You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, as of and for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010 included in the Accountants' Report set out in Appendix 1 to this prospectus. The Accountants' Report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants. The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading financial services company specializing in providing customized financing solutions through equipment-based financial leasing, as well as providing extended, value-added services to customers in targeted major industries in China. We have two business segments: (i) leasing and advisory and (ii) trading and others.

Our leasing and advisory segment primarily consists of (i) financial leasing and (ii) advisory services. We tailor our financial leasing products and services to customers primarily within our six target industries, which currently include healthcare, education, infrastructure construction, shipping, printing and machinery. We provide customized financing solutions through equipment-based financial leasing, which primarily comprises direct financial leasing and sale-leasebacks. Through the financial leasing business, we have established our customer base, developed customer relationships and enhanced our industry knowledge within each target industry, thereby enabling us to be sensitive to our customers' needs and to provide customized and extended value-added services, such as advisory services. Our advisory services primarily provide comprehensive business or finance solutions to our customers. Our revenue from the leasing and advisory segment was US$81.5 million, US$135.8 million, US$190.7 million, US$131.6 million and US$202.1 million for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010, respectively, growing at a CAGR of 53.0% from 2007 to 2009[(1)].

Our trading and others segment primarily consists of (i) trading services and (ii) brokerage services. We learn about our customers' various needs through our leasing and advisory segment, and as a result we are able to also provide customized trading and brokerage services. Trading services include import and export trade and domestic trade primarily within the healthcare and printing industries of medical equipment and spare parts, paper, ink, cardboard and paper goods, as well as trade agency services primarily within the machinery industry. Our brokerage services relate to brokered sales and purchases of new and used shipping vessels. Our revenue from the trading and others segment was US$9.4 million, US$19.3 million, US$20.6 million, US$13.5 million and US$28.9 million for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010, respectively, growing at a CAGR of 48.4% from 2007 to 2009.[(2)]

Notes:

(1) Total revenue and revenue at the business segment level are calculated with business taxes and surcharges deducted.

(2) Total revenue and revenue at the business segment level are calculated with business taxes and surcharges deducted.

BASIS OF PRESENTATION

Our Company is a wholly-owned subsidiary of Fortune Ally Limited, a company incorporated in the Cayman Islands. Our ultimate holding company is Sinochem Group, a company established in the People's Republic of China. As part of the Reorganization, Sinochem HK and Sinochem Europe transferred their respective interests in Far Eastern to our Company on March 13, 2009. As a result, our Company became the holding company of Far Eastern.

As our Company and Far Eastern were under the common control of Sinochem Group both before and after the Reorganization, the Reorganization has been reflected in the financial information disclosed in the Accountants' Report included in Appendix I to this prospectus and discussed herein as a combination of entities under common control. Accordingly, our Company was treated as the holding company of Far Eastern and its subsidiaries for the Track Record Period rather than from the date of acquisition of Far Eastern on March 13, 2009. A business combination involving entities under common control is outside the scope of IFRS 3 "Business Combinations". Accordingly, the principles of merger accounting have been applied. Far Eastern was treated as a subsidiary of our Company throughout the Track Record Period and its results are therefore combined herein for the entire Track Record Period.

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period include the results and changes in equity and cash flows of all companies now comprising our Group, as if the current structure had been in existence throughout the Track Record Period, or since the respective dates of acquisition, incorporation or establishment where this is a shorter period. The consolidated statements of financial position of the Group as of December 31, 2007, 2008 and 2009 and September 30, 2010 have been prepared to present the state of affairs of our Group as if our current Group structure had been in existence at those dates or since the respective dates of acquisition, incorporation or establishment where an entity did not exist at those dates.

According to HKAS21 Para. 38, "An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency. For example, when a group contains individual entities with different functional currencies, the results and financial position of each entity are expressed in a common currency so that consolidated financial statements may be presented." We use the US dollar as our presentation currency mainly because it is the functional currency of our listing entity, Far East Horizon Limited, and the major SPVs of our Group located outside of the PRC. The US dollar is also a more widely-used international currency. Moreover, the weight of our US dollar-based business versus our Renminbi-based business has increased since our Group commenced business denominated in US$ in Hong Kong in 2008.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

China's economic environment

Our results of operations and financial condition are significantly affected by China's economic environment. China has experienced rapid economic growth over the past three decades largely as a result of the PRC government's extensive economic reforms, which have been focused on transforming China's centrally-planned economy into a more market-based economy. From 2005 to 2009, China's nominal GDP grew at a CAGR of 16.5%, and fixed asset investments increased at a CAGR of 26.2%, according to the National Bureau of Statistics of the PRC. The growth of China's economy has led to increased corporate activity and investment, which has benefited the business of financial leasing. In particular, small and medium enterprises (SMEs) have been a major driver of the economic growth in China. In 2009, SMEs contributed 60% of China's GDP according to the report issued by our independent market research consultant, BHCC. As SMEs are traditionally underserved by conventional banks and financial institutions, SMEs present growth opportunities for financial services companies in general, including companies such as ours. During times of favorable economic conditions, businesses that wish to expand look to companies such as ours to help finance and expand their businesses. Conditions in the PRC economic environment also impact rates of payment delinquency, default rates and the values of assets underlying leases.

We focus our business on industries which we believe are fundamental to the continuing economic development of the PRC economy, which currently include, among others, healthcare, education, infrastructure construction, shipping, printing and machinery. For the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010, our revenue relating to these six target industries (before business taxes and surcharges) accounted for 96.6%, 97.9%, 99.0%, 99.1% and 96.6% of our total revenue (before business taxes and surcharges), respectively. Certain parts of our business are sensitive to the business cycles of these industries, particularly the shipping industry. For details of the business cycle of the shipping industry, see "Risk Factors—Risks Relating to the Industry—The shipping industry in which we are involved is highly cyclical" in this prospectus. Any development in the shipping industry or any one of the other target industries we focus on may impact rates of payment delinquency and default rates and affect the values of our lease receivables. Any significant development in any of the target industries we serve may also impact the demand of companies in such industry for our services. As a result, our ability to generate new business in any affected industry and our growth prospects in general could be impacted.

Government regulations and policies

Major parts of the PRC financial services industry are principally regulated by MOFCOM, the China Banking Regulatory Commission and/or the State Administration of Taxation, depending on business scope and whether an entity is foreign-invested, among other factors. We are primarily regulated by MOFCOM as we have been approved by MOFCOM as a "foreign-invested financial leasing company". Our business and results of operations could be materially affected by changes in the policies, laws and regulations relating to the PRC financial services industry, including the extent and scope to which we can engage in certain businesses or activities. In particular, MOFCOM has promulgated the Measures on the Administration of Foreign Investment in the Leasing Industry (外商投資租賃業管理辦法) (the "Measures") on February 3, 2005 to regulate the operation of foreign-invested leasing businesses and financial leasing businesses. Under the Measures, we are allowed to engage in the financial leasing business, the purchase of assets relating to our leases in and outside China, the repair, maintenance and disposal of assets underlying our leases, lease-related consulting, the provision of guarantees and other commercial activities as approved by MOFCOM. Any changes in such policies or new policies in general by the PRC government may cause us to adjust or change our business practices or our business model in general, which may impact our business and results of operations. In addition, changes in policies or any new policies that are particular to any of the six target industries we serve may also impact the economic or operating environment of our customers, and as a result affect our business and results of operations. For details, see "PRC Regulatory Overview" in this prospectus.

The Measures also require that the risky assets of a foreign-invested financial leasing company, which are determined by the total amount of residual assets after deducting cash, bank deposits, PRC treasury securities and entrusted leased assets from the total assets of the enterprise, shall generally not exceed ten times the company's net assets. Any subsequent development, such as more stringent governmental supervision, controls and policies regarding the composition of risky assets in our asset portfolio, may also affect our business and results of operations.

Interest rate environment

Our results of operations depend to a great extent on our net interest income from our financial leasing business, which is our interest income minus our interest expense. Interest income from our leasing and advisory segment (before business taxes and surcharges) represented 57.8%, 60.6%, 49.3%, 51.4% and 50.9% of our total revenue (before business taxes and surcharges) for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010, respectively. The interest rate we charge our customers is an important factor that influences our Company's interest income. The interest rate charged to a customer is primarily dependent upon the risk profile of the customer, the value of the assets underlying the lease over time and the characteristics of the customer's industry. For details of our credit risk management, see "Risk Management—Credit Risk Management" in this prospectus.

In addition, our net interest income is impacted by our interest expense, which is primarily determined by market interest rates. Our interest expense is largely determined by the interest rates that we are charged for our interest-bearing bank borrowings, which are sensitive to many factors over which we have no control, including the regulatory framework of the banking and financial sectors in the PRC and domestic and international economic and political conditions. In recent years, as part of the overall reform of the banking system, the People's Bank of China has implemented a series of initiatives designed to gradually liberalize interest rates and move towards a more market-based interest rate regime. Currently, RMB-denominated loans which are loaned by commercial banks are subject to minimum rates based on the PBOC benchmark interest rates, but generally are not subject to any maximum rates. Adjustments to PBOC benchmark interest rates have impacted the average market interest rates for loans. The interest rates charged for most of our bank borrowings are set on a floating basis based on PBOC benchmark interest rates, and are generally adjusted at each subsequent payment date as necessary should PBOC benchmark interest rates fluctuate. As of September 30, 2010, approximately 55.2%, 2.1% and 24.0% of our bank loan agreements have interest rates that can be adjusted quarterly, semi-annually and annually, respectively. As of September 30, 2010, approximately 8.3% of our bank loan agreements have interest rates that can be adjusted monthly. The remaining bank loan agreements are mostly short-term loan agreements (having terms that are one year or shorter) which have fixed interest rates. As both our assets and liabilities are primarily based on floating interest rates, the impact of fluctuations in the interest rate environment has historically been limited.

Moreover, our net interest income is also impacted by whether we can adjust the interest rates we charge our customers in response to fluctuations in interest rates for our interest-bearing bank borrowings to maintain our net interest spread and our net interest margin. Our ability to correspondingly adjust the interest rates of our lease contracts in a timely manner, or at all, affects our net interest spread and net interest margin, and as a result, impacts our profitability and our results of operations. The PRC Contract Law includes a general mandate that the interest rate charged to a customer under a financial leasing contract shall take into account the purchase cost of the property or asset underlying a lease contract and should allow for a reasonable profit margin for the lessor, except as otherwise agreed upon by the contracting parities. Having said this, our Group's practice to adjust interest rates charged to customers with reference to PBOC benchmark interest rates fully complies with PRC Contract Law. Furthermore, there are no regulatory restrictions relating to the interest rates charged by our Group to our customers under relevant PRC laws, regulations and rules.

Our Treasury Department and Finance Department are mainly responsible for managing and controlling these interest rate risks and have established systems and control measures to minimize such risks. For details of our interest risk management, see "Risk Management—Interest Rate Risk Management" in this prospectus.

Access to funding

One of the major factors in determining the success of our efforts to expand our operations is whether we can sustain and expand our access to funding. As our Company's products and services depend upon financing and access to cash, any expansion of our business will need to be supported with additional funding from various sources. Our total interest-earning assets, which include net lease receivables and entrusted loans, were US$878.2 million, US$1,350.5 million, US$1,985.9 million and US$3,057.1 million as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively, while our interest-bearing bank and other borrowings were US$597.3 million, US$966.5 million, US$1,247.3 million and US$2,140.7 million as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively. We have been able to maintain our levels of borrowing in step with the expansion of our business, while broadening our funding sources and channels. For example, we have borrowed loans and syndicated loans from various PRC and foreign banks. In addition, we have accessed private equity financing, such as through investments in 2009 by KKR Future Investments (an affiliate of KKR), Techlink (an investment vehicle of GICSI) and TML (an affiliate of CICC Fund). This Global Offering presents a source of funding that is unique to us, as we are the first independent financial leasing company from the PRC to list on the Stock Exchange. We are also studying the feasibility of issuing debt securities, including structured debt securities, and may do so when suitable opportunities arise and under appropriate market conditions. As of the Latest Practicable Date, we do not have fixed timetable to issue debt securities. We will also leverage the opening up of China's financial markets to explore further financing options where suitable opportunities arise and under appropriate market conditions. Our ability to continue to access additional funding may be influenced by factors affecting the PRC and global credit environment over which we have no control, including the cyclical nature of the credit supply and any changes in policies or regulations or new policies and regulations that impact these funding sources. Any developments such as these that impact our ability to sustain our funding or to expand our business would impact our business and profitability.

Asset quality and provisioning policy

The quality of our assets is affected by the industries and the customers we select. We believe that our focus on our six target industries and our careful selection and vetting process in choosing our customers help to minimize our credit risk and ensure our asset quality. We monitor our non-performing assets closely and dispose of the assets underlying a lease and record a write-off if we determine there is little likelihood of continued payment. As a result of our stringent management and controls to ensure our asset quality, our non-performing asset ratios were 1.70%, 1.90%, 1.20% and 0.73% while our non-performing assets were US$14.9 million, US$25.6 million, US$23.6 million and US$21.8 million as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively. The amount of our non-performing assets may fluctuate in the future due to substantial growth in our lease receivables portfolio during the Track Record Period and/or deterioration in the quality of our lease receivables portfolio. Factors which are not under our control, such as macroeconomic developments which affect the business and operating environment of our customers, may affect the level of non-performing assets in our current portfolio of lease receivables or the level of new lease receivables that become non-performing in the future.

We prepare our financial statements in accordance with HKFRS and assess our provisions based on non-performing lease receivables on an individual basis and our performing lease receivables on a collective basis. Based on such assessments, we set aside provisions for impairment losses for both our performing and non-performing assets. The amount of these provisions is determined on the basis of our internal provisioning procedures and guidelines upon consideration of factors such as the nature and characteristics of our industry-specific customers, credit record, economic conditions and trends, history of write-offs, payment delinquencies and the value of the assets underlying the leases as collateral or guarantees. Our provisioning policies for financial assets comply with Hong Kong Accounting Standard 39. According to Hong Kong Accounting Standard 39 Paragraph 64: "An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment." Our Group measures and monitors the asset quality of our lease receivable portfolio by classifying lease receivables using a five-category lease receivable classification system modeled after CBRC's guidelines relating to asset quality for finance leasing companies and other financial institutions under its regulation. Under our five-category lease receivable classification system, the first two categories ("pass" and "special mention") are comprised of lease receivables that are regarded as performing assets because "no objective evidence of impairment exists." Therefore in accordance with Hong Kong Accounting Standard 39 Paragraph 64 we assess such performing assets for impairment on a collective basis. In determining our impairment provision for collectively assessed lease receivables, we make reference to the international rating-based approach of Basel II (which multiplies (i) the probability of default (ii) by the loss given default and (iii) by the exposure at default). In order to determine the parameters for this model, we look at: (i) our historical migration ratios of performing assets to non-performing assets; and (ii) the individually assessed impairment results for non-performing assets. The other three categories ("substandard," "doubtful" and "loss") are regarded as non-performing assets and are measured for impairment individually since "objective evidence of impairment exists individually" for such lease receivables.

Our provisions may prove to be inadequate if unanticipated changes occur in the PRC economy or other economies in which we operate or if other events affect specific customers, industries or markets. Under such circumstances, we may need to make additional provisions for our lease receivables, which could significantly impact our profitability, financial condition, results of operations and growth prospects. For details of our various policies that assist us in maintaining asset quality, see "Risk Management" in this prospectus.

Competitive landscape in the PRC financial services industry

After China's entry into the World Trade Organization in 2001, the PRC leasing industry entered a phase of rapid development which witnessed increases in both foreign and domestic investors entering the market. In order to fulfill its commitment to the World Trade Organization, MOFCOM has implemented various policies which have been supported by new laws and regulations to develop the finance leasing industry and encourage investment.

Based on the report issued by our independent market research consultant, BHCC, as of December 31, 2009, there were 164 financial leasing entities operating in China. Our competitors include non-bank financial services providers, in particular bank-affiliated leasing companies, captive leasing companies and independent leasing companies which operate either on a similar or larger scale than our Group. Bank-affiliated leasing companies typically focus on big ticket leasing and have a customer base built largely on the bank's network. Captive leasing companies typically focus on supporting their companies' equipment sales and plan their business expansion in line with the demands of these equipment sales. Independent leasing companies, such as our Company, utilize diversified capital sources and provide services to a broader customer base with relatively greater flexibility and independence.

Increased competition affects the pricing of our leases to our customers, as well as the pricing of and the income from our advisory, trading and brokerage services. At the same time, the financial leasing industry has high barriers to entry, which include operational qualifications that are difficult to obtain, high initial start-up capital and costs and the need for strong and sustainable capital funding capabilities, professional and industry-specific risk management expertise and sales and marketing expertise.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

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

Impairment of available-for-sale financial assets

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

Provision for bad and doubtful receivables

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

Fair value of financial instruments

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

Future amendments to HKFRS 39 "Financial Instruments: Recognition and Measurement"

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

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

HKFRS 9 is intended to replace HKAS 39 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. Thus far, our directors have concluded that the adoption of the above issued but not effective HKFRS 9 would not have a significant impact on our results of operations and financial position.

On June 25, 2009, the International Accounting Standards Board ("IASB") published a request for information on the feasibility of an expected loss model for the impairment of financial assets. This formed the basis of an exposure draft (the "ED"), Financial Instruments: Amortized Cost and Impairment, published in November 2009 with a comment deadline of June 30, 2010. After a series of discussions regarding the ED by the IASB and the US Financial Accounting Standards Board ("FASB"), during a joint meeting held on December 8, 2010, the boards agreed to publish a supplemental document seeking input from constituents on a revised impairment model and expect to release a publication concerning the model in January 2011.

In January 2011, the IASB and FASB issued their joint supplementary document *Financial Instruments: Impairment* ("SD")—a supplement to their original exposure drafts (the "original EDs") which addressed the impairment of financial assets. This supplement retains the fundamental concept of impairment proposed in the original ED while addressing operational concerns that were raised. The comment period for the SD ends on April 1, 2011. During the comment period, the boards will discuss issues related to their original EDs that are not within the scope of the SD using feedback on the original EDs. Decisions made by the boards during the comment period will be updated, if necessary, based on feedback received and the outcome of other redeliberations, including those related to the topics in the SD. The IASB intends to finalize the requirements on accounting for the impairment of financial assets by June 30, 2011. The effective date for the proposals will be discussed during redeliberations. As of the Latest Practicable Date, the IASB has not yet published definitive guidance in this regard. As a result, our Company believes that at this stage of the process there is insufficient clarity as to how this will impact our Group's business operations and financial condition.

We continually monitor new developments with respect to the impairment model and evaluate the impact on our results of operations and financial position.

CONSOLIDATED INCOME STATEMENT

The following table sets forth, for the periods indicated, our consolidated results of operations.

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
				(unaudited)	
			(US$'000)		
Revenue[1]	90,883	155,119	211,362	145,120	230,949
Cost of sales	(32,525)	(65,689)	(74,527)	(53,437)	(81,036)
Gross profit	58,358	89,430	136,835	91,683	149,913
Other income and gains	3,936	9,349	2,652	1,238	6,498
Selling and distribution costs	(11,082)	(17,485)	(23,332)	(15,128)	(27,521)
Administrative expenses	(15,497)	(17,944)	(26,017)	(16,844)	(29,322)
Other expenses	515	(376)	(773)	(420)	(1,075)
Finance costs	—	(6)	—	—	—
Profit before tax	36,230	62,968	89,365	60,529	98,493
Income tax expense	(5,337)	(12,468)	(20,292)	(13,970)	(21,827)
Profit for the year/period	30,893	50,500	69,073	46,559	76,666
Attributable to:					
Owners of the parent	30,789	50,321	69,073	46,559	76,933
Non-controlling interests	104	179	—	—	(267)

Note:

(1) Total revenue and revenue at the business segment level are calculated with business taxes and surcharges deducted.

DESCRIPTION OF LINE ITEMS IN THE CONSOLIDATED INCOME STATEMENT

Revenue

Our Group is organized into two business segments based on our products and services: (i) leasing and advisory and (ii) trading and others. Our leasing and advisory segment includes two types of income, interest income and fee income. Interest income consists entirely of income from financial leasing, which primarily includes direct financial leasing and sale-leaseback transactions. Lease contracts are generally priced at a market interest rate, determined with reference to and usually higher than prevailing interest rates for commercial lending. The interest rates we charge our customers for most of our lease contracts are adjusted based on the fluctuations of the PBOC benchmark interest rates. Fee income relates to income primarily from our advisory services. Our trading and others segment consists primarily of trading services and brokerage services. Trading services include import and export trade and domestic trade primarily within the healthcare and printing industries of medical equipment and spare parts, paper, ink, cardboard and paper goods, as well as trade agency services primarily within the machinery industry. Our brokerage services relate to brokered sales and purchases of new and used shipping vessels. Our advisory, trading, and brokerage services are not capital intensive. On the other hand, our financial leasing business is capital intensive, and is supported by the stability of our funding and the breadth of our funding sources as evidenced by the balanced growth of our assets and liabilities.

With respect to financial leasing, interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial lease or a shorter period, when appropriate, to the net carrying amount of the financial lease. For services such as advisory services (in our leasing and advisory segment) and brokerage services (in our trading and others segment), revenue is recognized when the services have been rendered and the revenue can be reasonably estimated. For the sale of goods as it relates to our trading services, revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

The following table sets forth the contribution (before business taxes and surcharges) of each of (i) financial leasing (or interest income), (ii) advisory services (or fee income), (iii) trading services, (iv) brokerage services and (v) other services to our total revenue (before business taxes and surcharges) for the years or periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2007		2008		2009		2009		2010	
	US$'000, except percentages									
Leasing and advisory segment										
Financial leasing (interest income)	54,304	57.8%	96,791	60.6%	107,537	49.3%	76,881	51.4%	121,071	50.9%
Advisory services (fee income)	30,140	32.1%	43,441	27.2%	89,965	41.2%	59,108	39.5%	87,805	36.9%
Trading and others segment										
Trading services	7,798	8.3%	15,628	9.8%	17,844	8.2%	10,955	7.3%	22,985	9.7%
Brokerage services	1,491	1.6%	2,777	1.7%	1,577	0.7%	1,576	1.1%	5,010	2.1%
Other services	213	0.2%	1,089	0.7%	1,311	0.6%	1,067	0.7%	985	0.4%
Total	93,946	100.0%	159,726	100.0%	218,234	100.0%	149,587	100.0%	237,856	100.0%
Business taxes and surcharges	(3,063)		(4,607)		(6,872)		(4,467)		(6,907)	
Revenue (after business taxes and surcharges)	90,883		155,119		211,362		145,120		230,949	

For a period on period analyses of the material trends in revenue for each of (i) financial leasing (or interest income), (ii) advisory services (or fee income) and (iii) trading and others business segment (which includes trading services, brokerage services and other services), please see "—Results of Operations—Nine months ended September 30, 2010 compared to nine months ended September 30, 2009—Revenue" and "—Results of Operations—Years ended December 31, 2009, 2008 and 2007—Revenue."

The following table sets forth the contribution of each industry category to our total revenue (before business taxes and surcharges) for the years or periods indicated:

	Year ended December 31,						Nine Months ended September 30,			
	2007		2008		2009		2009		2010	
							(unaudited)			
	US$'000, except percentages									
Healthcare	39,409	41.9%	59,524	37.3%	63,643	29.2%	44,539	29.8%	61,305	25.8%
Education	7,927	8.4%	14,899	9.3%	29,846	13.7%	18,675	12.5%	29,352	12.3%
Infrastructure construction	6,064	6.5%	12,632	7.9%	23,681	10.8%	17,522	11.7%	24,378	10.2%
Shipping	10,212	10.9%	14,493	9.1%	20,557	9.4%	13,675	9.1%	33,036	13.9%
Printing	22,678	24.1%	45,090	28.2%	58,785	26.9%	39,879	26.7%	58,763	24.7%
Machinery	4,479	4.8%	9,688	6.1%	19,534	9.0%	14,018	9.4%	22,918	9.7%
Others	3,177	3.4%	3,400	2.1%	2,188	1.0%	1,279	0.8%	8,104	3.4%
Total	93,946	100.0%	159,726	100.0%	218,234	100.0%	149,587	100.0%	237,856	100.0%

Cost of sales

Cost of sales is mainly comprised of borrowing costs related to our financial lease arrangements and also includes the cost of inventories sold with respect to our trading services.

The other costs that are incurred in relation to our financial lease arrangements, the delivery of advisory services and brokerage services are recognized as operating expenses based on the nature of the costs incurred. Such costs and expenses are recorded in various line items among our operating expenses. We typically use the same personnel in the delivery of different services to the same customer. Our accounting systems do not account for the costs and expenses of advisory services and brokerage services individually. Therefore, we do not account for the cost of performing these services separately. As such, our management believes that our current method of classifying our costs is more objective and relevant.

Our Company and our Directors believe that our business and pricing model is unique and it differentiates us from our Company's peers/competitors. Our Company operates our advisory services with a view to building and maintaining long term relationships with our customers. Our Company believes that the extensive customer base of our financial leasing business helps us develop our advisory services business, and that vice versa our advisory services help us expand our financial leasing business. Our customers and the projects we advise them on vary greatly. Consequently, our advisory services are tailor-made for our customers. As such, fees for advisory services are set on a case-by-case basis for each contract and for each customer according to numerous factors relating to the customer and the project. For additional details regarding (i) the particular types of services provided among our advisory services for each industry, (ii) details on the various factors we take into consideration in setting fee rates for advisory services and (iii) the broad range in the aggregate values of our advisory service contracts in monetary amounts and their spread among various contract sizes, please see "Business—Our Business Operations—Leasing and Advisory Segment—Advisory Services" as set forth in this prospectus. As a result, the rates we charge our individual customers for advisory services vary widely. Therefore, our Company believes that our comprehensive pricing considerations and our commercial position in the context of our long term relationship with our customers are more relevant and meaningful in evaluating our profitability and our prospectus for business growth. For these reasons, our Directors believe that an analysis of the cost of sales for advisory services does not aid in evaluating the profitability or the prospects of business growth relating to advisory services.

Other income and gains

Other income and gains consist of bank interest income, foreign exchange gains or losses, gains from redemption of financial instruments, dividend income from available-for-sale instruments, gains from disposal of available-for-sale investments, government grants and others.

Selling and distribution costs

Selling and distribution costs consist primarily of sales and marketing staff salaries and benefits, advertising costs, travel expenses, depreciation costs and other selling and marketing expenses. Our selling and distribution costs as a percentage of revenue were 12.2%, 11.3%, 11.0%, 10.4% and 11.9% for 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010, respectively.

Administrative expenses

Administrative expenses consist primarily of impairment of loans and accounts receivable, administrative and management staff salaries and benefits, depreciation of property, plant and equipment, rental expenses, amortization of land use rights, stamp duties, consulting expenses (primarily fees paid to banks and other professional parties as we expand our business), insurance expenses and pension contributions. Our administrative expenses as a percentage of revenue were 17.1%, 11.6%, 12.3%, 11.6% and 12.7% for 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010, respectively.

Other expenses

Our other expenses consist of loss on disposal of items of property, plant and equipment, donations, commission expenses (primarily bank surcharges) and litigation expenses.

Finance costs

Finance costs consist of interest on bank loans that were made for purposes other than the provision of our financial leasing products and services.

Income tax expense

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the nine months ended September 30, 2010. We recorded no taxable income in Hong Kong for the years ended December 31, 2007, 2008 and 2009, and as a result we made no provisions for these periods.

PRC Corporate Income Tax

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

On March 16, 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective on January 1, 2008. The New CIT Law introduced 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 local tax authorities, Far Eastern and Shanghai Donghong Co., Ltd are entitled to transitional corporate income tax rates of 18% in 2008, 20% in 2009 and 22% in 2010.

RESULTS OF OPERATIONS

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Revenue[(1)]

Our total revenue increased by 59.1% to US$230.9 million for the nine months ended September 30, 2010 from US$145.1 million for the nine months ended September 30, 2009, due to growth in both our leasing and advisory segment and our trading and others segment.

Leasing and advisory segment[(2)]

Revenue from our leasing and advisory segment represented 90.7% and 87.5% of our total revenue for the nine months ended September 30, 2009 and 2010, respectively. Revenue from our leasing and advisory segment increased by 53.6% to US$202.1 million for the nine months ended September 30, 2010 from US$131.6 million for the nine months ended September 30, 2009. This was primarily due to increases in our interest income and fee income, as discussed below.

Interest income

Interest income from our leasing and advisory segment (before business taxes and surcharges) represented 51.4% and 50.9% of our total revenue (before business taxes and surcharges) for the nine months ended September 30, 2009 and 2010, respectively. Interest income (before business taxes and surcharges) increased by 57.5% to US$121.1 million for the nine months ended September 30, 2010 from US$76.9 million for the nine months ended September 30, 2009, primarily due to an increase in the average total balance of interest-earning assets.

Increases and decreases in interest income are primarily driven by two factors, our average total balance of interest-earning assets and our average yield. Our average total balance of interest-earning assets increased by 64.3%, to US$2,521.2 million for the nine months ended September 30, 2010 from US$1,534.3 million for the nine months ended September 30, 2009, as we expanded our business operations. Our average yield decreased to 6.40% for the nine months ended September 30, 2010 from 6.68% for the nine months ended September 30, 2009 primarily because the effects of the decreases of the PBOC benchmark interest rates in the last four months of 2008 were fully reflected in the results for the nine months ended September 30, 2010 as the proportion of our lease contracts signed after the deceases in the interest rates continued to increase.

Notes:
(1) Total revenue and revenue at the business segment level are calculated with business taxes and surcharges deducted.
(2) Total revenue and revenue at the business segment level are calculated with business taxes and surcharges deducted.

The following table sets forth the average total balance of interest-earning assets, interest income and average yield distributed among our industry categories for the periods indicated.

	For the nine months ended September 30,					
	2009			2010		
	Average balance(1)	Interest income(2)	Average yield(3)	Average balance(1)	Interest income(2)	Average yield(3)
	US$'000, except percentages					
Healthcare	571,257	26,836	6.26%	786,975	36,125	6.12%
Education	222,009	11,155	6.70%	392,290	19,192	6.52%
Infrastructure construction	176,443	8,524	6.44%	306,404	13,096	5.70%
Shipping	112,391	8,001	9.49%	238,988	11,767	6.56%
Printing	334,534	15,184	6.05%	473,845	23,643	6.65%
Machinery	99,373	6,424	8.62%	198,467	12,109	8.14%
Others	18,293	757	5.52%	124,167	5,139	5.52%
Total interest-earning assets(4)	1,534,300	76,881	6.68%	2,521,136	121,071	6.40%

Notes:

(1) Calculated as the average of the beginning and ending balances of total interest-earning assets for the period indicated.

(2) The interest income of each industry category is revenue before business taxes and surcharges.

(3) Average yield is calculated by dividing interest income by average total balance of interest-earning assets. This is then calculated on an annualized basis.

(4) Consist of net lease receivables and entrusted loans.

Analysis by average total balance of interest-earning assets

The largest contributors to the increase in our average total balance of interest-earning assets were healthcare, education, printing and infrastructure construction, which collectively contributed 66.4% of the total increase in our average total balance of interest-earning assets between the nine months ended September 30, 2009 and the nine months ended September 30, 2010. The increase in our average total balance of interest-earning assets for education, printing and infrastructure construction generally reflected our business expansion as well as the contribution from the expansion of our marketing and promotional efforts, including organizing more conventions and exhibitions for key industry participants and experts and increasing the number of our sales and marketing personnel.

Healthcare. The contribution of healthcare to the total increase in our average total balance of interest-earning assets between the nine months ended September 30, 2010 and the nine months ended September 30, 2009 was 21.9%. This is primarily because the aggregate value of new lease contracts for healthcare increased. The aggregate value of new lease contracts for healthcare increased by 31.7% to US$409.8 million for the nine months ended September 30, 2010 from US$311.1 million for the nine months ended September 30, 2009, as we (i) enhanced our ability to address the needs of current and potential customers by further segmenting our sales network into more refined districts, enabling us to assign more dedicated personnel with industry and regional expertise to further enhance our customer coverage and (ii) strengthened our cooperation with various equipment vendors to enhance our leasing business.

Education. The contribution of education to the total increase in our average total balance of interest-earning assets between the nine months ended September 30, 2010 and the nine months ended September 30, 2009 was 17.3%. This is primarily because the aggregate value of new lease contracts for education increased. The aggregate value of new lease contracts for education increased by 82.0% to US$232.8 million for the nine months ended September 30, 2010 from US$127.9 million for the nine months ended September 30, 2009 as we expanded our business operations and our marketing and promotional efforts.

Printing. The contribution of printing to the total increase in our average total balance of interest-earning assets between the nine months ended September 30, 2010 and the nine months ended September 30, 2009 was 14.1%. This is primarily because the aggregate value of new lease contracts for printing increased. The aggregate value of new lease contracts for printing increased by 29.9% to US$431.9 million for the nine months ended September 30, 2010 from US$332.5 million for the nine months ended September 30, 2009, as we have launched new teams that target paper manufacturers, packaging manufacturers and printing machine manufacturers, in order to further customize our services for the printing industry.

Infrastructure construction. The contribution of infrastructure construction to the total increase in our average total balance of interest-earning assets between the nine months ended September 30, 2010 and the nine months ended September 30, 2009 was 13.2%. This is primarily because the aggregate value of new lease contracts for infrastructure construction increased. The aggregate value of new lease contracts for infrastructure construction increased by 84.6% to US$318.4 million for the nine months ended September 30, 2010 from US$172.5 million for the nine months ended September 30, 2009, as we developed more flexible and customized financing solutions for our customers.

Analysis by average yield

Our average yield decreased to 6.40% for the nine months ended September 30, 2010 from 6.68% for the nine months ended September 30, 2009 for the following reasons. First, our overall average yield decreased as the effects of the decreases of the PBOC benchmark interest rates in the last four months of 2008 were more fully reflected in our results for the nine months ended September 30, 2010 as the proportion of our lease contracts signed after the interest rate decreases continued to increase. Our average yield for shipping decreased to 6.56% for the nine months ended September 30, 2010 from 9.49% for the nine months ended September 30, 2009, primarily because we entered into additional ship leasing transactions denominated in U.S. dollars, which use the LIBOR interest rate as a base rate. These transactions took place in the more competitive global leasing market, where the interest spreads are more narrow than in the PRC domestically. Our average yield for infrastructure construction decreased to 5.70% for the nine months ended September 30, 2010 from 6.44% for the nine months ended September 30, 2009, primarily because we entered into more lease contracts with shorter terms, which tend to price at lower yields. During the nine months ended September 30, 2009, very few of our contracts with customers in infrastructure construction were for terms of one year or less. In contrast, during the nine months ended September 30, 2010, over 25% of the aggregate value of new lease contracts for infrastructure construction were for terms of one year or less. We signed more contracts with terms of one year or less during the nine months ended September 30, 2010 because of increased demand among our customers for contracts with such length of term. Whether the terms were for one year or less or for longer than a year, our contracts for infrastructure construction were substantially the same. These decreases were partially offset by an increase in the average yield for printing, which increased to 6.65% for the nine months ended September 30, 2010 from 6.05% for the nine months ended September 30, 2009, primarily because we entered into new lease contracts with higher yields in the first three quarters of 2010 as we exercised our enhanced bargaining power due to the economic recovery which began in the second half of 2009 and which increased demand in the printing industry. This increase in demand was particularly beneficial to our financial leasing business for printing because until 2009 our lease contracts in printing, unlike those in our other target industries, did not refer to PBOC benchmark interest rates as their base interest rate. When the PRC economy began to recover in the second half of 2009, we took advantage of this recovery in demand to negotiate printing lease contracts that referenced PBOC benchmark interest rates. In other words, this increase in demand enhanced our bargaining power in printing and allowed us to structure contract terms so that the rate we charged our customers could reflect the changes in the PBOC rates accordingly.

Fee income

Fee income from our leasing and advisory segment (before business taxes and surcharges) represented 39.5% and 36.9% of our total revenue (before business taxes and surcharges) for the nine months ended September 30, 2009 and 2010, respectively. Fee income (before business taxes and surcharges) increased by 48.5% to US$87.8 million for the nine months ended September 30, 2010 from US$59.1 million for the nine months ended September 30, 2009.

The following table sets forth our fee income (before business taxes and surcharges) distributed among our industry categories for the periods indicated.

	For the nine months September 30,	
	2009	2010
	US$'000	
Healthcare	15,639	21,678
Education	7,520	10,161
Infrastructure construction	8,998	11,217
Shipping	3,706	15,723
Printing	15,129	15,271
Machinery	7,594	10,789
Others	522	2,966
Total	59,108	87,805

The largest contributors to the total increase in our fee income (before business taxes and surcharges) were shipping, healthcare and machinery, which collectively contributed 74.1% of the total increase in our fee income between the nine months ended September 30, 2009 and 2010.

Shipping. Fee income from shipping (before business taxes and surcharges) contributed 41.9% of the total increase in fee income between the nine months ended September 30, 2009 and 2010. This increase in fee income from shipping was primarily due to: (i) an increase in the amount of services provided to our financial leasing customers as our business operations expanded, (ii) our expanded offering of products and services, such as U.S. dollar-dominated financial leasing products and consolidated financing arrangements for the acquisition of new ships, which lowered our customers' ship acquisition costs and attracted additional customers, (iii) the increased promotion of our dock logistics and customized ship services and (iv) an increase in the number of our sales and marketing personnel for shipping.

Healthcare. Fee income from healthcare (before business taxes and surcharges) contributed 21.0% of the total increase in fee income between the nine months ended September 30, 2009 and 2010. This increase in fee income from healthcare was primarily due to: (i) an increase in the amount of services provided to our financial leasing customers as our business operations expanded, (ii) lease contracts where the direct leasing method predominates, as in the case for healthcare, tend to require more value-added services, (iii) our enhanced ability to address the needs of current and potential customers as a result of further segmenting our sales network into more refined districts, enabling us to assign more dedicated personnel with industry and regional expertise to further enhance our customer coverage and (iv) we strengthened our cooperation with various equipment vendors to enhance our leasing business.

Machinery. Fee income from machinery (before business taxes and surcharges) contributed 11.1% of the total increase in fee income between the nine months ended September 30, 2009 and 2010. This increase in fee income from machinery was primarily due to: (i) an increase in the amount of services provided to our financial leasing customers as our business operations expanded, (ii) lease contracts where the direct leasing method predominates, as in the case for machinery, tend to require more value-added services, (iii) our enhanced ability to address the needs of current and potential customers as a result of further segmenting our sales network into more refined districts, enabling us to assign more dedicated personnel with industry and regional expertise to further enhance our customer coverage and (iv) we increased the number of our sales and marketing personnel for the machinery industry and increased our marketing efforts to customers who are among the highest-grossing in their respective industries.

Trading and others segment[(1)]

Revenue from our trading and others segment represented 9.3% and 12.5% of our total revenue for the nine months ended September 30, 2009 and 2010, respectively. Revenue from our trading and others segment increased by 113.3% to US$28.9 million for the nine months ended September 30, 2010 from US$13.5 million for the nine months ended September 30, 2009, primarily due to an increase in trading revenue from printing and brokerage revenue from shipping between these same periods.

Trading revenue from printing (before business taxes and surcharges) increased by US$10.3 million, or 107.5%, between the nine months ended September 30, 2010 and the nine months ended September 30, 2009 as a result of our efforts to meet the increased demand for paper among our printing customers. Brokerage revenue from shipping (before business taxes and surcharges) increased to US$5.0 million for the nine months ended September 30, 2010 from US$1.6 million for the nine months ended September 30, 2009. This is primarily because demand for brokerage services for the sale and purchase of ships increased, as ship-owners from within China expected a recovery within the shipping industry and prepared for a rise in exports from China relative to the first three quarters of 2009.

Cost of sales

Our cost of sales increased by 51.6% to US$81.0 million for the nine months ended September 30, 2010 from US$53.4 million for the nine months ended September 30, 2009.

Note:
(1) Total revenue and revenue at the business segment level are calculated with business taxes and surcharges deducted.

Leasing and advisory segment

Our cost of sales for the leasing and advisory segment consists solely of our cost of sales for financial leasing. Our cost of sales for financial leasing is derived entirely from our interest expense relating to our interest-bearing bank and other borrowings. The following table sets out the average total balance of our interest-bearing bank and other borrowings, our interest expense and our average cost for the periods indicated.

	For the nine months ended September 30,					
	2009			2010		
	Average balance(1)	Interest Expense	Average cost(2)	Average balance(1)	Interest Expense	Average cost(2)
	US$'000, except percentages					
Interest-bearing bank and other borrowings	1,042,700	43,357	5.54%	1,693,994	59,483	4.68%

Notes:

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

(2) Calculated by dividing interest expense by the average total balance of interest-bearing bank and other borrowings. This is then further calculated on an annualized basis.

Cost of sales for financial leasing increased by 37.2% to US$59.5 million for the nine months ended September 30, 2010 from US$43.4 million for the nine months ended September 30, 2009, as we continued to increase our level of interest-bearing bank and other borrowings to fund our on-going business expansion. The decrease in the average cost of our interest-bearing bank and other borrowings for the first three quarters of 2010 reflected the full effects of the decreases in the PBOC benchmark interest rates in the last four months of 2008, which (i) have resulted in lower interest rates on new borrowings as a result of our refinancing in the first three quarters of 2010, replacing long-term borrowings made at higher interest rates before the decreases in the PBOC benchmark interest rates, and also (ii) led to a lower average cost across our borrowings in general.

Our average total balance of interest-bearing and other borrowings increased by 62.5% between the nine months ended September 30, 2010 and the nine months ended September 30, 2009, which is in line with the increase in our average total balance of interest-earning assets of 64.3% over the same periods.

Trading and others segment

Our cost of sales for the trading and others segment primarily consists of our cost of sales for trading services. Our cost of sales for trading services is derived from the cost of inventories. Cost of sales for trading services increased by 113.8% to US$21.6 million for the nine months ended September 30, 2010 from US$10.1 million for the nine months ended September 30, 2009, primarily due to an increase in the aggregate value of trade transactions in printing, which resulted in an increase in our cost of sales related to trading services from printing between the nine months ended September 30, 2009 and 2010.

Gross profit and gross profit margin

Our gross profit increased by 63.5% to US$149.9 million for the nine months ended September 30, 2010 from US$91.7 million for the nine months ended September 30, 2009. Our gross profit margin was 63.2% and 64.9% for the nine months ended September 30, 2009 and 2010, respectively.

Leasing and advisory segment

Our gross profit margins in the leasing and advisory segment were 67.1% and 70.6% for the nine months ended September 30, 2009 and 2010, respectively.

Increases and decreases in our net interest income impact our gross profit margin. We measure the margins of our interest income through net interest margin, which is calculated by dividing (i) net interest income by (ii) the average balance of total interest-earning assets. As a result, fluctuations in our net interest margin are reflected through fluctuations in our average balance of total interest-earning assets and our net interest spread.

The following table sets forth our interest income, interest expense, net interest income, net interest spread and net interest margin for the periods indicated.

	Nine months ended September 30,	
	2009	**2010**
	US$'000, except percentages	
Interest income[(1)]	76,881	121,071
Interest expense[(2)]	43,357	59,483
Net interest income	33,524	61,588
Net interest spread[(3)]	1.14%	1.72%
Net interest margin[(4)]	2.91%	3.26%

Notes:

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

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

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

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

Our net interest spread increased to 1.72% for the nine months ended September 30, 2010 compared to 1.14% for the nine months ended September 30, 2009. The increase in net interest spread was primarily due to a decrease of 86 basis points in the average cost on our interest-bearing borrowings, which was partially offset by a decrease in the average yield on our interest-earning assets of 28 basis points. Our average cost decreased primarily because of the full effects of the decreases in the PBOC benchmark interest rates which are discussed in this section under the heading "Results of Operations—Nine months ended September 30, 2010 compared to nine months ended September 30, 2009—Cost of sales". For further information about changes in our average yield, see the heading "Results of Operations—Nine months ended September 30, 2010 compared to nine months ended September 30, 2009—Revenue—Analysis by average yield" in this section. At the same time, our average total balance of interest-earning assets increased by 64.3% between the same periods. As a result, our net interest income increased by 83.7% to US$61.6 million for the nine months ended September 30, 2010 from US$33.5 million for the nine months ended September 30, 2009. For the foregoing reasons, our net interest margin increased to 3.26% for the nine months ended September 30, 2010 compared to 2.91% over the same period in 2009.

Trading and others segment

Gross profit for the trading and others segment increased by 111.7% to US$7.3 million for the nine months ended September 30, 2010 from US$3.4 million for the nine months ended September 30, 2009, primarily due to an increase in our trading revenue from printing and an increase in brokerage revenue from shipping.

Other income and gains

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

	For the nine months ended	
	2009	2010
	US$'000	
Bank interest income	390	1,020
Foreign exchange gain/(loss)	(35)	725
Gain from settlement of financial instruments	—	—
Dividend income from available-for-sale financial investments	—	—
Gain from disposal of available-for-sale financial investments	—	4,251
Government grants	883	—
Others	—	502
Total	1,238	6,498

Other income and gains increased by US$5.3 million to US$6.5 million for the nine months ended September 30, 2010 from US$1.2 million for the nine months ended September 30, 2009, primarily reflecting a gain from disposal of available-for-sale investments and an increase in bank interest income in the nine months ended September 30, 2010.

Selling and distribution costs

The following table sets forth a breakdown of our selling and distribution costs for the periods indicated:

	For the nine months ended	
	2009	2010
	US$'000	
Salaries and benefits	9,555	18,155
Entertainment expenses	912	1,495
Travel expenses	3,079	5,217
Advertising costs	16	41
Transportation costs	79	84
Communication expenses	325	498
Office expenses	105	117
Conference expenses	411	517
Consulting fees	280	405
Amortization of intangible assets and other long-term assets	—	343
Others	366	649
Total	15,128	27,521

Selling and distribution costs increased by US$12.4 million, or 81.9%, to US$27.5 million for the nine months ended September 30, 2010 from US$15.1 million for the nine months ended September 30, 2009, primarily reflecting an increase in our costs relating to sales and marketing staff salaries and benefits of 90.0% as we increased our headcount for selling and distribution personnel to 410 as of September 30, 2010 from 267 as of September 30, 2009. 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 reflected, to a lesser degree, an increase in our travel expenses.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	Nine months ended September 30,	
	2009	2010
	US$'000	
Impairment of loans and accounts receivable	5,104	10,091
Administrative and management staff salaries and benefits	5,273	10,279
Rental expenses	2,371	2,642
Others[(1)]	4,096	6,310
Total	16,844	29,322

Note:

(1) Others includes consultancy fees, entertainment expenses, travel expenses, repairs, office expenses, conference expenses, amortization of intangible assets, insurance expenses and other miscellaneous expenses.

Administrative expenses increased by US$12.5 million, or 74.1%, to US$29.3 million for the nine months ended September 30, 2010 from US$16.8 million for the nine months ended September 30, 2009. This primarily reflects increases in our expenses relating to the impairment of loans and accounts receivable and administrative and management staff salaries and benefits primarily due to our increased headcount as our business expanded. Our total number of full-time employees increased from 618 at the end of 2009 to 810 as of September 30, 2010. Other administrative expenses grew as we expanded our business operations between the nine months ended September 30, 2009 and 2010.

Impairment of loans and accounts receivable

Impairment of loans and accounts receivable increased by 97.7% to US$10.1 million for the nine months ended September 30, 2010 compared to US$5.1 million for the nine months ended September 30, 2009, as net lease receivables increased by 73.8% between these same periods, in particular net lease receivables relating to shipping, healthcare and education. As a result of this increase in net lease receivables, additional provisions were set aside. We also adopted a more conservative approach to provisioning given uncertain macroeconomic conditions in the midst of the global economic downturn.

Other expenses

The following table sets forth a breakdown of our other expenses for the periods indicated:

	For the nine months ended	
	2009	2010
	US$'000	
Commission expenses	325	888
Loss on the disposal of items of property, plant and equipment	95	187
Donations	—	—
Recovery of litigation expenses	—	—
Total	420	1,075

Other expenses increased by US$0.7 million, or 156.0%, to US$1.1 million for the nine months ended September 30, 2010 from US$0.4 million for the nine months ended September 30, 2009, and the increase primarily related to an increase in our commission expenses, mainly comprised of bank charges, for the nine months ended September 30, 2010 as our business expanded.

Finance costs

Finance costs consist of interest on bank loans that were made for purposes other than the provision of our financial leasing products and services, such as to fund our operational expenses in the ordinary course of business. We did not incur any finance costs for the nine months ended September 30, 2009 and 2010.

Income tax expense

Income tax expense increased by US$7.9 million, or 56.2%, to US$21.8 million for the nine months ended September 30, 2010 from US$14.0 million for the nine months ended September 30, 2009. This increase was primarily due to an increase in our operating profit between the same periods. Our effective tax rates for the nine months ended September 30, 2009 and 2010 were 23.1% and 22.2%, respectively.

Profit for the period

For the foregoing reasons, our profit for the period increased by US$30.1 million, or 64.7%, to US$76.7 million for the nine months ended September 30, 2010 from US$46.6 million for the nine months ended September 30, 2009. Our net profit margin remained relatively stable, and was 32.1% and 33.2% for the nine months ended September 30, 2009 and 2010, respectively.

Years ended December 31, 2009, 2008 and 2007

Revenue[(1)]

Our total revenue increased by 36.3% to US$211.4 million in 2009 from US$155.1 million in 2008, primarily due to the growth of our leasing and advisory segment. Our total revenue increased by

Note:
(1) Total revenue and revenue at the business segment level are calculated with business taxes and surcharges deducted.

70.7% to US$155.1 million in 2008 from US$90.9 million in 2007, primarily due to the growth of our leasing and advisory segment and to a lesser extent from our trading and others segment.

Leasing and advisory segment[(2)]

Revenue from our leasing and advisory segment represented 89.7%, 87.6% and 90.2% of our total revenue for 2007, 2008 and 2009, respectively. Revenue from our leasing and advisory segment increased by 40.4% to US$190.7 million in 2009 from US$135.8 million in 2008. Revenue from our leasing and advisory segment increased by 66.7% to US$135.8 million in 2008 from US$81.5 million in 2007. These increases are primarily due to increases in our interest income and fee income, as discussed below.

Interest income

Interest income from our leasing and advisory segment (before business taxes and surcharges) represented 57.8%, 60.6% and 49.3% of our total revenue (before business taxes and surcharges) in 2007, 2008 and 2009, respectively. Interest income (before business taxes and surcharges) increased by 11.1% to US$107.5 million in 2009 from US$96.8 million in 2008, primarily due to an increase in the average total balance of interest-earning assets, which was partially offset by a decrease in the average yield. Interest income (before business taxes and surcharges) increased by 78.2% to US$96.8 million in 2008 from US$54.3 million in 2007, primarily due to an increase in the average total balance of interest-earning assets coupled with an increase in average yield.

Increases and decreases in interest income are primarily driven by two factors, our average total balance of interest-earning assets and our average yield.

Our average total balance of interest-earning assets increased by 49.7%, to US$1,668.2 million in 2009 from US$1,114.4 million in 2008 as we expanded our business. Our average yield decreased to 6.45% in 2009 from 8.69% in 2008.

Our average total balance of interest-earning assets increased by 59.5%, to US$1,114.4 million in 2008 from US$698.9 million in 2007 as we expanded our business. Our average yield increased to 8.69% in 2008 from 7.77% in 2007.

Note:
(2) Total revenue and revenue at the business segment level are calculated with business taxes and surcharges deducted.

The following table sets forth the average total balance of interest-earning assets, interest income and average yield of our industry categories for the years indicated.

	For the year ended December 31,								
	2007			2008			2009		
	Average balance(1)	Interest income(2)	Average yield(3)	Average balance(1)	Interest income(2)	Average yield(3)	Average balance(1)	Interest income(2)	Average yield(3)
	US$'000, except percentages								
Healthcare	310,249	21,007	6.77%	445,838	35,956	8.06%	618,703	37,107	6.00%
Education	55,938	4,478	8.01%	126,584	8,970	7.09%	244,432	15,670	6.41%
Infrastructure construction	51,428	3,983	7.74%	101,457	8,852	8.72%	190,602	12,179	6.39%
Shipping	77,094	5,567	7.22%	113,828	9,605	8.44%	117,888	10,076	8.55%
Printing	147,777	14,072	9.52%	253,936	25,187	9.92%	363,927	21,896	6.02%
Machinery	28,054	2,568	9.15%	54,219	6,037	11.13%	116,170	9,597	8.26%
Others	28,311	2,629	9.29%	18,519	2,184	11.79%	16,469	1,012	6.15%
Total interest-earning assets(4)	698,852	54,304	7.77%	1,114,379	96,791	8.69%	1,668,189	107,537	6.45%

Notes:

(1) Calculated as the average of the beginning and ending balances of total interest-earning assets for the year indicated.

(2) The interest income of each industry category is revenue before business taxes and surcharges.

(3) Average yield is calculated by dividing interest income by the average total balance of interest-earning assets.

(4) Consist of net lease receivables and entrusted loans.

Analysis by average total balance of interest-earning assets between 2009 and 2008

The largest contributors to the total increase in our average total balance of interest-earning assets were healthcare, education, printing and infrastructure construction, which collectively contributed 88.5% of the total increase in our average total balance of interest-earning assets between 2009 and 2008. The increase in our average total balance of interest-earning assets for healthcare, education, printing and infrastructure construction generally reflected our business expansion as well as the increase in the number of our sales and marketing personnel.

Healthcare. The contribution of healthcare to the total increase in our average total balance of interest-earning assets between 2009 and 2008 was 31.2%. This is primarily because the aggregate value of new lease contracts for healthcare increased. The aggregate value of new lease contracts for healthcare increased by 45.2% to US$466.5 million in 2009 from US$321.3 million in 2008, as we increased our marketing efforts to customers who are among the highest-grossing in their respective industries by customizing and offering flexible financial products.

Education. The contribution of education to the total increase in our average total balance of interest-earning assets between 2009 and 2008 was 21.3%. This is primarily because the aggregate value of new lease contracts for education increased. The aggregate value of new lease contracts for education increased by 67.7% to US$206.6 million in 2009 from US$123.2 million in 2008, reflecting our continued sales and marketing efforts and the increasing recognition of our brand by the market.

Printing. The contribution of printing to the total increase in our average total balance of interest-earning assets between 2009 and 2008 was 19.9%. This is primarily because the aggregate value of new lease contracts for printing increased. The aggregate value of new lease contracts for printing increased by 58.4% to US$412.2 million in 2009 from US$260.3 million in 2008, primarily as we organized more conventions and exhibitions for key printing industry participants and experts.

Infrastructure construction. The contribution of infrastructure construction to the total increase in our average total balance of interest-earning assets between 2009 and 2008 was 16.1%. This is primarily because the aggregate value of new lease contracts for infrastructure construction increased. The aggregate value of new lease contracts for infrastructure construction increased by 96.9% to US$231.7 million in 2009 from US$117.7 million in 2008, reflecting the effects of the PRC government's fiscal stimulus package of RMB4.1 trillion in 2009, much of which was focused on infrastructure spending.

Analysis by average yield between 2009 and 2008

Our average yield decreased to 6.45% in 2009 from 8.69% in 2008. This is because of a decrease in the PBOC benchmark interest rates between 2008 and 2009, as a result of the loosening of monetary policy by the PRC government in response to the global economic downturn beginning in the second half of 2008. The PBOC cut rates on five instances during the last four months of 2008, reducing the one-to-three year and three-to-five year benchmark RMB lending rates by 216 and 198 basis points, respectively. As a result, the one-to-three year and three-to-five year benchmark RMB lending rates fell to 5.40% and 5.76% by the end of 2008, respectively. Our lease contracts are generally priced at a floating interest rate, which floats at a preset margin above a base interest rate. The base interest rate generally references PBOC benchmark interest rates, and the preset margin is a commercial term in the lease contract which we negotiate on a case-by-case basis with the individual customer based on its industry. As the interest rates we charge our customers for most of our lease contracts are readjusted periodically at each subsequent payment date[(1)], the decrease in the average yield in 2009 reflects (i) the effects in 2009 of these reductions in interest rates during the last four months of 2008 and (ii) the time lag between these decreases in the PBOC benchmark interest rates and when we can adjust the interest rate we charge out to our customers, which is usually the next payment date. The impact of these two dynamics is more pronounced in industries such as healthcare, infrastructure construction, printing and machinery, where average yields decreased more relative to decreases for other industries between 2008 and 2009, such as education, which was not as affected by these dynamics because we typically structure our contracts with customers in the education industry with a relatively longer period between payment dates, meaning that the effect of lower interest rates is not felt as quickly.[(2)]

While the interest rates that we charge out to our customers can be adjusted at each subsequent payment date should PBOC benchmark interest rates fluctuate, this does not mean that we can be expected to fully or timely mitigate the effects of fluctuations of PBOC benchmark interest rates on our net interest margins. For example, our net interest margin decreased to 2.97% in 2009 from 4.09% in 2008. This is because in early 2008, when PBOC benchmark interest rates continued increasing, we decided to borrow in the form of long-term borrowings, which locked in the higher interest rates of

Notes:

(1) A majority of all of our lease contracts have monthly payment dates; as a result, the interest rates we charge out to customers can be adjusted at each subsequent month should PBOC benchmark interest rates fluctuate.

(2) A majority of our lease contracts for education have semi-annual payment dates. This payment structure takes into account the timing of cash inflows for certain customers in education, because a significant portion of the cash inflows of such educational institutions come in the form of tuition, which tends to be paid to these educational institutions semi-annually. As a result, adjustments in the interest rates we charge to such customers in the education industry generally take place at a more gradual pace.

early 2008 for the remainder of 2008 and for 2009 with respect to a significant portion of our bank borrowings. When PBOC benchmark interest rates fell beginning in the last four months of 2008, the rates we charged out to our customers in 2009 correspondingly fell. At the same time, a significant portion of our bank borrowings from early 2008 locked in the higher interest rates of 2008 for much of 2009, leading to a decrease of our net interest margin in 2009. For more details, see the section headed "—Results of Operations—Years ended December 31, 2009, 2008 and 2007—Gross Profit and Gross Profit Margin" as set forth in this prospectus.

The increase in our average yield for shipping between 2009 and 2008 partially offset the overall decrease in our average yield between 2009 and 2008. Our average yield for shipping for the year ended December 31, 2008 was 8.44%, while it was 8.55% for the year ended December 31, 2009. This is because many lower-yielding, shipping-related projects were terminated in early 2009 and were subsequently replaced with higher-yielding, shipping leases in the second half of 2009 as the economic conditions and expectations within the PRC shipping industry improved by the second half of 2009. As a result, this growth in our average yield for shipping in the second half of 2009 partially mitigated the overall decrease in our average yield in 2009.

Analysis by average total balance of interest-earning assets between 2008 and 2007

The largest contributors to the total increase in our average total balance of interest-earning assets were healthcare, printing, education and infrastructure construction, which collectively contributed 87.2% of the total increase in our average total balance of interest-earning assets between 2008 and 2007. The increase in our average total balance of interest-earning assets for education, printing and infrastructure generally reflected our business expansion as well as the increase in the number of our sales and marketing personnel.

Healthcare. The contribution of healthcare to the total increase in our average total balance of interest-earning assets between 2008 and 2007 was 32.6%. This is primarily because the aggregate value of new lease contracts for healthcare increased. The aggregate value of new lease contracts for healthcare increased by 44.9% to US$321.3 million in 2008 from US$221.7 million in 2007, as we further expanded into Southwestern China.

Printing. The contribution of printing to the total increase in our average total balance of interest-earning assets between 2008 and 2007 was 25.5%. This is primarily because the aggregate value of new lease contracts for printing increased. The aggregate value of new lease contracts for printing increased by 31.7% to US$260.3 million in 2008 from US$197.6 million in 2007, as we continued to develop sales and marketing personnel with industry expertise and began providing group credit facilities for our customers.

Education. The contribution of education to the total increase in our average total balance of interest-earning assets between 2008 and 2007 was 17.0%. This is primarily because the aggregate value of new lease contracts for education increased. The aggregate value of new lease contracts for education increased by 118.1% to US$123.2 million in 2008 from US$56.5 million in 2007, reflecting the expansion of our business to more inland regions such as Northern and Southwestern China.

Infrastructure construction. The contribution of infrastructure construction to the total increase in our average total balance of interest-earning assets between 2008 and 2007 was 12.0%. This is primarily because the aggregate value of new lease contracts for infrastructure construction increased.

The aggregate value of new lease contracts for infrastructure construction increased by 100.9% to US$117.7 million in 2008 from US$58.6 million in 2007, primarily due to (i) the increased number of financial leasing agreements in market niches of road, highway and municipal infrastructure, (ii) our establishment of full nationwide coverage for our customers and (iii) the development and promotion of short-term financing solutions for our customers.

Analysis by average yield between 2008 and 2007

Our average yield increased to 8.69% in 2008 from 7.77% in 2007. This is because in 2007 the PBOC increased benchmark interest rates six times in order to prevent overheating of the economy, increasing each of the one-to-three year benchmark RMB lending rate and the three-to-five year benchmark RMB lending rate by a total of 126 basis points over the course of the year. As a result, the one-to-three year and three-to-five year benchmark RMB lending rates rose to 7.56% and 7.74% by the end of 2007, respectively. As the interest rates we charge our customers for most of our lease contracts are readjusted periodically at each payment date, the increase in the average yield in 2008 reflects (i) the full year effects in 2008 of these increases in interest rates during 2007 and (ii) the time lag between the increases in the PBOC benchmark interest rate and when we can adjust the interest rate we charge out to our customers, which is usually the next payment date.

Our average yield for education decreased to 7.09% in 2008 from 8.01% in 2007, despite an increase in the average total balance of interest-earning assets, because a substantial portion of these contracts were signed in the second half of 2008. As a result we did not begin collecting interest income for these contracts until the second half of 2008.

Fee income

Fee income from our leasing and advisory segment (before business taxes and surcharges) represented 32.1%, 27.2% and 41.2% of our total revenue (before business taxes and surcharges) for the years ended December 31, 2007, 2008 and 2009, respectively. Fee income (before business taxes and surcharges) as a percentage of total revenue increased to 41.2% in 2009 from 27.2% in 2008 because our fee income increased significantly by 107.1% to US$90.0 million in 2009 from US$43.4 million in 2008.

The following table sets forth fee income (before business taxes and surcharges) distributed among our industry categories for the years indicated.

	For the year ended December 31,		
	2007	2008	2009
		US$'000	
Healthcare	13,358	16,797	23,563
Education	3,449	5,929	14,176
Infrastructure construction	2,081	3,780	11,502
Shipping	3,022	1,894	8,484
Printing	5,778	10,179	21,127
Machinery	1,903	3,646	9,937
Others	549	1,216	1,176
Total	30,140	43,441	89,965

2009 as compared to 2008

Fee income (before business taxes and surcharges) increased by 107.1% to US$90.0 million in 2009 from US$43.4 million in 2008. This is generally because we organized more forums and workshops for key industry participants in various industries, which helped us secure additional business and increase the aggregate value of new lease contracts for our target industries in 2009 as compared to 2008. The largest contributors to the total increase in our fee income (before business taxes and surcharges) were printing, education, infrastructure construction and healthcare, which collectively contributed 72.4% of the total increase in our fee income between 2009 and 2008.

Printing. Fee income from printing (before business taxes and surcharges) contributed 23.5% of the total increase in fee income between 2009 and 2008. This increase in fee income from printing was primarily due to an increase in the amount of services provided to our financial leasing customers as our business operations expanded and an increase in the number of our sales and marketing personnel.

Education. Fee income from education (before business taxes and surcharges) contributed 17.7% of the total increase in fee income between 2009 and 2008. This increase in fee income from education was primarily due to (i) an increase in the amount of services provided to our financial leasing customers as our business operations expanded, (ii) our continued sales and marketing efforts and the increasing recognition of our brand by the market and (iii) an increase in the number of our sales and marketing personnel.

Infrastructure construction. Fee income from infrastructure construction (before business taxes and surcharges) contributed 16.6% of the total increase in fee income between 2009 and 2008. This increase in fee income from infrastructure construction was primarily due to (i) an increase in the amount of services provided to our financial leasing customers as our business operations expanded, (ii) the effects of the PRC government's fiscal stimulus package of RMB4 trillion in 2009, much of which was focused on infrastructure spending, and (iii) an increase in the number of our sales and marketing personnel.

Healthcare. Fee income from healthcare (before business taxes and surcharges) contributed 14.5% of the total increase in fee income between 2009 and 2008. This increase in fee income from healthcare was primarily due to (i) an increase in the amount of services provided to our financial leasing customers as our business operations expanded, (ii) our increased marketing efforts to customers who are among the highest-grossing in their respective industries by customizing and offering flexible financial products, (iii) the expansion of our administrative services for healthcare facilities which contributed to an increase in fee income from healthcare and (iv) an increase in the number of our sales and marketing personnel.

2008 as compared to 2007

Fee income (before business taxes and surcharges) increased by 44.1% to US$43.4 million in 2008 from US$30.1 million in 2007. This is generally because we organized more forums and workshops for key industry participants in various industries, which helped us secure additional business and increase the aggregate value of new lease contracts for our target industries in 2008 as compared to 2007. The largest contributors to the total increase in our fee income (before business taxes and surcharges) were printing, healthcare and education, which collectively contributed 77.6% of the total increase in our fee income between 2008 and 2007.

Printing. Fee income from printing (before business taxes and surcharges) contributed 33.1% of the total increase in fee income between 2008 and 2007. This increase in fee income from printing was primarily due to (i) an increase in the amount of services provided to our financial leasing customers as our business operations expanded, (ii) our continued development of sales and marketing personnel with industry expertise and (iii) our offering of group credit facilities for our customers.

Healthcare. Fee income from healthcare (before business taxes and surcharges) contributed 25.9% of the total increase in fee income between 2008 and 2007. This increase in fee income from healthcare was primarily due to (i) an increase in the amount of services provided to our financial leasing customers as our business operations expanded, (ii) the expansion of our administrative services for healthcare facilities which contributed to an increase in fee income from healthcare and (iii) our expansion into Southwestern China.

Education. Fee income from education (before business taxes and surcharges) contributed 18.6% of the total increase in fee income between 2008 and 2007. This increase in fee income from education was primarily due to (i) an increase in the amount of services provided to our financial leasing customers as our business operations expanded, (ii) the expansion of our business to more inland regions such as Northern and Southwestern China and (iii) an increase in the number of our sales and marketing personnel.

Shipping. Fee income from shipping (before business taxes and surcharges) decreased to US$1.9 million in 2008 from US$3.0 million in 2007 as a result of a softening of demand relating to the global economic downturn which began in the second half of 2008.

Trading and others segment[(1)]

Revenue from our trading and others segment represented 10.3%, 12.4% and 9.8% of our revenue in 2007, 2008 and 2009, respectively. Revenue from our trading and others segment increased by 7.1% to US$20.6 million in 2009 from US$19.3 million in 2008. This is primarily because trading revenue from printing (before business taxes and surcharges) increased by US$6.0 million between 2008 and 2009, which was partially offset by a decrease in trade revenue from healthcare (before business taxes and surcharges) of US$3.8 million and a decrease in brokerage revenue from shipping (before business taxes and surcharges) of US$1.2 million between these same periods. Revenue for our trading and others segment increased by 105.5% to US$19.3 million in 2008 from US$9.4 million in 2007. This is primarily because trading revenue from printing and healthcare (both before business taxes and surcharges) increased by US$6.9 million and US$1.7 million between 2007 and 2008, respectively. Trading revenue from printing increased primarily because we had only begun our trading services for printing in 2007, whereas this business became fully developed by 2008.

Cost of sales

Our cost of sales increased by 13.5% to US$74.5 million in 2009 from US$65.7 million in 2008. Our cost of sales increased by 102.0% to US$65.7 million in 2008 from US$32.5 million in 2007.

Note:
(1) Revenue at the business segment level is calculated with business taxes and surcharges deducted.

Leasing and advisory segment

Our cost of sales for the leasing and advisory segment consists solely of our cost of sales for financial leasing. Our cost of sales for financial leasing is derived entirely from our interest expense relating to our interest-bearing bank and other borrowings. The following table sets forth the average total balance of our interest-bearing bank and other borrowings, our interest expense and our average cost for the years indicated.

	For the year ended December 31,								
	2007			2008			2009		
	Average balance(1)	Interest Expense	Average cost(2)	Average balance(1)	Interest Expense	Average cost(2)	Average balance(1)	Interest Expense	Average cost(2)
	US$'000, except percentages								
Interest-bearing bank and other borrowings	471,353	25,795	5.47%	781,863	51,198	6.55%	1,106,873	57,989	5.24%

Notes:

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

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

Cost of sales for financial leasing increased by 13.3% to US$58.0 million in 2009 from US$51.2 million in 2008, as we continued to increase our level of interest-bearing bank and other borrowings to fund our on-going business expansion, which was partially offset by decreases in benchmark interest rates by the PBOC beginning in September 2008 in response to the global economic downturn that began in the second half of 2008, which lowered interest rates for our bank borrowings in 2009.

Cost of sales for financial leasing increased by 98.5% to US$51.2 million in 2008 from US$25.8 million in 2007, as we increased our level of interest-bearing bank and other borrowings to fund our on-going business expansion, coupled with increases in benchmark interest rates by the PBOC throughout 2007 to prevent overheating of the PRC economy, which increased interest rates for our bank borrowings in 2008.

Trading and others

Our cost of sales for the trading and others segment primarily consists of our cost of sales for trading services. Our cost of sales for trading services is derived from the cost of inventories. Cost of sales for trading services increased by 14.1% to US$16.5 million in 2009 from US$14.5 million in 2008, primarily due to increases in the aggregate value of trading transactions in printing, which resulted in an increase of 68.6% in our cost of sales related to trading from printing between 2008 and 2009. This was partially offset by a decrease of 72.7% in our cost of sales related to trading from healthcare between 2008 and 2009, as our Company took a significant role in the procurement process for trade relating to healthcare in 2008 which we did not do in 2009 because we began to refine our focus to areas of healthcare perceived by us to have more growth potential, such as clean room engineering and infection control.

Cost of sales for trading services increased by 115.3% to US$14.5 million in 2008 from US$6.7 million in 2007, primarily due to increases in the aggregate value of trading transactions in both printing and healthcare, which resulted in an increase of 282.0% in our cost of sales related to trading from printing and an increase of 27.0% in our cost of sales related to trading from healthcare between 2007 and 2008.

Gross profit and gross profit margin

Our gross profit increased by US$47.4 million, or 53.0%, to US$136.8 million in 2009 from US$89.4 million in 2008. Our gross profit increased by US$31.1 million, or 53.2%, to US$89.4 million in 2008 from US$58.4 million in 2007. Our gross profit margin was 64.2%, 57.7% and 64.7% in 2007, 2008 and 2009, respectively.

Leasing and advisory segment

Our gross profit margin in the financial leasing and services segment was 68.4%, 62.3% and 69.6% in 2007, 2008 and 2009, respectively.

Increases and decreases in our net interest income impact our gross profit margin. We measure the margins of our interest income through net interest margin, which is calculated by dividing (i) net interest income by (ii) the average balance of total interest-earning assets. As a result, fluctuations in our net interest margin are reflected through fluctuations in our average balance of total interest-earning assets and our net interest spread.

The following table sets forth our interest income, interest expense, net interest income, net interest spread and net interest margin for the years indicated.

	For the year ended December 31,		
	2007	**2008**	**2009**
	US$'000, except percentages		
Interest income(1)	54,304	96,791	107,537
Interest expense(2)	25,795	51,198	57,989
Net interest income	28,509	45,593	49,548
Net interest spread(3)	2.30%	2.14%	1.21%
Net interest margin(4)	4.08%	4.09%	2.97%

Notes:

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

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

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

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

Our net interest spread decreased to 1.21% in 2009 from 2.14% in 2008, as our average yield decreased by 224 basis points and our average cost decreased by 131 basis points. Our average yield decreased because we readjusted the interest rates charged to our customers downward in response to the reduction of PBOC's benchmark rates, while our average cost decreased relatively less as readjustments to the interest rates we are charged for our bank borrowings lagged behind what we charged our customers primarily because a significant portion of our bank borrowings locked in fixed interest rates from early 2008 for 2009. At the same time, our average total balance of interest-earning assets increased 49.7% between the same periods. As a result, our net interest income increased by 8.7% to US$49.5 million in 2009 from US$45.6 million in 2008. For the foregoing reasons, our net interest margin decreased to 2.97% in 2009 from 4.09% in 2008.

Our net interest spread decreased to 2.14% in 2008 compared to 2.30% in 2007, as our average yield increased by 92 basis points and our average cost increased by 108 basis points. Our average cost increased because the interest rates we were charged for our bank borrowings in 2008 increased in response to the increases in the PBOC benchmark rates in 2007. Given the tight money environment, we decided to borrow in the form of long-term bank borrowings in early 2008, which locked in higher interest rates with respect to a significant portion of our bank borrowings for the remainder of the year. At the same time, our average total balance of interest-earning assets increased by 59.5% between the same periods. As a result, our net interest income increased by 59.9% to US$45.6 million for in 2008 compared to US$28.5 million in 2007. For the foregoing reasons, our net interest margin remained relatively stable, increasing to 4.09% in 2008 from 4.08% in 2007.

Between 2007 and 2008, our net interest spread decreased while our net interest margin remained relatively stable. Net interest spread decreased for the following reasons: (i) our average yield was 7.77% and 8.69% in 2007 and 2008, respectively, representing an increase of 11.8%; at the same time, (ii) our average cost was 5.47% and 6.55% in 2007 and 2008, respectively, representing an increase of 19.7%. This led to a decrease in our net interest spread between 2007 and 2008.

On the other hand, our net interest margin remained relatively stable for the following reasons: (i) our net interest income was US$28.5 million and US$45.6 million in 2007 and 2008, respectively, representing an increase of 59.9%; at the same time, (ii) our average total balance of interest-earning assets was US$698.9 million and US$1,114.4 million in 2007 and 2008, respectively, representing an increase of 59.5%. As the increase in our net interest income and our average total balance of interest-earning assets were generally in line with each other, our net interest margin remained relatively stable.

Trading and others segment

Gross profit for the trading and others segment decreased by 14.2% to US$4.1 million in 2009 from US$4.8 million in 2008, primarily due to an increase in our cost of sales for trading from printing that outpaced the increase in our revenue for trade from printing.

Gross profit for the trading and others segment increased by 80.7% to US$4.8 million to 2008 from US$2.6 million in 2007, primarily due to increases in our trading revenue from printing and healthcare between 2007 and 2008.

Other income and gains

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

	For the year ended December 31,		
	2007	2008	2009
		US$'000	
Bank interest income	333	1,027	630
Foreign exchange gain/(loss)	2,256	(197)	(63)
Gain from settlement of financial instruments	—	3,155	—
Dividend income from available-for-sale financial investments	1,184	4,404	—
Gain from disposal of available-for-sale financial investments	—	—	—
Government grants	153	757	1,990
Others	10	203	95
Total	3,936	9,349	2,652

Other income and gains decreased by US$6.7 million to US$2.7 million in 2009 from US$9.3 million in 2008, primarily reflecting (i) a gain from settlement of financial instruments in the amount of US$3.2 million in 2008 which did not recur in 2009, (ii) dividend income from available-for-sale financial instruments in the amount of US$4.4 million in 2008 which did not recur in 2009, partially offset by an increase in government grants in the amount of US$1.2 million. Other income and gains increased by US$5.4 million to US$9.3 million in 2008 from US$3.9 million in 2007, primarily reflecting (i) a gain from settlement of financial instruments in the amount of US$3.2 million in 2008 due to the maturity and settlement of asset backed securities related to our "Far Eastern Debut Leasing Asset Backed Security Management Program" which we started in 2006, (ii) dividend income from available-for-sale financial instruments in the amount of US$4.4 million in 2008, partially offset by (iii) a change due to a foreign exchange loss of US$0.2 million in 2008 from a foreign exchange gain of US$2.3 million in 2007 as a result of the appreciation of the Renminbi during the same year.

Selling and distribution costs

The following table sets forth a breakdown of our selling and distribution costs for the years indicated:

	For the year ended December 31,		
	2007	2008	2009
		US$'000	
Salaries and benefits	6,582	10,929	14,776
Entertainment expenses	488	1,026	1,484
Travel expenses	2,081	3,283	4,818
Advertising costs	25	44	29
Transportation costs	181	76	116
Communication expenses	256	412	483
Office expenses	34	100	178
Conference expenses	259	653	572
Consulting fees	927	633	425
Amortization of intangible assets and other long-term assets	—	—	7
Others	249	329	444
Total	11,082	17,485	23,332

Selling and distribution costs increased by US$5.8 million, or 33.4%, to US$23.3 million in 2009 from US$17.5 million in 2008, primarily reflecting increases in our costs relating to sales and marketing staff salaries and benefits and travel expenses. More particularly, our costs relating to sales and marketing staff salaries and benefits increased by 35.2% between 2009 and 2008 as we increased headcount for our sales and marketing personnel to 286 in 2009 from 187 in 2008. This increase in headcount of selling and distribution personnel was necessary for the expansion of our business.

Selling and distribution costs increased by US$6.4 million, or 57.8%, to US$17.5 million in 2008 from US$11.1 million in 2007, primarily reflecting increases in our costs relating to sales and marketing staff salaries and benefits and travel expenses. More particularly, our costs relating to sales and marketing staff salaries and benefits increased by 66.0% between 2008 and 2007 as we increased headcount for our sales and marketing personnel to 187 in 2008 from 145 in 2007. This increase in headcount for selling and distribution personnel was necessary for the expansion of our business.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	For the year ended December 31,		
	2007	2008	2009
		US$'000	
Impairment of loans and accounts receivable	6,485	4,693	9,053
Administrative and management staff salaries and benefits	3,987	5,216	7,910
Rental expenses	1,725	2,568	3,102
Others[1]	3,300	5,467	5,952
Total	15,497	17,944	26,017

Note:

(1) Others includes consultancy fees, entertainment expenses, travel expenses, repairs, office expenses, conference expenses, amortization of intangible assets, insurance expenses and other miscellaneous expenses.

Administrative expenses increased by US$8.1 million, or 45.0%, to US$26.0 million in 2009 from US$17.9 million in 2008, primarily reflecting increases in our expenses relating to impairment of loans and accounts receivable and administrative and management staff salaries and benefits as our total number of full-time employees increased from 437 as of December 31, 2008 to 618 as of December 31, 2009. Other administrative expenses grew in line with our business expansion between 2008 and 2009.

Administrative expenses increased by US$2.4 million, or 15.8%, to US$17.9 million in 2008 from US$15.5 million in 2007, primarily reflecting increases in our expenses relating to administrative and management staff salaries and benefits as our total number of full-time employees increased from 323 as of December 31, 2007 to 437 as of December 31, 2008 and rental expenses, partially offset by a decrease in our expense relating to impairment of loans and accounts receivable. Other administrative expenses grew 65.7% between 2008 and 2007 because of an increase in consulting fees relating to the arrangement of syndicated loans in 2008, which were arranged as part of the continuing expansion of our business.

Impairment of loans and accounts receivable

Impairment of loans and accounts receivable increased by 92.9% to US$9.1 million in 2009 compared to US$4.7 million in 2008, primarily due to the time-lagged effects of the global economic downturn that began in the second half of 2008.

Impairment of loans and accounts receivable decreased by 27.6% to US$4.7 million in 2008 compared to US$6.5 million in 2007. Although we adopted a more conservative approach to provisioning in 2008 given uncertain macroeconomic conditions in the midst of the global economic downturn which began in the second half of 2008, impairment of loans and accounts receivable decreased in 2008 due to collection efforts in 2008, especially with respect to several high-value lease contracts classified as non-performing as of the end of 2007.

Other expenses

The following table sets forth a breakdown of our other expenses for the years indicated:

	For the year ended December 31,		
	2007	2008	2009
		US$'000	
Commission expenses	92	270	673
Loss on the disposal of items of property, plant and equipment	24	17	99
Donations	13	89	1
Recovery of litigation expenses	(644)	—	—
Total	(515)	376	773

Other expenses increased by US$0.4 million, or 105.6%, to US$0.8 million in 2009 from US$0.4 million in 2008, with the changes relating primarily to an increase in our commission expenses primarily due to the expansion of our business. Other expenses decreased by US$0.9 million, or 173.0%, to US$0.4 million in 2008 from a gain of US$0.5 million in 2007, primarily because we recorded a recovery of litigation expenses in 2007, which was mainly due to the reversal of a provision recorded by Far Eastern in 2006 in response to litigation with one of its lessees, because the estimated amount in 2006 of the total liability to be borne by Far Eastern in connection with this litigation was more than the actual amount set forth in the final court ruling in 2007.

Finance costs

Finance costs consist of interest on bank loans that were made for purposes other than the provision of our financial leasing products and services, such as to fund our operational expenses in the ordinary course of business. Finance costs were nil, US$6,000 and nil for 2007, 2008 and 2009, respectively. The amount of US$6,000 was related to a bank loan taken out by Shanghai Donghong in 2008, which was fully settled within the same year.

Income tax expense

Income tax expense increased by US$7.8 million, or 62.8%, to US$20.3 million in 2009 from US$12.5 million in 2008. Income tax expense increased by US$7.1 million, or 133.6%, to US$12.5 million in 2008 from US$5.3 million in 2007. These increases were due primarily to increases in our operating profit in 2008 and 2009. Our effective tax rates for 2007, 2008 and 2009 were 14.7%, 19.8% and 22.7%, respectively. These increases in our effective tax rates were primarily due to the transitional corporate income tax rates of 18% in 2008 and 20% in 2009 at which we were assessed for our PRC corporate income taxes under the New CIT Law and also because we began withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from January 1, 2008, which are assessed at a rate of 5%.

Profit for the year

For the foregoing reasons, our profit for the year increased by US$18.6 million, or 36.8%, to US$69.1 million in 2009 from US$50.5 million in 2008, while our profit increased by US$19.6 million, or 63.5%, to US$50.5 million in 2008 from US$30.9 million in 2007. Our net profit margin remained relatively stable between 2007 and 2009, and was 34.0%, 32.6% and 32.7% in 2007, 2008 and 2009, respectively.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,			As of September 30,
	2007	2008	2009	2010
	US$'000			
Non-current assets				
Property, plant and equipment	903	1,412	1,862	3,343
Other assets	2,901	913	1,145	2,847
Available-for-sale investments	14,448	15,442	19,668	—
Deferred tax assets	99	123	4,152	8,050
Loans and accounts receivable	532,657	805,597	1,232,053	2,000,918
Total non-current assets	551,008	823,487	1,258,880	2,015,158
Current assets				
Inventories	70	63	613	59
Loans and accounts receivable	341,829	536,269	744,028	1,040,830
Prepayments, deposits and other receivables	6,925	2,588	26,072	19,099
Time and pledged deposits	—	—	—	68,166
Cash and cash equivalents	80,079	42,281	54,444	95,389
Total current assets	428,903	581,201	825,157	1,223,543
Current liabilities				
Trade and bills payables	48,655	33,925	97,262	142,183
Other payables and accruals	55,847	37,860	212,731	87,407
Interest-bearing bank and other borrowings	220,439	239,448	316,838	693,528
Tax payable	1,004	1,195	8,529	16,384
Total current liabilities	325,945	312,428	635,360	939,502
Net current assets	102,958	268,773	189,797	284,041
Total assets less current liabilities	653,966	1,092,260	1,448,677	2,299,199
Non-current liabilities				
Interest-bearing bank and other borrowings	376,835	727,004	930,455	1,447,166
Other payables and accruals	98,786	159,326	235,646	348,896
Deferred revenue	—	—	1,304	3,347
Deferred tax liability	—	2,390	5,436	4,883
Total non-current liabilities	475,621	888,720	1,172,841	1,804,292
Net assets	178,345	203,540	275,836	494,907
Equity				
Equity attributable to owners of the parent				
Issued capital	—	—	1	2
Reserves	178,244	203,278	275,835	494,427
	178,244	203,278	275,836	494,429
Non-controlling interests	101	262	—	478
Total equity	178,345	203,540	275,836	494,907

DESCRIPTION OF CERTAIN LINE ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

As of September 30, 2010, our total assets amounted to US$3,238.7 million, an increase of 55.4% compared to US$2,084.0 million as of December 31, 2009. Our total assets increased by 48.4% to US$2,084.0 million as of December 31, 2009 as compared to US$1,404.7 million as of December 31, 2008, an increase of 43.3% compared to US$979.9 million as of December 31, 2007. The principal component of our assets is loans and accounts receivable, representing 89.2%, 95.5%, 94.8% and 93.9% of our total assets as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively.

Loans and accounts receivable

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

	As of December 31,						As of September 30,	
	2007		2008		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	US$'000, except percentages							
Lease receivables	1,006,015		1,491,256		2,193,717		3,355,139	
Less: Unearned finance income	(127,799)		(140,715)		(222,525)		(369,318)	
Net lease receivables	878,216	99.1%	1,350,541	99.3%	1,971,192	98.4%	2,985,821	97.0%
Entrusted loans	—	0.0%	—	0.0%	14,685	0.8%	71,276	2.3%
Others	8,180	0.9%	8,953	0.7%	16,671	0.8%	21,732	0.7%
Loans and accounts receivable(1)	886,396	100.0%	1,359,494	100.0%	2,002,548	100.0%	3,078,829	100.0%

Note:
(1) This amount is not net of provisions.

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

As of September 30, 2010, our loans and accounts receivable (net of provisions) amounted to US$3,041.7 million, an increase of 53.9% compared to US$1,976.1 million as of December 31, 2009. As of the Latest Practicable Date, we had collected and settled US$495.3 million of the loans and accounts receivable (net of provisions) that were outstanding as of September 30, 2010, which was US$3,041.7 million. Our loans and accounts receivable (net of provisions) increased by 47.3% to US$1,976.1 million as of December 31, 2009 as compared to US$1,341.9 million as of December 31, 2008, which increased by 53.4% compared to US$874.5 million as of December 31, 2007.

Net lease receivables is the most important component of loans and accounts receivable, representing 99.1%, 99.3%, 98.4% and 97.0% of loans and accounts receivable as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively.

Entrusted loans are certain receivables that are classified separately on our balance sheet from lease receivables. This type of entrusted loan differs from the type of entrusted loan that arises from our financial leases in the shipping industry. Entrusted loans in this case represent receivables from transactions where our Group granted loans to the borrower, who is our customer, via an intermediary such as a bank or a trust company and which do not stipulate a specific use of the funds and do not include pledges of specific equipment or assets as collateral. On the other hand, entrusted loans that arise from our financial leases in the shipping industry are classified as lease receivables and they stipulate a use of the funds and may include pledges of certain assets. For more details on entrusted loans that arise from our lease contracts in shipping, please see the section headed "Business—Our Business Operations—Industry Analysis—Shipping Industry" as set forth in this prospectus.

Lease receivables

The following table sets forth our net lease receivables among our industry categories, as of the dates indicated.

	As of December 31,								As of September 30,		
	2007		2008			2009			2010		
	Amount	% of total	Amount	% of total	% change	Amount	% of total	% change	Amount	% of total	% change
	US$'000, except percentages										
Healthcare	368,125	41.9%	523,551	38.8%	42.2%	699,209	35.5%	33.6%	846,284	28.3%	21.0%
Education	78,412	8.9%	174,756	12.9%	122.9%	314,107	15.9%	79.7%	468,205	15.7%	49.1%
Infrastructure construction	69,710	7.9%	133,203	9.9%	91.1%	248,001	12.6%	86.2%	364,806	12.2%	47.1%
Shipping	103,893	11.9%	123,762	9.2%	19.1%	112,013	5.7%	(9.5)%	365,962	12.3%	226.7%
Printing	200,386	22.8%	307,485	22.8%	53.4%	420,369	21.3%	36.7%	527,320	17.7%	25.4%
Machinery	35,117	4.0%	73,320	5.4%	108.8%	159,020	8.1%	116.9%	237,914	8.0%	49.6%
Others	22,573	2.6%	14,464	1.0%	(35.9)%	18,473	0.9%	27.7%	175,330	5.8%	849.1%
Net lease receivables	878,216	100.0%	1,350,541	100.0%	53.8%	1,971,192	100.0%	46.0%	2,985,821	100.0%	51.5%

As of September 30, 2010, our net lease receivables amounted to US$2,985.8 million, an increase of 51.5% compared to US$1,971.2 million as of December 31, 2009. Our net lease receivables increased by 46.0% to US$1,971.2 million as of December 31, 2009 as compared to US$1,350.5 million as of December 31, 2008. Our net lease receivables increased by 53.8% to US$1,350.5 million as of December 31, 2008 compared to US$878.2 million as of December 31, 2007. These increases were a result of increases in the number of customers we serve and a general increase in new lease contracts across our six target industries.

Between September 30, 2010 and December 31, 2009

Net lease receivables for shipping increased by US$253.9 million between September 30, 2010 and December 31, 2009, primarily due to our focus on gaining market share during this period of economic recovery, especially with respect to the overseas shipping market. This also reflects the fact that shipping assets generally have higher average asset values than leased assets in certain other industries. Net lease receivables for education, healthcare and infrastructure construction increased by US$154.1 million, US$147.1 million and US$116.8 million between September 30, 2010 and December 31, 2009, respectively, as we assigned more dedicated sales and marketing personnel to target these industries. Net lease receivables in our other industries increased from December 31, 2009 to September 30, 2010, primarily due to the general expansion of our business, which reflects new lease contracts for industries outside our six target industries and encompasses a growing range of industries such as textiles, public transportation, public utilities and media and broadcasting.

Net lease receivables for shipping, machinery, education and infrastructure construction grew the fastest among our six target industries between September 30, 2010 and December 31, 2009, growing by 226.7%, 49.6%, 49.1% and 47.1%, respectively.

Between December 31, 2009 and December 31, 2008

Net lease receivables for healthcare, education, infrastructure construction and printing increased by US$175.7 million, US$139.4 million, US$114.8 million and US$112.9 million between December 31, 2009 and December 31, 2008, respectively. Net lease receivables for machinery, infrastructure construction, education and printing grew the fastest among our six target industries between December 31, 2009 and December 31, 2008, growing 116.9%, 86.2%, 79.7% and 36.7%, respectively, as we assigned more dedicated sales and marketing personnel to target these industries. Net lease receivables for shipping decreased by 9.5% between December 31, 2009 and December 31, 2008 as we employed a more conservative strategy and controlled the growth in our shipping-related assets in response to the global shipping downturn which began in the second half of 2008.

Between December 31, 2008 and December 31, 2007

Net lease receivables for healthcare, printing, education and infrastructure construction increased by US$155.4 million, US$107.1 million, US$96.3 million and US$63.5 million between December 31, 2008 and December 31, 2007, respectively. Net lease receivables for education, machinery, printing and healthcare grew the fastest among our six target industries between December 31, 2008 and December 31, 2007, growing by 122.9%, 108.8%, 53.4% and 42.2%, respectively, as we generally assigned more dedicated sales and marketing personnel to target these industries.

Amortization of lease receivables

The following table sets forth the aggregate values of our lease receivables, broken down by the time period that has elapsed since the date of effectiveness of the relevant lease contracts, minus amortization, as of the dates indicated.

	As of December 31,			As of September 30, 2010
	2007	2008	2009	
			US$'000	
Net lease receivables				
Within 1 year	559,107	798,368	1,232,954	1,954,156
1-2 years	225,327	396,160	494,334	716,245
2-3 years	68,390	122,033	196,489	238,217
3 years and beyond	25,392	33,980	47,415	77,203
	878,216	1,350,541	1,971,192	2,985,821

Net lease receivables within one year represent net lease receivables relating to new lease contracts that became effective within one year of the reporting date indicated, and were still valid to the end of the year or period. As of December 31, 2007, 2008 and 2009 and September 30, 2010, net lease receivables within one year as set forth in this table above represent 63.7%, 59.1%, 62.5% and

65.4% of our net lease receivables as of each of the respective dates. This indicates that our ability to sign and execute new lease contracts has been largely consistent and sustainable over the Track Record Period.

Maturity profile of lease receivables

The table below illustrates the net amount of lease receivables we will receive within the number of years indicated.

	As of December 31,			As of September 30, 2010
	2007	2008	2009	
			US$'000	
Net lease receivables				
Within 1 year	339,712	535,265	738,427	1,019,538
1-2 years	271,549	426,079	597,641	843,658
2-3 years	165,863	248,626	377,413	546,219
3 years and beyond[(1)]	101,092	140,571	257,711	576,406
Total	878,216	1,350,541	1,971,192	2,985,821

Note:
(1) The ceiling on the aging of these receivables is eight years.

Net lease receivables within the first year represent net lease receivables which we will receive within one year of the reporting date indicated. As of December 31, 2007, 2008 and 2009 and September 30, 2010, net lease receivables due within one year as set forth in this table above represent 38.7%, 39.6%, 37.5% and 34.1% of our net lease receivables as of each of the respective dates. This indicates that our net lease receivables, as they come due, have been spread consistently and as a result our cash inflows have historically provided us with relatively consistent and sustainable liquidity that has helped match our liabilities.

Asset quality

We measure and monitor the asset quality of our lease receivables portfolio through our AME System. For more details of our asset quality management, see "Risk Management—Credit Risk Management—Management of Asset Portfolio" as set forth in this prospectus. We classify our lease receivables using a five-category lease receivable classification system, which complies with our AME System. No PRC laws, regulations or rules require us to classify our lease receivables under specific statutory guidelines for asset quality; however, we have voluntarily put in place a five-category lease receivable classification system which is modeled after the statutory requirements relating to asset quality classification promulgated by the CBRC for finance leasing companies and other financial institutions under its regulation. As a result, our five-category lease receivable classification system is similar and comparable to those of the financial leasing companies and other financial institutions regulated by the CBRC, which includes many of our competitors within the PRC. While there are no accounting standards that directly relate to our lease receivable classification system, our provisioning policies for financial assets are governed by certain accounting standards and the accompanying guidance. For more details, please see the section "Financial Information—Significant Factors Affecting Our Results of Operations—Asset quality and provisioning policy".

Asset quality—Classification criteria

In determining the classification of our lease receivables, we apply a series of criteria that are derived from our own Regulations on the Management of Lease Assets. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on our lease receivables.

Our lease receivable classification criteria focus on a number of factors, to the extent applicable, and include the following ratings:

Pass: There is no reason to doubt that the loan principal and interest will be paid by the lessee in full and/or on a timely basis. There is no reason whatsoever to suspect that the lease receivables will be impaired. For example:

- The lessee has been able to pay the lease payments.
- Relevant government authorities have not issued any rules or regulations relating to the industry in which the lessee operates which limit or restrict the future development of this industry.
- There have been no adverse changes or events in the external business and operating environment.
- The lessee is in sound financial and operating condition and no circumstances have arisen which would affect the ability of the lessee to pay in full and/or on a timely basis.
- The assets or machinery underlying the lease are used properly and no circumstances have arisen which affect the lessee's intent to pay in full and/or on a timely basis.

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, such as:

- Changes in the macroeconomic environment, government policies and regulations, or circumstances which have arisen in the market and industry in which the lessee operates, that adversely impact the lessee's business and may affect its ability to pay in full and/or on a timely basis.
- The lessee has reorganized its business, or engaged in a merger, restructuring, spin-off, or similar transaction, which could negatively impact its ability to pay in full and/or on a timely basis.
- There has been a material adverse event which impacts the lessee's affiliates, parent entities, subsidiaries, or its key shareholders.
- Key financial indicators with respect to the lessee fall significantly, or fall below the industry average.
- If the lease relates to work-in-progress, and there has been a material adverse event impacting its progress which would negatively impact the lessee's ability to pay in full and/or on a timely basis. Such material adverse events include, for example, an infrastructure construction project significantly falling behind schedule or significant budget overruns.
- The lessee does not cooperate with us.

- The collateral, secured assets or pledged assets have been impaired in value.
- Circumstances with respect to the guarantor have arisen that impact its financial and operational condition, which would affect its ability to carry out its contractual obligations.
- The assets or machinery underlying the lease have not performed to the lessee's expectations, which likely makes the lessee less inclined to pay in full and/or on a timely basis.
- 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 we are likely to incur losses notwithstanding the enforcement of any guarantees underlying the lease contract. Other factors include:

- The lessee is operating at a loss, and its net cash flow is negative.
- The lessee has failed to resolve issues with its internal management, which prevents it from paying in full and/or on a timely basis.
- The lessee has found it difficult to access additional funding and to pay in full and/or on a timely basis.
- The lessee is unable to fulfill its obligations to other creditors.
- The lessee is in need of debt restructuring.
- The lessee has to auction off collateral or pledged assets underlying the lease, or use its guarantee to ensure payment in full.
- The economic benefits of the assets and machinery underlying the lease prove to be less than what is anticipated, or the pecuniary return on the assets and machinery underlying the lease is less than our uncollected lease payments because these assets and machinery are outdated or overused, or it is not economically reasonable to repossess these assets and machinery in view of their technology, wear-and-tear or other factors.
- 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 on a timely basis with its operating revenues and we are likely to incur significant losses notwithstanding the enforcement of any guarantees underlying the lease contract. Other factors include:

- A suspension or semi-suspension of the lessee's production has taken place.
- The lessee has become insolvent.
- The lessee has modified its capital structure to evade its obligations towards its bank creditors or other debt obligations.
- The lessee's debt obligations remain overdue or unpaid following a reasonable debt restructuring and no progress has been made with their repayment.

- The lessee's bank creditors have taken legal steps to recover funds from the lessee.
- The lessee has resorted to improper means, such as fraud or misrepresentation, to obtain a loan from a bank lender.
- 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. Other factors include:

- The lessee or the guarantor has declared bankruptcy, ceased operations, dissolution or wound down its business and is unable to pay off the outstanding lease amounts after legal settlement.
- Though the lessee has not wound down its business, it is no longer engaged in business operations. There is no possibility for production to resume. In view of these circumstances, the amount of uncollected outstanding lease payments has been confirmed.
- Though the lessee has not ceased its business operations, there is no market demand for its products and it has become insolvent, incurred serious losses and is on the verge of ceasing operations, and the government will not provide any assistance. In view of these circumstances, the amount of uncollected outstanding lease payments has been confirmed.
- The lessee is deceased or declared as missing or deceased in accordance with General Principles of the Civil Law of the People's Republic of China. The lease receivables for this lease contract cannot be recovered following settlement of the lessee's property or legacy or after taking recourse to the guarantor.
- The lessee has broken the law and has been legally sanctioned, but its property is insufficient to fully pay the outstanding lease amount and there is no other person to assume these obligations. The lease receivables for this lease contract cannot be recovered after taking recourse to the guarantor.
- The assets and machinery underlying the lease cannot be used anymore due to outdated technology or overuse; or these assets and machinery have been damaged and we are unable to recover any compensation from insurance.
- The lessee suffered from a major act of God which resulted in a significant loss to the lessee and we are unable to recover any compensation. Part of or the entire loan will not be repaid.
- The lessee and the guarantor are unable to pay the outstanding lease amounts, and we have taken legal steps to enforce the contract against the lessee and/or the guarantee against the guarantor, only to find that they have insufficient assets to facilitate any recovery. The court will provide no further relief and the outstanding lease amounts will not be recovered.
- If lease payments have been overdue for more than two years, the lease receivables for this lease contract shall be classified as a loss.

Distribution of lease receivables by classification

The following table sets forth, as of the dates indicated, the distribution of our lease receivable portfolio by the five-category lease receivable classification. We use the term "non-performing assets" synonymously to refer to the receivables identified as "individually assessed" in Note 18 to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus. Under our five-category assets classification system, our identified impaired lease receivables (or non-performing assets) are classified as substandard, doubtful or loss, as applicable.

	As of December 31,						As of September 30,	
	2007		2008		2009		2010	
	Amount	%	Amount	%	Amount	%	Amount	%
	US$'000, except percentages							
Pass	697,281	79.4%	1,107,605	82.0%	1,652,089	83.8%	2,445,860	81.9%
Special mention	166,046	18.9%	217,312	16.1%	295,514	15.0%	518,117	17.4%
Substandard	5,571	0.6%	15,611	1.2%	16,294	0.8%	13,150	0.4%
Doubtful	9,318	1.1%	8,588	0.6%	6,855	0.4%	8,200	0.3%
Loss	—	0.0%	1,425	0.1%	440	0.0%	494	0.0%
Net lease receivables	878,216	100.0%	1,350,541	100.0%	1,971,192	100.0%	2,985,821	100.0%
Non-performing assets(1)	14,889		25,624		23,589		21,844	
Non-performing asset ratio(2)	1.70%		1.90%		1.20%		0.73%	

Notes:

(1) Non-performing assets are defined as those lease receivables having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of lease receivables that can be reliably estimated. These lease receivables are graded as "Substandard", "Doubtful" or "Loss".

(2) The non-performing assets ratio is the percentage of non-performing assets over net lease receivables as of the applicable date.

Our non-performing assets decreased by 7.4% to US$21.8 million as of September 30, 2010 from US$23.6 million as of December 31, 2009, primarily due to (i) the continuation of our conservative policies regarding risk management and provisioning, (ii) upgrades of certain lease receivables in asset quality and (iii) improvement in the quality of our overall asset portfolio as the general economic conditions in China continued to improve. The non-performing asset ratio of our lease receivable portfolio decreased to 0.73% as of September 30, 2010 from 1.20% as of December 31, 2009 for the reasons discussed above, and also as the balance of new net lease receivables increased significantly between December 30, 2009 and September 30, 2010.

The non-performing asset ratio of our lease receivable portfolio decreased to 1.20% as of December 31, 2009 from 1.90% as of December 31, 2008. In addition, our non-performing assets decreased by 7.9% to US$23.6 million as of December 31, 2009 from US$25.6 million as of December 31, 2008. These decreases were primarily due to the following factors or considerations: (i) we decided to be more conservative in our management of non-performing assets and disposition of impaired leases in 2009, and as a result we terminated 12 risky projects classified as "doubtful" or "loss" in the printing, healthcare and infrastructure industries with an aggregate outstanding amount of approximately RMB38.5 million (including lease receivables and damages) and recovered approximately RMB37.7 million; (ii) through the global economic downturn we enhanced our understanding of the customers and industries we serve and as a result further improved our internal procedures and rules with respect to risk management and (iii) our customers' businesses grew and their financial condition improved in light of government policy incentives for healthcare, education and infrastructure construction and the favorable economic conditions in China in general.

Our non-performing assets increased by 72.1% to US$25.6 million as of December 31, 2008 from US$14.9 million as of December 31, 2007, and the non-performing asset ratio of our lease receivable portfolio increased to 1.90% as of December 31, 2008 from 1.70% as of December 31, 2007. These increases in the balance of our non-performing assets and our non-performing asset ratio were due to the adverse impact of the global economic downturn that began in the second half of 2008, when we reclassified certain performing assets as non-performing assets.

Non-performing assets ratio by industry

The following table sets forth our non-performing assets broken down among the six target industries, as of the dates indicated.

	As of December 31,						As of September 30,	
	2007		2008		2009		2010	
		Non-performing assets ratio		Non-performing assets ratio		Non-performing assets ratio		Non-performing assets ratio
	US$'000, except percentages							
Healthcare	5,583	1.52%	8,186	1.56%	2,814	0.40%	2,584	0.31%
Education	—	0.00%	1,062	0.61%	—	0.00%	1,246	0.27%
Infrastructure construction	2,346	3.37%	4,771	3.58%	7,616	3.07%	5,221	1.43%
Shipping	—	0.00%	—	0.00%	767	0.68%	—	0.00%
Printing	1,615	0.81%	10,983	3.57%	9,150	2.18%	11,883	2.25%
Machinery	93	0.26%	622	0.85%	3,242	2.04%	910	0.38%
Others	5,252	23.27%	—	0.00%	—	0.00%	—	0.00%
Total non-performing assets	**14,889**	**1.70%**	**25,624**	**1.90%**	**23,589**	**1.20%**	**21,844**	**0.73%**

The non-performing assets ratio relating to infrastructure construction has historically been relatively higher than the other industries in which we operate, primarily because such lease contracts generally involve assets with higher values. Consequently, when circumstances or events arise which would cause the lease receivables relating to a certain lease contract to be re-categorized as a non-performing asset, the non-performing asset ratio increases more conspicuously. As a result, the non-performing assets ratio relating to infrastructure construction has been higher than that of most of the other industries during the Track Record Period. Shipping is also considered to be a high risk industry, as average asset values tend to be higher than those in other industries. However, our non-performing asset ratios relating to shipping were generally low during the Track Record Period because the financed portion of shipping leases, as a percentage of the total value of the assets underlying our leases, generally ranged between 50% to 60% and are low relative to our other industries, such as healthcare, education and infrastructure construction. As a result, any recovery to us from repossessing the underlying assets, especially in the case of shipping vessels despite their high average asset values, is generally sufficient to cover the total outstanding amounts due as lease receivables under the relevant lease contract. Education is a relatively low risk industry, as most customers are schools that have consistent and reliable sources of funding.

Our overall non-performing asset ratio decreased from 1.20% as of December 31, 2009 to 0.73% as of September 30, 2010. The non-performing assets ratio relating to infrastructure construction decreased to 1.43% as of September 30, 2010 from 3.07% as of December 31, 2009. This is in view of the fact that we started growing our business in infrastructure construction recently. Therefore as our business in infrastructure construction grew in recent years, the total balance of lease receivables grew significantly, which made our non-performing assets ratio relating to infrastructure construction less susceptible to the re-categorization of lease receivables for any particular non-performing lease contract as of September 30, 2010 as compared to earlier periods.

The non-performing assets ratio relating to machinery decreased to 0.38% as of September 30, 2010 from 2.04% as of December 31, 2009 primarily because the non-performing assets ratio as of December 31, 2009 was higher than previous periods as the underlying asset value for a certain customer with whom we had a high value machinery lease contract experienced payment difficulties. However, our non-performing assets ratio relating to machinery recovered as of September 30, 2010 as the balance of non-performing assets relating to machinery decreased and our net lease receivables relating to machinery grew significantly between December 31, 2009 and September 30, 2010.

Our overall non-performing asset ratio decreased from 1.90% as of December 31, 2008 to 1.20% as of December 31, 2009. The non-performing assets ratio relating to machinery increased from 0.85% as of December 31, 2008 to 2.04% as of December 31, 2009, primarily because a certain customer with whom we have a machinery lease contract, under which the asset value was rather high in value compared to other machinery lease contracts, experienced payment difficulties which caused the lease receivables under this contract to be re-categorized as a non-performing asset.

Our overall non-performing asset ratio increased from 1.70% as of December 31, 2007 to 1.90% as of December 31, 2008 primarily due to prudential considerations at the time that the global economic downturn might adversely impact customers in the printing industry. The non-performing assets ratio relating to printing increased from 0.81% as of December 31, 2007 to 3.57% as of December 31, 2008 as most customers in the printing industry were small to mid-sized enterprises that were generally more susceptible to the global economic downturn than more highly capitalized companies.

The non-performing assets and non-performing assets ratio for the industry category of "others" were higher in 2007 than in subsequent years because the underlying asset value for a certain customer with whom we had a high value lease contract experienced payment difficulties. This customer was in the agricultural products industry. However, we subsequently collected all outstanding amounts and this lease contract was re-categorized as performing again.

Changes in the asset quality of our lease receivable portfolio

The following table sets forth changes in the outstanding balance of our non-performing assets of our lease receivable portfolio as of the dates indicated.

	Amount	Non-performing assets ratio
	US$'000, except percentages	
As of December 31, 2007	14,889	1.70%
Downgrades(1)	17,866	
Upgrades	(1,436)	
Recoveries	(5,695)	
Transfers-out(2)	—	
Write-offs	—	
As of December 31, 2008	25,624	1.90%
Downgrades(1)	7,451	
Upgrades	(4,003)	
Recoveries	(5,247)	
Transfers-out(2)	—	
Write-offs	(236)	
As of December 31, 2009	23,589	1.20%
Downgrades(1)	12,417	
Upgrades	(2,563)	
Recoveries	(11,564)	
Transfers-out(2)	—	
Write-offs	(35)	
As of September 30, 2010	21,844	0.73%

Notes:

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

(2) Consists primarily of the transfer of non-performing assets to foreclosed assets.

Provisions for lease receivables

We assess our lease receivables for impairment, determine a level of allowance for impairment losses, and recognize any related provisions made in a year, using the concept of impairment under HKAS39. For details, see "Financial Information—Significant Factors Affecting Our Results of Operations—Asset Quality and Provisioning Policy" and "Financial Information—Significant Accounting Judgments and Estimates—Provision for bad and doubtful receivables" in this prospectus.

Distribution of provision by assessment methodology

The following table sets forth the distribution of provisions by our assessment methodology as of the dates indicated[(1)].

	As of December 31,			As of September 30,
	2007	2008	2009	2010
	US$'000, except percentages			
Asset impairment provisions:				
Individually assessed	5,189	7,435	8,013	8,302
Collectively assessed	6,173	9,578	17,788	26,430
Total	11,362	17,013	25,801	34,732
Non-performing assets	14,889	25,624	23,589	21,844
Provision coverage ratio	76.31%	66.39%	109.38%	159.00%

Note:

(1) Since our Group is not regulated by the CBRC, we are not required to provide general provisions as the commercial banks or other financial institutions under the supervision of CBRC generally are. We provide collectively assessed provisions for performing assets fully in accordance with the relevant standards stated in HKAS39 and do not need to account for general provisions in connection with PRC governmental or regulatory requirements that may be relevant to commercial banks or other financial institutions within the PRC. Instead, our provisioning policies are based on relevant or applicable accounting standards and guidelines. Therefore in accordance with HKAS 39 Paragraph 64 we assess such performing assets for impairment on a collective basis. In determining our impairment provision for collectively assessed lease receivables, we make reference to the international rating-based approach of Basel II (which multiplies (i) the probability of default (ii) by the loss given default and (iii) by the exposure at default). In order to determine the parameters for this model, we look at: (i) our historical migration ratios of performing assets to non-performing assets; and (ii) the individually assessed impairment results for non-performing assets.

Our provision coverage ratio has generally shown an improving trend from 76.31% in 2007 to 109.38% in 2009 due to our increasingly active and prudent management of our asset quality. However, the decrease to 66.39% in 2008 mainly resulted from an increase in non-performing assets, due to the adverse impact of the global economic downturn that began in the second half of 2008 when we reclassified certain performing assets as non-performing assets. As a result, the provision coverage ratio decreased between these dates.

As we continued to expand the scale of our operations and also in the wake of the global financial crisis that began in the second half of 2008, we believed that we needed to take measures to better protect ourselves against systemic risk and move toward international standards and practices, and consequently we increased our provisions for asset impairment, and as a result our provision coverage ratios rose to 109.38% and 159.00% as of December 31, 2009 and September 30, 2010, respectively. In addition, our provision coverage ratio increased as a result of improvement in the quality of our overall asset portfolio as the general economic conditions in China continued to improve.

Our write-off ratios were 12.11%, 0.00%, 0.92% and 0.15%, as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively, while on the other hand, our provision coverage ratios were 76.31%, 66.39%, 109.38% and 159.00%, respectively, as of the same dates. In light of this, we believe that the provisions made by us during the Track Record Period were adequate to cover any actual losses incurred from write-offs.

Write-offs of lease receivables

The following table sets forth our write-off ratios as of the dates indicated.

	As of December 31,			As of September 30,
	2007	2008	2009	2010
	US$'000, except percentages			
Write-off	963	0	236	35
Non-performing assets, as of the beginning of the relevant financial year or period[(1)]	7,955	14,889	25,624	23,589
Write-off ratio[(2)]	12.11%	0.00%	0.92%	0.15%

Notes:

(1) We use the balance of non-performing assets as of the beginning of the relevant financial year or period as it is more meaningful given that we, as a matter of accounting procedure, write off non-performing assets after we have reclassified our assets according to their respective asset quality classifications and have made provisions for them. As a result, the write-off ratio, which is calculated as the percentage of lease receivable write-offs over the balance of non-performing assets as of the beginning of the relevant financial year or period, is likewise more meaningful.

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

Our write-off ratios have decreased over the Track Record Period, from 12.11% as of December 31, 2007 to 0.15% as of September 30, 2010. Our write-off ratios decreased overall during the Track Record Period as a result of our stringent risk management controls and our management of asset quality. We have implemented a stringent selection process both with respect to potential industries and customers and strictly adhere to our internal policies with respect to credit assessment and approval procedures. We also carefully manage and monitor our portfolio to help reduce risk. Although we maintain high asset quality, our write-off ratio in 2007 was significantly higher than during the rest of the Track Record Period when we wrote off a majority of losses caused prior to 2007 as a result of certain one-time write-offs relating to a small number of projects that had relatively large asset values. For further details about our risk management with respect to our asset portfolio, see "Risk Management—Credit Risk Management—Management of Asset Portfolio" in this prospectus.

Certain other assets

Other components of our assets consist primarily of (i) cash and cash equivalents, (ii) prepayments, deposits and other receivables and (iii) time and pledged deposits.

Cash and cash equivalents were US$80.1 million, US$42.3 million, US$54.4 million and US$95.4 million as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively, representing 8.2%, 3.0%, 2.6% and 2.9% of total assets as of the same dates, respectively.

Prepayments, deposits and other receivables were US$6.9 million, US$2.6 million, US$26.1 million and US$19.1 million as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively, representing 0.7%, 0.2%, 1.3% and 0.6% of total assets as of the same dates, respectively. The increase in prepayments, deposits and other receivables to US$26.1 million as of December 31, 2009 from US$2.6 million as of December 31, 2008 was due to (i) the expansion of our business operations as we signed more lease contracts whose contract terms had not yet begun, thereby leading us to accumulate and record leased assets and (ii) an increase in due from related parties from a related party, Sinochem Hong Kong (Group) Company Limited. This amount due from Sinochem Hong Kong (Group) Company Limited was subsequently fully settled in January 2010.

Time and pledged deposits were US$68.2 million as of September 30, 2010, representing 2.1% of total assets as of the same date.

Liabilities and source of funds

As of September 30, 2010, our total liabilities amounted to US$2,743.8 million, an increase of 51.7% compared to US$1,808.2 million as of December 31, 2009. Our total liabilities increased by 50.5% to US$1,808.2 million as of December 31, 2009 as compared to US$1,201.1 million as of December 31, 2008. Our total liabilities increased by 49.9% to US$1,201.1 million as of December 31, 2008 compared to US$801.6 million as of December 31, 2007.

Interest-bearing bank and other borrowings have historically been our primary source of funding and represented 74.5%, 80.5%, 69.0% and 78.0% and of our total liabilities, as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively.

Interest-bearing bank and other borrowings

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

As of September 30, 2010, our total interest-bearing bank and other borrowings amounted to US$2,140.7 million, an increase of 71.6% compared to US$1,247.3 million as of December 31, 2009. This is primarily because we increased the amount of bank loans during the nine months ended September 30, 2010 in order to support the growth of our lease receivable portfolio as we expanded our business operations. Our total interest-bearing bank and other borrowings increased by 29.1% to US$1,247.3 million as of December 31, 2009 as compared to US$966.5 million as of December 31, 2008. Our total interest-bearing bank and other borrowings increased by 61.8% to US$966.5 million as of December 31, 2008 compared to US$597.3 million as of December 31, 2007.

A small portion of our interest-bearing bank borrowings in 2008 had fixed interest rates, which have been subsequently replaced with variable rate interest-bearing bank borrowings. Going forward, we will generally not take out fixed rate interest-bearing bank borrowings, but we may do so in exceptional circumstances.

As of January 31, 2011, being the latest practicable date for determining this indebtedness, we had total borrowings of US$2,785 million, including bank borrowings of US$2,237 million and other borrowings of US$548 million. As of January 31, 2011, we had total banking facilities in the amount of US$3,736 million, of which US$1,499 million was unutilized.

As of January 31, 2011, being the latest practicable date for determining this indebtedness statement, we have no other borrowings or indebtedness, such as bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments.

As of the Latest Practicable Date, the Directors confirm that there has been no material change in the Company's indebtedness and contingent liabilities since the Indebtedness Date.

Our financing agreements with debt lenders contain a number of covenants, undertakings, restrictions and default provisions. Examples of major covenants, undertakings and restrictions that may trigger default provisions include:

- a transfer of material operating assets (e.g. 20% of the total assets) without obtaining the lender's prior approval;

- material changes to our shareholding structure, including but not limited to merger or consolidation with another company, division, restructuring or a change of controlling shareholder (e.g. Sinochem Group ceases to be the controlling shareholder of the Company or Sinochem Group ceases to be under the direct control of the State-owned Assets Supervision and Administration Commission);
- seeking additional financing from third parties for the underlying asset without the lender's prior approval; and
- failure of our financial indicators to meet certain standards set out under our financing agreements. Such requirements for indicators include: (1) our asset and liability ratio shall not exceed 90% (as of September 30, 2010, the asset and liability ratio of Far Eastern was 84.03%); (2) our net assets shall be no lower than RMB3 billion (as of September 30, 2010, the net assets of Far Eastern were RMB3.2 billion); (3) the aggregate of non-current borrowings and equity divided by net lease receivables shall not be lower than 60% (as of September 30, 2010, this indicator of Far Eastern was 67.61%); (4) the non-performing asset ratio shall not exceed 3% (as of September 30, 2010, the non-performing asset ratio of Far Eastern was 0.79%); (5) the interest protection multiple (being profit before interest and tax divided by interest cost) shall not be lower than 150% (as of September 30, 2010, such ratio of Far Eastern was 250%); and (6) the borrower shall continue making profit for three continuous years after the execution of the loan agreement.

As of the Latest Practicable Date, none of our lenders have claimed default against us under any of the provisions in the financing agreements during the Track Record Period and we have not breached any of the provisions in such a way that could result in any event of default during the Track Record Period. If we fail to comply with any of the requirements of our financing arrangements, or are unable to generate sufficient cash flows from our business operations, from the disposal of the assets underlying our leases, or from other business activities, or if we are unable to obtain further financing on favorable terms or at all to meet or repay our debts when due, the lenders may be entitled to accelerate the maturity of loans or foreclose on collateral supporting such loans, which would consequently materially and adversely affect our business, financial condition and our ability to obtain future financing.

Distribution between current and non-current interest-bearing bank and other borrowings

	As of December 31,						As of September 30, 2010	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
	US$'000, except percentages							
Current	220,439	36.9%	239,448	24.8%	316,838	25.4%	693,528	32.4%
Non-current	376,835	63.1%	727,004	75.2%	930,455	74.6%	1,447,166	67.6%
Total	597,274	100.0%	966,452	100.0%	1,247,293	100.0%	2,140,694	100.0%

During the Track Record Period, our current interest-bearing bank and other borrowings (including the current portion of long-term borrowings) as a percentage of our total interest-bearing bank and other borrowings were 36.9%, 24.8%, 25.4% and 32.4% of our total interest-bearing bank and other borrowings as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively. The proportion of current interest-bearing bank and other borrowings (including the current portion of long-term borrowings) over total interest-bearing bank and other borrowings increased to 32.4% as of

September 30, 2010 from 25.4% as of December 31, 2009 primarily because a specific long-term bank loan had neared the end of its term, and was therefore reclassified as a current bank borrowing. In general, we have made no changes to our policies with respect to the term structure of our current and non-current bank and other borrowings. The term structure of our interest-bearing bank and other borrowings is consistent with the term structure of our net lease receivables. We have also generally tried to match our current assets with our current liabilities. For details, see "Financial Information—Description of Certain Line Items in the Consolidated Statement of Financial Position—Lease and Accounts Receivables—Lease Receivables—Maturity Profile of Lease Receivables" in this prospectus.

Distribution between secured and unsecured interest-bearing bank and other borrowings

	As of December 31,						As of September 30, 2010	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
	US$'000, except percentages							
Secured	463,973	77.7%	550,440	57.0%	686,178	55.0%	1,188,608	55.5%
Unsecured	133,301	22.3%	416,012	43.0%	561,115	45.0%	952,086	44.5%
Total	597,274	100.0%	966,452	100.0%	1,247,293	100.0%	2,140,694	100.0%

The proportion of our interest-bearing bank and other borrowings that were unsecured was 22.3%, 43.0%, 45.0% and 44.5% of our total interest-bearing bank and other borrowings as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively. During the Track Record Period, we carefully managed our funding risk and as a result we have strengthened our balance sheet.

Distribution between bank loans, related-party borrowings and other loans

	As of December 31,						As of September 30, 2010	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
	US$'000, except percentages							
Bank loans	503,043	84.2%	683,772	70.8%	916,323	73.5%	1,823,698	85.2%
Related-party borrowings	94,231	15.8%	277,680	28.7%	234,127	18.8%	313,663	14.7%
Other loans	—	0.0%	5,000	0.5%	96,843	7.7%	3,333	0.1%
Total	597,274	100.0%	966,452	100.0%	1,247,293	100.0%	2,140,694	100.0%

The proportion of our related-party borrowings as a percentage of our total bank and other borrowings was 15.8%, 28.7%, 18.8% and 14.7% as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively. The proportion of related-party borrowings as a percentage of our total bank and other borrowings decreased between December 31, 2009 and September 30, 2010 as we chose to take out more bank loans to expand our business. The proportion of related-party borrowings as a percentage of our total bank and other borrowings decreased between December 31, 2008 and December 31, 2009 as we received private equity financing and repaid a portion of our related-party borrowings. The proportion of related-party borrowings as a percentage of our total bank and other borrowings increased between December 31, 2007 and December 31, 2008 as we increased our related-party borrowings to finance our ongoing business expansion. Our related-party borrowings had interest rates that were generally in line with market interest rates.

The following table sets forth the parties with whom we have existing related party borrowings and the terms of such borrowings during the Track Record Period.

Related party	Terms of borrowing
FOTIC	Six months to one year
Sinochem Finance Co., Ltd. (中化集團財務有限責任公司)	Six months to one year
Sinochem HK	Three years to four years

The Company will fully repay all related party borrowings on or before the Listing Date in accordance with the terms and conditions of the relevant agreements.

The Company confirms that all the balances due from/to Sinochem Group and the guarantee provided by Sinochem Group, which are set out in notes 19, 21, 23 and 24 of the Accountants' Report as set forth in Appendix I of this prospectus, will be fully settled on or before the Listing Date in accordance with the terms and conditions of the relevant agreements entered into.

Certain other liabilities

Other components of our liabilities consist primarily of (i) other payables and accruals, as well as (ii) trade and bills payables.

Other payables and accruals were US$154.6 million, US$197.2 million, US$448.4 million and US$436.3 million as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively, representing 19.3%, 16.4%, 24.8% and 15.9% of total liabilities as of the same dates, respectively. Other payables and accruals increased during the Track Record Period, primarily due to increases in our lease deposits. These increases in our lease deposits were as a result of our business expansion.

Lease deposits are collected from our financial leasing customers and are calculated based on a certain percentage of the entire value of the lease contract. When the term of a lease contract expires, the lessor must return the full lease deposit to the lessee and has no obligation to remit to the lessee any interest earnings. The balance of the lease deposit can also be applied and used to settle any outstanding lease amounts for a lease contract with a term that is about to expire.

As of the Latest Practicable Date, we had settled US$25.9 million of the lease deposits that were outstanding as of September 30, 2010, which were US$394.3 million.

In addition, advances from customers have generally increased during the Track Record Period as we expanded our business operations, whereas due to related parties has generally decreased as we increased the proportion of our financing from external sources. As of the Latest Practicable Date, we had settled US$15.3 million of the advances from customers that were outstanding as of September 30, 2010, which were US$26.5 million. These two trends with respect to advances from customers and due to related parties were generally offsetting in their impact on other payables and accruals during the Track Record Period.

Trade and bills payables were US$48.7 million, US$33.9 million, US$97.3 million and US$142.2 million as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively, representing 6.1%, 2.8%, 5.4% and 5.2% of total liabilities as of the same dates, respectively.

As of the Latest Practicable Date, we had settled US$99.4 million of the trade and bills payables that were outstanding as of September 30, 2010, which were US$142.2 million.

SHAREHOLDERS' EQUITY

The following table sets forth the components of the changes in our total equity attributable to shareholders for the periods or years indicated.

	Shareholders' equity
	US$'000
At December 31, 2007	178,345
Total comprehensive income for the year	63,274
Dividend	(38,079)
Appropriation to reserve funds	—
At December 31, 2008	203,540
Total comprehensive income for the year	72,559
Acquisition of non-controlling interests	(263)
Issue of shares	—
At December 31, 2009	275,836
Total comprehensive income for the year	81,569
Capitalization of shareholder's loan	215,680
Capital injection	734
Dividend	(78,912)
At September 30, 2010	494,907

Our total shareholders' equity increased to US$494.9 million at September 30, 2010 from US$275.8 million at December 31, 2009, which in turn increased from US$203.5 million at December 31, 2008. Our total shareholders' equity at December 31, 2007 was US$178.3 million. As of September 30, 2010, shareholders' loans in the aggregate amount of US$215,680,000 from Fortune Ally had been capitalized by our Company into 8,496 new ordinary shares. These ordinary shares were allotted and issued credited as fully paid to Fortune Ally. Consequently, the issued and paid-up share capital of our Company increased from 10,000 ordinary shares to 18,496 ordinary shares.

As of September 30, 2010, we had US$106.8 million in retained profits, representing reserves available for distribution to shareholders.

CASH FLOWS

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
			US$'000		
Net cash flow from operating activities	(228,105)	(295,190)	(415,101)	(222,757)	(763,972)
Net cash flow from investing activities	405	7,431	(10,850)	(200)	(39,257)
Net cash flow from financing activities	299,496	246,514	438,224	316,720	843,360
Effect of exchange rate changes on cash and cash equivalents	2,687	3,447	(110)	(78)	814
Net increase/(decrease) in cash and cash equivalents	74,483	(37,798)	12,163	93,685	40,945

Cash flow from operating activities

In 2007, 2008, 2009 and the nine months ended September 30, 2010, we had net cash outflows from operating activities in the amounts of US$228.1 million, US$295.2 million, US$415.1 million and US$764.0 million, respectively, as we expanded our business and increased the balance of our net lease receivables. As we engage in the business of financial leasing, we correspondingly increase our bank and other borrowings, which are recorded as cash inflows from financing activities. Net cash inflows from financing activities were US$299.5 million, US$246.5 million, US$438.2 million and US$843.4 million in 2007, 2008, 2009 and the nine months ended September 30, 2010. This trend in our net cash inflows from financing activities is primarily attributable to (i) cash outflows due to repayments of borrowings and (ii) cash inflows due to cash received from borrowings. In 2007, 2008 and 2009 and the nine months ended September 30, 2010, cash outflows due to repayments on borrowings were US$446.1 million, US$787.4 million, US$1,061.9 million and US$1,139.9 million, respectively, while cash inflows due to cash received from borrowings were US$695.6 million, US$1,076.6 million, US$1,341.5 million and US$2,006.6 million, respectively.

Net cash outflow from operating activities for the nine months ended September 30, 2010 was US$764.0 million. Net cash generated from operating activities before working capital changes was US$105.5 million. Changes in working capital consisted primarily of an increase of loans and accounts receivable of US$1,032.1 million relating to the expansion of our business, which was partially offset by an increase in other long term liabilities of US$117.2 million relating to an increase in lease deposits due after one year.

Net cash outflow from operating activities for 2009 was US$415.1 million. Net cash generated from operating activities before working capital changes was US$99.8 million. Changes in working capital consisted primarily of an increase of loans and accounts receivable of US$654.2 million relating to the expansion of our business, which was partially offset by an increase in our trade and bills payables of US$63.3 million and an increase in other payables, accrued liabilities and expenses of US$91.1 million relating to the expansion of our business.

Net cash outflow from operating activities for 2008 was US$295.2 million. Net cash generated from operating activities before working capital changes was US$61.1 million. Changes in working capital consisted primarily of an increase of loans and accounts receivable of US$394.0 million relating to the expansion of our business, which was partially offset by an increase in our other payables, accrued liabilities and expenses of US$60.3 million relating to the expansion of our business.

Net cash outflow from operating activities for 2007 was US$228.1 million. Net cash generated from operating activities before working capital changes was US$40.3 million. Changes in working capital consisted primarily of an increase of loans and accounts receivable of US$315.4 million relating to the expansion of our business, which was partially offset by an increase in our trade and bills payables of US$19.4 million and an increase in other payables, accrued liabilities and expenses of US$36.3 million relating to expansion of our business.

Cash flow from investing activities

Net cash outflow from investing activities for the nine months ended September 30, 2010 was US$39.3 million, primarily because we increased our pledged deposits and time deposits by US$67.5 million due to borrowings from overseas banks that required pledged and time deposits. The effect of the deposits was partially offset by cash received from disposal of available-for-sale financial investment in the amount of US$19.9 million.

Net cash outflow from investing activities for 2009 was US$10.9 million, primarily due to an increase in our balance due from related parties in the amount of US$10.0 million, as we made a loan to Sinochem HK in 2009, which was repaid in 2010.

Net cash inflow from investing activities was US$7.4 million in 2008, primarily due to amounts relating to cash received from the settlement of financial instruments in the amount of US$4.4 million and dividend income from available-for-sale financial investment in the amount of US$4.4 million.

Net cash inflow from investing activities was US$405,000 in 2007, primarily due to dividend income from available-for-sale financial investment in the amount of US$1.2 million, which was partially offset by cash paid for acquisition of property, plant and equipment, intangible and other long term assets in the amount of US$779,000.

Cash flow from financing activities

Net cash inflow from financing activities was US$843.4 million for the nine months ended September 30, 2010, primarily due to cash received from borrowings in the amount of US$2,006.6 million which was partially offset by repayments of borrowings in the amount of US$1,139.9 million.

Net cash inflow from financing activities was US$438.2 million in 2009, primarily due to cash received from borrowings in the amount of US$1,341.5 million which was partially offset by repayments of borrowings in the amount of US$1,061.9 million.

Net cash inflow from financing activities was US$246.5 million in 2008, primarily due to cash received from borrowings in the amount of US$1,076.6 million which was partially offset by repayments of borrowings in the amount of US$787.4 million.

Net cash inflow from financing activities was US$299.5 million in 2007, primarily due to cash received from borrowings in the amount of US$695.6 million which was partially offset by repayments of borrowings in the amount of US$446.1 million.

LIQUIDITY AND CAPITAL RESOURCES

Capital management

The primary objective of our 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. We manage our capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

Our Group monitors capital using a gearing ratio, which is calculated as bank and other borrowings divided by total capital plus bank and other borrowings. The following table sets out the gearing ratios as of the dates indicated.

	As of December 31,			As of September 30,
	2007	2008	2009	2010
	US$'000, except percentages			
Bank and other borrowings	620,671	966,452	1,407,293	2,140,694
Total capital	178,345	203,540	275,836	494,907
Capital and net debt	799,016	1,169,992	1,683,129	2,635,601
Gearing ratio	78%	83%	84%	81%

We aim to make full use of capital leverage for our operations to keep our gearing ratios relatively high but at the same time closely manage our gearing ratios to avoid potential liquidity risk. By reference to the gearing ratios of commercial banks and our main competitors in China, we believe that our gearing ratios were maintained at reasonable levels during the Track Record Period.

Measures on the Administration of Foreign Investment in the Leasing Industry

The primary objectives of the capital management of Far Eastern, the principal subsidiary of our Group in the PRC, are to ensure that it complies with the regulatory requirements of the MOFCOM in addition to the general requirements that are relevant to our Group. In accordance with the Measures and other relevant laws and regulations, Far Eastern has set up appropriate business development and capital management programs and established a comprehensive evaluation system. It actively adjusts its capital structure in light of changes in the market and the risks being confronted, by adjusting its dividend policy or financing channels. With its comprehensive evaluation system, Far Eastern is able to timely report this ratio as required by the Measures along with its year end financials to MOFCOM for filing purposes before March 31 of each year. During the Track Record Period, there were no significant changes in the policies or processes for managing the capital of Far Eastern.

In accordance with the requirements of the Measures, Far Eastern's assets at risk should not exceed 10 times its equity. Calculations of assets at risk to equity as of each of the balance sheet dates during the Track Record Period are as follows:

	As of December 31,			As of September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Total assets	970,144	1,399,470	2,044,235	2,989,011
Less: Cash	74,037	38,329	49,145	138,423
Total assets at risk	896,107	1,361,141	1,995,090	2,850,588
Equity	177,948	203,974	427,076	477,442
Ratio of assets at risk to equity	5.04	6.67	4.67	5.97

The table above shows that we have consistently complied with the gearing requirements of the Measures.

Net Current Assets

	As of December 31,			As of September 30,	As of
	2007	2008	2009	2010	January 31, 2011
	US$'000				
CURRENT ASSETS					
Inventories	70	63	613	59	480
Loans and accounts receivable	341,829	536,269	744,028	1,040,830	1,379,980
Prepayments, deposits and other receivables	6,925	2,588	26,072	19,099	44,060
Time and pledged deposits	—	—	—	68,166	96,010
Cash and cash equivalents	80,079	42,281	54,444	95,389	22,560
Total current assets	428,903	581,201	825,157	1,223,543	1,543,090
CURRENT LIABILITIES					
Trade and bills payables	48,655	33,925	97,262	142,183	195,708
Other payables and accruals	55,847	37,860	212,731	87,407	90,070
Interest-bearing bank and other borrowings	220,439	239,448	316,838	693,528	882,661
Tax payable	1,004	1,195	8,529	16,384	20,720
Total current liabilities	325,945	312,428	635,360	939,502	1,189,159
NET CURRENT ASSETS	102,958	268,773	189,797	284,041	353,931

Liquidity

We fund our lease receivable portfolio principally through our bank and other borrowings. We manage liquidity primarily by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet obligations as they become due. We have been focusing on maintaining stable sources of funding. We have also sought to increase the proportion of our non-current liabilities to improve our stable funding sources.

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. We manage our liquidity risk through daily monitoring. We aim to optimize the structure of assets and liabilities, maintain the stability of our leasing business, project cash flows and evaluate the level of current assets and terms of our liquidity and maintain an efficient internal funds transfer mechanism. For details, see "Risk Management—Liquidity Risk Management" in this prospectus.

The following table sets forth, as of the dates indicated, the maturity profile of our Group's financial assets and liabilities based on contractual undiscounted cash flows.[(1)]

	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
			US$'000			
			As of September 30, 2010			
Total financial assets	97,215	394,526	897,703	2,189,676	27,352	3,606,472
Total financial liabilities	30,467	291,791	674,999	1,886,300	14,388	2,897,945
Net liquidity gap	66,748	102,735	222,704	303,376	12,964	708,527
			As of December 31, 2009			
Total financial assets	49,739	248,866	656,381	1,329,127	17,226	2,301,339
Total financial liabilities	179,667	63,714	424,059	1,279,649	1,296	1,948,385
Net liquidity gap	(129,928)	185,152	232,322	49,478	15,930	352,954
			As of December 31, 2008			
Total financial assets	37,120	162,558	457,279	885,888	—	1,542,845
Total financial liabilities	21,359	167,303	167,155	948,589	—	1,304,406
Net liquidity gap	15,761	(4,745)	290,124	(62,701)	—	238,439
			As of December 31, 2007			
Total financial assets	81,852	113,801	302,351	608,020	—	1,106,024
Total financial liabilities	63,017	120,007	169,503	512,599	—	865,126
Net liquidity gap	18,835	(6,206)	132,848	95,421	—	240,898

Note:

(1) The data set forth in the table above refers to Note 35 "Financial Risk Management Objectives and Policies—Liquidity Risk" as set forth in the "Accountants' Report" in Appendix I to this prospectus. This data represents our Group's financial assets and liabilities based on our contractual undiscounted cash flows. This data differs from the data set forth in Note 35 "Financial Risk Management Objectives and Policies—Interest Rate Risk" as set forth in the "Accountants' Report" in Appendix I to this prospectus.

As of December 31, 2009, we had a net liquidity shortfall of US$129.9 million for the category of "on demand" because we borrowed US$160.0 million on an on demand basis from Fortune Ally.

Capital expenditures

Our capital expenditures were US$0.8 million, US$1.4 million and US$1.2 million in 2007, 2008 and 2009, respectively, and were primarily related to our efforts to expand our business, which included expenditures for additions of property, plant and equipment and purchases of automobiles due to an increase in personnel. In the nine months ended September 30, 2010, our capital expenditure was US$2.7 million, approximately US$1.3 million of which was related to the acquisition of two new offices, while the remaining balance was used as expenditures for additions of property, plant and equipment.

Working capital

Taking into account the amount of cash currently held by us, cash flows from our operations, banking facilities available to us and the estimated net proceeds of the Global Offering, the Directors are of the opinion that our working capital is sufficient for our requirements for at least the next 12 months from the date of this prospectus.

After making due enquires with the Company, the Joint Sponsors are of the opinion that the listing suitability of the Company is not affected by the implementation of the "Presentation of Financial Statements—Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" and the current disclosure regarding liquidity and working capital sufficiency of the Company in the prospectus is adequate.

CONTINGENT LIABILITIES, OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

A number of legal proceedings were initiated by third parties against our Group as defendant. The table below sets forth the total outstanding claims as of each of the dates indicated.

	As of December 31,			As of September 30,
	2007	2008	2009	2010
			US$'000	
Claimed amounts	1,711	1,463	417	—

Our Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years. As of each of the dates indicated, our Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As of December 31,			As of September 30,
	2007	2008	2009	2010
			US$'000	
Within one year	2,034	1,394	2,680	3,364
In the second to fifth years, inclusive	1,157	13	1,462	411
	3,191	1,407	4,142	3,775

In addition, our Group had the following capital commitments and irrevocable credit commitments as of each of the dates indicated:

	As of December 31,			As of September 30,
	2007	2008	2009	2010
			US$'000	
Contracted, but not provided for:				
Capital expenditure for acquisition of property and equipment	36	139	570	70
Irrevocable credit commitments:	40,823	136,899	155,370	591,295

Our irrevocable credit commitments represent leases that have been signed but where the term of the lease has not started. The increase from December 31, 2009 to September 30, 2010 was primarily due to the expansion of our business during the nine months ended September 30, 2010.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of March 11, 2011, being the most recent practicable date such information is available to us, we did not have any material off-balance sheet arrangements or contingencies except as included under the section headed "—Contingent Liabilities, Operating Lease Arrangements and Commitments" above.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our Group's principal financial instruments comprise lease receivables, bank loans, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to finance our operations. Our Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from our Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk. For details of our liquidity risk, see "Financial Information—Liquidity and Capital Resources—Liquidity". For details of our risk management policies with respect to interest rate risk, currency risk, credit risk and liquidity risk, see "Risk Management".

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations. Our Group trades only with counterparties who we believe to be recognized and reputable third-parties. In accordance with the policy of our Group, we examine and verify the credit risk of all customers that we have credit transactions with. In addition, we monitor and control the lease receivables continuously to ensure that we will not face significant exposure to bad debts. For details, see "Risk Management—Credit Risk Management".

Other financial assets of our Group include cash and bank deposits, account receivables, notes receivables, available-for-sale financial assets, entrusted loans and other account receivables. The credit risk of these financial assets is from the counterparty's inability to meet its obligations. The maximum exposure to credit risk equals to the carrying amount of these assets.

Credit risk is often greater when lessees are concentrated in a single industry or geographical location or have comparable economic characteristics. Our customers are mainly located in the PRC.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of adverse movements in market interest rates. Our Group's exposure to the risk of changes in market interest rates relates primarily to our long-term liabilities and lease receivables. Our operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets including investment securities and interest-bearing liabilities mature or re-price at different times or in different amounts.

Our Treasury Department and Finance Department are mainly responsible for managing and controlling our interest rate risk. We manage our interest rate risk exposure by adjusting the structure of our assets and liabilities based on assessing the sensitivity of projected net interest income under varying interest rate scenarios. We aim to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue. We have adopted certain measures to deal with interest rate risk, including (i) further strengthening our research capabilities to determine 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 the Measures Governing Interest Rate Risk Management《利率風險管理辦法》to further regulate interest rate risk management based on our past experience.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of our 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 subject to repricing within the coming year.

	Group increase/(decrease) in profit before tax			
	As of December 31,			As of September 30,
	2007	2008	2009	2010
	US$'000			
Change in basis points				
+100 basis points	6,349	6,280	7,633	10,798
- 100 basis points	(6,349)	(6,280)	(7,633)	(10,798)

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

Currency risk

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

We conduct our businesses mainly in RMB, with certain transactions denominated in US$, and, to a lesser extent, other currencies. Our Group's treasury operations exposure mainly arises from its transactions in currencies other than the RMB. When negotiating contracts with counterparties, we have avoided taking on significant foreign exchange risk.

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

The table below indicates a sensitivity analysis of exchange rate changes of the currencies to which we had significant exposure on our monetary assets and liabilities and our forecasted cash flows.

The analysis calculates the effect of a reasonably possible movement in the currency rates against the RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at each balance sheet date are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

	Change in currency rate	As of December 31, 2007	2008	2009	As of September 30, 2010
		US$'000			
Effect on profit before tax	-1%	(408)	9	1,527	257

The table below sets forth a breakdown of our assets and liabilities analyzed by currency, as of September 30, 2010:

	As of September 30, 2010			
	RMB	US$'000	Others	Total
	US$'000 equivalent		US$'000 equivalent	US$'000
Financial assets:				
Cash and cash equivalents	71,864	23,525	—	95,389
Time and pledge deposits	68,166	—	—	68,166
Loans and accounts receivable	2,822,824	218,924	—	3,041,748
Prepayments, deposits and other receivables	16,587	1,066	—	17,653
Total financial assets	2,979,441	243,515	—	3,222,956
Financial liabilities				
Interest-bearing bank and other borrowings	1,918,840	221,854	—	2,140,694
Trade and bills payables	142,183	—	—	142,183
Other payables and accruals	383,633	47,406	—	431,039
Total financial liabilities	2,444,656	269,260	—	2,713,916
Net position	534,785	(25,745)	—	509,040

FINANCIAL INSTRUMENTS

As of the Latest Practicable Date, we have not entered into any financial instruments for hedging purposes.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2010

On the bases set out in the section headed "Profit Estimate" in Appendix III to this prospectus and, in the absence of unforeseen circumstances, selected profit estimate data of the Group for the year ended December 31, 2010 are set out below:

Unaudited estimated profit attributable to the owners of the parent for the year ended December 31, 2010[1]	Not less than US$103.5 million (HK$807.1 million)
Unaudited estimated earnings per Share on a pro forma basis[2]	Not less than US$0.04 (HK$0.30)

Notes:

(1) Our estimated profit attributable to the owners of the parent for the year ended December 31, 2010 is extracted from the section headed "Financial Information—Profit Estimate for the Year Ended December 31, 2010" in this prospectus. The bases on which the above profit estimate has been prepared are summarized in the section headed "Profit Estimate" in Appendix III to this prospectus. The Directors have prepared the estimated profit attributable to the owners of the parent for the year ended December 31, 2010 based on the audited consolidated results of our Group for the nine months ended September 30, 2010 and an estimate of the consolidated results of our Group for the remaining three months ended December 31, 2010.

(2) The unaudited pro forma estimated earnings per Share on a pro forma basis is calculated by dividing the estimated profit attributable to the owners of the parent for the year ended December 31, 2010 by 2,720,000,000 Shares as if such Shares had been in issue on January 1, 2011. The number of Shares used in this calculation includes the Shares in issue as of the date of this prospectus and the Shares to be issued pursuant to the Capitalization Issue and the Global Offering but excludes any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

DIVIDEND POLICY

We paid a dividend to our then equity holders of US$13.3 million, US$38.0 million, nil and US$78.9 million in the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010, respectively. All dividends declared during the Track Record Period have been fully paid and settled. We may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as we may deem relevant at such time. Any declaration of dividends may or may not reflect our prior declarations of dividends and any dividend recommendation will be at the absolute discretion of the Board.

Future dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC. PRC law requires that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC law also requires foreign-invested enterprises, such as our subsidiaries in the PRC, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the Global Offering on our net tangible assets as of September 30, 2010 as if the Global Offering had taken place on September 30, 2010.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as of September 30, 2010 or as of any subsequent dates, including following the Global Offering.

	Unadjusted audited consolidated net tangible assets of the Group attributable to the owners of the Company as of September 30, 2010(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company(3)	Unaudited pro forma adjusted net tangible assets per Share(4)	
	US$ (in millions)	US$ (in millions)	US$ (in millions)	US$	HK$
Based on an Offer Price of HK$5.20 per Offer Share	493.3	517.4	1,010.6	0.37	2.90
Based on an Offer Price of HK$6.80 per Offer Share	493.3	680.0	1,173.3	0.43	3.36

Notes:

(1) The unadjusted audited consolidated net tangible assets of the Group attributable to the owners of the Company as of September 30, 2010 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company of US$494.4 million with an adjustment for intangible assets of US$1.1 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$5.20 and HK$6.80 per Offer Share, respectively, after deduction of underwriting fees and commissions and other related expenses payable by our Company and take no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in Note (2) above and on the basis that 2,720,000,000 Shares were in issue assuming that the Capitalization Issue and the Global Offering had been completed on September 30, 2010 and that the Over-allotment Option is not exercised.

(4) As of December 31, 2010, the Group's property interests were valued by CBRE, an independent property valuer, and the property valuation report is set out in Appendix IV to this prospectus. The net revaluation surplus, representing the excess of market value of the property interests over their corresponding book value shown in investment properties, prepaid lease payments and property, plant and equipment, is approximately US$67,000. Such revaluation surplus has not been included in the Group's audited consolidated financial information as of September 30, 2010 and will not be included in the Group's financial statements for the nine months ended September 30, 2010. The above adjustment does not take into account the revaluation surplus. Had the property interests been stated at such valuation as of December 31, 2010, additional depreciation of US$1,591 would be charged against the consolidated income statement for the nine months ended September 30, 2010.

(5) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to September 30, 2010.

RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES

Disclosure of the reconciliation between the valuation of the interests in properties attributable to the Group and such property interests in the Group's consolidated balance sheets as of September 30, 2010 contained in the Accountants' Report set out in Appendix I to this prospectus as required under Rule 5.07 of the Listing Rules, is set forth below.

	US$'000
Buildings included in property, plant and equipment	1,276
Net book value as of September 30, 2010	1,276
Movement from October 1, 2010 to December 31, 2010	51
Add: Additions during the period	68
Less: Depreciation during the period	17
Net book value as of December 31, 2010	1,327
Valuation surplus	67
Valuation as of December 31, 2010	1,394

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

The Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Stock Exchange.

NO MATERIAL ADVERSE CHANGE

The Group has maintained steady development of new contracts and revenue, a steady relationship with its customers and its profit margin level and settlement of leases receivable from its customers as scheduled.

Our Directors confirm, after having performed sufficient due diligence, that since September 30, 2010 (which includes (1) the period from September 30, 2010, being the date of the latest audited consolidated financial position of the Group as set out in Appendix I to this prospectus, to December 31, 2010 and (2) the period from January 1, 2011 to the Latest Practicable Date):

- there has been no material adverse change in the financial and trading position or prospects of the Group; and
- there has been no material event that would affect the information contained in the Accountants' Report as set out in Appendix I to this prospectus and in the section headed "Financial Information" in this prospectus.

WAIVER AND EXEMPTION

We have submitted an application to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange. We have also submitted an application to the SFC for a certificate of exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full year ended December 31, 2010 in this prospectus on the ground that it would be unduly burdensome on us and the exemption would not prejudice the interest of the investing public and a certificate of exemption has been granted by the SFC under section 38A of the Companies Ordinance on the condition that particulars of the exemptions are set out in this prospectus and this prospectus will be issued on or before March 18, 2011. For more details of the waiver and exemption, see the section headed "Waivers and Exemptions from Compliance with the Listing Rules and Companies Ordinance" in this prospectus.