leasing Co., Ltd. in September 2002, and served as the deputy general manager, the standing deputy general manager and the general manager of the healthcare business division, and the assistant of general manager and the deputy general manager 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 13 years of experience in the financial leasing industry.

Biographies of Directors and Senior Management

Mr. SHANG Bing (尚兵) – Vice President

Mr. SHANG Bing (尚兵), aged 49, 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 26 years of experience in relation to government affairs and enterprise management.

Mr. WANG Ruisheng (王瑞生) – Vice President

Mr. WANG Ruisheng (王瑞生), aged 62, is the Vice President of the Company. Mr. Wang graduated from East China Normal University (華東師範大學) majoring in history 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. Wang has over 24 years of experience in enterprise management.

Mr. WU Zhijiun (吳志軍) – Vice President

Mr. WU Zhijun (吳志軍), aged 43, is the Vice 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 a MBA degree from Northeastern University (東北大學) in July 2002. Prior to joining Far East in November 2001, 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., the general manager of the healthcare business division, and the assistant to the president of the Company, thus has an extensive management experience. Mr. Wu was appointed as the Vice President of the Company in February 2015.

Mr. Wu has over 14 years of experience in the financial leasing industry.

Biographies of Directors and Senior Management

Mr. WANG Jiayin (王佳音) – Assistant President

Mr. WANG Jiayin (王佳音), aged 43, 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 February 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 13 years of experience in the financial leasing industry.

Mr. CAI Jianjun (蔡建軍) – Chief Information Officer

Mr. CAI Jianjun (蔡建軍), aged 53, is the Chief Information Officer of the Company. Mr. Cai graduated from Xi`an Jiaotong University (西安交通大學) majoring in Computer and Application in July 1984 and obtained a master degree in Computer Science Education from Chinese Academy of Sciences (中國科學院) in July 1991. Prior to joining Far East Horizon Limited, he worked as deputy director of the Mainframe Computer Lab and Commercial Software Lab at Institute of Computing Technology, Chinese Academy of Sciences; vice president and general manager of Beijing Amadeus Data Limited; technical director of IT Department, director of Strategic Planning Department, chief architect and technical executive director in Lenovo Group; general manager of Information Technology department, Sinochem Group, thus has extensive Computer Technology and enterprise management experience. Mr. Cai was appointed as the Chief Information Officer of the Company in April 2014.

Mr. Cai has over 31 years of experience in Computer Technology and management.

Directors' Report

The Board is pleased to present the Directors' Report of the year 2015 together with the audited financial statements of the Group for the year ended 31 December 2015.

Principal Activities and Business Review

The principal business activities of the Group are financial leasing and advisory services, and the principal business activities of its subsidiaries are hospital investment and operation, equipment operation services, high-end preschool education and international high school operation management, trading and brokerage services etc.. An analysis of the Group's operational status for the year by business segments is detailed in Note 4 to the financial statements.

The Group has accumulated years of industry expertise and have expanded its customer base in its target industries by organizing and operating its financial leasing services, sales and marketing, and risk management systems through an industry-focused approach. It has also sufficiently lowered risk associated with its interest-bearing assets to develop a sustainable financial service business model through its safe and steady operational philosophy, rigorous risk control, diversified asset management approaches and other measures. By leveraging its profound industry experience and understanding of its customers' long-term internal needs in each target industry, it also provides extended value-added services primarily comprising advisory, engineering, trading and brokerage services to its customers, which have generated synergy with its financial services. This has enabled it to continuously provide an integrated range of customized services, develop deeper customer relationships, enhance the effectiveness of its risk management systems, and leverage its accumulated industry and management expertise to expand into other target industries in China with promising growth potential, including investment and operation of certain quality assets, and to construct the foundation of its stable long-term strategic development of "finance + industry".

Furthermore, the sustainability of the Group's development and its further growth depend to a great extent on its ability to effectively respond to or manage major risks and uncertainties such as quality risk of interest-bearing assets, liquidity risk, interest rate and exchange risk, the ability to attract and retain qualified persons and so forth. In its long operation, the Group has consistently adhered to the philosophy of steady and prudent operation and has accumulated advanced risk management capability and experience of practices in the industry. In the foreseeable future, it believes that the impact of the risks and uncertainties will remain manageable and will not cause any material adverse effect on its long-term healthy development.

Further discussion and analysis as required by Schedule 5 to the Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2015, and an indication of likely future development in the Group's business, are set out in the "Chairman's Statement", "CEO's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to Financial Statements" sections of this Annual Report. The above sections form part of the Directors' Report.

Results and Dividends

The results of the Group for the year ended 31 December 2015 are set out in the Consolidated Statement of Profit or Loss on page 105 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 2015 to shareholders whose names appear on the register of members of the Company on Monday, 13 June 2016. The proposed final dividend will be paid on Wednesday, 29 June 2016, following approval at the Annual General Meeting to be held on Thursday, 2 June 2016.

Directors' Report

Closure of Share Register

The annual general meeting ("AGM") of the Company is scheduled to be held on Thursday, 2 June 2016. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 31 May 2016 to Thursday, 2 June 2016, 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 Monday, 30 May 2016.

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, 8 June 2016 to Monday, 13 June 2016, 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 Monday, 13 June 2016. 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, 7 June 2016.

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 237 to 240 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 13 to the financial statements.

Share Capital

Details of the movements in the share capital of the Company are set out in Note 33 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 2015.

Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 109 to 112 of this annual report and Note 36 to the financial statements respectively.

Permitted Indemnity

Pursuant to the articles of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all liabilities (to the fullest extent permitted by the Companies Ordinance which he may incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has taken out insurance against all liabilities associated with defending any proceedings which may be brought against Directors and other officer of the Company.

Charitable Donations

The Group's external charitable donations for the year amounted to RMB4,000,000 (2014: RMB4,000,000).

Changes in Directors' Biographical Details

Changes in director's biographical details up to the date of this annual report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of director	Details of changes
Mr. CAI Cunqiang	Resigned as an independent director of Winsan (Shanghai) Medical Science and Technology Co., Ltd, with effect from May 2015
Mr. YIP Wai Ming	Resigned as an independent non-executive director of BBMG Corporation, with effect from 27 November 2015

Directors

During the year and as at the date of this annual report, directors of the Company were as follows:

Executive Directors
Mr. KONG Fanxing
Mr. WANG Mingzhe

Non-Executive Directors
Mr. NING Gaoning (appointed on 30 March 2016)
Mr. LIU Deshu (resigned on 30 March 2016)
Mr. YANG Lin
Dr. CHEN Guogang (appointed on 2 December 2015)
Mr. LIU Haifeng David
Mr. KUO Ming-Jian
Mr. John LAW

Independent Non-Executive Directors
Mr. HAN Xiaojing
Mr. LIU Jialin
Mr. CAI Cunqiang
Mr. YIP Wai Ming

According to the articles of the Company, Mr. NING Gaoning, Dr. CHEN Guogang, Mr. KUO Ming-Jian, Mr. John LAW, Mr. HAN Xiaojing, Mr. LIU Jialin, Mr. CAI Cunqiang and Mr. YIP Wai Ming shall retire at the forthcoming 2016 annual general meeting. All the above retiring Directors, being eligible, offer themselves for re-election at the forthcoming 2016 annual general meeting.

Directors' Report

Biographical Details of the Directors and Senior Management

Biographical details of the directors and senior management are set out on pages 76 to 82 of this annual report.

Directors' Service Contracts

As at 31 December 2015, 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.

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

Executive Directors

Each of the executive directors has entered into a service contract with the Company. Each of the appointments is for a term of 3 years commencing from 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 RMB10,273,000.

Non-Executive Directors

Each of the non-executive directors has entered into an appointment letter with the Company.

Each of the appointments of Mr. LIU Deshu, Mr. YANG Lin, Mr. LIU Haifeng David, Mr. John LAW and Mr. KUO Ming-Jian is for a term of 3 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.

Dr. CHEN Guogang was appointed as a non-executive Director of the Company on 2 December 2015. Dr. CHEN Guogang has entered into an appointment agreement with the Company for a term of 3 years commencing from 2 December 2015.

Mr. LIU Deshu resigned as a non-executive director of the Company on 30 March 2016.

Mr. NING Gaoning was appointed as a non-executive director of the Company on 30 March 2016. Mr. NING Gaoning has entered into an appointment agreement with the Company for a term of 3 years commencing from 30 March 2016. No payment shall be made by the Company to Mr. NING Gaoning under the relevant appointment agreement.

Under the relevant appointment letter and appointment agreement, the Company shall pay HK$420,000 p.a. as director's fee to each of Mr. LIU Haifeng David, Mr. KUO Ming-Jian, Mr. John LAW and Dr. CHEN Guogang.

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 a term of three years commencing from 30 March 2014.

Under the relevant appointment letter, no director's fee shall be made by the Company to Mr. Cai Cunqiang. Under the relevant appointment letter, the Company shall pay HK$420,000 p.a. as director's fee to each of Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming.

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 2015 are set out in Note 8 to the consolidated financial statements of the Group.

Directors' Interests in Contracts of Significance

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 2015, 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

The Group does not have any pension scheme.

Share Option Scheme

The Company adopted a share option scheme ("Share Option Scheme") for a period of 10 years commencing on 7 July 2014 on which the Share Option Scheme was approved by the Shareholders of the Company. The purpose of the Share Option Scheme is to incentivize and reward Selected Participants (as defined below) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The senior and middle management personnel, as well as other key employees of the Company or any subsidiary of the Company (the "Selected Participant(s)") are persons eligible to participate the Share Option Scheme. The eligibility of the Selected Participant will be decided by the Board or the Administration Committee, at its respective absolute discretion, as to his contribution to the Company or any of its Subsidiaries.

The maximum number of new shares in respect of which options may be granted under the Share Option Scheme shall not exceed 4% of the Company's issued share capital as at the date of adoption of the Share Option Scheme by the Shareholders, which is 131,696,000 shares.

The maximum number of shares which are issued and may be issued upon exercise of all options (including exercised and outstanding options) granted to any Selected Participant within any 12-month period must not exceed 1% of the issued share capital of the Company from time to time. Any grant of further share options above this limit is subject to certain requirements as stipulated in the Listing Rules and the Share Option Scheme.

Directors' Report

An offer shall be open for acceptance for such period within 14 days inclusive of, and from, the offer date by the Selected Participant. An offer not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of options.

The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price is determined by the Board or the Administration Committee, and shall not be less than the higher of: (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the grant of option; (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant of option; and (iii) the nominal value of the Shares as at the date of the offer of the grant of option.

As of 31 December 2015, options entitling the holders thereof to subscribe for an aggregate of 4,229,021 Shares were granted to two executive Directors and the remaining options entitling the holders to subscribe for an aggregate of 27,509,599 Shares were granted to 208 grantees under the Share Option Scheme. A summary of the movements of the outstanding share options under the Share Option Scheme during the year is as follows:

					Number of share options				
Grantee	Date of grant	Vesting Period (Note 1)	Exercise period (Note 2)	Exercise price per share HK$ (Note 3 and 4)	Outstanding at 1 January 2015	Granted	Exercised	Lapsed	Outstanding as at 31 December 2015
KONG Fanxing, CEO and executive Director	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	–	1,316,960	–	–	1,316,960
KONG Fanxing, CEO and executive Director	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	–	1,856,913	–	–	1,856,913
WANG Mingzhe, CFO and executive Director	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	–	460,936	–	–	460,936
WANG Mingzhe, CFO and executive Director	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	–	594,212	–	–	594,212
SUBTOTAL FOR DIRECTORS					–	**4,229,021**			**4,229,021**
Employees	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	–	11,391,704	–	(1,534,259)	9,811,357
Employees	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	–	16,117,895	–	(1,293,972)	14,823,923
TOTAL						**27,509,599**			**24,635,280**

Note 1: Subject to the rules of the Share Option Scheme, the options granted on 11 July 2014 will vest to the grantees at the second, third and fourth anniversary of the date of grant at an average amount.

Note 2: According to the Share Option Scheme, the options shall be exercised within the Option Period. "Option Period" shall mean, in respect of any particular option, a period (which may not be later than 10 years from the offer date of that option) to be determined and notified by the Board or the Administration Committee to the grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses; and (ii) 10 years from the offer date of that option. There is no minimum period for which any vested option must be held before it can be exercised and no performance target which need to be achieved by a grantee before the vested options can be exercised.

Directors' Report

Note 3: The exercise price is not less than the higher of (i) the closing price of HK$5.86 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 11 July 2014 (i.e. the grant date) and (ii) the average closing price of HK$5.81 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 11 July 2014. The Share does not carry nominal value.

Note 4: The exercise price is not less than the higher of (i) the closing price of HK$6.88 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 3 July 2015 (i.e. the grant date) and (ii) the average closing price of HK$7.17 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 3 July 2015. The Share does not carry nominal value.

Please refer to note 34 to our financial statements for details of accounting treatment and for share options and the remaining life of the Share Option Scheme.

Restricted Share Award Scheme

Reference is made to announcement of the Company dated 11 June 2014. The Company adopted a restricted share award scheme ("**Award Scheme**") on 11 June 2014. This Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. As of 31 December 2015, the Company granted 47,608,140 Shares under the Award Scheme.

Management Contracts

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

Arrangements for the Directors to Purchase Shares or Debentures

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

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

As at 31 December 2015, 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(1)	Approximate percentage of interest in the Company
KONG Fanxing	The Company	Beneficial owner	8,804,684(L)(2)	0.26%
WANG Mingzhe	The Company	Beneficial owner	3,123,871(L)(3)	0.09%

Notes:

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

(2) The interest includes 3,173,873 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme and 4,760,811 underlying shares in respect of the awarded shares granted pursuant to the Company's Restricted Share Award Scheme. Please refer to the Company's 2015 Annual Report for the details of both schemes.

(3) The interest includes 1,055,148 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme and 1,682,723 underlying shares in respect of the awarded shares granted pursuant to the Company's Restricted Share Award Scheme. Please refer to the Company's 2015 Annual Report for the details of both schemes.

Save as disclosed above, as at 31 December 2015, 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 2015 (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 2015, 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)	23.29%
Greatpart Limited[2]	Beneficial owner	919,914,400(L)	23.29%
East Leasing Holdings Limited (formerly known as KKR Future Holdings I Limited)	Beneficial owner	394,005,000(L)	9.97%
KKR Future Holdings Limited[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Asian Fund L.P.[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Associates Asia L.P.[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Asia Limited[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Fund Holdings L.P.[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Fund Holdings GP Limited[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Group Holdings L.P.[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Group Limited[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR & Co. L.P.[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Management LLC[3]	Interest in a controlled entity	394,005,000(L)	9.97%
Mr. Henry Roberts Kravis and Mr. George R. Roberts[3]	Interest in a controlled entity	394,005,000(L)	9.97%
Prime Capital Management (Cayman) Limited	Investment manager	205,911,000(L)	5.21%
JPMorgan Chase & Co.	Beneficial owner	2,641,997(L)	0.06%
	Investment manager	15,000(L)	0.00%
	Custodian	411,225,745(P)	10.40%
Cathay Life Insurance Co., Ltd.	Beneficial owner	296,316,000(L)	7.50%
China Minseng Investment Corp., Ltd.	Beneficial Owner	528,600,000(L)	13.38%

Directors' Report

Notes:

(1) The letter "L" denotes the person's long 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) Each of KKR Future Holdings Limited (as the sole shareholder of East Leasing Holdings Limited (formerly known as KKR Future Holdings I 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 a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L.P.) and Mr. Henry Roberts Kravis and Mr. George R. Roberts (as the designated shareholders of KKR Management LLC) may be deemed to be interested in the Shares. Mr. Henry Roberts Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares.

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.

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.

Bond Issue

In 2015, the Company made good progress in direct financing. In domestic and overseas marketplaces, the Company further enriched the bond portfolios, increased the sizes of issuance, reduced financing costs and formed a continued trend of issuance.

In the domestic marketplace, International Far Eastern Leasing Co., Ltd., a wholly-owned subsidiary of the Company, adhered to the strategy of product diversification and achieved several first issuances in exchanges and the interbank market, which were the two big marketplaces for issuing bonds, and became one of the most active issuers. It issued bonds such as medium-term notes, corporate bonds, short-term financial bonds and PPN, and the details are set out below:

On 21 May 2015, it completed the issuance of 3-year medium term notes in an amount of RMB1.5 billion at an interest rate of 4.3% per annum in China.

On 18 August 2015, it completed the issuance of 2-year PPN in an amount of RMB2.0 billion at an interest rate of 4.7% per annum in China.

On 13 October 2015, it completed the issuance of 1-year short-term financial bonds in an amount of RMB2.0 billion at an interest rate of 3.4% per annum in China.

On 12 November 2015, it completed the issuance of 5-year corporate bonds in an amount of RMB2.0 billion at an interest rate of 3.85% per annum in China.

Directors' Report

On 19 November 2015, it completed the issuance of 3-year PPN in an amount of RMB2.0 billion at an interest rate of 4.2% per annum in China.

In the overseas marketplace, it successfully expanded the facility in the MTN programme to US$4.0 billion from US$3.0 billion, and in the first half of the year, the Group issued several US$ and HK$D privately-raised bonds, further expanding the investors base.

Major Customers and Suppliers

The information of the customers and suppliers is as follows:

	For the year ended 31 December 2015 Percentage of the total income (before business taxes and surcharges) (%)
Top five customers	1.74%
The largest customer	0.54%

	Percentage of total costs (%)
Top five suppliers	33.13%
The largest supplier	11.51%

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 Transactions

The Company entered into certain connected transactions (including 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.

Non-exempt Connected Transactions

Finance Lease with 南車青島四方機車車輛股份有限公司 ("CSR Sifang") and 中化國際招標有限責任公司 ("Sinochem Tendering")

On 10 June 2015, Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信（天津）融資租賃有限公司) ("Far East (Tianjin)"), an indirect wholly-owned subsidiary of the Company, entered into a lease contract with CSR Sifang ("2015 Lease Contract") and a supplementary agreement to the 2015 Lease Contract with CSR Sifang and Sinochem Tendering ("2015 Supplementary Agreement"), in relation to a finance lease arrangement for the lease and repurchase of certain equipment ("Equipment").

Directors' Report

The 2015 Lease Contract and the 2015 Supplementary Agreement were agreed following arm's length negotiations and are based on normal commercial terms. Pursuant to the 2015 Lease Contract, Far East (Tianjin) will lease the Equipment to CSR Sifang for a term of 36 months, with a monthly rental of RMB1,503,250 totalling RMB54,117,000 for the entire term of lease. CSR Sifang will also pay Far East (Tianjin) a one-time fee in the amount of RMB5,515,000 at the end of the next month upon issuing the relevant invoice by Far East (Tianjin) after the 2015 Lease Contract is signed. Pursuant to the 2015 Supplementary Agreement, upon the completion of the performance by CSR Sifang of all its duties under the 2015 Lease Contract, Sinochem Tendering shall repurchase the Equipment in an amount of RMB11,737,820 and Far East (Tianjin) will transfer the title of the Equipment to Sinochem Tendering after the payment of the repurchase price by Sinochem Tendering. The repurchase price was determined based on the residual value of the leasing asset as at the repurchase date.

Sinochem Tendering was designated by CSR Sifang as the repurchase party under the 2015 Supplementary Agreement given their existing and long term business relationship. The repurchase arrangement in respect of the finance lease benefits Far East (Tianjin) as the lessor and the relevant terms of the repurchase arrangement, including the repurchase price, are entered into by Far East (Tianjin), CSR Sifang and Sinochem Tendering after arm's length negotiations and are fair and reasonable.

中國中化集團公司 ("Sinochem Group") is a substantial shareholder of the Company and therefore a connected person of the Company. Sinochem Tendering is an indirect subsidiary of Sinochem Group and therefore an associate of Sinochem Group and hence a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the finance lease arrangement contemplated under the 2015 Lease Contract and the 2015 Supplementary Agreement constitutes connected transaction of the Company.

Please refer to the announcement of the Company dated 10 June 2015 relating to this transaction.

Non-exempt 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 ("2011 Sinochem Finance Framework Agreement"). Subsequently, upon the expiry of the 2011 Sinochem Finance Framework Agreement on 16 June 2014, the Company entered into a new framework agreement with Sinochem Finance ("2014 Sinochem Finance Framework Agreement") with a term of one year to renew the continuing connected transactions of provision of financial services by Sinochem Finance to the Group under the 2011 Sinochem Finance Framework Agreement on substantially the same terms. As the 2014 Sinochem Finance Framework Agreement expired in June 2015, the Company entered into a new framework agreement with Sinochem Finance ("2015 Sinochem Framework Agreement") with a term of three years effective from 17 June 2015 to renew the continuing connected transactions of provision of financial services by Sinochem Finance to the Group under the 2014 Sinochem Finance Framework Agreement on substantially the same terms. The Company entered into the above framework agreements 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 those of independent commercial banks in the PRC.

Sinochem Finance is an associate of Sinochem Group, which is a substantial shareholder of the Company. Accordingly, Sinochem Finance is a connected person of the Company and the provision of financial services by Sinochem Finance to the Group under the 2011 Sinochem Finance Framework Agreement, the 2014 Sinochem Finance Framework Agreement and the 2015 Sinochem Finance Framework Agreement constitutes continuing connected transactions of the Company.

Directors' Report

The annual cap on the maximum daily outstanding balance of deposits (excluding the deposits for the purpose of extending entrustment loans) is RMB958 million during the term of the 2015 Sinochem Finance 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. The annual cap on the maximum daily outstanding balance of deposits (excluding the deposits for the purpose of extending entrustment loans) was RMB919 million, during the term of the 2014 Sinochem Finance Framework Agreement. The applicable annual cap was not exceeded for the year ended 31 December 2015.

The annual caps on the financial consultancy service fees under the 2015 Sinochem Finance Framework Agreement for the three years ending 31 December 2017 are RMB9.75 million, RMB14.6 million and RMB21.9 million per annum, respectively. These annual caps are based primarily on the historical transaction amounts and an expected growth of approximately 50% in the demand of the financial consultancy services for each of the three years ending 31 December 2017. The applicable annual cap was not exceeded for the year ended 31 December 2015.

Please refer to the announcements of the Company dated 17 June 2011, 11 June 2014 and 10 June 2015 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 ("Original Sinochem Ship Chartering Framework Agreement"). As the Original Sinochem Ship Chartering Framework Agreement expired on 31 December 2014, the Company entered into a new framework agreement with Sinochem Group ("New Sinochem Ship Chartering Framework Agreement") to renew the continuing connected transactions of provision of ship chartering and other related products and services by the Group to Sinochem Group and/or its subsidiaries and associates under the Original Sinochem Ship Chartering Framework Agreement with the same principal terms. The initial term of the New Sinochem Ship Chartering Framework Agreement is from 1 January 2015 to 31 December 2017.

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 transactions contemplated under the Original Sinochem Ship Chartering Framework Agreement and the New Sinochem Ship Chartering Framework Agreement constitute continuing connected transactions of the Company.

The annual caps of the New Sinochem Ship Chartering Framework Agreement, being the total charterhire and other related fees receivable by the Group, for the three years ending 31 December 2017 are US$5,400,000, US$6,500,000 and US$7,800,000 per annum respectively. These annual caps are based primarily on the historical transactions amount, an expected approximate 20% growth in the demand for the Group's ship chartering and other related products and services for each of the three years ending 31 December 2017, and an expected approximate 20% growth in the charterhire for the period of three years ending 31 December 2017 compared with that for the year ending 31 December 2014. The applicable annual cap was not exceeded for the year ended 31 December 2015.

Please refer to the announcements of the Company dated 5 December 2012 and 3 December 2014 relating to these transactions.

Directors' Report

Framework agreement for the provision of property leasing services from 中國中化集團公司 ("Sinochem Group")

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 with Sinochem Group in 2011, 2012 and 2013. All of these property leases terminated on 31 December 2014.

On 3 December 2014, the Company and Sinochem Group entered into a framework agreement pursuant to which Sinochem Group has agreed that it will and will procure its associates to agree to provide property leasing services to the Group ("Property Leasing Framework Agreement"). The initial term of the Property Leasing Framework Agreement is from 1 January 2015 to 31 December 2017.

As the Group has already been occupying and leasing the same units at prevailing market rates from Sinochem Group and its associates, the Directors are of the view that substantial time and costs can be saved if the Group renews the individual leases entered into with Sinochem Group and its associates instead of moving to other buildings. In addition, by entering into the Property Leasing Framework Agreement, the Company will be in a better position to regulate and monitor the transactions contemplated thereunder. 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 transactions under the property leases previously entered into and terminated and the ongoing transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company.

The annual caps of the Property Leasing Framework Agreement, being the total rent and related fees payable by the Group to Sinochem Group and/or its associates under the Property Leasing Framework Agreement, for the three years ending 31 December 2017 are RMB68,000,000, RMB71,000,000 and RMB75,000,000 per annum respectively. These annual caps are based primarily on the historical transactions amount, an expected approximate 10% growth in the demand by the relevant parties for leasing of properties for the year ending 31 December 2015, an expected approximate 10% growth in the rent for the year ending 31 December 2015 and an expected approximate 5% consolidated growth in transaction amounts for each of the two years ending 31 December 2017, taking into account the increase in demand by the relevant parties and the expected growth in the rent. The applicable annual cap was not exceeded for the year ended 31 December 2015.

Please refer to the announcements of the Company dated 30 December 2011, 7 August 2012, 27 March 2013, 21 August 2013, 4 December 2013 and 3 December 2014 relating to these transactions.

Pursuant to the Listing Rules, certain related party transactions in Note 43 to the consolidated financial statements of the Company also constitute continuing connected transactions (as defined in Chapter 14A of the Listing Rules). Such related party transactions have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Confirmation of Independent Non-Executive Directors

Pursuant to Rule 14A.55 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.56 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 agreements governing the transactions; and

(d) have not exceeded the relevant annual caps for the financial year ended 31 December 2015.

Audit and Risk Management Committee

Audit and Risk Management 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 2015.

The consolidated financial statements of the Company which are prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2015 have been audited by Ernst & Young, the auditor of the Company.

Auditor

Pursuant to the resolution of the AGM of the Company in 2015, the Company reappointed Ernst & Young as the auditor of the Company in 2015. The proposal of re-appointing Ernst & Young as the auditor of the Company will be put forward at the AGM to be held on Thursday, 2 June 2016 for consideration and approval.

By order of the Board
NING Gaoning
Chairman
30 March 2016

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

Supporting industrial upgrading and promoting national rejuvenation

Far East Horizon has always been focusing on basic industries, including healthcare sector, construction, education, industrial machinery, electronic information, urban utility, packaging, transportation and light industries, and building the specialised operation mode and security system that match the characteristics of different industries. Moreover, the Company always keeps a close eye on customers' demands and provides them with professional individualized financial services and comprehensive operational services such as investment, engineering service, trading brokerage and management consultation.

In the healthcare sector, Far East Horizon, based on its philosophy of "serving China's healthcare industry and care deeply about people's health", continued its efforts over the years, and has been gradually establishing a comprehensive operating system with synergy effect and supply capacity. Far East Horizon strives to establish a healthy "ecosphere" centering the concept of building an open industry, developing through innovation, supporting by coordination, and aiming to achieve a win-win situation, thus ultimately facilitating the public's access to better healthcare services. Far East Horizon also provided services to domestic medical institutions, medical products manufacturing and distribution enterprises and public healthcare institutions and the like through its mature businesses such as finance, investment, technology and management. As at the end of 2015, there were more than 2,200 institutions served by Far East Horizon, with accumulated investments made of nearly RMB72 billion.

In the education sector, by providing advanced educational facilities and equipments, the Company has improved teaching and learning conditions for schools and colleges, therefore driving the continuous progress in education. As at the end of 2015, we were totally serving nearly 400 colleges and over 200 high schools.

In the urban transportation sector, the Company provided public transportation and passenger 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 RMB1.7 billion were upgraded. In the urban environmental protection sector, we provided sewage treatment companies and drainage companies with RMB900 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 main-stream 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 organization'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 realization 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.

In 2015, we continued to hold "Far East Finance Summit Forum" in respect of industries including construction, public transport, passenger transport, heat and textiles. Among them, the Textiles Industry Summit Forum had been successfully held for four times. Such forum focused on industry hot topics, provided opportunities to meet with global terminal brands and helped enterprises to seek for cooperation opportunities. The accumulate number of participants of the forum amount to over 1,000 persons. In the 2015 Construction Industry Summit Forum, renowned experts and nearly 230 senior management staff from more than 20 provinces, cities and autonomous regions nationwide had been invited for an in-depth communication on issues including investment opportunities arise during the period of economic adjustment in China, as well as the PPP issue.

Corporate Social Responsibility Report

Employee Responsibility

Respect for the value of employees and care for their growth

Far East Horizon carefully listens to its employees' opinions and strives to provide its employees with a diversified, tolerant, open, equal and dynamic working condition as well as a broad platform on which its employees can realize their career ambition. Moreover, the Company also resolves the issues concerning employees while they focus on working. All of these efforts will enable the Company to build its culture where employees will respect, believe and cooperate with each other and share success.

The rights and interests of employees

The Company encourages its employees to participate in its management affairs as if they were owner of the Company. In addition, the Company, by setting up various channels such as president's mailbox and a platform collecting constructive opinions from employees, endeavors to secure employee representatives' rights to participate in and supervise the Company's democratic management and give recommendations in respect thereof.

The development of employees

The Company encourages its employees to realize their value by fully exploiting their advantages and interests with the consideration of the Company's development. Specifically, the Company has established diversified channels for its employees to be promoted, so as to meet the development demands from talents in technical and management fields. Through Far East Academy, Far East E Platform for Learning and training information management system and other measures, the Company is committed to building a learning organization featured by self-examination, self-driven and self-enhancement and creating a team atmosphere for lifelong learning for all staff.

Employees' love and care

Under the "Far East Health Station Program", the Company has established individualized health fund, organized health check-up on a regular basis for employees and provided various kinds of lectures on the physical and psychological aspects in relation to women employee issues, parents-children relationship and health, so a multi-aspect and interactive platform for securing the physical and mental well-being of employees will be built to identify and track employees' physical and mental health risks, mitigate employees' work and life pressure, and meet their physical and mental health needs.

Far East Horizon advocates its employees to keep balance in life and work, whereby, the Company ensures that its mechanism is set up in an appropriate way so that its employees are entitled to reasonable rest and leave. Moreover, the Company grants every employee at least five extra days apart from their statutory annual leave quotes and encourages them to take part in a variety of exercises.

Based on the principle of "helping those in distress and peril, caring for mutual aid", the Company set up a union "Charity Fund", under which "Plan for Helping the Beloved" and the "Plan for Helping the Infant" were set up to extend special care to cover the family members of the employees, and the newcomers who are fresh graduates, respectively.

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. With the establishment of "Beijing Horizon Charity Fund" and "Shanghai Horizon Charity Fund", the Company has been proactively fulfilling its corporate public responsibilities and initiated a series of charity activities in areas including education aid, poverty alleviation, medical assistance and volunteer service, so as to resolve problems for vulnerable groups and contribute to social harmony. In 2015, the Charity Fund carried out charity programs in 19 cities in China and donated more than RMB3.5 million in total, helping nearly 4,500 people.

Education aid

- "Horizon Fellowship" program: It provided scholarships and subsidies to more than 300 students who are excellent in both academic performances and personal character in 21 famous high schools across the country, aiming to encourage outstanding undergraduates for studious habit, constant innovation, caring attitude and determination for success.

- "Qian Li Cao" education-aid program: It organized nearly 50 volunteers from more than 20 universities nationwide for carrying out public education-aid activities in Gansu region. Over 400 primary and secondary school students received education.

- "Loving Care Libraries" program: It established three "Loving Care Libraries" in poverty areas to help left-behind children, children from single-parent families and children from families of disabled to light up their dreams and hopes in libraries with love and care.

Poverty alleviation

- Henan Yongcheng poverty alleviation program: Every year, it provided living essentials such as edible oil, rice and flour as well as fellowships to nearly 400 local poverty elderly and students for four consecutive years.

- "Light the Hope" program: It cooperated with the Shanghai Association of People with Physical Disabled and provided subsidies for 20 children from families of disabled suffered from poverty, so as to encourage children to strive to self-improvement and create their future with courage and hard work.

Medical assistance

- Charity training program for paediatric urological surgeons: It cooperated with the Shanghai Children's Medical Center and initiated the first charity program focusing on training surgeons across the country, so as to enhance the medical standard of medical institutions in poor and remote regions, thereby helping children who suffered from diseases.

- Kashgar hearing aid program: It cooperated with the Shanghai Committee of China Communist Youth League to install hearing aids and carry out hearing ability recovery training for poverty children with hearing impairment, so as to help them to hear beautiful melodies and wonderful sound again.

- "Loving Care Wards" program: It cooperated with five hospitals, namely Huizhou Huakang Orthopaedic Hospital, Binhai New Renci Hospital, Siping Cancer Institute & Hospital, Anda Jiren Hospital and Zhoushan Dinghai Guanghua Hospital, and initiated the "Loving Care Wards" program to provide assistance for poverty patients suffering critical diseases, so as to diminish their shadow of disease and give them new hopes.

Corporate Social Responsibility Report

Volunteer service

- In 2015, the Charity Fund recruited nearly 50 volunteers from the Company, thus the volunteer team of Far East Horizon consisted of more than 100 people in total. 64 volunteer activities were carried out with more than 1,500 participants. The service hours of volunteers reached over 4,000 hours in total. The volunteer team of Far East Horizon went to the Shanghai Zoo, the Shanghai Children's Welfare Institute, the China Maritime Museum and the Gaoze Xiangyuan Farm House (高澤祥園農莊) and carried out volunteer work there. Through numerous of companionship and care given by volunteers, not only vulnerable children can receive care and warmth from the society, volunteers can satisfy themselves psychologically.

Recognitions and awards

- In 2015, the Charity Fund achieved fruitful work in aspects such as "institution establishment", "public projects" and "volunteer services", and received recognitions from the society. The Charity Fund was awarded four awards in total, namely "NO.1 in the National Foundation Transparency Index Ranking", "2015 Charity Mass Media Award", "Outstanding Social Organization for Helping the Disabled with Intelligence in Shanghai" and "Outstanding Organization of Volunteer Services in Shanghai".

Independent Auditors' Report

EY 安永

To the members 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 set out on pages 105 to 236, which comprise the consolidated statement of financial position as at 31 December 2015, 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 405 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

30 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	11,795,983	10,060,717
Cost of sales	7	(4,771,610)	(4,106,547)
Gross profit		7,024,373	5,954,170
Other income and gains	5	510,032	523,689
Selling and distribution costs		(1,452,611)	(1,356,023)
Administrative expenses		(1,925,049)	(1,659,885)
Other expenses		(454,489)	(249,400)
Finance costs	6	(122,221)	(14,667)
Share of net profit of:			
An associate		–	13,511
Share of net losses of:			
Joint ventures		(310)	(195)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	3,579,725	3,211,200
Income tax expense	10	(999,734)	(869,026)
PROFIT FOR THE YEAR		2,579,991	2,342,174
Attributable to:			
Ordinary shareholders of the parent		2,503,109	2,295,954
Holders of perpetual securities	37	73,080	36,036
Non-controlling interests		3,802	10,184
		2,579,991	2,342,174
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE PARENT	12	RMB	RMB
Basic and diluted			
– Earnings per share		0.70	0.70

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR	2,579,991	2,342,174
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	742,402	111,377
Reclassification to the consolidated statement of profit or loss	(849,733)	380,966
Income tax effect	17,710	(81,237)
	(89,621)	411,106
Exchange differences on translation of foreign operations	(30,629)	(599)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(120,250)	410,507
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(120,250)	410,507
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,459,741	2,752,681
Attributable to:		
Ordinary shareholders of the parent	2,382,859	2,706,461
Holders of perpetual securities	73,080	36,036
Non-controlling interests	3,802	10,184
	2,459,741	2,752,681

Consolidated Statement of Financial Position

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	3,357,879	1,733,169
Prepaid land lease payments	14	1,150,026	987,878
Goodwill	15	359,452	64,164
Other assets	16	666,407	54,283
Investments in joint ventures	18	1,187,975	80,985
Investment in an associate	19	–	94,154
Available-for-sale investments	20	427,142	394,253
Equity investments at fair value through profit or loss	21	244,132	–
Derivative financial instruments	22	696,858	227,033
Loans and accounts receivables	23	73,856,030	60,156,452
Prepayments, deposits and other receivables	24	579,575	95,647
Deferred tax assets	25	1,300,724	904,331
Restricted deposits	26	96,137	123,694
Total non-current assets		83,922,337	64,916,043
CURRENT ASSETS			
Inventories	27	114,793	78,708
Construction contracts	28	42,387	82,339
Derivative financial instruments	22	420,376	63,244
Loans and accounts receivables	23	46,710,279	39,284,977
Prepayments, deposits and other receivables	24	3,057,298	2,152,852
Restricted deposits	26	2,544,754	830,111
Cash and cash equivalents	26	2,500,665	3,317,850
Total current assets		55,390,552	45,810,081
CURRENT LIABILITIES			
Trade and bills payables	29	8,337,635	3,489,071
Other payables and accruals	30	6,431,179	4,204,755
Derivative financial instruments	22	–	8,773
Interest-bearing bank and other borrowings	31	41,699,533	30,272,870
Deferred revenue	32	–	7,577
Taxes payable		644,112	840,356
Total current liabilities		57,112,459	38,823,402
NET CURRENT (LIABILITIES)/ASSETS		(1,721,907)	6,986,679

Consolidated Statement of Financial Position

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		82,200,430	71,902,722
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	41,729,268	41,504,967
Derivative financial instruments	22	288,114	215,174
Deferred tax liabilities	25	129,392	137,556
Other payables and accruals	30	16,262,396	12,306,828
Deferred revenue	32	260,778	288,304
Other liabilities	47	569,062	–
Total non-current liabilities		59,239,010	54,452,829
Net assets		22,961,420	17,449,893
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	33	10,210,572	6,683,751
Other reserves	36	11,180,465	9,429,201
		21,391,037	16,112,952
Holders of perpetual securities	37	1,227,203	1,258,170
Non-controlling interests		343,180	78,771
Total equity		22,961,420	17,449,893

Kong Fanxing
Director

Wang Mingzhe
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to ordinary shareholders of the parent												
	Share capital RMB'000 (Note 33)	Capital reserve RMB'000 (Note 36)	Shares held for share award scheme RMB'000 (Note 35)	Share-based compensation reserve RMB'000	Special reserve RMB'000 (Note 36)	Reserve fund RMB'000 (Note 36)	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Senior Perpetual securities RMB'000 (Note 37)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	6,683,751	2,096,823	(136,260)	17,994	1,065	121,913	411,106	638,299	6,278,261	16,112,952	1,258,170	78,771	17,449,893
Profit for the year	-	-	-	-	-	-	-	-	2,503,109	2,503,109	73,080	3,802	2,579,991
Other comprehensive income for the year													
Cash flow hedges, net of tax	-	-	-	-	-	-	(89,621)	-	-	(89,621)	-	-	(89,621)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(30,629)	-	(30,629)	-	-	(30,629)
Total comprehensive income for the year	-	-	-	-	-	-	(89,621)	(30,629)	2,503,109	2,382,859	73,080	3,802	2,459,741
Issue of shares	3,580,765	-	-	-	-	-	-	-	-	3,580,765	-	-	3,580,765
Share issue expenses	(53,944)	-	-	-	-	-	-	-	-	(53,944)	-	-	(53,944)
Purchase of shares under share award scheme	-	-	(116,245)	-	-	-	-	-	-	(116,245)	-	-	(116,245)
Final 2014 dividend declared (net of dividends received from shares held for share award scheme)	-	-	-	-	-	-	-	-	(592,476)	(592,476)	-	-	(592,476)
Distribution paid to holders of senior perpetual securities	-	-	-	-	-	-	-	-	-	-	(104,047)	-	(104,047)

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to ordinary shareholders of the parent												
	Share capital RMB'000 (Note 33)	Capital reserve RMB'000 (Note 36)	Shares held for share award scheme RMB'000 (Note 35)	Share-based compensation reserve RMB'000	Special reserve RMB'000 (Note 36)	Reserve fund RMB'000 (Note 36)	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Senior Perpetual securities RMB'000 (Note 37)	Non-controlling interests RMB'000	Total equity RMB'000
Recognition of equity-settled share-based payments	–	–	–	58,971	–	–	–	–	–	58,971	–	–	58,971
Special reserve – safety fund appropriation	–	–	–	–	835	–	–	–	(835)	–	–	–	–
Special reserve – safety fund utilization	–	–	–	–	(685)	–	–	–	685	–	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	154,484	154,484
Decrease in ownership interests in subsidiaries without loss of control	–	17,342	–	–	–	–	–	–	–	17,342	–	6,978	24,320
Waiver of debt by non-controlling shareholders	–	813	–	–	–	–	–	–	–	813	–	1,447	2,260
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	97,698	97,698
At 31 December 2015	10,210,572	2,114,978*	(252,505)*	76,965*	1,215*	121,913*	321,485*	607,670*	8,188,744*	21,391,037	1,227,203	343,180	22,961,420

* These reserve accounts comprise the consolidated reserves of RMB11,180,465,000 (2014: RMB9,429,201,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to ordinary shareholders of the parent													
	Share capital RMB'000 (Note 33)	Share premium account RMB'000 (Note 33)	Capital reserve RMB'000 (Note 36)	Shares held for share award scheme RMB'000 (Note 35)	Share-based compensation reserve RMB'000	Special reserve RMB'000 (Note 36)	Reserve fund RMB'000 (Note 36)	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Senior Perpetual securities RMB'000 (Note 37)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	27,570	7,067,502	2,403,345	–	–	671	121,913	–	(100,283)	4,604,624	14,125,342	–	39,528	14,164,870
Profit for the year	–	–	–	–	–	–	–	–	–	2,295,954	2,295,954	36,036	10,184	2,342,174
Other comprehensive income for the year														
Cash flow hedges, net of tax	–	–	–	–	–	–	–	411,106	–	–	411,106	–	–	411,106
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(599)	–	(599)	–	–	(599)
Total comprehensive income for the year	–	–	–	–	–	–	–	411,106	(599)	2,295,954	2,706,461	36,036	10,184	2,752,681
Effect of change in functional currency during the year	(1,798)	(409,523)	(306,786)	–	–	–	–	–	739,181	(21,074)	–	–	–	–
Transition to no-par value regime	6,657,979	(6,657,979)	–	–	–	–	–	–	–	–	–	–	–	–
Purchase of shares under share award scheme	–	–	–	(136,260)	–	–	–	–	–	–	(136,260)	–	–	(136,260)
Issue of senior perpetual securities (Note 37)	–	–	–	–	–	–	–	–	–	–	–	1,222,134	–	1,222,134
Final 2013 dividend declared	–	–	–	–	–	–	–	–	–	(600,849)	(600,849)	–	–	(600,849)
Recognition of equity-settled share-based payments	–	–	–	–	17,994	–	–	–	–	–	17,994	–	–	17,994

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to ordinary shareholders of the parent													
	Share capital RMB'000 (Note 33)	Share premium account RMB'000 (Note 33)	Capital reserve RMB'000 (Note 36)	Shares held for share award scheme RMB'000 (Note 35)	Share-based compensation reserve RMB'000	Special reserve RMB'000 (Note 36)	Reserve fund RMB'000 (Note 36)	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Senior Perpetual securities RMB'000 (Note 37)	Non-controlling interests RMB'000	Total equity RMB'000
Special reserve – safety fund appropriation	–	–	–	–	–	835	–	–	–	(835)	–	–	–	–
Special reserve – safety fund utilization	–	–	–	–	–	(441)	–	–	–	441	–	–	–	–
Capital injection by non-controlling shareholders	–	–	264	–	–	–	–	–	–	–	264	–	6,236	6,500
Purchase of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(150)	(150)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	28,216	28,216
Dividends paid to a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	–	(5,243)	(5,243)
At 31 December 2014	6,683,751	–	2,096,823*	(136,260)*	17,994*	1,065*	121,913*	411,106*	638,299*	6,278,261*	16,112,952	1,258,170	78,771	17,449,893

Consolidated Statement of Cash Flows

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,579,725	3,211,200
Adjustments for:			
Finance costs and bank charges		4,085,503	3,461,692
Interest income		(56,163)	(51,981)
Share of net profit of an associate		–	(13,511)
Share of net losses of joint ventures		310	195
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value gains, net	5	(12,570)	(20,772)
Realised fair value (gains)/losses, net	5	(35,665)	37,611
Fair value loss on a call option		12,006	–
Gain on disposal of available-for-sale investment	5	(11,898)	–
Gain on structured financial products	5	(6,597)	(7,798)
Gain on disposal of property, plant and equipment, net		(843)	(198)
Depreciation	13	228,147	166,232
Provision for impairment of loans and accounts receivables	23	821,103	750,009
Provision for impairment of other assets		25,320	–
Amortisation of intangible assets and other assets		47,498	26,609
Equity-settled share-based payment expenses	7	58,971	17,994
Foreign exchange loss, net		16,487	88,977
		8,751,334	7,666,259
Increase in derivative instruments – transactions qualifying as hedges		(19,823)	–
Increase in inventories		(25,928)	(49,176)
Decrease/(increase) in construction contracts		39,952	(28,388)
Increase in loans and accounts receivables		(21,819,428)	(20,496,758)
Increase in prepayments, deposits and other receivables		(1,337,568)	(1,171,155)
Increase in restricted cash related to asset-backed securitisations	26	(1,049,420)	–
Increase in other assets		(580,410)	(5,070)
Increase in trade and bills payables		4,810,286	1,132,024
Increase in other payables and accrued liabilities		5,841,442	3,738,171
Increase in other liabilities		531,882	112,789
Net cash flows used in operating activities before tax		(4,857,681)	(9,101,304)
Interest paid		(3,898,775)	(3,267,697)
Interest received		56,163	51,981
Income tax paid		(1,589,416)	(1,030,016)
Net cash flows used in operating activities		(10,289,709)	(13,347,036)

Consolidated Statement of Cash Flows

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain on structured financial products	5	6,597	7,798
Realised gain on derivative financial instruments not qualifying as hedges		48,227	–
Proceeds from disposal of property, plant and equipment		14,386	20,401
Acquisition of subsidiaries	38	(193,742)	(48,197)
Purchase of items of property, plant and equipment, intangible assets and other long term assets		(1,876,373)	(926,284)
Purchase of shareholding for joint ventures		(1,071,180)	(81,180)
Dividend received from joint ventures		1,751	–
Proceeds from disposal of joint ventures		5,403	–
Increase in time deposits		–	(490,994)
Purchase of available-for-sale investments		(103,556)	(394,253)
Proceeds from disposal of available-for-sale investments		204,999	–
Purchase of equity investments at fair value through profit or loss		(244,132)	–
Net cash flows used in investing activities		(3,207,620)	(1,912,709)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior perpetual securities		–	1,222,134
Proceeds from issue of new shares		3,580,765	–
Share issue expenses		(53,944)	–
Capital injection from non-controlling shareholders		154,484	6,500
Purchase of non-controlling shareholders		–	(150)
Decrease in ownership interests in subsidiaries without loss of control		24,320	–
Cash received from borrowings		80,704,161	78,696,702
Repayments of borrowings		(70,310,149)	(63,291,624)
Dividends paid		(592,476)	(600,795)
(Increase)/decrease in pledged deposits		(637,666)	318
Dividend paid to non-controlling shareholders		–	(5,243)
Realised fair value gains/(losses) from derivative financial instruments		83,778	(37,611)
Purchase of shares held for share award scheme	35	(116,245)	(136,260)
Distribution paid to holders of senior perpetual securities	37	(104,047)	–
Cash received/(paid) for other financing activities		5,759	(24,694)
Net cash flows from financing activities		12,738,740	15,829,277
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(758,589)	569,532
Cash and cash equivalents at beginning of year		3,317,850	2,673,476
Effect of exchange rate changes on cash and cash equivalents		(58,596)	74,842
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,500,665	3,317,850

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP 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, entrusted loan arrangements, factoring, the provision of advisory services, equipment operation business, and other services as approved by the Ministry of Commerce (the "MOFCOM") 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 ("HKICPA"), 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 and equity investments 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 2015. 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 ordinary shareholders of the parent of the Group, the non-controlling interests and holders of perpetual securities 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.

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 above. 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

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

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle	
Annual Improvements to HKFRSs 2011-2013 Cycle	

The adoption of the above revised standards has had no significant financial effect on these financial statements.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Further information about those HKFRSs that may significantly affect the consolidated financial statements of the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification, measurement and impairment of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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 or joint ventures 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 or joint ventures is included as part of the Group's investments in associates or joint ventures.

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*.

Business combinations and goodwill

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 of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets and 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.

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;

Notes to Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

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

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

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

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

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

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

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

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2.4SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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	2.00-19.40%
Equipment, tools and moulds	9.00-20.00%
Office equipment and computers	10.00-32.33%
Motor vehicles	9.70-24.25%

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.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 receivables. 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.

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, available-for-sale investments, equity investments at fair value through profit or loss, 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.

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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 other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in administrative expenses.

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.

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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.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate or return for a similar financial asset. Impairment losses on these assets are not reversed.

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31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of 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.

Loans and borrowings

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such 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.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Hedges which meet the strict criteria for cash flow hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

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).

- 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.

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

- 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.

Treasury shares

Own equity instruments which are required and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instrument.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks (including term deposits with original maturity of less than three months), and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

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31 December 2015

2.4SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 the 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 reporting date and recognised as income when the services have been rendered and the revenue can be reasonably estimated;

(c) from the 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;

(f) rental income, on a time proportion basis over the lease terms; and

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

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

Revenue from fixed price construction contracts is recognised using 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 using 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.

Share-based payments

The Company operates a share option scheme and a restricted share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in Note 34 and Note 35 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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 a 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 even 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the 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).

The functional currencies of 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 RMB at the exchange rates ruling at the end of the reporting period and their statements 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 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.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting 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 goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use required the Group to make an estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the goodwill at 31 December 2015 was RMB359,452,000 (2014: RMB64,164,000). Further details are given in Note 16.

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 and liabilities

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. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

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.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including volatility, expected exercise behaviour and dividend yield, etc, and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 34 and Note 35.

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:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between finance leases and operating leases

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).

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 the fair value at the date the option becomes exercisable and, 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 leased 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 financial and advisory business and the industrial operation business, based on internal organisational structure, management requirement and internal reporting system:

- The financial and advisory business comprises (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) entrusted loans; and (e) advisory services.
- The industrial operation business comprises primarily (a) import and export trade and domestic trade of medical equipment, as well as the provision of trade agency services primarily within the machinery industry; (b) the ship brokerage services; (c) medical engineering; (d) equipment operation; (e) hospital and healthcare management and (f) education consulting and 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.

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4. OPERATING SEGMENT INFORMATION (continued)

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

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

As at and for the year ended 31 December 2015

	Financial and advisory RMB'000	Industrial operation RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	10,571,802	1,224,181	–	11,795,983
Intersegment sales	102,534	16,294	(118,828)	–
Cost of sales	(4,066,663)	(808,387)	103,440	(4,771,610)
Other income and gains	498,471	15,128	(3,567)	510,032
Selling and distribution costs and administrative expenses	(3,105,272)	(290,333)	17,945	(3,377,660)
Other expenses	(455,742)	1,253	–	(454,489)
Finance costs	–	(122,221)	–	(122,221)
Share of profits or losses of joint ventures	(6,133)	5,823	–	(310)
Profit before tax	3,538,997	41,738	(1,010)	3,579,725
Income tax expense	(984,131)	(15,603)	–	(999,734)
Profit after tax	2,554,866	26,135	(1,010)	2,579,991
Segment assets	136,517,966	7,813,466	(5,018,543)	139,312,889
Segment liabilities	(115,772,841)	(5,156,501)	4,577,873	(116,351,469)
Other segment information:				
Impairment losses recognised in the statement of profit or loss	830,360	16,063	–	846,423
Depreciation and amortisation	56,575	219,071	–	275,646
Capital expenditure	1,280,164	2,208,819	–	3,488,983

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4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 2014

	Financial and advisory RMB'000	Industrial operation RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	9,053,889	1,006,828	–	10,060,717
Intersegment sales	59,257	6,086	(65,343)	–
Cost of sales	(3,427,730)	(683,948)	5,131	(4,106,547)
Other income and gains	521,524	7,296	(5,131)	523,689
Selling and distribution costs and administrative expenses	(2,852,984)	(169,010)	6,086	(3,015,908)
Other expenses	(248,460)	(940)	–	(249,400)
Finance costs	–	(73,924)	59,257	(14,667)
Share of net profit of an associate	–	13,511	–	13,511
Share of net losses of joint ventures	(97)	(98)	–	(195)
Profit before tax	3,105,399	105,801	–	3,211,200
Income tax expense	(851,588)	(17,438)	–	(869,026)
Profit after tax	2,253,811	88,363	–	2,342,174
Segment assets	111,030,781	3,829,928	(4,134,585)	110,726,124
Segment liabilities	(93,792,884)	(3,187,206)	3,703,859	(93,276,231)
Other segment information:				
Impairment losses recognised in the statement of profit or loss	739,811	10,198	–	750,009
Depreciation and amortisation	55,398	137,443	–	192,841
Capital expenditure	644,376	805,538	–	1,449,914

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4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2015 RMB'000	2014 RMB'000
Mainland China	11,579,614	9,908,385
Hong Kong	184,884	94,145
Other countries or regions	31,485	58,187
	11,795,983	10,060,717

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

(b) Non-current assets

	2015 RMB'000	2014 RMB'000
Mainland China	6,281,776	2,832,488
Hong Kong	439,963	182,145
	6,721,739	3,014,633

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 was derived has amounted to 10% or more of the total revenue of the Group during the year.

Notes to Financial Statements

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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:

	Note	2015 RMB'000	2014 RMB'000
Revenue			
Finance lease income		6,603,955	6,283,269
Service fee income		3,850,659	2,709,366
Factoring income		245,375	174,479
Sale of goods		120,356	135,931
Chartering and brokerage income		166,225	322,538
Construction contract revenue		96,620	85,639
Equipment operation income		601,200	390,090
Healthcare service income		194,477	60,458
Other income		27,929	15,303
Business tax and surcharges		(110,813)	(116,356)
		11,795,983	10,060,717
Other income and gains			
Bank interest income		56,163	51,981
Gain on structured financial products		6,597	7,798
Gain on disposal of available-for-sale investments		11,898	–
Derivative instruments – transactions not qualifying as hedges		48,235	20,772
Gain on disposal of property, plant, and equipment		1,163	1,225
Government grants	5a	130,508	326,187
Tax benefits from intra-group borrowings		188,114	85,483
Gain on transfers of loans and accounts receivables		67,203	15,638
Others		151	14,605
		510,032	523,689

Notes to Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS (continued)

5a. Government grants

	2015 RMB'000	2014 RMB'000
Transitional financial support for implementing VAT reform	–	309,532
Government special subsidy	130,508	16,655
	130,508	326,187

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank loans, overdrafts and other loans	120,346	14,667
Interest on finance leases	1,875	–
Total interest expense on financial liabilities not at fair value through profit or loss	122,221	14,667

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7. PROFIT BEFORE TAX

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

	2015 RMB'000	2014 RMB'000
Cost of borrowings included in cost of sales	3,963,282	3,422,599
Cost of inventories sold	114,263	130,520
Cost of construction contracts	55,973	56,299
Cost of equipment operation	343,584	176,591
Cost of chartering	149,332	282,360
Cost of healthcare service	132,362	32,144
Cost of others	12,814	6,034
Depreciation	24,355	33,556
Amortisation of intangible assets and other assets:		
Current year expenditure	46,827	32,433
Less: Government grants released*	(1,378)	(5,824)
	45,449	26,609
Rental expenses	114,470	96,749
Auditors' remuneration		
– audit services	4,380	3,050
– other services	1,919	1,211
Employee benefit expense (including directors' remuneration (Note 8))		
– Wages and salaries		
– Current year expenditure	1,758,053	1,338,101
– Less: Government grants released*	(277,330)	–
	1,480,723	1,338,101
– Equity-settled share-based payment expense	58,971	17,994
– Pension scheme contributions	68,378	65,679
– Other employee benefits	215,635	189,744
	1,823,707	1,611,518
Impairment of loans and accounts receivables (Note 23)	821,103	750,009
Impairment of other receivables	4,855	–
Impairment of inventories	33	–
Impairment of property, plant and equipment	20,432	–

Notes to Financial Statements

31 December 2015

7. PROFIT BEFORE TAX (continued)

	2015 RMB'000	2014 RMB'000
Entertainment expenses	55,481	66,786
Business travelling expenses	167,359	174,906
Consultancy fees	68,117	35,950
Office expenses:		
Current year expenditure	38,073	50,511
Less: Government grants released*	–	(3,949)
	38,073	46,562
Advertising and promotional expenses	11,419	4,451
Transportation expenses	11,077	11,032
Communication expenses	21,457	15,812
Other miscellaneous expenses:		
Current year expenditure	131,314	141,297
Less: Government grants released*	(16,190)	(22,486)
	115,124	118,811
Litigation expense	28,850	18,896
Loss on disposal of property, plant and equipment	320	1,028
Donation	4,500	4,013
Bank commission expenses	120,366	64,436
Derivative instruments-fair value loss on a call option	12,006	–
Foreign exchange losses, net		
Cash flow hedges (transfer from equity to foreign exchange losses)	(849,733)	360,035
Others	866,220	(271,058)
Derivative instruments – transactions not qualifying as hedges	–	37,611
Loss on transfers of loans and accounts receivables	300,810	52,175
Other expenditure	–	1,160

* Government grants have been received by a subsidiary of the Company from the local government for improvement of technology, staff training and development, etc. The government grants received have been deducted from the expenses to which they related. Government grants received for which related expenditure has not yet been undertaken are included in deferred revenue in the statement of financial position (Note 32).

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	2,052	1,986
Other emoluments:		
Salaries, allowances and benefits in kind	6,116	5,842
Performance related bonuses*	3,500	3,100
Pension scheme contributions	657	604
	10,273	9,546
	12,325	11,532

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

During 2015, certain directors were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 34 and Note 35 to the financial statements, respectively.

(a) Independent non-executive directors

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

	2015 RMB'000	2014 RMB'000
Mr. Cai Cunqiang	–	–
Mr. Han Xiaojing	342	331
Mr. Liu Jialing	342	331
Mr. Yip Wai Ming	342	331
	1,026	993

Notes to Financial Statements

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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:

	2015 RMB'000	2014 RMB'000
Mr. Liu Deshu	–	–
Mr. Yang Lin	–	–
Mr. Liu Haifeng	342	331
Mr. Luo Qiang	342	331
Mr. Guo Mingjian	342	331
	1,026	993

(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 2015					
Executive directors:					
Mr. Kong Fanxing	–	3,876	2,000	423	6,299
Mr. Wang Mingzhe	–	2,240	1,500	234	3,974
	–	6,116	3,500	657	10,273
Year ended 31 December 2014					
Executive directors:					
Mr. Kong Fanxing	–	3,739	1,800	383	5,922
Mr. Wang Mingzhe	–	2,103	1,300	221	3,624
	–	5,842	3,100	604	9,546

Mr. Liu Deshu, Mr. Yang Lin and Mr. Cai Cunqiang agreed to waive their 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	
	2015	2014
Directors	2	2
Non-directors	3	3
	5	5

The five highest paid employees during the year included two (2014: two) directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining three (2014: three) non-directors, highest paid employees for the year are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	5,751	5,761
Performance related bonuses	3,900	3,550
Pension scheme contributions	442	580
	10,093	9,891

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

	Number of employees	
	2015	2014
HK$3,500,001 to HK$4,000,000 (Equivalent to RMB2,794,891 to RMB3,194,160)	2	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	1
	3	3

During the year ended 31 December 2015, certain highest paid employees were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 34 and Note 35 to the financial statements, respectively.

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9. FIVE HIGHEST PAID EMPLOYEES (continued)

The Group adopted collective economic-gain bonus schemes (the "Schemes") since 2014. According to the Schemes, the Group paid a portion of employee bonus to separate funds (the "Employees' Collectively Owned Funds"). The Employees' Collectively Owned Funds are collectively owned by employees participating the Scheme until distributed to individual employees. A committee (the "Committee"), elected by the general meeting of employee representatives, is established to be in charge of the management, operation of the Scheme and the determination and distribution of the Employees' Collectively Owned Funds to all individual participating employees. In the view of the directors, the Employees' Collectively Owned Funds are not property of the Company or any of its subsidiaries, and the Group has no rights and obligations in respect of the management and operation of the Employees' Collectively Owned Funds. The Company has not been notified of any distribution of Employees' Collectively Owned Funds to individual employees. As at 31 December 2015, the above information of the five highest paid employees has not taken into employees' potential entitlement under the Schemes.

10. INCOME TAX

	2015 RMB'000	2014 RMB'000
Current – Hong Kong		
Charge for the year	168,937	139,050
Current – Mainland China		
Charge for the year	1,227,458	1,086,484
Deferred tax (Note 25)	(396,661)	(356,508)
Total tax charge for the year	999,734	869,026

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

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10. INCOME TAX (continued)

Corporate Income Tax ("CIT") (continued)

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 of 25% from 2012 onwards.

On 18 November 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%.

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:

	2015 RMB'000	2014 RMB'000
Profit before tax	3,579,725	3,211,200
Tax at the statutory income tax rates	876,612	805,649
Effect of lower tax rate enacted by local authority	(559)	(120)
Expenses not deductible for tax	42,472	69,711
Income not subject to tax	(25,837)	(80,117)
Adjustment on current income tax in respect of prior years	(371)	(10)
Utilisation of previously unrecognised tax losses	(9,542)	(12,763)
Unrecognised tax losses	2,135	2,349
Effect of recognition of deductible temporary differences that were not recognised in prior years	–	(30)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	31,149	(12,000)
Effect of withholding tax on interest on intra-group balances	83,675	96,357
Income tax expense as reported in the consolidated statement of profit or loss	999,734	869,026

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11. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Proposed final dividend – HK$0.23 (2014: HK$0.23) per ordinary share	752,096	592,755

A final dividend for the year 2015 of HK$0.23 per share was proposed at the meeting of the Board of Directors held on 30 March 2016. Based on the total number of outstanding ordinary shares of 3,903,149,860 (2014:3,266,944,000) (excluding the 47,250,140 (2014:25,456,000) shares held for share award scheme (note 35)), the proposed final dividend amounted to approximately HK$897,724,000 (2014:HK$751,397,000) (equivalent to RMB752,096,000 (2014: RMB592,755,000)). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the financial statements.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the year 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 3,562,109,103 (2014: 3,287,307,315) outstanding during the year.

The calculation of basic earnings per share is based on:

Earnings

	2015 RMB'000	2014 RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	2,503,109	2,295,954

Shares

	Number of shares	
	2015	2014
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	3,562,109,103	3,287,307,315

For the year ended 31 December 2015, the Share Option Scheme (Note 34) and the Restricted Share Award Scheme (Note 35) have no dilutive effect on earnings per share yet. The Group had no other potentially dilutive ordinary shares in issue. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of approval of these financial statements.

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13. PROPERTY, PLANT AND EQUIPMENT

31 December 2015

	Leasehold improvements RMB'000	Buildings RMB'000	Equipment, tools and moulds RMB'000	Office equipment and computers RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Vessels RMB'000	Total RMB'000
At 31 December 2014 and at 1 January 2015:								
Cost	49,978	159,635	1,457,156	59,379	26,400	130,868	91,324	1,974,740
Accumulated depreciation	(47,686)	(24,923)	(112,852)	(36,985)	(12,957)	–	(6,168)	(241,571)
Net carrying amount	2,292	134,712	1,344,304	22,394	13,443	130,868	85,156	1,733,169
At 1 January 2015, net of accumulated depreciation	2,292	134,712	1,344,304	22,394	13,443	130,868	85,156	1,733,169
Acquisition of subsidiaries	–	110,621	46,222	17,428	3,502	–	–	177,773
Additions	7,847	103,272	1,058,762	10,101	8,923	226,595	275,299	1,690,799
Depreciation provided during the year	(3,790)	(6,712)	(186,526)	(10,973)	(4,759)	–	(15,387)	(228,147)
Transfers	–	695	–	–	–	(60,731)	60,036	–
Disposals	–	–	(10,417)	(3,061)	(65)	–	–	(13,543)
Exchange realignment	–	–	–	–	–	4,151	14,109	18,260
Impairment	–	–	–	–	–	–	(20,432)	(20,432)
At 31 December 2015, net of accumulated depreciation and impairment	6,349	342,588	2,252,345	35,889	21,044	300,883	398,781	3,357,879
At 31 December 2015:								
Cost	57,734	384,594	2,618,128	102,491	41,135	300,883	442,208	3,947,173
Accumulated depreciation and impairment	(51,385)	(42,006)	(365,783)	(66,602)	(20,091)	–	(43,427)	(589,294)
Net carrying amount	6,349	342,588	2,252,345	35,889	21,044	300,883	398,781	3,357,879

Notes to Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2014

	Leasehold improvements RMB'000	Buildings RMB'000	Equipment, tools and moulds RMB'000	Office equipment and computers RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Vessels RMB'000	Total RMB'000
At 31 December 2013 and at 1 January 2014:								
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
At 1 January 2014, net of accumulated depreciation	16,677	20,712	867,996	22,446	9,396	26,826	–	964,053
Acquisition of a subsidiary	–	114,865	11,198	821	477	–	–	127,361
Additions	33,218	38,163	595,610	17,158	8,096	130,693	61,741	884,679
Depreciation provided during the year	(47,603)	(5,858)	(89,949)	(12,687)	(3,967)	–	(6,168)	(166,232)
Transfers	–	–	–	–	–	(26,875)	26,875	–
Disposal	–	(33,170)	(40,550)	(5,343)	(560)	–	–	(79,623)
Exchange realignment	–	–	–	–	–	223	2,708	2,931
At 31 December 2014, net of accumulated depreciation	2,292	134,712	1,344,305	22,395	13,442	130,867	85,156	1,733,169
At 31 December 2014:								
Cost	49,978	159,635	1,457,157	59,380	26,399	130,867	91,324	1,974,740
Accumulated depreciation	(47,686)	(24,923)	(112,852)	(36,985)	(12,957)	–	(6,168)	(241,571)
Net carrying amount	2,292	134,712	1,344,305	22,395	13,442	130,867	85,156	1,733,169

As at 31 December 2015, the Group has not obtained the property ownership certificates for five buildings (31 December 2014: nil) with a net book value of RMB58,242,000 (31 December 2014: nil).

The Group was in the process of applying for the property ownership certificates for the above buildings as at 31 December 2015.

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14. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Cost:		
At the beginning of the year	1,023,060	987,716
Additions	167,604	35,344
Acquisition of subsidiaries	19,919	–
At the end of the year	1,210,583	1,023,060
Accumulated amortisation:		
At the beginning of the year	(35,182)	(13,869)
Addition	(25,025)	(21,313)
Acquisition of subsidiaries	(350)	–
At the end of the year	(60,557)	(35,182)
Net carrying amount:		
At the end of the year	1,150,026	987,878
At the beginning of the year	987,878	973,847

As at 31 December 2015, the Group has not obtained the land ownership certificate for one parcel (31 December 2014: nil) of land with a net book value of RMB2,479,000 (31 December 2014: nil).

The Group was in the process of applying for the land ownership certificate for the above parcel of land as at 31 December 2015.

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15. GOODWILL

	RMB'000
At 1 January 2014:	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost at 1 January 2014, net of accumulated impairment	–
Acquisition of a subsidiary	64,164
Impairment during the year	–
At 31 December 2014	64,164
At 31 December 2014:	
Cost	64,164
Accumulated impairment	–
Net carrying amount	64,164
Cost at 1 January 2015, net of accumulated impairment	64,164
Acquisition of subsidiaries (Note 38)	295,288
Impairment during the year	–
Cost and net carrying amount at 31 December 2015	359,452
At 31 December 2015:	
Cost	359,452
Accumulated impairment	–
Net carrying amount	359,452

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Medical service cash-generating units; and
- Education service cash-generating units.

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15. GOODWILL (continued)

Medical service cash-generating units

The recoverable amount of the medical service cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The post-tax discount rate applied to the cash flow projections is 13% (2014: 15%). The implied pre-tax discount rates for the cash flow projections are 16.7% to 17.8% (2014: 18.5%).

Education service cash-generating units

The recoverable amount of the education service cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The post-tax discount rate applied to cash flow projections is 14% (2014: nil). The implied pre-tax discount rates for the cash flow projections are 16.5% to 17.5% (2014: nil).

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Medical service		Education service		Total	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of goodwill	237,161	64,164	122,291	–	359,452	64,164

Assumptions were used in the value in use calculation of the medical service cash-generating units and education service cash-generating units for 31 December 2015 and 31 December 2014. The following describes each key assumption on which management has based its cash flows projections to undertake impairment testing of goodwill.

Budgeted gross margin – the basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvement, and expected market development.

Discount rate – the discount rate used reflect specific risks relating to the units.

The values assigned to the key assumptions on market development of medical industry and education industry, discount rates are comparable to external information sources.

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16. OTHER ASSETS

	2015 RMB'000	2014 RMB'000
Software (Note 16a)	19,558	23,870
Continuing involvement in transferred assets (Note 47)	569,062	–
Others	77,787	30,413
	666,407	54,283

16a. SOFTWARE

	2015 RMB'000	2014 RMB'000
Cost:		
At the beginning of the year	65,628	35,396
Acquisition of subsidiaries	1,022	8,723
Additions	7,033	21,509
Disposals	(7,342)	–
Exchange differences	45	–
At the end of the year	66,386	65,628
Accumulated amortisation:		
At the beginning of the year	(41,758)	(17,170)
Acquisition of subsidiaries	(404)	(18,408)
Additions	(5,575)	(6,180)
Disposals	922	–
Exchange differences	(13)	–
At the end of the year	(46,828)	(41,758)
Net carrying amount:		
At the end of the year	19,558	23,870
At the beginning of the year	23,870	18,226

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17. INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's 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		Principal activities
			Direct	Indirect	
International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司) (Note ii)	PRC/Mainland China 13 September 1991	US$1,816,710,922	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 Equipment & Engineering Co., Ltd. (上海宏信設備工程有限公司) (Note ii)	PRC/Mainland China 13 July 2011	RMB210,526,316	–	97.03	Operating leasing
Shanghai Dopont Industrial 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 Shipping Consulting Limited (遠東宏信祥瑞航運經紀(上海)有限公司) (Note ii)	PRC/Mainland China 5 September 2012	HK$15,000,000	–	100	Shipping brokerage

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17. INFORMATION ABOUT SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (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	Indirect	Principal activities
Tianjin Horizon Equipment Rental Co., Ltd. (天津宏信設備租賃有限公司) (Note ii)	PRC/Mainland China 27 July 2012	RMB100,000,000	–	97.03	Operating leasing
Grand Light Development Limited (宏明發展有限公司) (Note i)	Hong Kong 23 June 2011	HK$1	100	–	Trading
Far East Horizon Shipping Holdings Co., Ltd (遠東宏信航運控股有限公司) (Note i)	Cayman Islands 2 October 2009	US$1,000	100	–	Investment holding
Far East Healthcare Holding Limited (遠東醫療控股有限公司) (Note i)	Hong Kong 30 August 2012	HK$10,000,000	100	–	Investment holding
Horizon Healthcare Investment & Holding (Shanghai) Co., Ltd. (上海宏信醫療投資控股有限公司) (Note ii)	PRC/Mainland China 26 April 2013	RMB500,000,000/ RMB361,500,000	–	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	RMB380,000,000/ RMB292,410,000	–	55	Operating leasing
Shanghai Doyi Industrial Co., Ltd. (上海德藝實業發展有限公司) (Note ii)	RPC/Mainland China 12 July 2013	RMB5,000,000	–	52.99	Manufacturing and trading
Huakang Orthopaedics Hospital (惠州華康骨傷醫院有限公司) (Note ii)	PRC/Mainland China 20 Feb 2004	RMB200,000,000/ RMB35,130,000	–	69.30	Medical service
Horizon Education Investment Holding (Shanghai) Co., Ltd. (上海宏信教育投資控股有限公司) (Note ii)	PRC/Mainland China 17 July 2014	RMB100,000,000	–	100	Investment holding

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17. INFORMATION ABOUT SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (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
Shanghai Horizon Construction Development Co., Ltd. (上海宏信建設發展有限公司) (Note ii)	PRC/Mainland China 14 April 2014	RMB400,000,000/ RMB373,330,000	–	100	Construction
Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信（天津）融資租賃有限公司) (Note ii)	PRC/Mainland China 10 Dec 2013	RMB3,500,000,000	60	40	Finance leasing
Grand Flight Investment Management Co., Ltd. (宏翔投資管理有限公司) (Note i)	British Virgin Islands 12 August 2014	US$1	–	100	Investment holding
Shanghai Thrive Kind Healthcare Investment Co., Ltd. (上海臻慈醫療投資有限公司) (Note ii)	PRC/Mainland China 10 Feb 2015	RMB100,000,000/ RMB81,050,000	–	51	Investment holding
Tianjin Renju Investment Management Co., Ltd. (天津仁聚投資控股有限公司) (Note ii)	PRC/Mainland China 12 Jan 2015	US$300,000,000/ US$60,000,000	–	100	Investment holding
Tianjin Renzhi Enterprise Management Co., Ltd. (天津仁摯企業管理有限公司) (Note ii)	PRC/Mainland China 11 March 2015	RMB1,800,000,000/ RMB365,916,150	–	100	Investment holding
Tianjin Renzheng Enterprise Management Co., Ltd. (天津仁正企業管理有限公司) (Note ii)	PRC/Mainland China 13 April 2015	RMB1,800,000,000/ RMB363,674,350	–	100	Investment holding

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17. INFORMATION ABOUT SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (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
Guangzhou Horizon Equipment & Engineering Co., Ltd. (廣州宏途設備工程有限公司) (Note ii)	PRC/Mainland China 23 March 2015	RMB200,000,000	–	97.03	Operating leasing
Siping Cancer Institute & Hospital Co., Ltd. (四平市腫瘤醫院有限公司) (Note ii)	PRC/Mainland China 23 April 2014	RMB58,823,990	–	58.48	Medical service
Binhai Xinrenci Hospital Co., Ltd. (濱海新仁慈醫院有限公司) (Note ii)	PRC/Mainland China 20 Jan 2015	RMB1,612,900	–	69	Medical service
Anda Jiren Hospital Co., Ltd. (安達市濟仁醫院有限責任公司) (Note ii)	PRC/Mainland China 9 April 2015	RMB20,460,878	–	58	Medical service
Zhoushan Dinghai Guanghua Hospital Co., Ltd. (舟山定海廣華醫院有限責任公司) (Note ii)	PRC/Mainland China 17 May 2012	RMB18,200,205	–	42.20	Medical service
Shanghai Montessori Academy Co., Ltd. (上海森勝蒙世教育投資有限公司) (Note ii)	PRC/Mainland China 2 April 2015	RMB24,062,500	–	60	Investment holding
Shanghai Xi Wei Investment Consulting Co., Ltd. (上海習威投資諮詢有限公司) (Note ii)	PRC/Mainland China 21 Nov 2012	RMB4,000,000	–	36	Investment holding
Montessori Academy Biyun Campus (上海浦東新區民辦習威幼兒園) (Note ii)	PRC/Mainland China 8 Oct 2014	RMB2,000,000	–	36	Education service
Shanghai Sunflower Language Co., Ltd. (上海太陽花語言培訓有限公司) (Note ii)	PRC/Mainland China 7 March 2002	RMB1,000,000	–	60	Education service

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17. INFORMATION ABOUT SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (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		Principal activities
			Direct	Indirect	
Kunshan Yi Ze Education Consulting Co., Ltd (昆山易擇教育諮詢有限公司) (Note ii)	PRC/Mainland China 7 May 2010	RMB50,000	–	60	Investment holding
Shanghai Heqi Enterprise Management Co., Ltd. (上海和祁企業管理有限公司) (Note ii)	PRC/Mainland China 21 July 2015	RMB100,000,000	–	100	Investment holding
Shanghai Shengyi Yuanhong Investment Co., Ltd. (上海聖裔遠宏投資有限公司) (Note ii)	PRC/Mainland China 10 August 2015	RMB1,219,500	–	60	Investment holding

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

Note i: Foreign invested enterprise

Note ii: Domestic company

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18. INVESTMENTS IN JOINT VENTURES

	2015 RMB'000	2014 RMB'000
Share of net assets	1,108,023	80,985
Excess of consideration over share of net assets acquired	79,952	–
	1,187,975	80,985

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Shanghai Dongling investment, LLP (上海東翎投資合夥企業(有限合夥)) ("Dongling")	Registered capital of RMB55,717,310	PRC/Mainland China	49.2	49.2	Investment holding
Shanghai Dongsong investment, LLP (上海東松投資合夥企業(有限合夥)) ("Dongsong")	Registered capital of RMB140,100,000	PRC/ Mainland China	19.04	#	Investment holding
Weihai Haida hospital Co., Ltd (威海海大醫院有限公司) ("Haida")	Registered capital of RMB4,000,000	PRC/ Mainland China	50	50	Medical Service
Kunming Broadhealthcare Investment Co., Ltd. (昆明博健醫療投資有限公司) ("Broadhealthcare")	Registered capital of RMB14,333,328	PRC/ Mainland China	33.3837	33.3837	Healthcare investment and management
Guangzhou Kangda Industrial Technology Co., Ltd. (廣州康大工業科技產業有限公司) ("Kangda")	Registered capital of HKD200,000,000	PRC/ Mainland China	60	60	Development and construction
Skycity (Shanghai) Business Co., Ltd. (天空之城(上海)實業有限公司) ("Skycity")	Registered capital of RMB1,000,000	PRC/ Mainland China	50	50	Electronic products

The voting powers are equally shared by four joint venture partners (a subsidiary of the Group and three third party investors), with all decisions about the activities that significantly affect the its returns require unanimous consent of all joint venture partners, and the Group holds 2/3 subordinated interest, which entitles the Group to 2/3 of profit or loss after deducting profit attributable to holders of preference interests (71.38% of registered capital).

Notes to Financial Statements

31 December 2015

18. INVESTMENTS IN JOINT VENTURES (continued)

The Group's trade receivable balances due from the joint ventures are disclosed in Note 23 to the financial statements.

Kangda, which is considered a material joint venture of the Group, is mainly engaged in development and construction business in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Kangda adjusted for any differences in accounting policies and reconciled to the fair value of the net assets in the financial statements.

	2015 RMB'000
Cash and cash equivalents	112,427
Other current assets	1,618,325
Current assets	1,730,752
Non-current assets	3,906
Trade and other payables	(151,112)
Current liabilities	(151,112)
Net assets	1,583,546
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	60%
Carrying amount of the investment	950,128
Administrative expenses	(13,900)
Other expenses	(170)
Loss and total comprehensive income for the year	(14,070)

Notes to Financial Statements

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18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2015 RMB'000	2014 RMB'000
Share of the joint ventures' gains/(losses) for the year	8,132	(195)
Aggregate carrying amount of the Group's investments in the joint ventures	237,847	80,985

19. INVESTMENT IN AN ASSOCIATE

	2015 RMB'000	2014 RMB'000
Share of net assets	–	94,154

During the year, the associate of the Group was restructured, and the directors of the Group are of the opinion that the Group no longer has the power to exercise significant influence over this company. As a result, the investment was transferred to available-for-sale investments.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000
Unlisted equity investments, at cost	427,142	394,253

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets.

As at 31 December 2015, unlisted equity investments with a carrying amount of RMB427,142,000 (2014: RMB394,253,000) were stated at cost because the directors are of the opinion that their fair value cannot be measured reliably.

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21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 RMB'000	2014 RMB'000
Unlisted equity investments, at fair value	244,132	–

The above equity investments were designated by the Group, upon initial recognition, as financial assets at fair value through profit or loss.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Cross-currency interest rate swaps	844,702	(4,989)	204,770	(56,978)
Forward currency contracts	272,532	(283,125)	73,501	(166,969)
Call options	–	–	12,006	–
	1,117,234	(288,114)	290,277	(223,947)
Portion classified as non-current:				
Cross-currency interest rate swaps	491,078	(4,989)	145,166	(48,280)
Forward currency contracts	205,780	(283,125)	69,861	(166,894)
Call options	–	–	12,006	–
	696,858	(288,114)	227,033	(215,174)
Current portion	420,376	–	63,244	(8,773)
	1,117,234	(288,114)	290,277	(223,947)

Notes to Financial Statements

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross-currency interest rate swap contracts and forward currency contracts – cash flow hedges

During the year, the Group designated 36 (2014: 21) cross-currency interest rate swap contracts and 29 (2014: 29) forward currency contracts designated as hedges in respect of future repayments of borrowings which will be settled in US Dollar, Singapore Dollar, Japanese Yen, Hong Kong Dollar or Australian Dollar, and some of which bear floating interest rates.

The terms of the cross-currency interest rate swap contracts and forward currency contracts substantially match the terms of the borrowing contracts. The cash flow hedges relating to expected future repayments were assessed to be highly effective and a net loss of RMB89,621,000 (2014: a net gain of RMB411,106,000) was included in the hedging reserve as follows:

	2015 RMB'000	2014 RMB'000
Total fair value gains included in the hedging reserve	742,402	111,377
Deferred tax impact on fair value gains	(122,496)	(18,378)
Reclassified from other comprehensive income and recognised in the statement of profit or loss	(849,733)	380,966
Deferred tax on reclassifications to profit or loss	140,206	(62,859)
Net (loss)/gain included in hedging reserve	(89,621)	411,106

(a) As at 31 December 2015, the Group has only entered into 1 (2014: 11) cross-currency interest rate swap contract to manage its exchange rate exposures and interest rate exposures which were not designed for hedge accounting. Fair value gains of non-hedging financial derivatives amounting to RMB12,570,000 (2014: RMB9,735,000) were credited to the statement of profit or loss during the year.

(b) Cross-currency interest rate swaps, with a total net fair value of RMB828,017,000 (2014: RMB204,770,000) as at 31 December 2015, were designated as hedging instruments in cash flow hedges of cash flow interest rate risks and currency risks arising from floating rate loans (with remaining maturity from 1 years to 3 years) denominated in US$ and other foreign currencies. Forward currency contracts, with a total negative net fair value of RMB10,593,000 (2014: RMB93,393,000) as of 31 December 2015, were designated as hedging instruments in cash flow hedges of currency risks arising from loans (with remaining maturity from 1 year to 4 years) denominated in US$ and other foreign currencies.

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23. LOANS AND ACCOUNTS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Loans and accounts receivables due within 1 year	46,710,279	39,284,977
Loans and accounts receivables due after 1 year	73,856,030	60,156,452
	120,566,309	99,441,429

23a. Loans and Accounts Receivables by Nature

	2015 RMB'000	2014 RMB'000
Lease receivables (Note 23b)	121,510,395	108,061,474
Less: Unearned finance income	(11,176,329)	(11,002,267)
Net lease receivables (Note 23b)	110,334,066	97,059,207
Lease interest receivables*	499,516	445,803
Notes receivable	273,136	132,877
Accounts receivable (Note 23d)*	721,736	503,586
Factoring receivable (Note 23f)	2,865,765	2,692,583
Entrusted loans (Note 23h)*	7,764,446	214,573
Long term receivables	82,014	6,883
Secured loans	424,671	409,523
Subtotal of loans and accounts receivables	122,965,350	101,465,035
Less:		
Provision for lease receivables (Note 23c)	(2,196,194)	(1,963,443)
Provision for accounts receivable (Note 23e)	(18,290)	(11,213)
Provision for factoring receivable (Note 23g)	(48,526)	(40,654)
Provision for entrusted loans (Note 23h)	(126,726)	(2,236)
Provision for long term receivables (Note 23i)	(17)	(26)
Provision for secured loans (Note 23j)	(9,288)	(6,034)
	120,566,309	99,441,429

* These balances included balances with related parties which are disclosed in Note 23(k).

Notes to Financial Statements

31 December 2015

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23b(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:

	2015 RMB'000	2014 RMB'000
Lease receivables:		
Within 1 year	64,529,387	58,484,542
1 to 2 years	33,383,755	32,158,492
2 to 3 years	16,727,905	11,080,172
3 to 5 years	6,869,348	6,338,268
Total	121,510,395	108,061,474

	2015 RMB'000	2014 RMB'000
Net lease receivables:		
Within 1 year	57,461,542	52,162,646
1 to 2 years	30,760,089	29,278,065
2 to 3 years	15,668,454	10,064,580
3 to 5 years	6,443,981	5,553,916
Total	110,334,066	97,059,207

Notes to Financial Statements

31 December 2015

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23b(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:

	2015 RMB'000	2014 RMB'000
Lease receivables:		
Due within 1 year	48,144,680	43,171,525
Due in 1 to 2 years	35,367,796	32,400,660
Due in 2 to 3 years	21,503,262	18,829,129
Due in 3 to 5 years	16,494,657	13,660,160
Total	121,510,395	108,061,474

	2015 RMB'000	2014 RMB'000
Net lease receivables:		
Due within 1 year	42,517,720	37,413,399
Due in 1 to 2 years	32,149,451	29,202,653
Due in 2 to 3 years	19,930,297	17,415,795
Due in 3 to 5 years	15,736,598	13,027,360
Total	110,334,066	97,059,207

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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23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23c. Change in provision for lease receivables

	Individually assessed		Collectively assessed		Total	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
At beginning of year	320,104	308,874	1,643,339	1,081,756	1,963,443	1,390,630
Charge for the year	194,362	131,087	472,823	583,053	667,185	714,140
Disposal	–	–	(189,331)	(21,772)	(189,331)	(21,772)
Write-off	(252,062)	(119,924)	–	–	(252,062)	(119,924)
Exchange difference	277	67	6,682	302	6,959	369
At end of year	262,681	320,104	1,933,513	1,643,339	2,196,194	1,963,443

	2015 RMB'000	2014 RMB'000
Lease receivables:		
Individually assessed (Note (i))	1,165,083	1,002,592
Collectively assessed	120,345,312	107,058,882
Total	121,510,395	108,061,474

	2015 RMB'000	2014 RMB'000
Net lease receivables:		
Individually assessed (Note (i))	1,094,651	909,168
Collectively assessed	109,239,415	96,150,039
Total	110,334,066	97,059,207

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

Note (ii) As at 31 December 2015, the carrying value of the lease receivables pledged or charged as security for the Group's borrowings amounted to RMB13,793,514,000 (2014: RMB19,688,387,000) (Note 31).

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31 December 2015

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23d. 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 for major customers can be extended to 90 days.

	2015 RMB'000	2014 RMB'000
Within 1 year	640,135	488,531
More than 1 year	81,601	15,055
Total	721,736	503,586

23e. Change in Provision for Accounts Receivable

	2015 RMB'000	2014 RMB'000
At beginning of year	11,213	6,020
Acquisition of subsidiaries	4,583	203
Charge for the year	8,169	10,198
Write-off	(5,936)	(5,218)
Exchange difference	261	10
At end of year	18,290	11,213

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23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23f. An aged analysis of the factoring receivable as at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	1,990,549	2,104,827
More than 1 year	875,216	587,756
	2,865,765	2,692,583

23g. Change in provision for the factoring receivable

	2015 RMB'000	2014 RMB'000
At beginning of year	40,654	21,435
Charge for the year	18,442	22,219
Write-off	–	(3,000)
Disposal	(10,570)	–
At end of year	48,526	40,654

23h(1). An aged analysis of entrusted loans, determined based on the age of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period, is as follows:

	2015 RMB'000	2014 RMB'000
Entrusted loans:		
Within 1 year	7,625,066	134,611
1 to 2 years	109,661	22,512
2 to 3 years	–	–
After 3 years	29,719	57,450
Total	7,764,446	214,573

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23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23h(2). The table below illustrates the net amounts of entrusted loans the Group expects to receive in the following three consecutive accounting years:

	2015 RMB'000	2014 RMB'000
Lease receivables:		
Due within 1 year	2,078,171	81,359
Due in 1 to 2 years	2,050,040	89,169
Due in 2 to 3 years	1,629,375	44,045
Due in 3 to 5 years	2,006,860	–
Total	7,764,446	214,573

23h(3). Change in provision for entrusted loans

	2015 RMB'000	2014 RMB'000
At beginning of year	2,236	3,645
Charge/(reversal) for the year	124,490	(1,409)
At end of year	126,726	2,236

23i. Change in provision for long term receivables

	2015 RMB'000	2014 RMB'000
At beginning of year	26	48
Reversal for the year	(9)	(22)
At end of year	17	26

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23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23j. Change in provision for mortgage loans

	2015 RMB'000	2014 RMB'000
At beginning of year	6,034	1,138
Charge for the year	2,826	4,883
Exchange difference	428	13
At end of year	9,288	6,034

23k. Balances with related parties

	Note	2015 RMB'000	2014 RMB'000
Joint ventures:			
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Entrusted loan	(i)	75,000	–
Interest receivables		3,533	–
– Weihai Haida hospital Co., Ltd.			
Entrusted loan		30,000	–
Interest receivables	(i)	1,519	–
– Kunming Broadhealthcare Investment Co., Ltd.			
Entrusted loan		50,000	–
Interest receivables	(i)	86	–
		160,138	–

(i) Balances of entrusted loans were interest-bearing at annual interest rates ranging from 5.655% to 6.955%.

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24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2015 RMB'000	2014 RMB'000
Current assets:			
Prepayments		339,896	252,035
Leased assets*		2,246,183	1,592,954
Other receivables		192,323	140,919
Input VAT		259,107	149,972
Due from related parties	(24a)	19,789	16,972
		3,057,298	2,152,852
Non-current assets:			
Rental deposit due after 1 year		25,282	5,157
Deduction of output VAT		17,289	89,957
Subordinated tranches of asset-backed securities (Note 48)		520,726	–
Project quality guarantee deposit		533	533
Others		15,745	–
		579,575	95,647
		3,636,873	2,248,499

* 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.

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24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

24a. Balances With Related Parties

	Note	2015 RMB'000	2014 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)	16,337	14,041
Beijing Chemsunny Property Co., Ltd.	(i)	2,668	2,493
Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong")	(i)	602	438
Jin Mao (Shanghai) Property Management Service Co., Ltd.	(i)	7	–
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	(i)	175	–
		19,789	16,972

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

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25. DEFERRED TAX

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

Deferred tax assets

	Government special subsidy RMB'000	Share-based payments RMB'000	Allowances for impairment losses RMB'000	Salary and welfare payable RMB'000	Losses available for offsetting against future taxable profits RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2015	73,430	2,699	497,148	351,921	3,170	350	928,718
Credited to the statement of profit or loss during the year	54,774	14,743	140,291	154,109	7,008	4,960	375,885
Exchange differences	–	–	(2,158)	(11)	(1,710)	–	(3,879)
Gross deferred tax assets at 31 December 2015	128,204	17,442	635,281	506,019	8,468	5,310	1,300,724
Gross deferred tax assets at 1 January 2014	49,952	–	328,737	222,609	3,872	168	605,338
Credited/(charged) to the statement of profit or loss during the year	23,478	2,699	168,348	129,312	(705)	182	323,314
Exchange differences	–	–	63	–	3	–	66
Gross deferred tax assets at 31 December 2014	73,430	2,699	497,148	351,921	3,170	350	928,718

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25. DEFERRED TAX (continued)

Deferred tax liabilities

	Asset revaluation RMB'000	Cash flow hedge RMB'000	Fair value adjustments arising from a call option RMB'000	Lease deposits RMB'000	Withholding income tax RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2015	9,315	81,236	3,002	21,385	47,005	161,943
(Credited)/charged to the statement of profit or loss during the year	(668)	–	(3,002)	(21,385)	4,279	(20,776)
Arising from acquisition of subsidiaries	5,935	–	–	–	–	5,935
Credited to reserve	–	(17,710)	–	–	–	(17,710)
Gross deferred tax liabilities at 31 December 2015	14,582	63,526	–	–	51,284	129,392

	Asset revaluation RMB'000	Cash flow hedge RMB'000	Fair value adjustments arising from a call option RMB'000	Lease deposits RMB'000	Withholding income tax RMB'000	Withholding Interest tax RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2014	–	–	–	21,385	83,026	41,456	145,867
(Credited)/charged to the statement of profit or loss during the year	(175)	–	3,002	–	(36,021)	–	(33,194)
Settled with interest receivables	–	–	–	–	–	(41,456)	(41,456)
Arising from acquisition of a subsidiary	9,490	–	–	–	–	–	9,490
Charge to reserve	–	81,236	–	–	–	–	81,236
Gross deferred tax liabilities at 31 December 2014	9,315	81,236	3,002	21,385	47,005	–	161,943

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25. DEFERRED TAX (continued)

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:

	2015 RMB'000	2014 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,300,724	904,331
Net deferred tax liabilities recognised in the consolidated statement of financial position	129,392	137,556

As at 31 December 2015, the Group had tax losses arising in Hong Kong of RMB48,807,000 (31 December 2014: RMB2,171,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China of RMB11,771,000 (31 December 2014: RMB18,743,000) 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. Apart from this, as at 31 December 2015, the Group did not recognise deferred tax assets arising in Mainland China and Hong Kong in respect of unutilised tax losses of RMB56,702,000 (31 December 2014: RMB6,976,000) and RMB1,691,000 (31 December 2014: RMB74,335,000), 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 2015, the aggregate amount of unrecognised deferred tax liabilities (i.e., withholding taxes relating to such temporary differences) was approximately RMB285,115,000 (2014: RMB206,880,000).

26. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	4,257,953	3,861,561
Time deposits	883,603	410,094
	5,141,556	4,271,655
Less:		
Pledged deposits	1,591,471	953,805
Restricted bank deposits related to asset-backed securitisations	1,049,420	–
Cash and cash equivalents	2,500,665	3,317,850

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB4,506,478,000 (2014: RMB2,457,253,000). 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 2015, cash of RMB331,907,000 (2014: RMB478,557,000) was pledged for bank and other borrowings (Note 31(b)).

As at 31 December 2015, cash of RMB1,259,564,000 (2014: RMB475,248,000) was pledged for bank acceptances, letter of credit and etc.

As at 31 December 2015, cash of RMB500,351,000 (2014: RMB325,833,000) was deposited with Sinochem Finance Co., a subsidiary of the ultimate holding company of a shareholder with significant influence.

27. INVENTORIES

	2015 RMB'000	2014 RMB'000
Commodity goods	114,793	78,708

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28. CONSTRUCTION CONTRACTS

	2015 RMB'000	2014 RMB'000
Gross amount due from contract customers	42,387	82,339
Contract costs incurred plus recognised profits less recognised losses to date	227,542	208,300
Less: Progress billings	(185,155)	(125,961)
	42,387	82,339

29. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Bills payable	7,086,325	2,632,580
Trade payables	1,251,310	856,491
	8,337,635	3,489,071

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

	2015 RMB'000	2014 RMB'000
Within 1 year	8,169,543	3,338,978
1 to 2 years	92,102	102,991
2 to 3 years	52,157	24,310
3 years and beyond	23,833	22,792
	8,337,635	3,489,071

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

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30. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Current:		
Lease deposits, entrusted loan deposits and factoring deposits due within 1 year	2,736,728	1,775,765
Salary payables	664,812	889,304
Welfare payables	49,657	26,178
Advances from customers	546,443	470,996
Due to related parties (Note (30a))	6,719	8,956
Other taxes payable	442,191	169,667
Interest payable	515,457	512,884
Other payables	1,469,115	350,951
Dividend payables	57	54
	6,431,179	4,204,755
Non-current:		
Lease deposits, entrusted loan deposits and factoring deposits due after 1 year	16,072,919	12,289,594
Interest payable	143,579	2,048
Due to related parties (Note (30a))	–	9,271
Other payables	45,781	1,400
Quality guarantee deposit	117	4,515
	16,262,396	12,306,828
	22,693,575	16,511,583

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30. OTHER PAYABLES AND ACCRUALS (continued)

30a. Balances With Related Parties

	2015 RMB'000	2014 RMB'000
Due to related parties:		
Subsidiaries of the ultimate holding company of a shareholder with significant influence:		
Sinochem Finance Co., Ltd.	6,719	284
Sinochem Corporation	–	685
	6,719	969

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

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31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current						
Current portion of long term bank loans – secured	2.78~6.46	2016	8,127,439	3.38~7.00	2015	7,086,848
Bank loans – unsecured	1.57~6.55	2016	10,735,668	2.23~7.50	2015	9,191,888
Current portion of long term bank loans – unsecured	1.39~7.04	2016	15,623,723	2.58~8.30	2015	10,762,241
Other loans – secured	4.75~5.08	2016	440,000	6.30~6.42	2015	280,000
Other loans – unsecured	4.75~8.50	2016	2,030,000	6.46	2015	2,080,672
Bonds – unsecured	3.40~6.95	2016	4,742,703	4.00~5.50	2015	871,221
			41,699,533			30,272,870
Non-current						
Bank loans – secured	2.78~6.46	2017~2023	4,288,312	3.38~7.00	2016~2021	5,948,731
Bank loans – unsecured	2.08~7.04	2017~2021	18,933,042	2.58~8.30	2016~2021	22,957,211
Other loans- secured	4.75~5.08	2017~2018	200,000	6.30~6.42	2016~2017	415,000
Other loans- unsecured	4.75~7.00	2017~2018	1,000,397	3.23~8.30	2016	304,058
Bonds – unsecured	3.80~6.13	2017~2022	17,307,517	3.70~6.95	2016~2022	11,879,967
			41,729,268			41,504,967
			83,428,801			71,777,837

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

	2015 RMB'000	2014 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	34,486,830	27,040,977
In the second year	16,780,262	19,190,570
In the third to fifth years, inclusive	6,192,611	9,359,370
Beyond five years	248,481	356,002
	57,708,184	55,946,919
Other borrowings repayable:		
Within one year or on demand	7,212,703	3,231,893
In the second year	8,036,476	3,484,230
In the third to fifth years, inclusive	9,996,455	8,750,973
Beyond five years	474,983	363,822
	25,720,617	15,830,918
	83,428,801	71,777,837

(a) As at 31 December 2015, 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 RMB12,461,793,000 (2014: RMB17,651,132,000). As at 31 December 2015, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB13,793,514,000 (2014: RMB19,688,387,000).

(b) As at 31 December 2015, the Group's bank borrowings amounting to RMB2,776,663,000 (2014: RMB1,475,835,000) were pledged by cash.

(c) As at 31 December 2015, no property, plant and equipment of the Group were provided as collateral for borrowings nor had the Group provided any guarantees for other entities.

32. DEFERRED REVENUE

	Service fee		Government special subsidy	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year	1,617	4,184	294,264	199,807
Additions during the year	14,844	–	247,359	126,716
Amortised to the statement of profit or loss	(2,408)	(2,567)	(294,898)	(32,259)
At the end of year	14,053	1,617	246,725	294,264

(i) Service fee

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

(ii) Government special subsidy

For the year ended 31 December 2015, the Group received a government special subsidy of RMB247,359,000 (2014: RMB126,716,000), which was mainly 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 purposes. The amortisation of the special subsidy reduced the expense to which it related or reduced the amortisation charges of the related assets.

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33. SHARE CAPITAL

	Number of shares	Amounts HK$
Issued and fully paid ordinary shares:		
At 31 December 2014	3,292,400,000	8,531,380,000
At 31 December 2015 (note(i))	3,950,400,000	13,003,080,000

Note:

(i) The Company purchased its own shares through a trust under a share award scheme (Note 35), which were presented as shares held for the share award scheme.

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000	Equivalent share capital RMB'000
At 1 January 2015 and 31 December 2014	3,292,400,000	8,531,380	6,683,751
Issue of new shares	658,000,000	4,540,200	3,580,765
Share issue expense	–	(68,500)	(53,944)
As at 31 December 2015	3,950,400,000	13,003,080	10,210,572

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34. SHARE OPTION SCHEME

Pursuant to a resolution in writing passed on 7 July 2014 by the shareholders of the Company, a share option scheme ("Share Option Scheme") has been adopted by the Company.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants certain qualified participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include senior and middle management personnel, as well as other key employees of the Company or any Subsidiary (the "Grantees"). The total number of new shares in respect of which options may be granted under the Share Option Scheme shall not exceed 4% of the Company's issued share capital as at the date of approval of the Share Option Scheme by the shareholders at the General Meeting, which is 131,696,000 shares and which will be valid for 10 years from the date of its adoption.

The offer of a grant of share options ("Share Options") may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the Grantees subject to any early termination, the share option scheme will remain in force for a period of 10 years commencing on the date on which the share option scheme is approved by the shareholders of the Company. The vesting of the share options is mainly subject to fulfilment of Company's performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as achieving specified level in annual personal performance evaluations.

The exercise price in respect of any option shall be such price as determined by the Board or the Administration Committee of the Share Option Scheme and notified to the Grantees and which shall not be less than the highest of: (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the shares as at the offer date. The exercise price of the share options is subject to adjustment in the case of rights or other similar changes in the Company's share capital.

On 3 July 2015, the Board of directors ("the Board") announced that, the Company has resolved to the offer to grant Share Options to the Grantees under the Share Option Scheme to subscribe for a total of 18,569,020 ordinary shares in the capital of the Company.

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34. SHARE OPTION SCHEME (continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price* per share option HK$	Number of share options 2015	2014
11 July 2024	5.86	11,589,253	13,123,512
3 July 2025	7.17	17,275,048	–
		28,864,301	13,123,512

* Movements in the number of the Share Options outstanding and their related weighted average exercise prices granted under the Share Option Scheme during the year are as follows:

Exercise price per share option (HK$)	Date of grant	Outstanding as at 1 January 2014	Granted during the year ended 31 December 2014	Forfeited during the year ended 31 December 2014	Outstanding as at 31 December 2014	Granted during the year ended 31 December 2015	Forfeited during the year ended 31 December 2015	Outstanding as at 31 December 2015
5.86	11 July 2014	–	13,169,600	(46,088)	13,123,512	–	(1,534,259)	11,589,253
7.17	3 July 2015	–	–	–	–	18,569,020	(1,293,972)	17,275,048
Exercisable at the end of the year		–	13,169,600	(46,088)	13,123,512	18,569,020	(2,828,231)	28,864,301
Weighted average exercise price (HK$)		N/A	5.86	5.86	5.86	7.17	6.46	6.64

No share options were vested, expired or exercised during the year (2014: Nil).

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34. SHARE OPTION SCHEME (continued)

The fair value (measured as at the grant dates) of the Share Options that were outstanding as at 31 December 2015 was RMB43,795,000 (2014: RMB17,799,000) (RMB1.59, RMB1.63 and RMB1.66) (2014: RMB1.32, RMB1.36 and RMB1.38) each for three tranches with two-year, three-year and four-year vesting periods, respectively), of which the Group recognised a share option expense of RMB10,317,000 (2014: RMB3,198,000) during the year ended 31 December 2015 in employee benefit expense.

The fair value of the Share Options was estimated as at their respective dates of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model used:

	2015	2014
Expected dividend yield (%)	3.40	4.00
Expected volatility (%)	37.91	38.34
Risk-free interest rate (%)	1.92	2.02
Share price (HK$ per share)	6.88	5.86
Expected exercise trigger multiple	2.00	2.00

The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected exercise trigger multiple is also estimated and is not necessarily indicative of the exercise patterns that may occur.

All significant features necessary to be considered for the measurement of fair value of the share options granted in the year were incorporated into such measurement.

At 31 December 2015, the Company had 28,864,301 (2014: 13,123,512) non-vested share options (including 4,229,021 (2014: 1,777,896) non-vested share options granted to certain executive directors, 6,681,989 (2014: 3,094,856) non-vested share options granted to certain employees among five highest paid employees and 8,913,839 (2014: 4,082,576) non-vested share options granted to certain key management personnel) outstanding under the Share Option Scheme) Should all of them be vested, the exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 28,864,301 (2014: 13,123,512) additional ordinary shares of the Company.

At the date of approval of these financial statements, the Company had 28,864,301 (2014: 13,123,512) share options outstanding under the Share Option Scheme, which represented approximately 0.74% (2014: 0.40%) of the Company's shares in issue as at that date.

35. RESTRICTED SHARE AWARD SCHEME

On 11 June 2014, the Board announced that it has adopted a share award scheme (the "Share Award Scheme"), under which some restricted shares (the "Restricted Shares") will be held on trust for the relevant selected grantees (the "Selected Grantees") until such Restricted Shares are vested with the relevant Selected Grantees in accordance with the Share Award Scheme rules. The number of Restricted Shares under the Share Award Scheme shall not exceed 197,544,000, accounting for 6% of the Company's issued share capital as at the date of approval of the Share Award Scheme by the Board. The Share Award Scheme shall be effective from its adoption until it is terminated by the Board or shareholders in General Meeting.

Pursuant to the rules of the Share Award Scheme, the Company has set up a trust, and a third party company acts as the trustee (the "Trustee"). The Company's shares may be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the Selected Grantees until such shares are vested with the Selected Grantees in accordance with the provisions of the Share Award Scheme.

The vesting of the Restricted Shares under the Share Award Scheme is mainly subject to the fulfilment of Company's performance targets, Selected Grantees remaining as an employee of the Group, as well as achieving specified level in annual personal performance evaluations.

The following restricted shares were outstanding under the Share Award Scheme during the year:

	Number of Restricted Shares
At 1 January 2014	–
Granted	**19,754,400**
Forfeited	**(69,146)**
At 1 January 2015 and 31 December 2014	**19,685,254**
Granted	**29,113,740**
Forfeited	**(4,242,365)**
At 31 December 2015	**44,556,629**

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35. RESTRICTED SHARE AWARD SCHEME (continued)

No restricted shares were vested or expired during the year. The vesting periods of the restricted shares outstanding as at the end of the reporting period are as follows:

2015

Number of restricted shares	Vesting period
5,794,608	11 July 2014 to 11 July 2016
5,794,608	11 July 2014 to 11 July 2017
5,794,651	11 July 2014 to 11 July 2018
9,057,489	3 July 2015 to 3 July 2017
9,057,489	3 July 2015 to 3 July 2018
9,057,784	3 July 2015 to 3 July 2019
44,556,629	

2014

Number of restricted shares	Vesting period
6,561,736	11 July 2014 to 11 July 2016
6,561,736	11 July 2014 to 11 July 2017
6,561,782	11 July 2014 to 11 July 2018
19,685,254	

At 31 December 2015, the Company had 44,556,629 (2014: 19,685,254) non-vested restricted shares (including 6,443,534 (2014: 2,666,844) non-vested restricted shares granted to certain executive directors, 10,422,991 (2014: 4,642,284) non-vested restricted shares granted to certain employees among five highest paid employees and 13,970,772 (2014: 6,123,864) non-vested restricted shares granted to certain key management personnel) outstanding under the Share Award Scheme.

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35. RESTRICTED SHARE AWARD SCHEME (continued)

Under the Share Award Scheme, there were total non-vested shares of 47,250,140 (2014: 25,456,000) amounting to RMB252,505,000 (2014: RMB136,260,000), i.e. at a weighted average price of RMB5.34 (2014: RMB5.35), held by the trust at 31 December 2015. The movement of the shares held for the Share Award Scheme is as follows:

	Number of shares	Amount RMB'000
At 1 January 2014	–	–
Purchase of shares under the Share Award Scheme	25,456,000	136,260
At 31 December 2014 and 1 January 2015	25,456,000	136,260
Purchase of shares under the Share Award Scheme	21,794,140	116,245
At 31 December 2015	47,250,140	252,505

The fair value (measured as at the grant dates) of the Restricted Shares that were outstanding as at 31 December 2015 was RMB204,972,000 (2014: RMB81,189,000) (RMB5.07, RMB4.90 and RMB4.74 (2014: RMB4.29, RMB4.12 and RMB3.96) each for three tranches with two-year, three-year and four-year vesting periods, respectively), of which the Group recognised of RMB48,654,000 (2014: RMB14,796,000) in employee benefit expense during the year ended 31 December 2015.

The fair value of the Restricted Shares granted during the year was estimated as at their respective dates of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model used:

	2015	2014
Expected dividend yield (%)	3.40	4.00
Share price (HK$ per share)	6.88	5.86

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity 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 PRC subsidiaries which are domestic enterprises in the PRC as 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 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.

Share-based compensation reserve of the Group comprises the recognition of the equity-settled share-based payments under the Share Option Scheme and the Share Award Scheme which are yet to be exercised. The amount will either be transferred to the share capital account when the related share options or awards are exercised, or be transferred to retained profits should the related options or awards expire or be forfeited.

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37. PERPETUAL SECURITIES

On 23 June 2014, the Company issued US$200,000,000 senior perpetual capital securities ("Perpetual Securities") at an initial distribution rate of 5.55%. Perpetual Securities are unsecured.

The direct transaction costs attributable to the Perpetual Securities amounted to RMB8,426,000.

Distributions of the Perpetual Securities may be paid semi-annually in arrears on 23 June and 23 December in each year with the exception of the first distribution payment date which is 23 January 2015 ("Distribution Payment Date") and may be deferred at the discretion of the Company unless a compulsory distribution payment event (including distributions to ordinary shareholders of the Company) has occurred. Following a deferral, arrears of distributions are cumulative.

The Perpetual Securities have no fixed maturity date and are callable at the Company's option in whole on 23 June 2017 ("First Call Date") or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable distribution rate will be reset, on the First Call Date and every three years after the First Call Date, to the sum of the initial spread of 4.606%, the treasury rate and a step-up margin of 5.00% per annum.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of Perpetual Securities other than an unforeseen liquidation of the Company.

For the year ended 31 December 2015, the profit attributable to holders of Perpetual Securities, based on the applicable distribution rate, was RMB73,080,000 (2014: RMB36,036,000) and the distribution made by the Group to the holders of Perpetual Securities was RMB104,047,000 (2014: Nil).

38. BUSINESS COMBINATIONS

In February 2015, the Group acquired 60% of the voting shares of Siping Cancer Institute & Hospital Co., Ltd. ("Siping Hospital") and 69% of the voting shares of Binhai Xinrenci Hospital Co., Ltd. ("Xinrenci Hospital"). In June 2015, the Group acquired 60% of the voting shares of Shanghai Montessori Academy Co., Ltd. ("Montessori Academy"). In August 2015, the Group acquired 58% of the voting shares of Anda Jiren Hospital Co., Ltd. ("Anda Hospital"). In September 2015, the Group acquired 100% of the voting shares of Shanghai Sunflower Language Co., Ltd. ("Sun Flower") and 100% of the voting shares of Kunshan Yi Ze Education Consulting Co., Ltd. ("Kunshan Yi Ze"). In October 2015, the Group acquired 51% of the voting shares of Zhoushan Dinghai Guanghua Hospital Co., Ltd. ("Zhoushan Hospital"). In December 2015, the Group acquired 60% of the voting shares of Shanghai Shengyi Yuanhong Investment Co., Ltd. ("Shengyi Yuanhong").

All these acquisitions have been accounted for using the acquisition method. The consolidated financial statements include the results of those acquired subsidiaries since their respective acquisition dates.

Notes to Financial Statements

31 December 2015

38. BUSINESS COMBINATIONS (continued)

Acquisition of Siping Cancer Institute & Hospital Co., Ltd.

The fair values of the identifiable assets and liabilities of Siping Hospital as at the date of acquisition were as follow:

	Fair value recognized on acquisition RMB'000
Assets	
Property, plant and equipment	18,278
Cash	26,306
Trade receivables	138
Prepayments, deposits and other receivables	52,653
Inventories	2,447
	99,822
Liabilities	
Trade payables	(4,504)
Other payables and accruals	(1,886)
Deferred tax liabilities	(208)
	(6,598)
Total identifiable net assets at fair value	93,224
Non-controlling interests	(33,731)
Goodwill arising on acquisition	15,507
Purchase Consideration transferred	75,000
Including: Consideration paid upon acquisition	22,500
Consideration paid as additional capital injection to the subsidiary	30,000
Consideration to be paid as additional capital injection to the subsidiary	22,500
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	26,306
Cash paid	(22,500)
Net inflow of cash and cash equivalents included in cash flows from investing activities	3,806
Transaction costs of the acquisition included in cash flows from operating activities	(56)
	3,750

Since the acquisition, Siping Hospital has contributed RMB46,049,000 to the Group's revenue and a net profit of RMB619,000 to the consolidated profit for the year ended 31 December 2015.

Notes to Financial Statements

31 December 2015

38. BUSINESS COMBINATIONS (continued)

Acquisition of Binhai Xinrenci Hospital Co., Ltd.

The fair values of the identifiable assets and liabilities of Xinrenci Hospital as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Assets	
Property, plant and equipment	60,084
Prepaid land lease payments	10,510
Cash	91
Trade receivables	2,008
Prepayments, deposits and other receivables	32,318
Inventories	873
	105,884
Liabilities	
Trade payables	(9,992)
Other payables and accruals	(28,157)
Interest-bearing bank and other borrowings	(64,227)
Deferred tax liabilities	(3,115)
	(105,491)
Total identifiable net assets at fair value	393
Non-controlling interests	(122)
Goodwill arising on acquisition	27,729
Purchase consideration transferred	28,000
Including: Consideration paid upon acquisition	–
Consideration paid as additional capital injection to the subsidiary	28,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	91
Cash paid	–
Net inflow of cash and cash equivalents included in cash flows from investing activities	91
Transaction costs of the acquisition included in cash flows from operating activities	(125)
	(34)

Since the acquisition, Xinrenci Hospital has contributed RMB33,360,000 to the Group's revenue and a net loss of RMB5,586,000 to the consolidated profit for the year ended 31 December 2015.

Notes to Financial Statements

31 December 2015

38. BUSINESS COMBINATIONS (continued)

Acquisition of Shanghai Montessori Academy Co., Ltd.

The fair values of the identifiable assets and liabilities of Montessori Academy as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Assets	
Property, plant and equipment	436
Cash	9,111
Prepayments, deposits and other receivables	7,804
Other assets	3,960
	21,311
Liabilities	
Trade payables	(1,690)
Other payables and accruals	(6,814)
	(8,504)
Total identifiable net assets at fair value	12,807
Non-controlling interests	(9,330)
Goodwill arising on acquisition	10,961
Purchase consideration transferred	14,438
Including: Consideration paid upon acquisition	14,438
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	9,111
Cash paid	(14,438)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(5,327)

Since the acquisition, Montessori Academy has contributed RMB5,955,000 to the Group's revenue and a net loss of RMB998,000 to the consolidated profit for the year ended 31 December 2015.

Notes to Financial Statements

31 December 2015

38. BUSINESS COMBINATIONS (continued)

Acquisition of Anda Jiren Hospital Co., Ltd.

The fair values of the identifiable assets and liabilities of Anda Hospital as at the date of acquisition as follows:

	Fair value recognized on acquisition RMB'000
Assets	
Property, plant and equipment	8,871
Cash	18,724
Trade receivables	1,914
Prepayments, deposits and other receivables	46,327
Inventories	3,468
Other assets	1,205
	80,509
Liabilities	
Other payables and accruals	(17,352)
Deferred tax liabilities	(31)
	(17,383)
Total identifiable net assets at fair value	63,126
Non-controlling interests	(26,513)
Goodwill arising on acquisition	33,387
Purchase consideration transferred	70,000
Including: Consideration paid upon acquisition	35,000
Consideration to be paid as additional capital Injection to the subsidiary	35,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	18,724
Cash paid	(35,000)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(16,276)

Since the acquisition, Anda Hospital has contributed RMB28,997,000 to the Group's revenue and a net profit of RMB4,378,000 to the consolidated profit for the year ended 31 December 2015.

Notes to Financial Statements

31 December 2015

38. BUSINESS COMBINATIONS (continued)

Acquisition of Shanghai Sunflower Language Co., Ltd.

The fair values of the identifiable assets and liabilities of Sun Flower as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Assets	
Cash	4,813
Prepayments, deposits and other receivables	729
	5,542
Liabilities	
Other payables and accruals	(5,098)
	(5,098)
Total identifiable net assets at fair value	444
Non-controlling interests	–
Goodwill arising on acquisition	14,782
Purchase consideration transferred	15,226
Including: consideration paid upon acquisition	15,226
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	4,813
Cash paid	(15,226)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(10,413)
Transaction costs of the acquisition included in cash flows from operating activities	(110)
	(10,523)

Since the acquisition, Sun Flower has contributed RMB4,002,000 to the Group's revenue and a net profit of RMB2,234,000 to the consolidated profit for the year ended 31 December 2015.

Notes to Financial Statements

31 December 2015

38. BUSINESS COMBINATIONS (continued)

Acquisition of Kunshan Yi Ze Education Consulting Co., Ltd.

The fair values of the identifiable assets and liabilities of Kunshan Yi Ze as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Assets	
Property, plant and equipment	448
	448
Liabilities	
Other payables and accruals	(729)
	(729)
Total identifiable net assets at fair value	(281)
Non-controlling interests	–
Goodwill arising on acquisition	1,042
Purchase consideration transferred	761
Including: consideration paid upon acquisition	761
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	–
Cash paid	(761)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(761)

Since the acquisition, Kunshan Yi Ze has had no contribution to the Group's revenue and contributed a net loss of RMB31,000 to the consolidated profit for the year ended 31 December 2015.

Notes to Financial Statements

31 December 2015

38. BUSINESS COMBINATIONS (continued)

Acquisition of Zhoushan Dinghaiguanghua Hospital Co., Ltd.

The fair values of the identifiable assets and liabilities of Zhoushan Hospital as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Assets	
Property, plant and equipment	81,437
Prepaid land lease payments	9,059
Cash	2,058
Trade receivables	2,566
Prepayments, deposits and other receivables	26,183
Inventories	3,012
Other assets	566
	124,881
Liabilities	
Trade payables	(14,391)
Other payables and accruals	(31,878)
Interest-bearing bank and other borrowings	(25,000)
Deferred tax liabilities	(2,580)
	(73,849)
Total identifiable net assets at fair value	51,032
Non-controlling interests	(25,006)
Goodwill arising on acquisition	96,374
Purchase consideration transferred	122,400
Including: Consideration paid upon acquisition	97,080
Consideration paid as additional capital injection to the subsidiary	22,320
Consideration to be paid as additional capital injection to the subsidiary	3,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,058
Cash paid	(97,080)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(95,022)
Transaction costs of the acquisition included in cash flows from operating activities	(827)
	(95,849)

Since the acquisition, Zhoushan Hospital has contributed RMB18,506,000 to the Group's revenue and a net profit of RMB2,600,000 to the consolidated profit for the year ended 31 December 2015.

Notes to Financial Statements

31 December 2015

38. BUSINESS COMBINATIONS (continued)

Acquisition of Shanghai Shengyi Yuanhong Investment Co., Ltd.

The fair values of the identifiable assets and liabilities of Shengyi Yuanhong as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Assets	
Property, plant and equipment	8,219
Cash	30,160
Prepayments, deposits and other receivables	30,470
Inventories	392
Other assets	48,748
	117,989
Liabilities	
Trade payables	(7,703)
Other payables and accruals	(102,796)
	(110,499)
Total identifiable net assets at fair value	7,490
Non-controlling interests	(2,996)
Goodwill arising on acquisition	95,506
Purchase consideration transferred	100,000
Including: consideration paid upon acquisition	100,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	30,160
Cash paid	(100,000)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(69,840)
Transaction costs of the acquisition included in cash flows from operating activities	(1,300)
	(71,140)

Since the acquisition, Shengyi Yuanhong has had no contribution to the Group's revenue and consolidated profit for the year ended 31 December 2015.

Notes to Financial Statements

31 December 2015

38. BUSINESS COMBINATIONS (continued)

If the acquisitions had taken place at the beginning of the period, revenue of the Group would have been RMB12,040,630,000 and net profit of the Group for the year would have been RMB2,563,451,000.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Siping Hospital, Xinrenci Hospital,Montessori Academy, Anda Hospital, Zhoushan Hospital, Sun Flower, Kunshan Yi Ze and Shengyi Yuanhong with those of the Group. The goodwill is not deductible for income tax purposes.

Transaction costs of RMB2,418,000 have been expensed and are included in administrative expenses in the statement of profit or loss.

The Group acquired Huizhou Huakang Orthopaedics and Traumatology Hospital Co., Ltd. during the year ended 31 December 2014.

39. CONTINGENT LIABILITIES

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

	2015 RMB'000	2014 RMB'000
Claimed amounts	2,103	–

40. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in Notes 23, 26 and 31 to the financial statements.

Notes to Financial Statements

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41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its equipment, tools and moulds (Note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to four years. 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 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	292,762	43,135
In the second to fifth years, inclusive	227,648	–
	520,410	43,135

(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 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	119,395	71,035
In the second to fifth years, inclusive	135,611	117,264
More than five years	20,362	3,004
	275,368	191,303

Notes to Financial Statements

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42. COMMITMENTS

(a) Capital commitments

In addition to the operating lease commitments detailed in Note 41 above, the Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and machinery	370,454	63,826
Purchase of shareholding	103,593	120,000
	474,047	183,826

(b) Credit commitments

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

	2015 RMB'000	2014 RMB'000
Irrevocable credit commitments:	4,840,547	3,693,206

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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43. 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 Jin Mao Group Co., Ltd.

Beijing Chemsunny Property Co., Ltd.

Jin Mao (Shanghai) Property Management Service Co., Ltd.

Sinochem Jinmao Property Management (Beijing) Co., Ltd.

Sinochem Corporation

Sinochem International (Overseas) Pte. Ltd.

Sinochem International Tendering Co., Ltd. ("Sinochem Tendering")

Joint ventures

Weihai Haida hospital Co., Ltd

Guangzhou Kangda Industrial Technology Co., Ltd.

Kunming Broadhealthcare Investment Co., Ltd.

In addition to the transactions and balances in Notes 23, 24, 26, 30 and 31 to the financial statements, the Group had the following material transactions with related parties during the year.

(i) Interest income from cash at banks:

	2015 RMB'000	2014 RMB'000
Sinochem Finance Co., Ltd.	4,522	–

The interest income was charged at rates ranging from 0.35% to 1.15% per annum.

Notes to Financial Statements

31 December 2015

43. RELATED PARTY TRANSACTIONS (continued)

(ii) Service fee income:

	2015 RMB'000	2014 RMB'000
Sinochem International (Overseas) Pte. Ltd.	10,435	25,182
	10,435	25,182

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

(iii) Interest expense on borrowings:

	2015 RMB'000	2014 RMB'000
Sinochem Finance Co., Ltd.	11,036	17,695

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

(iv) Commission fee:

	2015 RMB'000	2014 RMB'000
Sinochem Finance Co., Ltd.	7,264	5,946

(v) Rental expenses:

	2015 RMB'000	2014 RMB'000
China Jin Mao Group Co., Ltd.	50,462	43,333
Beijing Chemsunny Property Co., Ltd.	8,192	7,766
Jin Mao (Shanghai) Property Management Services Co., Ltd.	2,265	2,022
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	596	578
Sinochem Hong Kong	2,810	1,617
	64,325	55,316

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

Notes to Financial Statements

31 December 2015

43. RELATED PARTY TRANSACTIONS (continued)

(vi) Information and technology services:

	2015 RMB'000	2014 RMB'000
Sinochem Corporation	165	850

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

(vii) Lease interest income

	2015 RMB'000	2014 RMB'000
Weihai Haida hospital Co., Ltd	1,519	–
Guangzhou Kangda Industrial Technology Co., Ltd.	3,533	–
Kunming Broadhealthcare Investment Co., Ltd	878	–
	5,930	–

(viii) Non-cancellable operating leases:

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
China Jin Mao Group Co., Ltd.	101,244	145,834
Beijing Chemsunny Property Co., Ltd.	15,353	–
Sinochem Hong Kong	2,562	–
	119,159	145,834

Notes to Financial Statements

31 December 2015

43. RELATED PARTY TRANSACTIONS (continued)

(ix) Tendering service fee:

	2015 RMB'000	2014 RMB'000
Sinochem International Tendering Co., Ltd.	703	367

The tendering service fee was charged based on prices mutually agreed between the parties.

(x) Finance lease with CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. ("CSR Sifang") and Sinochem Tendering

On 10 June 2015, the Group entered into (i) the Lease Contract with CSR Sifang and (ii) the Supplementary Agreement with CSR Sifang and Sinochem Tendering. Pursuant to the Supplementary Agreement, upon the completion of the performance by CSR Sifang of all its duties under the Lease Contract, including but not limited to the payment of the total amount of rental and all other taxes, interest and damages incurred (if any), Sinochem Tendering shall repurchase the equipment in an amount of RMB11,738,000 and the Group will transfer the title of the equipment to Sinochem Tendering after the payment of the repurchase price by Sinochem Tendering. The repurchase price was determined based on the residual value of the leasing asset as at the repurchase date.

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.

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

	2015 RMB'000	2014 RMB'000
Short term employee benefits	47,952	29,224

During 2015, certain key management personnel of the Group were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, further details of which are set out in Note 34 and Note 35 to the financial statements.

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

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

Notes to Financial Statements

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44. FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 31 December 2015

Financial assets

	Loans and receivables RMB'000	Available for sale financial assets RMB'000	Financial instruments at fair value through profit or loss RMB'000	Financial instruments at fair value through other comprehensive income RMB'000	Total RMB'000
Loans and accounts receivables	120,566,309	–	–	–	120,566,309
Deposits and other receivables	794,629	–	–	–	794,629
Restricted deposits	2,640,891	–	–	–	2,640,891
Derivative instruments					
– cash flow hedges	–	–	–	1,105,539	1,105,539
Derivatives not designated as hedges	–	–	11,695	–	11,695
Available-for-sale investments	–	427,142	–	–	427,142
Equity investments at fair value through profit or loss	–	–	244,132	–	244,132
Cash and cash equivalents	2,500,665	–	–	–	2,500,665
	126,502,494	427,142	255,827	1,105,539	128,291,002

Notes to Financial Statements

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44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2015 (continued)

Financial liabilities

	At amortised cost RMB'000	Financial instruments at fair value through other comprehensive income RMB'000	Financial instruments at fair value through profit or loss RMB'000	Total RMB'000
Trade and bills payables	8,337,635	–	–	8,337,635
Other payables and accruals	20,903,452	–	–	20,903,452
Interest-bearing bank and other borrowings	83,428,801	–	–	83,428,801
Derivative instruments – cash flow hedges	–	288,114	–	288,114
	112,669,888	288,114	–	112,958,002

As at 31 December 2014

Financial assets

	Loans and receivables RMB'000	Available for sale financial Assets RMB'000	Financial instruments at fair value through profit or loss RMB'000	Financial instruments at fair value through other comprehensive income RMB'000	Total RMB'000
Loans and accounts receivables	99,441,429	–	–	–	99,441,429
Deposits and other receivables	147,615	–	–	–	147,615
Restricted deposits	953,805	–	–	–	953,805
Derivative instruments-cash flow hedges	–	–	–	278,271	278,271
Derivative financial instruments	–	–	12,006	–	12,006
Available-for-sale investments	–	394,253	–	–	394,253
Cash and cash equivalents	3,317,850	–	–	–	3,317,850
	103,860,699	394,253	12,006	278,271	104,545,229

Notes to Financial Statements

31 December 2015

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2014 (continued)

Financial liabilities

	At amortised cost RMB'000	Financial instruments at fair value through other comprehensive income RMB'000	Financial instruments at fair value through profit or loss RMB'000	Total RMB'000
Trade and bills payables	3,489,071	–	–	3,489,071
Other payables and accruals	14,822,781	–	–	14,822,781
Interest-bearing bank and other borrowings	71,777,837	–	–	71,777,837
Derivative instruments – cash flow hedges	–	166,894	–	166,894
Derivatives not designated as hedges	–	–	57,053	57,053
	90,089,689	166,894	57,053	90,313,636

45. 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, available-for-sale investments, financial assets included in deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, and 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 bills 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 end of each reporting period and their carrying values approximate their fair value.

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

Substantially all of the loans and accounts receivables, restricted deposits and interest-bearing bank and other borrowings except for bonds issued and short term borrowings are on floating rate terms, bear interest at prevailing market interest rates and their carrying values approximate to their fair values.

Available-for-sale investments

Available-for-sale investments are measured at cost less any impairment other than fair value, since they do not have a quoted market price in an active market and their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

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 are included in interest-bearing bank and other borrowings not presented at fair value on the statement of financial position.

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

Financial instruments not measured at fair value (continued)

Bonds issued (continued)

	Carrying amounts		Fair values	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Bonds issued	22,050,220	12,751,188	22,409,695	12,972,462

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

The fair values of the non-current portion of financial assets included in prepayment 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 the fair values of those financial assets and liabilities are not significant.

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.

Equity investments at fair value through profit or loss

The valuations of the equity investments at fair value through profit or loss were based on information known to the Group and market conditions existing at the end of the reporting period. The fair values were determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; making reference to the current market value of another instrument that is substantially the same and net assets making as much use of available and supportable market data as possible.

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31 December 2015

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

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)

Assets and Liabilities measured at fair value
As at 31 December 2015

	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 – assets	–	844,702	–	844,702
Cross-currency interest rate swaps – liabilities	–	(4,989)	–	(4,989)
Forward currency contracts – assets	–	272,532	–	272,532
Forward currency contracts – liabilities	–	(283,125)	–	(283,125)
Equity investments at fair value through profit or loss	–	244,132	–	244,132

Notes to Financial Statements

31 December 2015

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

Fair value hierarchy (continued)

Assets and Liabilities measured at fair value (continued)

As at 31 December 2014

	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 – assets	–	204,770	–	204,770
Cross-currency interest rate swaps – liabilities	–	(56,978)	–	(56,978)
Forward currency contracts – assets	–	73,501	–	73,501
Forward currency contracts – liabilities	–	(166,969)	–	(166,969)
Call options – assets	–	–	12,006	12,006

The movements in fair value measurements in Level 3 during the year were as follows (see Note 22 for further details):

	RMB'000
Call option:	
At 31 December 2014 and 1 January 2015	12,006
Addition	–
Total losses recognised in the statement of profit or loss	(12,006)
Exchange difference	–
At 31 December 2015	
At 31 December 2013 and 1 January 2014	968
Addition	12,006
Total losses recognised in the statement of profit or loss	(969)
Exchange difference	1
At 31 December 2014	12,006

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

Notes to Financial Statements

31 December 2015

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed

As at 31 December 2015

	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	–	22,409,695	–	22,409,695

As at 31 December 2014

	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	–	12,972,462	–	12,972,462

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease receivables, entrusted loans, 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, entrusted loans, trade receivables and trade payables are directly related to the Group's operating activities.

The Group also enters into derivative transactions, including principally cross-currency interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings, 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. For example, the Group enters into cross currency interest rate swaps to mitigate the interest rate risk as well as currency risk arising from variable cash flows of some of its foreign currency floating rate loans (see Note 22).

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.

Notes to Financial Statements

31 December 2015

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

	Increase/(decrease) in profit before tax	
	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Change in basis points		
+100 basis points	277,617	512,555
– 100 basis points	(277,617)	(512,555)

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.

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. For example, the Group enters into cross currency interest rate swaps and forward currency contracts to mitigate the currency risk arising from variable cash flows of some of its foreign currency floating rate loans (see Note 22).

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.

Notes to Financial Statements

31 December 2015

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Group

		Increase in profit before tax	
		As at 31 December	
	Change in	2015	2014
Currency	currency rate	RMB'000	RMB'000
US$	+/-1%	(2,391)/2,391	10,564/(10,564)
HK$	+/-1%	(5,996)/5,996	(19,501)/19,501

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 2015

46. 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 2015		As at 31 December 2014	
	RMB'000	%	RMB'000	%
Net lease receivables				
Healthcare	27,207,144	25	22,811,933	24
Packaging	11,003,910	10	11,556,067	12
Transportation	8,993,212	8	9,400,843	10
Infrastructure construction	17,275,090	16	15,034,584	15
Machinery	10,759,272	10	9,987,989	10
Education	19,324,385	18	15,065,680	16
Textile	3,699,584	3	3,185,635	3
Electronic information	6,717,174	6	5,734,543	6
Others	5,354,295	4	4,281,933	4
	110,334,066	100	97,059,207	100
Less: Impairment provision of lease receivables	(2,196,194)		(1,963,443)	
Net	108,137,872		95,095,764	

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 23, Note 22 and Note 24 respectively.

Notes to Financial Statements

31 December 2015

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Lease receivables	107,555,743	95,242,583
Notes receivable	267,874	132,877
Accounts receivable	657,037	224,591
Factoring receivable	2,837,201	2,679,601
Entrusted loans	7,699,011	214,573
Secured loans	422,627	409,523
Lease interest receivables	495,378	445,803
Derivative financial instruments	1,117,234	290,277
Deposits and other receivables	794,629	147,615
Long term receivables	82,014	6,883

As 31 December 2015, the assets which were past due but were not considered impaired amounted to RMB1,738,203,000 (2014: RMB910,681,000). The aging analysis is as below:

2015	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 accounts receivables	1,738,203	–	–	–	1,738,203

2014	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	910,681	–	–	–	910,681

Notes to Financial Statements

31 December 2015

46. 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 of with regard to the maturity of financial assets and liabilities.

The Group manages its liquidity risk through daily execution 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 financial assets and liabilities based on the contractual undiscounted cash flows:

	As at 31 December 2015					
	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	449,219	13,959,650	39,277,560	81,075,930	173,954	134,936,313
Deposits and other receivables	–	231,003	630	562,996	–	794,629
Restricted deposits	–	1,814,321	776,607	105,090	–	2,696,018
Derivative financial instruments	–	96,808	323,568	696,858	–	1,117,234
Available-for-sale investments	–	–	–	427,142	–	427,142
Equity investments at fair value through profit or loss	–	–	–	244,132	–	244,132
Cash and cash equivalents	2,000,665	500,594	–	–	–	2,501,259
Total financial assets	2,449,884	16,602,376	40,378,365	83,112,148	173,954	142,716,727
FINANCIAL LIABILITIES:						
Trade and bills payables	19,055	4,379,821	3,934,944	3,815	–	8,337,635
Other payables and accruals	31,671	1,726,485	2,882,901	16,151,094	111,301	20,903,452
Interest-bearing bank and other borrowings	–	12,252,937	32,332,618	43,068,666	755,779	88,410,000
Derivative financial instruments	–	–	–	288,114	–	288,114
Total financial liabilities	50,726	18,359,243	39,150,463	59,511,689	867,080	117,939,201
Net liquidity gap	2,399,158	(1,756,867)	1,227,902	23,600,459	(693,126)	24,777,526

Notes to Financial Statements

31 December 2015

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	As at 31 December 2014					
	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	416,076	12,039,475	33,578,634	66,198,299	557,005	112,789,489
Deposits and other receivables	–	30,515	112,564	4,536	–	147,615
Restricted deposits	–	314,894	527,845	134,977	–	977,716
Derivative financial instruments	–	–	63,244	227,033	–	290,277
Available-for-sale investments	–	–	–	394,253	–	394,253
Cash and cash equivalents	3,317,850	–	–	–	–	3,317,850
Total financial assets	3,733,926	12,384,884	34,282,287	66,959,098	557,005	117,917,200
FINANCIAL LIABILITIES:						
Trade and bills payables	317,899	1,211,739	1,642,602	305,805	11,026	3,489,071
Other payables and accruals	61,164	416,087	2,037,604	12,223,866	84,060	14,822,781
Interest-bearing bank and other borrowings	–	10,942,707	21,520,300	42,219,020	747,784	75,429,811
Derivative financial instruments	–	–	8,773	215,174	–	223,947
Total financial liabilities	379,063	12,570,533	25,209,279	54,963,865	842,870	93,965,610
Net liquidity gap	3,354,863	(185,649)	9,073,008	11,995,233	(285,865)	23,951,590

46. 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 defined by management as 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 are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Bank and other borrowings	83,428,801	71,777,837
Total equity	22,961,420	17,449,893
Total equity and net debt	106,390,221	89,227,730
Gearing ratio	78%	80%

Notes to Financial Statements

31 December 2015

46. 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 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 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 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	
	2015	2014
	RMB'000	RMB'000
Total assets	119,918,073	102,816,856
Less: Cash	(2,721,314)	(2,796,205)
Total assets at risk	117,196,759	100,020,651
Equity	19,263,095	15,195,810
Ratio of assets at risk to equity	6.08	6.58

Notes to Financial Statements

31 December 2015

47. TRANSFERS OF FINANCIAL ASSETS AND INTEREST IN THE UNCONSOLIDATED STRUCTURED ENTITIES

The Group enters into securitization transactions in the normal course of business whereby it transfers loans and accounts receivable to special purpose entities. These special purpose entities are structured entities established with the narrow and well-defined objectives to provide investors opportunities to invest in those loans and accounts receivable, they generally finance the purchase of the loans and accounts receivable by issuing asset-backed securities to investors. The Group assessed and determined that those structured entities need not be consolidated as the Group has no control over them.

The Group may acquire some subordinated tranches of those asset-backed securities and/or provide certain level of liquidity support and accordingly may retain portions of the risks and rewards of the transferred loans and accounts receivable. The Group would determine whether or not to derecognise the transferred loans and accounts receivable mainly by evaluating the extent to which it retains the risks and rewards of the transferred assets.

During the year ended 31 December 2015, the Group transferred an aggregate carrying amount of RMB1,688,391,000 (2014: nil) of loans and accounts receivable to some unconsolidated structured entities, which qualified for full derecognition. Hence, the Group derecognized those assets. However, the Group provided limited liquidity support to some unconsolidated structured entities, up to RMB235,322,000 (31 December 2014: nil), which approximates the maximum exposure to losses.

During the year ended 31 December 2015, the Group also transferred an aggregate carrying amount of RMB13,709,872,000 (2014: nil) of loans and accounts receivable to other unconsolidated structured entities, whereby the Group retained continuing involvement in the transferred assets. As a result, as at 31 December 2015, in addition to recognition of its acquisition of subordinated tranches of asset-backed securities issued by the structured entities of amounting to RMB520,726,000, in other receivables (31 December 2014: nil), the Group recognized the transferred assets to the extent of its continuing involvement, amounting to RMB569,062,000 as other assets (31 December 2014: nil), and also recognized associated liabilities amounting to RMB569,062,000 as other liabilities (31 December 2014: nil), which approximate the maximum exposure to losses from its involvement in such securitization arrangements and the unconsolidated structured entities.

As a result of the above securitization transactions, the Group recognized gains of RMB67,203,000 and losses of RMB300,810,000 (2014: gains of RMB15,638,000 and losses of RMB52,175,000) from transfers of loans and accounts receivable.

48. EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after 31 December 2015.

49. COMPARATIVE AMOUNTS

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

Notes to Financial Statements

31 December 2015

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	40	64
Investments in subsidiaries	13,928,711	9,345,504
Deferred tax assets	10,177	6,382
Loans and accounts receivables	26,873,721	26,901,264
Derivative financial instruments	696,858	215,027
Total non-current assets	41,509,507	36,468,241
CURRENT ASSETS		
Loans and accounts receivables	1,567,487	2,128,933
Prepayments, deposits and other receivables	1,709,492	629,179
Dividend receivable from subsidiaries	1,112,926	777,506
Restricted deposits	16,555	–
Cash and cash equivalents	918,147	1,040,058
Derivative financial instruments	420,376	63,244
Total current assets	5,744,983	4,638,920

Notes to Financial Statements

31 December 2015

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows (continued):

	31 December 2015 RMB'000	31 December 2014 RMB'000
CURRENT LIABILITIES		
Trade and bills payables	1,218	2,553
Other payables and accruals	418,555	437,237
Derivative financial instruments	–	8,773
Tax payable	(24,279)	(4,073)
Interest-bearing bank and other borrowings	13,736,802	6,967,086
Total current liabilities	14,132,296	7,411,576
NET CURRENT LIABILITIES	(8,387,313)	(2,772,656)
TOTAL ASSETS LESS CURRENT LIABILITIES	33,122,194	33,695,585
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	17,688,909	21,955,135
Derivative financial instruments	288,114	215,174
Other payables and accruals	–	3,157
Deferred tax liabilities	63,527	81,237
Total non-current liabilities	18,040,550	22,254,703
Net assets	15,081,644	11,440,882
EQUITY		
Share capital and other statutory capital reserves	10,210,572	6,683,751
Other reserves	3,643,869	3,498,961
Holders of perpetual securities	1,227,203	1,258,170
Total equity	15,081,644	11,440,882

Kong Fanxing
Director

Wang Mingzhe
Director

Notes to Financial Statements

31 December 2015

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Shares held for share award scheme RMB'000	Share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2014	9,982,129	–	–	(739,181)	616,448	9,859,396
Profit for the year	–	–	–	–	603,755	603,755
Other comprehensive income	411,106	–	–	–	–	411,106
Effect of change in functional currency during the year	(716,309)	–	–	739,181	(21,074)	1,798
Purchase of shares under share award scheme	–	(136,260)	–	–	–	(136,260)
Transition to no-par value regime	(6,657,979)	–	–	–	–	(6,657,979)
Recognition of equity settled share-based payments	–	–	17,994	–	–	17,994
Final 2013 dividend declared	–	–	–	–	(600,849)	(600,849)
At 31 December 2014 and 1 January 2015	3,018,947	(136,260)	17,994	–	598,280	3,498,961
Profit for the year	–	–	–	–	884,279	884,279
Other comprehensive income	(89,621)	–	–	–	–	(89,621)
Purchase of shares under share award scheme	–	(116,245)	–	–	–	(116,245)
Recognition of equity settled share-based payments	–	–	58,971	–	–	58,971
Final 2014 dividend declared (net of dividends received from shares held for share award scheme)	–	–	–	–	(592,476)	(592,476)
At 31 December 2015	2,929,326	(252,505)	76,965	–	890,083	3,643,869

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

The reserve of the Company comprises the recognition of the equity-settled share-based payment under the Share Options and the Share Award Scheme which are yet to be exercised. The amount will either be transferred to the share premium account when the related share options or awards are exercised, or be transferred to retained profits should the related options or awards expire or be forfeited.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2016.

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				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	11,795,983	10,060,717	7,868,382	6,486,395	4,716,436
Cost of Sales	(4,771,610)	(4,106,547)	(2,890,185)	(2,908,365)	(2,214,078)
Gross profit	7,024,373	5,954,170	4,978,197	3,578,030	2,502,358
Other income and gains	510,032	523,689	318,178	119,845	75,131
Selling and distribution costs	(1,452,611)	(1,356,023)	(1,124,955)	(703,143)	(449,295)
Administrative expenses	(1,925,049)	(1,659,885)	(1,294,330)	(863,635)	(624,514)
Other expenses	(454,489)	(249,400)	(282,972)	(52,939)	(24,871)
Finance costs	(122,221)	(14,667)	(1,270)	(2,138)	–
Profit or loss on investment in joint ventures	(310)	(195)	–	–	–
Profit or loss on investment in associates	–	13,511	7,893	–	–
Profit before tax	3,579,725	3,211,200	2,600,741	2,076,020	1,478,809
Income tax expense	(999,734)	(869,026)	(684,668)	(558,652)	(369,945)
Profits for the year	2,579,991	2,342,174	1,916,073	1,517,368	1,108,864
Attributable to:					
Holders of ordinary shares of the Company	2,503,109	2,295,954	1,912,744	1,518,577	1,107,630
Holders of senior perpetual securities	73,080	36,036	–	–	–
Non-controlling interests	3,802	10,184	3,329	(1,209)	1,234
	2,579,991	2,342,174	1,916,073	1,517,368	1,108,864

Financial Summary

The following table sets forth the results of the Group converted into US$ at the respective average exchange rate as at the end of each period[1] as of the dates indicated.

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	1,870,508	1,647,151	1,270,898	1,030,699	729,895
Cost of sales	(756,642)	(672,328)	(466,822)	(462,144)	(342,641)
Gross profit	1,113,866	974,823	804,076	568,555	387,254
Other income and gains	80,877	85,739	51,392	19,044	11,627
Selling and distribution costs	(230,343)	(222,010)	(181,702)	(111,731)	(69,531)
Administrative expenses	(305,258)	(271,758)	(209,060)	(137,233)	(96,647)
Other expenses	(72,069)	(40,832)	(45,705)	(8,411)	(3,849)
Finance costs	(19,381)	(2,401)	(205)	(340)	–
Profit or loss on investment in joint ventures	(49)	(32)	–	–	–
Profit or loss on investment in associates	–	2,212	1,275	–	–
Profit before tax	567,643	525,741	420,071	329,884	228,854
Income tax expense	(158,530)	(142,278)	(110,587)	(88,771)	(57,251)
Profits for the year	409,113	383,463	309,484	241,113	171,603
Attributable to:					
Holders of ordinary shares of the Company	396,922	375,896	308,946	241,305	171,412
Holders of senior perpetual securities	11,588	5,900	–	–	–
Non-controlling interests	603	1,667	538	(192)	191
	409,113	383,463	309,484	241,113	171,603

Financial Summary

Assets, Liabilities and Non-controlling Interests

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	139,312,889	110,726,124	86,512,872	60,570,275	47,097,345
Total liabilities	(116,351,469)	(93,276,231)	(72,348,002)	(47,714,829)	(37,795,575)
Senior perpetual securities	(1,227,203)	(1,258,170)	–	–	–
Non-controlling interests	(343,180)	(78,771)	(39,528)	(10,964)	(4,019)
	21,391,037	16,112,952	14,125,342	12,844,482	9,297,751

The following table sets forth the assets, liabilities and non-controlling interests of the Group converted into US$ at the respective average rate as at the end of each period[(1)] as of the dates indicated.

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets	21,453,876	18,095,461	14,189,649	9,636,509	7,474,702
Total liabilities	(17,917,868)	(15,243,705)	(11,866,359)	(7,591,255)	(5,998,442)
Senior perpetual securities	(188,987)	(205,617)	–	–	–
Non-controlling interests	(52,849)	(12,873)	(6,483)	(1,744)	(638)
	3,294,172	2,633,266	2,316,807	2,043,510	1,475,622

Financial Summary

Note:

(1) Exchange rate

	Exchange rate as at the end of the period	Average exchange rate
31 December 2011	6.3009	6.4618
31 December 2012	6.2855	6.2932
31 December 2013	6.0969	6.1912
31 December 2014	6.1190	6.1080
31 December 2015	6.4936	6.3063