远东宏信
FAR EAST HORIZON

2011 Interim Report

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

Contents

Corporate Information

BOARD OF DIRECTORS

Chairman and Non-Executive Director

Mr. Liu Deshu *(Chairman)*

Executive Director

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

Non-Executive Director

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

Independent Non-Executive Director

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

COMPOSITION OF COMMITTEE

Audit Committee

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

Remuneration and Nomination Committee

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

Strategy and Investment Committee

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

CHIEF FINANCIAL OFFICER

Mr. Wang Mingzhe

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. Kong Fanxing
Ms. Chu Man Yee, Karen

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Pudong, Shanghai, The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Harbour Road, Wanchai, Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

PRINCIPAL BANKERS

China Development Bank
Bank of China

AUDITORS

Ernst & Young

LEGAL ADVISER

Paul Hastings

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

COMPANY'S WEBSITE

www.fehorizon.com

STOCK CODE

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

Company Profile

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

The Group faced a complicated and evolving business environment in the first half of 2011. Notwithstanding this, the Group adhered to its established business strategy of providing industry-focused integrated services and taking specific measures to further streamline its marketing structure, increase customer coverage, strengthen market expansion, enhance brand profile, enhance products and business innovation, and further expand sub-segments of the existing market and by continuously enhancing its competitive edge in differentiation. Regarding to risk management, the Group has adopted more prudent and proactive risk management policy to cope with the complicated external environment. Meanwhile, the Group has listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the first half 2011, and issued Renminbi ("RMB") bonds amounting to RMB1,250,000,000 in Hong Kong successfully, achieving diversification in fundraising. Overall, the Group has achieved all the objectives of its strategies in the first half of the year.

Management Discussion and Analysis

1. BUSINESS OVERVIEW

The Group faced a complicated and evolving business environment in the first half of 2011. Notwithstanding this, by adhering to our established business strategy of providing industry-focused integrated services and taking specific measures to further streamline our marketing structure, increase customer coverage, strengthen market expansion, enhance brand profile, and expand sub-segments of the existing market and by continuously enhancing our competitive edge in differentiation, the Group has achieved all the objectives of its strategies during the first half of the year, which are summarized as follows:

Profit for the period recorded rapid year-on-year growth and the profitability was maintained at a high level. In the first half of 2011, the profit for the period attributable to the owners of the parent increased US$24.25 million from the corresponding period of the previous year to US$74.70 million, representing a growth of 48.07%. The average rate of yield for the total assets (annualized) and net assets (annualized) were 3.02% and 16.05% respectively.

There witnessed a rapid growth in the scale of assets and liabilities. As at 30 June 2011, the total assets of the Group increased US$2.231 billion or 58.34% from the end of last year to US$6.055 billion. Loans and accounts receivable increased by US$1.239 billion or 33.48% from the end of last year to US$4.939 billion.

The asset quality remained outstanding. As at 30 June 2011, the balance of the Group's non-performing assets was US$36,322,000, representing an increase of US$60,000 as compared with the end of last year and the non-performing asset ratio was 0.74%, decreased by 0.25 percentage point from the end of last year. The provision coverage for non-performing assets increased by 47.58 percentage points from the end of last year to 163.96%. In the first half of 2011, the amount of non-performing assets written off reduced to US$0 from US$35,000 in last year and the write-off ratio of non-performing assets reduced to 0.00% from 0.15% last year.

2. ANALYSIS OF PROFIT AND LOSS

In the first half of 2011, the Group achieved a healthy and rapid growth in its results with the growth in revenue being in line with the growth in costs and various expenses. The Group realized a profit before tax of US$98,631,000, representing a growth of 54.03% as compared with the corresponding period of the previous year and the profit attributable to the owner of the parent during the period was US$74,697,000, representing a growth of 48.07% as compared with the corresponding period of the previous year. The following table sets forth the figures for the six months ended 30 June 2010 for comparison.

	For the six months ended 30 June		
	2011	2010	
	US$'000	US$'000	Change %
	(Unaudited)	(Unaudited)	
Revenue	**294,321**	142,865	106.01%
Cost of sales	**(132,027)**	(48,538)	172.01%
Gross profit	**162,294**	94,327	72.05%
Other income and gain	**4,889**	4,929	-0.81%
Selling and distribution costs	**(27,715)**	(17,103)	62.05%
Administrative expenses	**(37,635)**	(17,489)	115.19%
Other expenses	**(3,202)**	(632)	406.65%
Profit before tax	**98,631**	64,032	54.03%
Income tax expense	**(23,922)**	(13,704)	74.56%
Profit for the period	**74,709**	50,328	48.44%
Attributable to:			
Owners of the parent	**74,697**	50,448	48.07%
Non-controlling interests	**12**	(120)	110.00%

Management Discussion and Analysis

3. REVENUE

In the first half of 2011, the Group realized a revenue of US$294,321,000, representing a growth of 106.01% from US$142,865,000 as recorded in the corresponding period in the previous year, which was mainly attributable the growth of income in leasing and advisory segment. In the first half of 2011, income (before business taxes and surcharges) of leasing and advisory segment was US$254,760,000, accounting for 84.01% of the total income (before business taxes and surcharges), and representing a growth of 94.60% as recorded in the corresponding period in the previous year. Income from trading and others segment rose by 199.34%, representing a growth faster than the leasing and advisory segment and making its share in the total income (before business taxes and surcharges) grow to 15.99% from 11.01% in the corresponding period of the previous year. Income has become more diversive in distribution.

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

	For the six months ended 30 June				
	2011		2010		
	US$'000 (Unaudited)	**% total**	US$'000 (Unaudited)	% of total	Change %
Leasing and advisory segment	**254,760**	**84.01%**	130,914	88.99%	94.60%
Financial leasing (interest income)	**173,002**	**57.05%**	74,766	50.82%	131.39%
Advisory services (fee income)	**81,758**	**26.96%**	56,148	38.17%	45.61%
Trading and others segment	**48,490**	**15.99%**	16,199	11.01%	199.34%
Total	**303,250**		147,113		106.13%
Business taxes and surcharges	**(8,929)**		(4,248)		110.19%
Revenue (after business taxes and surcharges)	**294,321**		142,865		106.01%

The Group also categorized income by industry, and the Group mainly engaged in healthcare, education, infrastructure construction, shipping, printing, and machinery industries in the first half of 2011. In the first half of 2011, the share of each industry with total income tended to be more balanced, in which the decline in income weightage and growth rate of shipping industry was attributable to external market environment. Among other industries, textile, television network, water treatment, and utility business experienced rapid growth as compared with the corresponding period of the previous year, resulting in increased weightage of other industries.

Management Discussion and Analysis

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

	For the six months ended 30 June				
	2011		2010		
	US$'000 (Unaudited)	**% of total**	US$'000 (Unaudited)	% of total	Change %
Healthcare	**64,948**	**21.42%**	38,767	26.35%	67.53%
Education	**37,220**	**12.27%**	18,919	12.86%	96.73%
Infrastructure construction	**38,728**	**12.77%**	14,982	10.19%	158.50%
Shipping	**30,414**	**10.03%**	22,608	15.37%	34.53%
Printing	**64,469**	**21.26%**	34,429	23.40%	87.25%
Machinery	**44,328**	**14.62%**	14,071	9.56%	215.03%
Others	**23,143**	**7.63%**	3,337	2.27%	593.53%
Total	**303,250**	**100.00%**	147,113	100.00%	106.13%

3.1. Financial Leasing (Interest Income)

The interest income (before business taxes and surcharges) from leasing and advisory segment of the Group rose from US$74,766,000 in the first half of 2010 to US$173,002,000 or by 131.39% in the first half of 2011, accounting for 57.05% of the Group's total revenue (before business taxes and surcharges) and representing an increase of 6.23 percentage points as compared with 50.82% as recorded in 2010. It is mainly due to the growth of average balance of interest-earning assets.

The increase and the decrease of interest income were mainly driven by two factors: average balance of interest-earning assets and average yield. The Group's average balance of interest-earning assets rose from US$2,271,257,000 in the first half of 2010 to US$4,346,717,000 in the first half of 2011, representing an increase of 91.38%. It was attributable to the expansion of the Group's business operation. Average rate of yield of the Group increased from 6.58% in the first half of 2010 to 7.96% in the first half of 2011. It was mainly because the scale of leased assets experienced substantial increase as compared with the corresponding period of the previous year and the People's Bank of China (the "PBOC") increased the benchmark interest rate of RMB deposits and loans for financial institutions twice in the first half of 2011.

Management Discussion and Analysis

Table below sets forth the average balance, interest income and average yield of interest-earning assets in different industries during indicated periods.

	For the six months ended 30 June					
	2011			2010		
	Average interest-earning assets(1) US$'000 (Unaudited)	**Interest income(2) US$'000 (Unaudited)**	**Average yield(3) %**	Average Interest-earning assets(1) US$'000 (Unaudited)	Interest income(2) US$'000 (Unaudited)	Average yield(2) %
Healthcare	**1,082,565**	**42,607**	**7.87%**	748,136	23,409	6.26%
Education	**651,751**	**26,782**	**8.22%**	363,958	11,734	6.45%
Infrastructure construction	**678,919**	**26,575**	**7.83%**	268,882	8,141	6.06%
Shipping	**428,073**	**14,318**	**6.69%**	220,629	6,493	5.89%
Printing	**670,795**	**26,615**	**7.94%**	436,690	14,900	6.82%
Machinery	**389,004**	**17,132**	**8.81%**	178,908	7,446	8.32%
Others	**445,610**	**18,973**	**8.52%**	54,054	2,643	9.78%
Total	**4,346,717**	**173,002**	**7.96%**	2,271,257	74,766	6.58%

Notes:

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

(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, on annualized basis.

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

Analysis according to average balance of interest-earning assets

Among the six industries, healthcare, infrastructure construction, printing and education are the key drivers to the Group's average balance of interest-earning assets, representing 70.95% of the average balance of interest-earning assets of the Group in the first half of 2011. The increase in the average balance of interest-earning assets reflects the business expansion of the Group and the benefits received from the Group's further effort in marketing and promotion, including arranging expos and exhibitions for major industry participants and professionals, and recruiting more sales and marketing staff.

Management Discussion and Analysis

Analysis according to average yield

In the first half of 2011, the average yield of the Group was 7.96%, being 1.38 percentage points higher than the 6.58% as recorded in the corresponding period of the previous year and was attributable to the followings. Firstly, the increase in the Group's overall average revenue rate was attributable to the results of four consecutive increases in benchmark interest rate by PBOC from October 2010 to the first half of 2011. Secondly, several increases in reserve ratio of commercial banks also led to tight bank credit scale, which made client more dependent on the Group's business and resulted in better allocation of our resources. The average yield of the Group's other categories dropped from 9.78% in the first half of 2010 to 8.52% in the first half of 2011, which was mainly because average interest-earning assets increased by 724.38% from the first half of 2010 to the first half of 2011 and some projects with high yields accounted for a larger share in the first half of 2010. Although the average yield of other categories represented a period-on-period decline, it is yet higher than the average level of the Group.

3.2. Advisory Services (Fee Income)

In the first half of 2011, fee income (before business taxes and surcharges) from leasing and advisory segment grew 45.61% from US$56,148,000 in the first half of 2010 to US$81,758,000 in the first half of 2011, accounting for 26.96% of the total revenue (before business taxes and surcharges) of the Group, or a 11.21 percentage points decrease as compared with 38.17% in the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2011		2010		
	US$'000 (Unaudited)	**% of total**	US$'000 (Unaudited)	% of total	Change %
Healthcare	**17,414**	**21.30%**	13,826	24.62%	25.95%
Education	**10,438**	**12.77%**	7,185	12.80%	45.27%
Infrastructure construction	**12,153**	**14.86%**	6,823	12.15%	78.12%
Shipping	**9,836**	**12.03%**	13,110	23.35%	-24.97%
Printing	**13,704**	**16.76%**	7,894	14.06%	73.60%
Machinery	**14,040**	**17.17%**	6,616	11.78%	112.21%
Others	**4,173**	**5.11%**	694	1.24%	501.30%
Total	**81,758**	**100.00%**	56,148	100.00%	45.61%

Healthcare, machinery, printing, and infrastructure construction made the greatest contribution to the aggregate growth of the Group's service charge income (before business taxes and surcharges) and service charge income of such segments represented 70.10% of the Group's total increase of service charge income in the first half of 2011. Textile, television network, water treatment, and utility business experienced rapid growth as compared with the corresponding period of the previous year, resulting in increased proportion of other industries. The increase in service charge income of these industries was mainly attributable to (i) the scale and scope of services provided to the customers of the Group extended with the expansion of the Group's industries; (ii) the increase in categories of products and services offered in the Group's advisory services segment; and (iii) recruitment of more sales and marketing staff of different industries. The increase in service charge income of these industries was partially offset by the decline in shipping service charge income. Affected by the downturn in international shipping market, the progress of the shipping business was slowed down as compared with the corresponding period of the previous year.

Management Discussion and Analysis

3.3. Trade and Others Segment Revenue

Revenue from trade and others segment of the Group in the first half of 2011, before business taxes and surcharges, increased by 199.34% from US$16,199,000 in the corresponding period of the previous year to US$48,490,000 in the first half of 2011, accounting for 15.99% of the total revenue (before business taxes and surcharges), which is 4.98 percentage points higher than 11.01% as recorded in the corresponding period of the previous year. This is attributed to the increase in the trading revenue from printing and machinery as well as brokerage revenue from shipping during the same period.

Trade and other revenue from printing in the first half of 2011, before business taxes and surcharges, was US$24,149,000, increased by US$12,514,000 or 107.55% as compared with the corresponding period of the previous year as a result of the efforts of the Group to meet the increasing demand for paper among the printing customers. The trading business in machinery industry achieved breakthrough in the first half of 2011, with its trade and other revenue, before business taxes and surcharges, amounted to US$13,155,000, increased by US$13,146,000 or 146066.67% as compared with the corresponding period of the previous year as a result of increasing demand from client on us as machinery agent. The brokerage revenue of shipping, before business taxes and surcharges, was US$6,259,000, increased by US$3,254,000 or 108.29% as compared with the corresponding period of the previous year, mainly because the demand for brokerage services for the chartering and sale and purchase of ships increased. Moreover, the medical engineering of the Group recorded an income of US$3,575,000 (before business taxes and surcharges).

4. COST OF SALES

Cost of sales of the Group in the first half of 2011 was US$132,027,000, which increased by 172.01% as compared with US$48,538,000 in the same period last year. This is mainly due to the cost increase from leasing and advisory service segment and trade and others segment. Among them, the cost from leasing and advisory segment was US$89,936,000, accounting for 68.12% of the total cost; the cost of trade and others segment was US$42,091,000, accounting for 31.88% of the total cost.

Management Discussion and Analysis

4.1. Cost from Leasing and Advisory Segment

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

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

	For the six months ended 30 June					
	2011			2010		
	Average balance(1) US$'000 (Unaudited)	**Interest expense US$'000 (Unaudited)**	**Average cost(2) Ratio %**	Average balance(1) US$'000 (Unaudited)	Interest expense US$'000 (Unaudited)	Average cost(2) Ratio %
Interest-bearing bank and other borrowings	**3,174,271**	**89,936**	**5.67%**	1,498,095	36,194	4.83%

Notes:

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

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

The cost of sales from financial leasing increased by 148.48% from US$36,194,000 for the first half of 2010 to US$89,936,000 for the first half of 2011 because the Group continued to increase the level of interest-bearing bank and other borrowings to fund the on-going business expansion of the Group. The increase in the average cost of our interest-bearing bank and other borrowings in the first half of 2011 was mainly due to the substantial increase in the Group's scale of funding and the two increases in benchmark interest rate for RMB deposits and loans for financial institutions by PBOC in the first half of 2011.

4.2. Cost from Trade and Others Segment

The cost of sales for the trading and others segment of the Group primarily consists of the cost of sales for trading services of the Group. The cost of sales for trading services of the Group is derived from the cost of inventories. Cost of sales for trading services increased by 240.98% to US$42,091,000 for the first half of 2011 from US$12,344,000 for the first half of 2010, primarily due to an increase in the aggregate value of trade transactions in printing and machinery during the period from the first half of 2010 to the first half of 2011, which resulted in an increase in the cost of sales related to the Group's printing and machinery trading services. The cost of sales for printing trading services in the first half of 2011 was US$23,404,000, which increased by US$12,239,000 or 109.62% as compared with US$11,165,000 in the corresponding period of the previous year. The cost of sales for machinery trading services in the first half of 2011 was US$12,639,000, which increased by US$12,639,000 as compared with nil in the corresponding period of the previous year. In addition, the cost of medical engineering was US$2,557,000 and cost of chartering services of the shipping business was US$2,963,000, and these businesses have not been developed in the corresponding period of the previous year.

Management Discussion and Analysis

5. GROSS PROFIT

The gross profit of the Group in the first half of 2011 was US$162,294,000, which increased by US$67,967,000 or 72.05% as compared with US$94,327,000 in the corresponding period of the previous year. For the first half of 2011 and the corresponding period of the previous year, the gross profit margin of our Group was 55.14% and 66.03%, respectively.

5.1. Gross Profit of Lease and Services Segment

The gross profit margin of the lease and services segment of our Group in the first half of 2011 was 63.45%, which represented a decrease as compared with 71.44% in the corresponding period of the previous year. The gross profit margin of leasing and services segment was affected by the change of net interest income from leasing and net interest income margin. The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin for the periods indicated.

	For the six months ended 30 June		
	2011	2010	
	US$'000	US$'000	Change %
	(Unaudited)	(Unaudited)	
Interest Income[1]	**173,002**	74,766	131.39%
Interest Expense[2]	**(89,936)**	(36,194)	148.48%
Net Interest Income	**83,066**	38,572	115.35%
Net Interest Spread[3]	**2.29%**	1.75%	30.86%
Net Interest Margin[4]	**3.82%**	3.40%	12.35%

Notes:

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

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

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

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

Management Discussion and Analysis

Net interest spread of the Group for the first half of 2011 was 2.29%, increased by 0.54 percentage point as compared with 1.75% in the corresponding period of the previous year. Net interest spread increased, primarily due to the increase of 138 basis points in respect of the average yield on interest-earning assets, which was partially off set by an increase of 84 basis points in the average cost of interest-bearing costs of the Group. For the changes in respect of the average yield on interest-earning assets and average cost of interest-bearing borrowings, please refer to the discussion and analysis of part 3.1 and 4.1 respectively. At the same time, the average total balance of interest-earning assets of our Group in the first half of 2011 increased by 91.38% as compared with the corresponding period of the previous year. As such, the net interest income of the Group increased by 115.35% to US$83,066,000 for the first half of 2011 from US$38,572,000 for the first half of 2010. On the basis of the abovementioned reasons, the net interest margin of the Group rose from 3.40% for the first half of 2010 to 3.82% for the first half of 2011.

5.2. Gross Profit of Trade and Others Segment

The gross profit of trade and other segments increased by 64.17% from US$3,785,000 for the first half of 2010 to US$6,214,000 for the first half of 2011, primarily due to the increase in trading revenue from printing and machinery and the increase in brokerage revenue from shipping.

6. OTHER INCOME AND GAIN

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

	For the six months ended 30 June		
	2011	2010	
	US$'000	US$'000	Change %
	(Unaudited)	(Unaudited)	
Bank Interest Income	**1,596**	468	241.03%
Foreign exchange gain	**3,265**	125	2512.00%
Gain from disposal of available-for-sale securities	**–**	4,223	–
Other income	**28**	113	-75.22%
Total	**4,889**	4,929	-0.81%

Other income and gain of the Group in the first half of 2011 amounted to US$4,889,000, which remained stable as compared with the corresponding period of the previous year. Foreign exchange gain of US$3,265,000 represented a substantial increase as compared with the corresponding period of the previous year, which mainly reflected the results of changes in exchange rate.

Management Discussion and Analysis

7. SELLING AND DISTRIBUTION COSTS

Selling and distribution costs of the Group in the first half of 2011 was US$27,715,000, which increased by US$10,612,000 or 62.05% as compared with the corresponding period of the previous year, mainly reflecting an increase of 54.71% in the cost of the Group relating to the salaries and benefits of sales and marketing staff due to the increase in headcount for selling and distribution personnel of the Group from 379 in the corresponding period of the previous year to 621 in the first half of 2011. This increase in headcount for selling and distribution personnel was necessary for the expansion of our business operations. Also, this increase in selling and distribution costs also resulted in an increase in our travel expenses.

8. ADMINISTRATIVE EXPENSES

Administrative expenses of the Group in the first half of 2011 were US$37,635,000, which increased by US$20,146,000 or 115.19% as compared with the corresponding period of the previous year. This primarily reflects an increase in the expenses of the Group in respect of the impairment of loans and accounts receivables and an increase in the salaries and benefits of the administrative and management staff primarily due to an increase in the number of administrative staff. The increase in the total number of staff of our Group from 751 in the first half of 2010 to 1,184 in the first half of 2011 is primarily due to business expansion of our Group.

8.1. Impairment of Loans and Accounts Receivable

The impairment of loans and accounts receivable of the Group in the first half of 2011 was US$16,367,000, which increased by US$10,933,000 or 201.20% as compared with the corresponding period of the previous year. This is primarily due to an increase of 96.85% in the net lease receivables during the corresponding period. The Group cautiously increased the provisions for the impairment of loans and accounts receivable according to the five-category classification on assets.

The following table sets forth a breakdown of impairment of loans and accounts receivables of the Group for the periods indicated.

	30 June 2011		30 June 2010		
	US$'000 (Unaudited)	**% of total**	US$'000 (Unaudited)	% of total	Change %
Impairment of loans and accounts receivable:					
Individually assessed	**387**	**2.36%**	762	14.02%	-49.21%
Collectively assessed	**15,980**	**97.64%**	4,672	85.98%	242.04%
Total	**16,367**	**100.00%**	5,434	100.00%	201.20%

8.2. Cost to Income Ratio[1]

Cost to income ratio of the Group in the first half of 2011 was 30.18%, which slightly decreased as compared with 31.31% as at the end of last year.

Note:

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

Management Discussion and Analysis

9. OTHER EXPENSES

Other expenses of the Group in the first half of 2011 were US$3,202,000, which increased by US$2,570,000 or 406.65% as compared with the corresponding period of the previous year. This is primarily due to an increase in the commission expenses of bank charges incurred when the Group expanded business in the first half of 2011.

10. INCOME TAX EXPENSE

Income tax expense of the Group in the first half of 2011 was US$23,922,000, which increased by US$10,218,000 or 74.56% as compared with the corresponding period of the previous year. The increase was primarily due to an increase in the operating profit of the Group during the corresponding period. Effective tax rate of the Group for the first half of 2011 and the corresponding period of the previous year was 24.25% and 21.40%, respectively.

11. PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

Based on the discussion and analysis above, profit for the period attributable to owners of the company was US$74,697,000, which increased by US$24,249,000 or 48.07% as compared with the previous year. Net profit margin of the Group for the first half of 2011 was 25.38%, representing a decrease as compared with 35.23% in the corresponding period of the previous year.

12. LOANS AND ACCOUNTS RECEIVABLE

The main components of assets of the Group are loans and accounts receivable, accounting for 81.57% of the total assets of the Group as at 30 June 2011.

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

	30 June 2011		31 December 2010		
	US$'000 (Unaudited)	**% of total**	US$'000 (Audited)	% of total	Change %
Lease receivables	**5,598,549**		4,152,964		34.81%
Less: Unearned finance income	**(705,360)**		(495,286)		42.41%
Net lease receivables	**4,893,189**	**97.85%**	3,657,678	97.68%	33.78%
Entrusted loans[(1)]	**74,561**	**1.49%**	68,785	1.84%	8.40%
Long term receivables	**1,143**	**0.02%**	–		N/A
Others	**31,936**	**0.64%**	18,051	0.48%	76.92%
Loans and accounts receivable[(2)]	**5,000,829**	**100.00%**	3,744,514	100.00%	33.55%

Management Discussion and Analysis

Notes:

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

(2) The amount is not net of provisions.

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

Loans and accounts receivable of the Group (net of provisions) as at 30 June 2011 amounted to US$4,939,156,000, representing an increase of 33.48% compared to US$3,700,329,000 as at 31 December 2010. Net lease receivables (before provisions) were the most significant component of loans and accounts receivable, accounting for 97.85% of loans and accounts receivable (before provisions) as at 30 June 2011.

12.1. Lease Receivables

Net lease receivables of the Group as at 30 June 2011 were US$4,893,189,000, representing an increase of 33.78% as compared to US$3,657,678,000 as at 31 December 2010. The increase was due to a significant increase in both the number of customers served and the number of new lease contracts entered into by the Group, as a result of the continuous expansion of financial leasing business of the Group on a basis of the Group's effective risk control in the first half of 2011.

12.1.1 Net lease receivables by industry categories

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

	30 June 2011		31 December 2010		
	US$'000 (Unaudited)	**% of total**	US$'000 (Audited)	% of total	Change %
Healthcare	**1,178,725**	**24.09%**	959,717	26.24%	22.82%
Education	**759,008**	**15.51%**	540,579	14.78%	40.41%
Infrastructure construction	**833,086**	**17.03%**	524,751	14.35%	58.76%
Shipping	**459,537**	**9.39%**	396,609	10.84%	15.87%
Printing	**740,801**	**15.14%**	600,789	16.43%	23.30%
Machinery	**456,699**	**9.33%**	319,288	8.73%	43.04%
Others	**465,333**	**9.51%**	315,945	8.63%	47.28%
Total	**4,893,189**	**100.00%**	3,657,678	100.00%	33.78%

Management Discussion and Analysis

Net lease receivables for infrastructure construction, others, machinery and education grew the fastest among the target industries of the Group between 31 December 2010 and 30 June 2011 which grew by 58.76%, 47.28%, 43.04% and 40.41%, respectively, as the Group that assigned more dedicated sales and marketing personnel to the industries above.

12.1.2 Aging analysis of lease receivables

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

	30 June 2011		31 December 2010		
	US$'000 (Unaudited)	**% of total**	US$'000 (Audited)	% of total	Change %
Net lease receivables					
Within 1 year	**3,298,149**	**67.40%**	2,446,603	66.89%	34.81%
1-2 years	**1,146,401**	**23.43%**	860,555	23.53%	33.22%
2-3 years	**331,421**	**6.77%**	254,851	6.97%	30.05%
3 years and beyond	**117,218**	**2.40%**	95,669	2.61%	22.52%
Total	**4,893,189**	**100.00%**	3,657,678	100.00%	33.78%

Net lease receivables within one year represented net lease receivables relating to new lease contracts that became effective within one year from the reporting date indicated, and were still valid as at the end of the year or period. As at 30 June 2011, net lease receivables within one year as set forth in the table above represented 67.40% of net lease receivables of the Group, which was slightly higher than the level recorded at the end of last year. This indicated that the Group had a higher capability in signing and executing new lease contracts than that at the end of last year and could be sustainable.

Management Discussion and Analysis

12.1.3 Maturity profile of lease receivables

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

	30 June 2011		31 December 2010		
	US$'000 (Unaudited)	**% of total**	US$'000 (Audited)	% of total	Change %
Maturity date					
Less than 1 year	**1,698,613**	**34.71%**	1,255,456	34.32%	35.30%
1 to 2 years	**1,394,349**	**28.50%**	1,038,151	28.38%	34.31%
2 to 3 years	**953,741**	**19.49%**	694,227	18.98%	37.38%
3 years and beyond	**846,486**	**17.30%**	669,844	18.32%	26.37%
Total	**4,893,189**	**100.00%**	3,657,678	100.00%	33.78%

Net lease receivables due within one year represented net lease receivables which the Group would receive within one year of the reporting date indicated. As at 30 June 2011, net lease receivables due within one year as set forth in the table above represented 34.71% of the Group's net lease receivables as at each of the respective dates, which was in line with the situation at the end of last year. This indicated that the maturity of the Group's net lease receivables was widely spread and could provide the Group with consistent and sustainable cash inflows that helped match our liabilities.

12.2. Asset Quality of Net Lease Receivables

12.2.1 Five-category lease receivables classification

The Group adopts the five-category classification for lease receivables. With information about the quality of existing assets, the Group has a clear picture of the risks and quality of the asset. Based on which, the Group allocates management resources and adjusts management efficiencies in a focused manner, to effectively implement classification measures, while prevents risks in a more proactive and focused way, to enhance asset risk control ability.

Classification criteria

In determining the classification of lease receivables portfolio, the Group applies a set of criteria that are derived from its own internal regulations regarding the management of lease assets. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on our lease receivables. Lease receivables classification criteria of the Group focus on several factors (if applicable). Lease classifications of the Group include:

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

Management Discussion and Analysis

Special mention. Even though the lessee has been able to pay the lease payments in a timely manner, there are still factors that could adversely affect its ability to pay. These factors include changes in economy, policies, and industry environment, impacts of changes in property structures, management mechanisms, organizational frameworks and management turnovers, operational abilities, material investments, credit scale and credit position, as well as core asset value of the lessee on repayment abilities of the lessee. The Group takes into account impacts of subjective factors (such as changes in repayment willingness of the lessee) on asset quality, for example, if lease payments have been overdue for 30 days or more and the financial position of the lessee has worsened or its net cash flow has become negative, then the lease receivables for this lease contract should be classified as special mention or lower.

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

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

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

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

	30 June 2011		31 December 2010		
	US$'000 (Unaudited)	**% of total**	US$'000 (Unaudited)	% of total	Change %
Pass	**3,966,799**	**81.07%**	3,019,352	82.55%	31.38%
Special mention	**890,068**	**18.19%**	602,064	16.46%	47.84%
Substandard	**28,877**	**0.59%**	29,750	0.81%	-2.93%
Doubtful	**6,776**	**0.14%**	5,856	0.16%	15.71%
Loss	**669**	**0.01%**	656	0.02%	1.98%
Net lease receivables	**4,893,189**	**100.00%**	3,657,678	100.00%	33.78%
Non-performing assets	**36,322**		36,262		0.17%
Non-performing asset ratio	**0.74%**		0.99%		-25.13%

Management Discussion and Analysis

The Group has been implementing strong asset management policies and sustainably adopting stringent asset classification policies. As at 30 June 2011, the Group's asset ratio, which was classified as special mention, was 18.19%, which was relatively higher as compared to that as at 31 December 2010 due to the tightening of credit policies in the mainland as well as the dynamic changes in the international economic environment. Other industry special mention assets accounted for 36.03% of total special mention assets, primarily due to new entry into the industry and lack of systematic knowledge about customers. Operation remained relatively stable and no overdue occurred during the first half of 2011. Though as tight macro policies continued and in view of overall industry risks, the Group carefully re-classified all assets for such customers, demonstrating a high focus on systematic risks of the industry. Infrastructure construction industry's special mention assets accounted for 26.66% of total special mention assets. Overdue ratio in infrastructure construction assets was low, though, as tight macro-economic policies continued and in view of industry risks, more infrastructure construction assets were carefully adjusted to special mention assets by the Group.

The following table sets forth analyses of the Group's special mention assets by seven target industries as at the dates indicated.

	30 June 2011		31 December 2010		
	US$'000 (Unaudited)	**% of total**	US$'000 (Unaudited)	% of total	Change %
Healthcare	**42,046**	**4.72%**	60,763	10.09%	-30.80%
Education	**140,359**	**15.77%**	150,264	24.96%	-6.59%
Infrastructure construction	**237,249**	**26.66%**	102,099	16.96%	132.37%
Shipping	**58,491**	**6.57%**	65,965	10.96%	-11.33%
Printing	**45,396**	**5.10%**	32,884	5.46%	38.05%
Machinery	**45,807**	**5.15%**	25,711	4.27%	78.16%
Others	**320,720**	**36.03%**	164,378	27.30%	95.11%
Total	**890,068**	**100.00%**	602,064	100.00%	47.84%

In view of changes of the Group for previous years, high percentage of special mention assets of the Group did not represent a poorer assets quality.

Management Discussion and Analysis

The following table sets forth changes in the Group's special mention assets as at the dates indicated.

	Pass	Special mention	Substandard	Doubtful	Loss and write-off
		As at 30 June 2011 (Unaudited)			
Special mention	**19.64%**	**64.83%**	**0.82%**	**0.13%**	**0.00%**
		As at 31 December 2010 (Unaudited)			
Special mention	32.87%	32.18%	1.43%	0.84%	0.00%

As the Group has been sustainably implementing conservative policies regarding risk management and provisioning and the balance of new net lease receivables increased in the first half of 2011, the Group's non-performing asset ratio of net lease receivables dropped from 0.99% as at 31 December 2010 to 0.74% as at 30 June 2011. The balance of non-performing assets was US$36,322,000, increased by US$60,000 as compared to the end of last year.

The following table sets forth analyses of the Group's non-performing assets by seven target industries as at the dates indicated.

	30 June 2011		31 December 2010		
	US$'000 (Unaudited)	**% of total**	US$'000 (Unaudited)	% of total	Change %
Healthcare	**1,559**	**4.29%**	2,625	7.24%	-40.61%
Education	**1,747**	**4.81%**	1,055	2.91%	65.59%
Infrastructure construction	**6,752**	**18.59%**	3,621	9.99%	86.47%
Shipping	**16,715**	**46.02%**	18,733	51.66%	-10.77%
Printing	**9,549**	**26.29%**	10,228	28.20%	-6.64%
Machinery	**–**	**0.00%**	–	0.00%	N/A
Others	**–**	**0.00%**	–	0.00%	N/A
Total	**36,322**	**100.00%**	36,262	100.00%	0.17%

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

Management Discussion and Analysis

	Amount	Non-performing assets ratio
	US$'000	%
	(Unaudited)	
31 December 2010	36,262	0.99%
Downgrades [1]	7,481	
Upgrades	(921)	
Recoveries	(6,500)	
Write-offs	–	
30 June 2011	**36,322**	**0.74%**

Note:

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

12.2.2 Lease receivable provisions

The following table sets forth the analysis of the Group's provisions under the assessment methodology as at the dates indicated (1).

	30 June 2011		31 December 2010		
	US$'000	**% of total**	US$'000	% of total	Change %
	(Unaudited)		(Audited)		
Asset impairment provisions:					
Individually assessed	**9,481**	**15.92%**	8,930	21.16%	6.17%
Collectively assessed	**50,072**	**84.08%**	33,270	78.84%	50.50%
Total	**59,553**	**100.00%**	42,200	100.00%	41.12%
Non-performing assets	**36,322**		36,262		
Provision coverage ratio	**163.96%**		116.38%		

As at 30 June 2011, the Group, in light of cautious principle, managed the asset quality of our Group by increasing the provisions for asset impairment based on the conscientious analysis of factors such as the tightening domestic credit policy and the changing global economic environment. Therefore, provision coverage ratio of the Group as at 30 June 2011 increased to 163.96%.

Management Discussion and Analysis

12.2.3 Write-offs of lease receivables

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)	Change %
Write-off	**–**	35	-100.00%
Non-performing assets of the last financial year	**36,262**	23,589	53.72%
Write-off ratio (1)	**0.00%**	0.15%	-100.00%

Note:

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

As a result of the Group's stringent risk management controls and our management of asset quality, the Group's non-performing assets write-off ratio decreased to 0.00% as at 30 June 2011 from 0.15% at the end of last year.

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

As a result of the Group's stringent risk management controls and our management of asset quality, the Group's lease overdue ratio (over 30 days) was 0.16% in the first half of 2011, representing a slightly increase as compared to 0.14% at the end of 2010. For all loans and lease receivables having been overdue for 30 days or more in the first half of 2011, the loans and lease receivables having been overdue for 30 days or more in printing industry represented 77.28% in total amount; and the loans and lease receivables having been overdue for 30 days or more in infrastructure construction industry represented 15.71% in total amount.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

As at 30 June 2011, the Group's total interest-bearing bank and other borrowings amounted to US$3,778,603,000, representing an increase of 47.03% as compared with the end of last year of US$2,569,939,000. This is primarily because the Group increased the amount of bank loans in the first half of 2011 in order to support the growth of the Group's lease receivable portfolio as we expanded our business operations. The Group's borrowings are mainly denominated in RMB and United States dollars ("USD") and bear interest at floating rates.

Management Discussion and Analysis

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

	30 June 2011 US$' 000 (Unaudited)	**Proportion %**	31 December 2010 US$' 000 (Audited)	Proportion %
Current	**1,454,897**	**38.50%**	910,000	35.41%
Non-current	**2,323,706**	**61.50%**	1,659,939	64.59%
Total	**3,778,603**	**100.00%**	2,569,939	100.00%

As at 30 June 2011, the Group's current interest-bearing bank and other borrowings (including the current portion of long-term borrowings) as a percentage of the Group's total interest-bearing bank and other borrowings was 38.50%. It increased by 3.09 percentage points from 35.41% as compared to 31 December 2010. In the first half of 2011, the Group made no change to the Group's policies with respect to the term structure of current and non-current bank and other borrowings.

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

	30 June 2011 US$' 000 (Unaudited)	**Proportion %**	31 December 2010 US$' 000 (Audited)	Proportion %
Secured	**1,848,874**	**48.93%**	1,517,644	59.05%
Unsecured	**1,929,729**	**51.07%**	1,052,295	40.95%
Total	**3,778,603**	**100.00%**	2,569,939	100.00%

The Group carefully managed its funding risk in the first half of 2011. As at 30 June 2011, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 51.07% of the Group's total interest-bearing bank and other borrowings, representing an increase over the end of last year.

Management Discussion and Analysis

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

	30 June 2011 US$' 000 (Unaudited)	**Proportion %**	31 December 2010 US$' 000 (Audited)	Proportion %
Bank loans	**3,111,997**	**82.36%**	2,130,029	82.88%
Related-party borrowings	**472,835**	**12.51%**	437,410	17.02%
Other loans	**193,771**	**5.13%**	2,500	0.10%
Total	**3,778,603**	**100.00%**	2,569,939	100.00%

The proportion of the Group's related-party borrowings as a percentage to the Group's total bank and other borrowings was 12.51% as at 30 June 2011, decreased by 4.51 percentage points as compared to the end of last year as the Group chose to utilize more other loans to expand its business.

14. ANALYSIS ON CASH FLOWS STATEMENT

	For the six months ended 30 June		
	2011 US$' 000 (Unaudited)	2010 US$' 000 (Unaudited)	Change %
Net cash flow from operating activities	**(896,014)**	(379,288)	136.24%
Net cash flow from investing activities	**(68,460)**	(29,986)	128.31%
Net cash flow from financing activities	**1,881,772**	472,320	298.41%
Effect of exchange rate changes on cash and cash equivalents	**8,861**	161	5403.73%
Net increase/(decrease) in cash and cash equivalents	**926,159**	63,207	1365.28%

As at 30 June 2011, the Group had net cash outflow from operating activities in the amount of US$896,014,000 as the Group expanded its business and increased the balance of our net lease receivables. Correspondingly, the Group increased its bank and other borrowings, which were recorded as cash inflow from financing activities. Besides, on 30 March 2011, the Company carried out its IPO, and an over-allotment option was exercised on 31 March 2011. As a result, net cash inflow from financing activities was US$1,881,772,000 as at 30 June 2011. Net cash outflow from investing activities as at 30 June 2011 was US$68,460,000, which was primarily attributable to the increase of the Company's time and pledged deposits by US$67,779,000 and this was driven by the increase of the Group's borrowings from overseas banks. As at 30 June 2011, the Group's cash and cash equivalents amounted to RMB979,521,000, which are mainly denominated in RMB, USD, and Hong Kong dollars.

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15. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. In the first half of 2011, no change was made to the objectives, policies or processes for managing capital.

15.1. Gearing Ratio

The Group monitors capital by gearing ratio.

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

	30 June 2011 US$' 000 (Unaudited)	31 December 2010 US$' 000 (Audited)
Total assets	**6,055,281**	3,824,164
Total liabilities	**4,720,491**	3,296,832
Total equity	**1,334,790**	527,332
Gearing ratio	**77.96%**	86.21%

In the first half of 2011, the Group made full use of capital leverage for our operations to keep the Group's gearing ratio relatively high while at the same time closely managed the Group's gearing ratio to avoid potential liquidity risk. In the first half of 2011, our gearing ratio, which was maintained at a reasonable level, was 77.96%.

16. CAPITAL EXPENDITURES

The Group's capital expenditure was US$1.80 million in the first half of 2011, which was mainly used as the expenditures for additions of property, plant and equipment.

Management Discussion and Analysis

17. RISK MANAGEMENT

17.1. Interest Rate Risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of the adverse movements in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term liabilities and lease receivables. The interest rate risks that we face are relatively limited because both our assets and liabilities are based on floating interest rates. The limited interest rate risk we incur primarily arises from the difference within the duration of our assets and liabilities. We manage our interest rate risk exposure by adjusting the structure of our assets and liabilities based on an assessment of potential changes in interest rates using gap analysis, which provides a specific measure of the re-pricing of the Group's assets and liabilities. We have adopted certain measures to deal with interest rate risk, including (i) further strengthening research capabilities to determine likely interest rate fluctuations and trends by formulating regular tracking and reporting systems, and (ii) adjusting interest rate pricing policies for lease contracts to minimize interest rate gaps and inconsistencies between assets and liabilities. We have also formulated and implemented Measures Governing Interest Rate Risk Management to further regulate interest rate risk management based on our past experience. These measures introduced a mechanism to assess the impact of potential interest changes using gap analysis.

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

	Increase/(decrease) in profit before tax of the Group	
	30 June 2011 US$' 000 (Unaudited)	31 December 2010 US$' 000 (Audited)
+100 basis points	**11,176**	10,077
-100 basis points	**(11,176)**	(10,077)

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17.2. Exchange Rate Risk

Exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily related to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency). We have formulated and implemented relevant policies to manage our exchange rate risk. According to these policies, we manage our currency exposures primarily by establishing tracking systems which record and report the latest exchange rate fluctuation information to enable us to effectively manage exchange rate risk in the long run.

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

	Change in exchange rate	**30 June 2011 US$' 000 (Unaudited)**	31 December 2010 US$' 000 (Audited)
Effect on profit before tax	-1%	**463**	592

Since the risk exposure is comparatively small, the Group has not adopted any financial instrument to hedge against exchange rate risk.

17.3 Liquidity Risk

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

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

Management Discussion and Analysis

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

	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
			As at 30 June 2011 (Unaudited)			
Total financial assets	**736,235**	**878,985**	**1,516,077**	**3,535,802**	**82,302**	**6,749,401**
Total financial liabilities	**44,538**	**480,576**	**1,372,674**	**3,029,980**	**16,741**	**4,944,509**
Net liquidity gap	**691,697**	**398,409**	**143,403**	**505,822**	**65,561**	**1,804,892**
			As at 31 December 2010 (Audited)			
Total financial assets	55,462	377,212	1,169,476	2,636,859	72,789	4,311,798
Total financial liabilities	10,741	373,606	824,359	2,235,787	14,918	3,459,411
Net liquidity gap	44,721	3,606	345,117	401,072	57,871	852,387

18. CHARGES ON GROUP ASSETS

The Group had lease receivables in the amount of US$2,063.72 million and cash in the amount of US$52.99 million pledged to the bank as at 30 June 2011 in order to secure the bank loans.

19. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

As at 30 June 2011, the Company had no material investment and there was no material acquisition and disposal of subsidiaries and associated companies.

20. HUMAN RESOURCES

As at 30 June 2011, the Group had 1,184 full-time employees, an increase of 310 full-time employees as compared to 874 by the end of 2010.

For the first half of 2010 and 2011, the Group incurred employee benefit expenses of US$18.76 million and US$29.53 million, respectively, representing approximately 13.13% and 10.03% of the Group's total revenue for those periods.

The Group believes it has a high quality work force with specialized industry expertise, with approximately 94% of the Group's employees having bachelor's degrees and above and approximately 57% having master's degrees and above as at 30 June 2011.

Management Discussion and Analysis

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 has 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 by the Group every quarter on the basis of, among other criteria, their performance as business leaders to achieve stipulated performance targets (such as budget targets) and their risk management capabilities on the operational matters under their charge.

Employee benefits

In accordance with applicable PRC regulations, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. The Group also provides supplemental commercial medical insurance, property insurance and safety insurance in addition to those required under such PRC regulations. As at 30 June 2011, the Group had complied with all statutory social insurance and housing fund obligations applicable to the Group under PRC laws in all material aspects.

21. CIRCUMSTANCES INCLUDING CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

21.1 Contingent liabilities

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

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

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Legal proceeding:		
Claimed amounts	**154**	151

Management Discussion and Analysis

21.2 Capital Commitments and Credit Commitments

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

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	**128**	358
Irrevocable credit commitments	**794,169**	551,112

The Group's irrevocable credit commitments represent those financial leasing that has been signed while the term of which has not started. The increase from 31 December 2010 to 30 June 2011 was primarily due to the business expansion of the Group during the first half of 2011.

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

22. UNAUDITED INTERIM RESULTS

The board of directors of the Company (the "Board") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2011, together with comparative amounts as follows. The Company's auditor Ernst & Young has reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011, and issued the relevant review report, details of which are set out on pages 37 to 72 of this interim report.

Disclosure of Interests

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 30 June 2011, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (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 was 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 to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were detailed as follows:

Name of director	Name of corporation	Capacity/ Nature of interest	Number of shares(1)	Approximate percentage of interest in the Company
Han Xiaojing	The Company	Beneficial owner	30,000(L)	0.001%

Note:

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

Save as disclosed above, as at 30 June 2011, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she had taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

So far as the Directors are aware, as at 30 June 2011, the following entities had interests or short positions in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO:

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

Disclosure of Interests

Notes:

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

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

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

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

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

Corporate Governance

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2011, except for deviation from the code provision E.1.2.

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

In the annual general meeting of the Company held on 17 June 2011 (the "2011 AGM"), Mr Liu De Shu (Chairman of the Board), Mr Liu Haifeng David (Chairman of the Strategy and Investment Committee) and Mr Liu Jialin (Chairman of the Remuneration and Nomination Committee) were unable to attend the 2011 AGM due to other important business engagements. In order to ensure smooth holding of the 2011 AGM, Mr Liu De Shu has authorized Mr Kong Fanxing, an executive director and Chief Executive Officer of the Company, to chair the 2011 AGM. Besides, Mr Kong Fanxing as a member of the Strategy and Investment Committee together with Ms Shi Dai (a non-executive director of the Company and member of the Remuneration and Nomination Committee) and Mr Yip Wai Ming (an independent non-executive director of the Company and Chairman of the Audit Committee) were available at the 2011 AGM to answer questions where necessary.

Other Information

DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 June 2011.

SHARE OPTION SCHEME

The Group does not have any share option scheme.

AUDIT COMMITTEE

The Audit Committee consists of three members, namely Mr. YIP Wai Ming (Chairman of the Committee), Mr. HAN Xiaojing and Ms. SUN Xiaoning, two of whom are independent non-executive directors (including one independent non-executive director with suitable professional qualifications or expertise in accounting or financial management). They have reviewed the accounting standards and practices adopted by the Group and discussed the auditing and financial reporting matters, including the review of the unaudited interim financial results of the Group for the six months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the directors and the directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2011.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

With the shares of the Company listed on the Stock Exchange on 30 March 2011, the net proceeds from the global offering were approximately US$742,356,000 (including portion from exercise of the over-allotment option), which will be utilized for the purposes as set out in the Prospectus dated 18 March 2011.

Report on Review of Interim Condensed Consolidated Financial Statements

To the shareholders of Far East Horizon Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 38 to 72, which comprises the interim condensed consolidated statement of financial position of Far East Horizon Limited as at 30 June 2011, and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
24 August 2011

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June 2011 US$'000 (Unaudited)	 2010 US$'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	*4*	**294,321**	142,865
Cost of sales		**(132,027)**	(48,538)
Gross profit		**162,294**	94,327
Other income and gains	*4*	**4,889**	4,929
Selling and distribution costs		**(27,715)**	(17,103)
Administrative expenses		**(37,635)**	(17,489)
Other expenses		**(3,202)**	(632)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**98,631**	64,032
Income tax expense	*6*	**(23,922)**	(13,704)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**74,709**	50,328
Attributable to:			
Owners of the parent		**74,697**	50,448
Non-controlling interests		**12**	(120)
		74,709	50,328
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**US cents**	US cents
Basic and Diluted			
– For profit for the period	*8*	**3.14**	2.65

Details of the dividends payable and proposed for the period are disclosed in Note 7 to the financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**74,709**	50,328
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Changes in fair value	**–**	–
Gain from disposal	**–**	(4,223)
Exchange differences	**–**	11
Income tax effect	**–**	929
	–	(3,283)
Exchange differences on translation of financial statements of entities in Mainland China	**14,537**	2,241
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**14,537**	(1,042)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**89,246**	49,286
Attributable to:		
Owners of the parent	**89,224**	49,403
Non-controlling interests	**22**	(117)
	89,246	49,286

Interim Condensed Consolidated Statement of Financial Position

30 June 2011

	Notes	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**5,228**	4,002
Other assets		**4,194**	3,316
Deferred tax assets		**13,388**	9,263
Loans and accounts receivable	10	**3,213,161**	2,429,303
Total non-current assets		**3,235,971**	2,445,884
CURRENT ASSETS			
Inventories		**299**	495
Construction Contracts	11	**1,510**	–
Loans and accounts receivable	10	**1,725,995**	1,271,026
Prepayments, deposits and other receivables		**19,679**	28,870
Time and pledged deposits	12	**92,306**	24,527
Cash and cash equivalents	12	**979,521**	53,362
Total current assets		**2,819,310**	1,378,280
CURRENT LIABILITIES			
Trade and bills payables	13	**210,563**	160,539
Other payables and accruals		**163,118**	113,804
Interest-bearing bank and other borrowings	14	**1,454,897**	910,000
Tax payable		**15,672**	25,425
Total current liabilities		**1,844,250**	1,209,768
NET CURRENT ASSETS		**975,060**	168,512
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,211,031**	2,614,396

Interim Condensed Consolidated Statement of Financial Position

30 June 2011

	Notes	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**2,323,706**	1,659,939
Other payables and accruals		**540,687**	418,670
Deferred revenue		**2,612**	3,168
Deferred tax liabilities		**8,628**	5,287
Other liabilities	15	**608**	–
Total non-current liabilities		**2,876,241**	2,087,064
Net assets		**1,334,790**	527,332
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	**3,647**	2
Reserves	17	**1,330,701**	526,910
		1,334,348	526,912
Non-controlling interests		**442**	420
Total equity		**1,334,790**	527,332

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the parent								
	Issued capital US$'000 *(Note 16)*	Share premium account US$'000 *(Note 16)*	Capital reserve US$'000 *(Note 17)*	Reserve funds US$'000 *(Note 17)*	Exchange fluctuation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2011 (Audited)	2	–	342,737	16,350	34,167	133,656	526,912	420	527,332
Profit for the period	–	–	–	–	–	74,697	74,697	12	74,709
Other comprehensive income for the period									
Exchange differences on translation of financial statements of entities in Mainland China	–	–	–	–	14,527	–	14,527	10	14,537
Total comprehensive income for the period	–	–	–	–	14,527	74,697	89,224	22	89,246
Transfer from capital reserve *(Note 16)*	2,441	–	(2,441)	–	–	–	–	–	–
Issue of shares *(Note 16)*	1,204	756,416	–	–	–	–	757,620	–	757,620
Share issue expenses *(Note 16)*	–	(38,284)	–	–	–	–	(38,284)	–	(38,284)
Dividends *(Note 7)*	–	–	–	–	–	(1,124)	(1,124)	–	(1,124)
At 30 June 2011 (Unaudited)	3,647	718,132*	340,296*	16,350*	48,694*	207,229*	1,334,348	442	1,334,790

* These reserve accounts comprise the consolidated reserves of US$1,330,701,000 (31 December 2010: US$526,910,000) in the consolidated statement of financial position.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the parent								
	Issued capital US$'000 *(Note 16)*	Capital reserve US$'000 *(Note 17)*	Available-for-sale investment revaluation reserve US$'000	Reserve funds US$'000 *(Note 17)*	Exchange fluctuation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2010 (Audited)	1	127,058	3,283	16,350	20,325	108,819	275,836	–	275,836
Profit for the period	–	–	–	–	–	50,448	50,448	(120)	50,328
Other comprehensive income for the period									
Disposal of available for sale investment, net of tax	–	–	(3,283)	–	–	–	(3,283)	–	(3,283)
Exchange differences on translation of financial statements of entities in Mainland China	–	–	–	–	2,238	–	2,238	3	2,241
Total comprehensive income for the period	–	–	(3,283)	–	2,238	50,448	49,403	(117)	49,286
Capitalisation of shareholder's loan *(Note 17)*	1	215,679	–	–	–	–	215,680	–	215,680
Capital injection	–	–	–	–	–	–	–	734	734
Dividends *(Note 7)*	–	–	–	–	–	(78,912)	(78,912)	–	(78,912)
At 30 June 2010 (Unaudited)	2	342,737	–	16,350	22,563	80,355	462,007	617	462,624

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June 2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(896,014)**	(379,288)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(68,460)**	(29,986)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**1,881,772**	472,320
NET INCREASE IN CASH AND CASH EQUIVALENTS		**917,298**	63,046
Cash and cash equivalents at beginning of the period		**53,362**	54,444
Effect of exchange rate changes on cash and cash equivalents		**8,861**	161
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**979,521**	117,651
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*12*	**714,581**	92,235
Non-pledged time deposits with original maturity of less than three months when acquired	*12*	**264,940**	25,416
Cash and cash equivalents as stated in the statement of financial position		**979,521**	117,651

Notes to Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

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

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 March 2011.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2011 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2010.

The interim condensed consolidated financial statements are presented in United States dollars ("US dollars" or "US$") and all values are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2010, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

Notes to Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

HKFRS 1 Amendment	Amendment to HKFR 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

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

Adoption of these new HKFRS did not have any material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

The Group has not early adopted any other standard, interpretation or amendment that was issued by is not yet effective.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

Notes to Interim Condensed Consolidated Financial Statements

3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2011 (Unaudited)	Leasing and Advisory US$'000	Trading and Others US$'000	Intersegment US$'000	Total US$'000
Revenue	**246,050**	**48,305**	**(34)**	**294,321**
Cost of sales	**(89,936)**	**(42,091)**	**–**	**(132,027)**
Selling and distribution costs/administrative expenses	**(63,011)**	**(2,339)**	**–**	**(65,350)**
Profit before tax	**94,927**	**3,704**	**–**	**98,631**
Profit after tax	**71,152**	**3,557**	**–**	**74,709**

For the six months ended 30 June 2010 (Unaudited)	Leasing and Advisory US$'000	Trading and others US$'000	Intersegment US$'000	Total US$'000
Revenue	126,736	16,129	–	142,865
Cost of sales	(36,194)	(12,344)	–	(48,538)
Selling and distribution costs/administrative expenses	(33,111)	(1,481)	–	(34,592)
Profit before tax	63,644	2,290	(1,902)	64,032
Profit after tax	50,064	2,166	(1,902)	50,328
At 30 June 2011 (Unaudited)				
Segment assets	**6,044,709**	**37,179**	**(26,607)**	**6,055,281**
Segment liabilities	**4,711,035**	**17,321**	**(7,865)**	**4,720,491**
At 31 December 2010 (Audited)				
Segment assets	3,819,106	14,685	(9,627)	3,824,164
Segment liabilities	3,291,800	11,444	(6,412)	3,296,832

Notes to Interim Condensed Consolidated Financial Statements

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Mainland China	**288,035**	141,169
Hong Kong	**4,467**	1,485
Other countries or regions	**1,819**	211
	294,321	142,865

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

(b) Non-current assets

	30 June	31 December
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Audited)
Mainland China	**9,422**	7,318

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

Information about a major customer

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

Notes to Interim Condensed Consolidated Financial Statements

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Revenue		
Leasing income	**173,002**	74,766
Service fee income	**88,664**	59,273
Sale of goods	**38,009**	13,074
Construction contract revenue	**3,575**	–
Business tax and surcharges	**(8,929)**	(4,248)
	294,321	142,865
Other income and gains		
Bank interest income	**1,596**	468
Foreign exchange gain	**3,265**	125
Gain from disposal of available-for-sale investment	**–**	4,223
Others	**28**	113
	4,889	4,929

Notes to Interim Condensed Consolidated Financial Statements

5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

		For the six months ended 30 June	
		2011	2010
		US$'000	US$'000
	Notes	**(Unaudited)**	(Unaudited)
Cost of borrowings included in cost of sales		**89,936**	36,194
Cost of inventories sold		**36,571**	12,344
Cost of construction contract		**2,557**	–
Cost of transportation		**2,963**	–
Depreciation		**611**	378
Amortisation of intangible assets and other long term assets		**901**	173
Rental expenses		**2,608**	1,669
Auditors' remuneration		**216**	90
Employee benefit expense (including directors' remuneration)			
– Wages and salaries		**19,311**	14,761
– Pension scheme contributions		**1,655**	1,334
– Other employee benefits		**8,561**	2,666
Impairment of loans and accounts receivable	*10*	**16,367**	5,434
Entertainment fee		**1,740**	1,332
Business travelling expenses		**5,392**	3,339
Consultancy fees		**1,212**	631
Office expenses		**1,346**	725
Advertising and promotion expenses		**468**	17
Transportation expenses		**175**	58
Communication expenses		**514**	429
Other miscellaneous expenses		**4,273**	1,556
Loss on disposal of property, plant and equipment		**–**	185
Donation		**306**	–
Commission expense		**2,288**	447
Changes in fair value of derivative financial instruments	*14*	**608**	–

Notes to Interim Condensed Consolidated Financial Statements

6. INCOME TAX

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	**844**	284
Underprovision in prior years	**72**	–
Current – Mainland China		
Charge for the period	**24,458**	16,398
Overprovision in respect of prior years	**(750)**	–
Deferred tax	**(702)**	(2,978)
Total tax charge for the period	**23,922**	13,704

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2010: 16.5%) on the estimated assessable profits arising in Hong Kong for the period.

Corporate Income Tax ("CIT")

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

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

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

Notes to Interim Condensed Consolidated Financial Statements

6. INCOME TAX (continued)

Corporate Income Tax ("CIT") (continued)

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

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit before tax	**98,631**	64,032
Tax at the statutory income tax rates	**23,098**	14,169
Expenses not deductible for tax	**1,062**	326
Income not subject to tax	**(2,220)**	(2,438)
Adjustment on current income tax in respect of prior years	**(678)**	–
Effects of change in tax rate	**(495)**	(474)
Tax losses utilised from previous year	**(25)**	–
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**3,180**	2,121
Income tax expense reported in the interim condensed consolidated income statement	**23,922**	13,704

7. DIVIDENDS

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Dividends	**1,124**	78,912

The dividends paid to the Company's shareholder during the period was dividends distributed to Fortune Ally, the original parent company of the company, on 7 March 2011.

The board of directors does not recommend the payment of a interim dividend to shareholders in respect of the period for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

Notes to Interim Condensed Consolidated Financial Statements

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent and on 1,904,000,000 shares in issue prior to the Global Offering, as though the number of shares had been issued on 1 January 2010.

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue for the period. The weighted average number of ordinary shares includes the weighted average of 938,400,000 shares issued in connection with the Company's IPO and over-allotment option as defined in the Prospectus of the Company dated 18 March 2011(the "Prospectus"), in addition to the aforesaid 1,904,000,000 ordinary shares.

The calculation of basic earning per share is based on:

Earnings

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the earning per share calculation	**74,697**	50,448

Shares

	Number of shares	
	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the earning per share calculation	**2,376,243,094**	1,904,000,000

There were no potential dilutive ordinary shares during the period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment at a total cost of US$1,763,000 (six months ended 30 June 2010: US$1,772,000) and disposed of or wrote off items of property, plant and equipment with a total net carrying amount of US$3,000 (six months ended 30 June 2010: US$6,000).

Notes to Interim Condensed Consolidated Financial Statements

10. LOANS AND ACCOUNTS RECEIVABLE

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Loans and accounts receivable due within 1 year	**1,725,995**	1,271,026
Loans and accounts receivable due after 1 year	**3,213,161**	2,429,303
	4,939,156	3,700,329

10a. Loans and accounts receivable by nature

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Lease receivables *(Note 10b)*	**5,598,549**	4,152,964
Less: Unearned finance income	**(705,360)**	(495,286)
Net lease receivables *(Note 10b)*	**4,893,189**	3,657,678
Lease interest receivables	**23,444**	14,100
Notes receivable	**3,591**	238
Accounts receivable *(Note 10d)*	**4,901**	3,713
Entrusted loans	**74,561**	68,785
Long-term receivables	**1,143**	–
Subtotal of loans and accounts receivable	**5,000,829**	3,744,514
Less: Provision for lease receivables *(Note 10c)*	**(59,553)**	(42,200)
Provision for accounts receivable *(Note 10e)*	**(444)**	(519)
Provision for entrusted loans *(Note 10f)*	**(1,669)**	(1,466)
Provision for long-term receivables *(Note 10g)*	**(7)**	–
	4,939,156	3,700,329

10. LOANS AND ACCOUNTS RECEIVABLE (continued)

10b(1). An aging analysis of lease receivables, determined based on the age of the receivable since the effective date of the relevant lease contracts, as at the end of the reporting period is as follow:

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Lease receivables		
Within 1 year	**3,822,200**	2,820,536
1-2 years	**1,287,229**	954,189
2-3 years	**364,025**	276,748
3 years and beyond	**125,095**	101,491
Total	**5,598,549**	4,152,964

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Net lease receivables		
Within 1 year	**3,298,149**	2,446,603
1-2 years	**1,146,401**	860,555
2-3 years	**331,421**	254,851
3 years and beyond	**117,218**	95,669
Total	**4,893,189**	3,657,678

Notes to Interim Condensed Consolidated Financial Statements

10. LOANS AND ACCOUNTS RECEIVABLE (continued)

10b(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:

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Lease receivables		
Due within 1 year	**2,022,985**	1,479,620
Due in 1-2 years	**1,596,628**	1,178,751
Due in 2-3 years	**1,060,214**	769,062
Due after 3 years and beyond	**918,722**	725,531
Total	**5,598,549**	4,152,964

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Net lease receivables		
Due within 1 year	**1,698,613**	1,255,456
Due in 1-2 years	**1,394,349**	1,038,151
Due in 2-3 years	**953,741**	694,227
Due after 3 years and beyond	**846,486**	669,844
Total	**4,893,189**	3,657,678

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

10. LOANS AND ACCOUNTS RECEIVABLE (continued)

10c. Change in provision for lease receivables

	Individually assessed		Collectively assessed		Total	
	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)	**30 June 2011 US$'000 (Unaudited)**	31 December 2010 US$'000 (Audited)	**30 June 2011 US$'000 (Unaudited)**	31 December 2010 US$'000 (Audited)
At beginning of period	**8,930**	8,013	**33,270**	17,788	**42,200**	25,801
Charge for the period	**387**	728	**15,898**	14,743	**16,285**	15,471
Write-off	**–**	(35)	**–**	–	**–**	(35)
Exchange difference	**164**	224	**904**	739	**1,068**	963
At end of period	**9,481**	8,930	**50,072**	33,270	**59,553**	42,200

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Lease receivables:		
Individually assessed *(Note (i))*	**39,579**	39,667
Collectively assessed	**5,558,970**	4,113,297
Total	**5,598,549**	4,152,964

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Net lease receivables:		
Individually assessed *(Note (i))*	**36,322**	36,262
Collectively assessed	**4,856,867**	3,621,416
Total	**4,893,189**	3,657,678

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

Note (ii) *As at 30 June 2011, the carrying values of lease receivables pledged as security for the Group's borrowings amounted to US$2,063,722,000 (31 December 2010: US$2,146,352,000) (see Note 14 (b)).*

Notes to Interim Condensed Consolidated Financial Statements

10. LOANS AND ACCOUNTS RECEIVABLE (continued)

10d. An aging analysis of accounts receivable as at the end of the reporting period is as follows:

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

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Within 1 year	**4,457**	3,184
More than 1 year	**444**	529
Total	**4,901**	3,713

10e. Change in provision for accounts receivable

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
At beginning of period	**519**	596
Charge for the period	**–**	10
Reversal for the period	**(92)**	(99)
Exchange difference	**17**	12
At end of period	**444**	519

10f. Change in provision for entrusted loans

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
At beginning of period	**1,466**	70
Charge for the period	**167**	1,372
Exchange difference	**36**	24
At end of period	**1,669**	1,466

Notes to Interim Condensed Consolidated Financial Statements

10. LOANS AND ACCOUNTS RECEIVABLE (continued)

10g. Change in provision for long-term receivable

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
At beginning of period	**–**	–
Charge for the period	**7**	–
Exchange difference	**–**	–
At end of period	**7**	–

11. CONSTRUCTION CONTRACTS

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Gross amount due from contract customers	**1,510**	–
Gross amount due to contract customers included in other payables	**–**	(94)
	1,510	(94)
Contract costs incurred plus recognised profits less recognised losses to date	**3,946**	371
Less: Progress billings	**2,451**	471
Exchange differences	**15**	6
	1,510	(94)

Notes to Interim Condensed Consolidated Financial Statements

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Cash and bank balances	**714,581**	53,362
Time deposits	**357,246**	24,527
	1,071,827	77,889
Less:		
Pledged time deposits	**91,306**	10,937
Time deposits with original maturity of more than 3 months	**1,000**	13,590
Cash and cash equivalents	**979,521**	53,362

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$525,841,000 (31 December 2010: US$46,518,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2011, cash of US$52,987,000 (31 December 2010: US$1,500,000) was pledged for bank borrowings (see Note 14(b)).

As at 30 June 2011, cash of US$135,517,000 (31 December 2010: US$25,574,000) was deposited with Sinochem Finance Co., Ltd.

Notes to Interim Condensed Consolidated Financial Statements

13. TRADE AND BILLS PAYABLES

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Bills payable	**98,445**	80,939
Trade payables	**112,118**	79,600
	210,563	160,539

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

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Within 1 year	**204,070**	140,284
1 to 2 year	**4,818**	18,985
2 to 3 year	**865**	497
3 years and beyond	**810**	773
	210,563	160,539

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

Notes to Interim Condensed Consolidated Financial Statements

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2011 (Unaudited)			31 December 2010 (Audited)		
	Effective annual interest rate (%)	Maturity	US$'000	Effective annual interest rate (%)	Maturity	US$'000
Current						
Bank loans – secured	**4.68~5.85**	**2011~2012**	**190,859**	3.64~5.00	2011	176,851
Current portion of long term bank loans – secured	**1.90~6.78**	**2011~2012**	**284,024**	2.00~5.88	2011	138,986
Bank loans – unsecured	**1.39~6.31**	**2011~2012**	**174,234**	0.83~5.10	2011	136,048
Current portion of long term bank loans – unsecured	**2.45~6.46**	**2011~2012**	**331,695**	5.04~5.27	2011	62,854
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	**5.27~6.31**	**2011~2012**	**472,835**	1.85-5.00	2011	392,761
Other loans – unsecured	**5.00**	**2011**	**1,250**	5.00	2011	2,500
			1,454,897			910,000
Non-current						
Bank loans – secured	**1.78~7.04**	**2012~2015**	**1,373,991**	1.79~5.76	2012~2015	1,201,807
Bank loans – unsecured	**2.45~6.65**	**2012~2014**	**757,194**	4.86-5.76	2012~2013	413,483
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	**–**	**–**	**–**	1.49~5.04	2012~2013	44,649
Bond payable – unsecured	**3.90**	**2014**	**192,521**	–	–	–
			2,323,706			1,659,939
			3,778,603			2,569,939

Notes to Interim Condensed Consolidated Financial Statements

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

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**980,812**	514,739
In the second year	**1,313,101**	465,724
In the third to fifth years, inclusive	**818,084**	1,149,566
	3,111,997	2,130,029
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence		
Within one year	**472,835**	392,761
In the second year	**–**	36,499
In the third to fifth years, inclusive	**–**	8,150
	472,835	437,410
Other borrowings repayable:		
Within one year	**1,250**	2,500
In the second year	**–**	–
In the third to fifth years, inclusive	**192,521**	–
	193,771	2,500
	3,778,603	2,569,939

Notes to Interim Condensed Consolidated Financial Statements

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

(a) As at 30 June 2011, no borrowings of the Group from banks were guaranteed by Sinochem Group (31 December 2010: US$34,137,000).

(b) As at 30 June 2011, the Group's bank borrowings pledged by the Group's lease receivables, cash and the shares in indirectly held subsidiaries as securities amounted to US$1,848,874,000 totally (31 December 2010: US$1,483,507,000), among which, the lease receivables pledged as security amounted to US$2,063,722,000 (31 December 2010: US$2,146,352,000), the cash pledged as security amounted to US$52,987,000 (31 December 2010: US$1,500,000) and the shares in directly held subsidiaries pledged as security in the followings: Chinese Port Shipping Limited, Speedway Transportation Limited, Surplus Transportation Limited, Good Vantage Shipping Limited, Grand Eastern Shipping Limited, Sino Trend Shipping Company Limited, Max Power Shipping Limited, Ever Trend Shipping Limited and Treasure Shipping Limited (31 December 2010: Chinese Port Shipping Limited, Speedway Transportation Limited, Surplus Transportation Limited, Halcyon Ocean shipping Limited, Good Vantage Shipping Limited, Ever Trend Shipping Limited and Treasure Shipping Limited).

(c) As at 30 June 2011, no property, plant and equipment of the Group were provided as collateral for borrowings nor had the Group provided any guarantees for other entities (31 December 2010: nil).

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

15. OTHER LIABILITIES

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Non deliverable cross currency swap	**608**	–

As at 30 June 2011, to manage the exchange rate exposure and interest rate exposure out of the borrowings from Standard Chartered Bank by Far Eastern Leasing amounted to US$100,000,000 with floating interest rate by reference to Libor and measured at amortised cost, the Company accordingly entered into 2 (six months ended 30 June 2010: Nil) non deliverable cross currency swap contracts with Standard Chartered Bank with nominal amount US$100,000,000. Changes in the fair value of the financial derivatives amounting to US$608,000 (six months ended 30 June 2010: Nil) were charged to the income statement during the period.

Notes to Interim Condensed Consolidated Financial Statements

16. ISSUED CAPITAL

	Number of shares	Amounts HK$
Authorised ordinary shares:		
At 31 December 2010 (HK$1.00 each) (Audited)	18,496	18,496
At 30 June 2011 (HK$0.01 each) (Unaudited)	**10,000,000,000**	**100,000,000**
Issued and fully paid ordinary shares:		
At 31 December 2010 (HK$1.00 each) (Audited)	18,496	18,496
At 30 June 2011 (HK$0.01 each) (Unaudited)	**2,842,400,000**	**28,424,000**

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

				Equivalent		
	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Issued capital US$'000	Share premium account US$'000	Total US$'000
At 1 January 2010 (Audited)	10,000	10	–	1	–	1
Issuance of shares	8,496	8	–	1	–	1
At 1 January 2011 (Audited)	**18,496**	**18**	**–**	**2**	**–**	**2**
Issuance and sub-division of shares in connection with pre-IPO restructuring	**1,903,981,504**	**19,022**	**–**	**2,441**	**–**	**2,441**
Issuance of new shares	**816,000,000**	**8,160**	**5,124,480**	**1,047**	**657,519**	**658,566**
Over-allotment	**122,400,000**	**1,224**	**768,672**	**157**	**98,897**	**99,054**
	2,842,400,000	**28,424**	**5,893,152**	**3,647**	**756,416**	**760,063**
Share issue expenses				**–**	**(38,284)**	**(38,284)**
As at 30 June 2011 (Unaudited)				**3,647**	**718,132**	**721,779**

Notes to Interim Condensed Consolidated Financial Statements

16. ISSUED CAPITAL (continued)

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

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

17. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior period are presented in the consolidated statement of changes in equity on page 42 to 43 of the financial statements.

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

Pursuant to the relevant PRC rules and regulations, those 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.

18. CONTINGENT LIABILITIES

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

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Claimed amounts	**154**	151

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

Notes to Interim Condensed Consolidated Financial Statements

19. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in Notes 10, 12 and 14 to the financial statements.

20. OPERATING LEASE ARRANGEMENTS

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

At each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Within one year	**2,870**	4,263
In the second to fifth years, inclusive	**410**	394
	3,280	4,657

21. COMMITMENTS

(a) In addition to the operating lease commitments detailed in Note 20 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	**128**	358

Notes to Interim Condensed Consolidated Financial Statements

21. COMMITMENTS (continued)

(b) Credit commitments

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

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Irrevocable credit commitment	**794,169**	551,112

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

22. 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

A subsidiary of the ultimate holding company of a shareholder with significant influence

Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong")
Sinochem Europe Capital Corporation Ltd. ("Sinochem Europe")
Sinochem Finance Co., Ltd.
China Foreign Economy and Trade Trust Co., Ltd.
China Jin Mao Group Co., Ltd.
Beijing Chemsunny Property Co., Ltd.
Shanghai Jin Mao Imtech Facility Services Co., Ltd.
Sinochem Corporation
Sinochem International (Overseas) Pte Ltd.

Notes to Interim Condensed Consolidated Financial Statements

22. RELATED PARTY TRANSACTIONS (continued)

a. In addition to the balances in Notes 12 and 14 to the financial statements, at the end of the reporting period, the Group has the following balances with its related parties:

(i) ***Prepayments, deposits and other receivables***

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Due from related parties		
Fortune Ally	**–**	1,074
China Jin Mao Group Co., Ltd.	**1,047**	946
Beijing Chemsunny Property Co., Ltd.	**53**	52
Sinochem Hong Kong	**39**	–
	1,139	2,072

Due from related parties balances of the Group were unsecured and non-interest-bearing.

(ii) ***Other payables and accruals***

	30 June 2011 US$'000 (Unaudited)	31 December 2010 US$'000 (Audited)
Due to related parties		
Sinochem Finance Co., Ltd.	**593**	540
Sinochem Hong Kong	**–**	978
	593	1,518

Due to related parties balances of the Group were unsecured and non-interest-bearing.

Notes to Interim Condensed Consolidated Financial Statements

22. RELATED PARTY TRANSACTIONS (continued)

b. The Group had the following material transactions with related parties during the period:

(i) Interest income from cash in bank

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Sinochem Finance Co., Ltd.	**168**	318

The interest income were charged at rates ranging from 0.5% to 1.31% per annum.

(ii) Loan interest income

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Sinochem Hong Kong	**–**	4

The interest income were charged at 0.83% per annum.

(iii) Service fee income

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Sinochem International (Overseas) Pte Ltd.	**1,245**	–

The transaction for service fee income was based on prices mutually agreed between the parties.

Notes to Interim Condensed Consolidated Financial Statements

22. RELATED PARTY TRANSACTIONS (continued)

b. The Group had the following material transactions with related parties during the period: (continued)

(iv) Interest expense on borrowings

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Sinochem Hong Kong	**271**	523
Sinochem Finance Co., Ltd	**10,196**	6,869

The interest expenses were charged at rates ranging from 1.48% to 6.31% per annum.

(v) Rental expenses

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
China Jin Mao Group Co., Ltd	**2,044**	1,335
Beijing Chemsunny Property Co., Ltd.	**116**	119
Sinochem Corporation	**–**	29
Shanghai Jin Mao Imtech Facility Services Co., Ltd.	**82**	44
Sinochem Hong Kong	**51**	–

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

In the opinion of the directors, the transactions listed above in (a) and (b) 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.

c. Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**692**	533

Notes to Interim Condensed Consolidated Financial Statements

23. POST BALANCE SHEET EVENT

On 5 August 2011, Far Eastern Leasing issued asset-backed securities with an issue size of RMB1,279 million that were secured on certain lease receivable, under the "Far Eastern Second Leasing Asset Backed Security Management Program". The preferential tranche of the issuance amounting to RMB1,089 million was sold to institutional investor; while the subordinate tranche of the issuance amounting to RMB190 million was subscribed by Far Eastern Leasing.

There are no further adjusting or non-adjusting events after 30 June 2011.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 24 August 2011.

FAR EAST HORIZON LIMITED

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