The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

March 18, 2011

The Directors
FAR EAST HORIZON LIMITED
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED
MORGAN STANLEY ASIA LIMITED
UBS AG, HONG KONG BRANCH

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Far East Horizon Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the year ended December 31, 2007, 2008 and 2009 and nine months ended September 30, 2010 (collectively the "Track Record Period") and comparative financial information (the "Comparative Financial Information") of the Group for the nine months ended September 30, 2009, prepared on the basis of presentation and preparation set out in note 2.1 and 2.2 of Section II below, for inclusion in the prospectus of the Company dated March 18, 2011 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in Hong Kong on May 15, 2008 as a company with limited liability under the Hong Kong Companies Ordinance. Pursuant to the group reorganization (the "Reorganization") as detailed in note 1 of Section II below, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Company's interests in its subsidiaries as at the date of this report are set out in note 1 of Section II below. The Group is principally engaged in providing financing to its customers for a wide array of assets under finance lease arrangements, the provision of leasing advisory services, import and export trade and other services as approved by the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China (the "PRC").

All companies now comprising the Group have adopted December 31, as their financial year end date. The statutory financial statements of the Group for the year ended December 31, 2009 were audited by us (the "Audited Financial Statements"). The statutory financial statements or management accounts of the Group's subsidiaries were prepared in accordance with the relevant accounting principles applicable to these companies in their respective jurisdictions and details of their statutory auditors for the three years ended December 31, 2009 were set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements (the "Underlying Financial Statements") of the Group for the years ended December 31, 2007 and 2008, and nine months ended September 30, 2009 and September 30, 2010 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report, includes the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period, and the statements of financial position of the Group and the Company as at December 31, 2007, 2008 and 2009 and September 30, 2010 (when applicable), together with the notes thereto. The Comparative Financial Information set out in this report, includes the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the nine months ended September 30, 2009 (unaudited), together with the notes thereto. The Financial Information and Comparative Financial Information have been prepared, based on the Audited Financial Statements and the Underlying Financial Statements, after making such adjustments as we consider appropriate.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information and the Comparative Financial Information in accordance with HKFRSs issued by the HKICPA, and for the contents of the Prospectus in which this report is included. The directors of the respective companies of the Group are responsible for the preparation and true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies. In preparing the Financial Information and the Comparative Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable.

It is our responsibility to form an independent opinion and a review conclusion, based on our audit and review, on the Financial Information and the Comparative Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

Procedures performed in respect of the Financial Information

For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and such additional procedures we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Procedures performed in respect of the Comparative Financial Information

For the purpose of this report, we have also performed a review of the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Comparative Financial Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation and preparation set out in note 2.1 and 2.2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company (where applicable) as at December 31, 2007, 2008 and 2009 and September 30, 2010 and of the consolidated results and cash flows of the Group for each of the period ended of the Track Record Period.

Review conclusion in respect of the Comparative Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information does not give a true and fair view of the consolidated results and cash flows of the Group for nine months ended September 30, 2009.

I. FINANCIAL INFORMATION

(a) Consolidated Income Statements of the Group

	Notes	Year ended December 31, 2007	2008	2009	Nine months ended September 30, 2009	2010
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
REVENUE	6	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	6	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	7	—	(6)	—	—	—
PROFIT BEFORE TAX	8	36,230	62,968	89,365	60,529	98,493
Income tax expense	11	(5,337)	(12,468)	(20,292)	(13,970)	(21,827)
PROFIT AFTER TAX		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)
		30,893	50,500	69,073	46,559	76,666

I. FINANCIAL INFORMATION (continued)

(b) Consolidated Statements of Comprehensive Income of the Group

	Notes	Year ended December 31,			Nine months ended September 30,	
		2007	2008	2009	2009	2010
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
PROFIT FOR THE YEAR/PERIOD		30,893	50,500	69,073	46,559	76,666
OTHER COMPREHENSIVE INCOME						
Available-for-sale financial investments:						
Changes in fair value	34	—	—	4,210	—	—
Gain from disposal	6	—	—	—	—	(4,251)
Exchange differences		—	—	—	—	33
Income tax effect		—	—	(927)	—	935
		—	—	3,283	—	(3,283)
Exchange differences on translation of financial statements of entities in Mainland China		6,622	12,774	203	146	8,186
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		6,622	12,774	3,486	146	4,903
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		37,515	63,274	72,559	46,705	81,569
Attributable to:						
Owners of the parent		37,408	63,083	72,559	46,705	81,825
Non-controlling interests		107	191	—	—	(256)
		37,515	63,274	72,559	46,705	81,569

I. FINANCIAL INFORMATION (continued)

(c) Consolidated Statements of Financial Position of the Group

	Notes	As at December 31, 2007	2008	2009	As at September 30, 2010
		US$'000	US$'000	US$'000	US$'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	903	1,412	1,862	3,343
Other assets	15	2,901	913	1,145	2,847
Available-for-sale financial investment	16	14,448	15,442	19,668	—
Deferred tax assets	26	99	123	4,152	8,050
Loans and accounts receivable	18	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	17	70	63	613	59
Loans and accounts receivable	18	341,829	536,269	744,028	1,040,830
Prepayments, deposits and other receivables	19	6,925	2,588	26,072	19,099
Time and pledged deposits	21	—	—	—	68,166
Cash and cash equivalents	21	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	22	48,655	33,925	97,262	142,183
Other payables and accruals	23	55,847	37,860	212,731	87,407
Interest-bearing bank and other borrowings	24	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	24	376,835	727,004	930,455	1,447,166
Other payables and accruals	23	98,786	159,326	235,646	348,896
Deferred revenue	25	—	—	1,304	3,347
Deferred tax liabilities	26	—	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	27	—	—	1	2
Reserves	28(a)	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

I. FINANCIAL INFORMATION (continued)

(d) Consolidated Statements of Changes in Equity of the Group

	Attributable to owners of the parent							
	Issued capital	Capital reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US$'000 (note 27)	US$'000 (note 28(a))	US$'000 (note 28(a))	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2007	—	60,499	4,384	741	21,957	87,581	(6)	87,575
Total comprehensive income for the year	—	—	—	6,619	30,789	37,408	107	37,515
Capital injection of the subsidiaries	—	66,561	—	—	—	66,561	—	66,561
Dividend (note 12)	—	—	—	—	(13,306)	(13,306)	—	(13,306)
Appropriation to reserve funds	—	—	4,580	—	(4,580)	—	—	—
At December 31, 2007 and January 1, 2008	—	127,060	8,964	7,360	34,860	178,244	101	178,345
Total comprehensive income for the year	—	—	—	12,762	50,321	63,083	191	63,274
Dividend (note 12)	—	—	—	—	(38,049)	(38,049)	(30)	(38,079)
Appropriation to reserve funds	—	—	7,386	—	(7,386)	—	—	—
At December 31, 2008 and January 1, 2009	—	127,060	16,350	20,122	39,746	203,278	262	203,540

I. FINANCIAL INFORMATION (continued)

(d) Consolidated Statements of Changes in Equity of the Group (continued)

	Attributable to owners of the parent								
	Issued capital	Capital reserve	Available-for-sale investment revaluation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US$'000 (note 27)	US$'000 (note 28(a))	US$'000	US$'000 (note 28(a))	US$'000	US$'000	US$'000	US$'000	US$'000
At December 31, 2008 and January 1, 2009	—	127,060	—	16,350	20,122	39,746	203,278	262	203,540
Total comprehensive income for the year	—	—	3,283	—	203	69,073	72,559	—	72,559
Acquisition of non-controlling interests	—	(1)	—	—	—	—	(1)	(262)	(263)
Issue of shares	1	(1)	—	—	—	—	—	—	—
At December 31, 2009 and January 1, 2010	1	127,058	3,283	16,350	20,325	108,819	275,836	—	275,836
Total comprehensive income for the period	—	—	(3,283)	—	8,175	76,933	81,825	(256)	81,569
Capitalization of shareholder's loan (note 27(c))	1	215,679	—	—	—	—	215,680	—	215,680
Capital injection	—	—	—	—	—	—	—	734	734
Dividend (note 12)	—	—	—	—	—	(78,912)	(78,912)	—	(78,912)
At September 30, 2010	2	342,737	—	16,350	28,500	106,840	494,429	478	494,907
At January 1, 2009	—	127,060	—	16,350	20,122	39,746	203,278	262	203,540
Total comprehensive income for the period (unaudited)	—	—	—	—	146	46,559	46,705	—	46,705
Acquisition of non-controlling interests	—	(1)	—	—	—	—	(1)	(262)	(263)
Issue of shares	1	(1)	—	—	—	—	—	—	—
At September 30, 2009 (unaudited)	1	127,058	—	16,350	20,268	86,305	249,982	—	249,982

I. FINANCIAL INFORMATION (continued)

(e) Consolidated Statements of Cash Flows of the Group

	Notes	Year ended December 31, 2007	2008	2009	Nine months ended September 30, 2009	2010
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		36,230	62,968	89,365	60,529	98,493
Adjustments for:						
Finance costs and bank charges		93	276	445	581	888
Dividend income from available-for-sale investment	6	(1,184)	(4,404)	—	—	—
Gain from settlement of financial instruments	6	—	(3,155)	—	—	—
Disposal income from available-for-sale financial investments	6	—	—	—	—	(4,251)
Loss on disposal of items of property, plant and equipment, net		24	17	99	95	(315)
Depreciation	8	231	386	482	350	614
Provision for impairment of lease receivables	18	6,500	4,666	9,003	5,124	8,436
Provision for impairment of other assets		559	27	50	(20)	1,655
Amortization of intangible assets and other long term assets	8	108	120	299	196	626
Foreign exchange loss/(gain), net	6	(2,256)	197	63	35	(725)
		40,305	61,098	99,806	66,890	105,421
Net decrease/(increase) on operating assets:						
Inventories		701	11	(550)	(670)	560
Loans and accounts receivable		(315,416)	(394,024)	(654,229)	(325,777)	(1,032,078)
Prepayments, deposits and other receivables		(3,705)	4,814	122	(35,151)	(959)
Due from related parties		(147)	(180)	(477)	(454)	(1,270)
Other long term assets		—	—	(439)	(439)	(1,729)
		(318,567)	(389,379)	(655,573)	(362,491)	(1,035,476)
Net increase/(decrease) in operating liabilities:						
Trade and bills payables		19,424	(17,475)	63,275	27,318	42,672
Other payables, accrued liabilities and expenses		36,326	60,277	91,146	4,020	23,663
Due to related parties		(176)	346	(184)	(150)	222
Other liabilities		—	—	1,303	52,827	117,231
		55,574	43,148	155,540	84,015	183,788
Net cash flows used in operating activities before tax		(222,688)	(285,133)	(400,227)	(211,586)	(746,267)
Income tax paid		(5,417)	(10,057)	(14,874)	(11,171)	(17,705)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(228,105)	(295,190)	(415,101)	(222,757)	(763,972)
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash received from settlement of financial instruments		—	4,442	—	—	—
Dividend income from available-for-sale financial investment		1,184	4,404	—	—	—
Cash received from disposal of available-for-sale financial investment		—	—	—	—	19,852
Proceeds from disposal of property, plant and equipment		—	—	245	242	1,194
Cash paid for acquisition of property, plant and equipment, intangible and other long term assets		(779)	(1,415)	(1,095)	(442)	(2,778)
Increase in pledged deposits and time deposits		—	—	—	—	(67,525)
Due from related parties		—	—	(10,000)	—	10,000
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		405	7,431	(10,850)	(200)	(39,257)

I. FINANCIAL INFORMATION (continued)

(e) Consolidated Statements of Cash Flows of the Group (continued)

	Notes	Year ended December 31,			Nine months ended September 30,	
		2007	2008	2009	2009	2010
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital injection of subsidiary		64,341	—	—	—	56,421
Due to related parties		—	—	160,000	160,000	—
Cash received from borrowings		695,562	1,076,649	1,341,511	961,161	2,006,633
Repayments of borrowings		(446,121)	(787,365)	(1,061,947)	(803,300)	(1,139,894)
Finance costs		—	(6)	—	—	—
Dividends paid		(13,306)	(38,079)	—	—	(78,912)
Cash paid for acquisition of non-controlling interests		—	—	(263)	(263)	—
Cash received/(paid) for other financing activities		(980)	(4,685)	(1,077)	(878)	(888)
NET CASH FLOWS 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 and cash equivalents at beginning of year/period		5,596	80,079	42,281	42,281	54,444
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		80,079	42,281	54,444	135,966	95,389
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	21	80,079	33,502	48,586	130,109	94,046
Non-pledged time deposits with original maturity of less than three months when acquired	21	—	8,779	5,858	5,857	1,343
Cash and cash equivalents as stated in the statement of financial position		80,079	42,281	54,444	135,966	95,389

I. FINANCIAL INFORMATION (continued)

(f) Statements of Financial Position of the Company

	Notes	As at December 31, 2008	As at December 31, 2009	As at September 30, 2010
		US$'000	US$'000	US$'000
NON-CURRENT ASSETS				
Prepayments, deposits and other receivables	19	—	—	155,258
Investment in subsidiaries	20	—	364,495	420,175
Total non-current assets		—	364,495	575,433
CURRENT ASSETS				
Prepayments, deposits and other receivables	19	—	10,450	29,898
Cash and cash equivalents	21	—	199	1,056
Total current assets		—	10,649	30,954
CURRENT LIABILITIES				
Other payables and accruals	23	1	160,007	1,757
Tax payable		—	—	133
Interest-bearing bank and other borrowings	24	—	—	134,800
Total current liabilities		1	160,007	136,690
NET CURRENT LIABILITIES		(1)	(149,358)	(105,736)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1)	215,137	469,697
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	24	—	—	38,519
Total non-current liabilities		—	—	38,519
Net assets/(liabilities)		(1)	215,137	431,178
EQUITY				
Issued capital	27	—	1	2
Reserves	28(b)	(1)	215,136	431,176
Total equity/(net deficiency of assets)		(1)	215,137	431,178

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANIZATION

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

The Company is a wholly-owned subsidiary of Fortune Ally Limited ("Fortune Ally"), a company incorporated in the Cayman Islands. In the opinion of the directors, the Company's ultimate holding company is Sinochem Group, a company established in the People's Republic of China (the "PRC"). Sinochem Group is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the "SASAC").

The Group is principally engaged in providing financing to its customers for a wide array of assets under finance lease arrangements, the provision of leasing advisory services, import and export trade, and other services as approved by the Ministry of Foreign Trade and Economic Cooperation of the PRC (collectively referred to as the "Relevant Businesses") in the PRC during the years ended December 31, 2007, 2008 and 2009 and the Nine months ended September 30, 2010.

Prior to the incorporation of the Company, the Relevant Businesses were carried out by International Far Eastern Leasing Co., Ltd. ("Far Eastern Leasing"), a company owned as to 69.3% and 30.7%, respectively, by Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong") and Sinochem Europe Capital Corporation Limited ("Sinochem Europe"), both of which were subsidiaries of Sinochem Group.

Far Eastern Leasing was established in 1991 in Shenyang Province as a Sino-foreign joint venture with share capital amounting to US$10 million pursuant to the approval of the Ministry of Foreign Trade and Economic Cooperation of the PRC. The initial investors of Far Eastern Leasing included China Construction Bank Corporation (then named as People's Construction Bank of China) (as to 30%), Sinochem Group (then named as China National Chemicals Import & Export Corporation) (as to 20%), The Nippon Credit Bank, Ltd. (as to 30%), Crown Leasing Corporation Tokyo (as to 10%) and Chanyin Capital Corporation (then named as Korea Industrial Leasing Corporation) (as to 10%).

In accordance with the approval from Ministry of Foreign Trade and Economic Cooperation of the PRC in February 2000, China Construction Bank transferred its shares in Far Eastern Leasing to Sinochem Group. Meanwhile, the Nippon Credit Bank Ltd., Crown Leasing Corporation Tokyo and Chanyin Capital Corporation transferred all their shares in Far Eastern Leasing to Sinochem Hong Kong.

In July 2001, Far Eastern Leasing obtained its new business license since it moved its operating base from Shenyang Province to Pudong District, Shanghai and in accordance with the approval from Ministry of Foreign Trade and Economic Cooperation of the PRC in December 2001, Sinochem Group increased capital contribution to Far East Leasing by US$5 million and the share capital of Far Eastern Leasing amounted to US$15 million after the capital injection, of which Sinochem Group and Sinochem Hong Kong held US$10 million (67%) and US$5 million (33%), respectively.

II. NOTES TO FINANCIAL INFORMATION (continued)

1. CORPORATE INFORMATION AND REORGANIZATION (continued)

Pursuant to the approval from the Ministry of Commerce of the PRC (the "MOFCOM") in January 2004, Sinochem Group further increased capital contribution to Far Eastern Leasing by RMB290 million, equivalent to US$35.30 million, while Sinochem Hong Kong increased its contribution by USD10.17 million, upon which the share capital of Far Eastern Leasing amounted to US$60.47 million, with Sinochem Group holding US$45.30 million (74.91%) and Sinochem Hong Kong holding US$15.17 million (25.09%), respectively.

Pursuant to the approval from the MOFCOM in December 2007, Sinochem Hong Kong further increased its capital contribution to Far Eastern Leasing by US$27.56 million while Sinochem Europe, a newly introduced investor and a wholly owned subsidiary of Sinochem Group, injected capital of US$39 million, which increased the share capital of Far Eastern Leasing to US$127.03 million, of which Sinochem Group held US$45.30 million (35.66%), Sinochem Hong Kong held US$42.73 million (33.64%) and Sinochem Europe held US$39 million (30.70%), respectively.

Pursuant to the approvals from the MOFCOM and the SASAC in October 2008 and September 2008, respectively, Sinochem Group which held 35.66% equity interest in Far Eastern Leasing transferred all of its shares to Sinochem Hong Kong. After the transfer, Sinochem Hong Kong held US$88.03 million (69.30%) and Sinochem Europe held US$39 million (30.70%) in Far Eastern Leasing, respectively.

In 2009, in order to rationalize the corporate structure of the Group and in accordance with the approval document [2009 No. 108] from the MOFCOM, Sinochem Hong Kong and Sinochem Europe transferred their respective interests in Far Eastern Leasing to the Company on March 13, 2009 (the "Reorganization"). As consideration for the Reorganization, the Company issued 9,999 additional ordinary shares with par value of HK$1.00 each to Fortune Ally, which in turn issued an aggregate of 9,999 additional ordinary shares with par value of US$1.00 each to Sinochem Hong Kong and Sinochem Europe.

On September 16, 2009, September 23, 2009 and June 9, 2010, Fortune Ally granted shareholder's loans to the Company amounting to US$150,000,000, US$10,000,000 and US$55,680,000 respectively. As at September 30, 2010, the aggregate shareholder's loan of US$215,680,000 from Fortune Ally was capitalized into 8,496 new ordinary shares of HK$1.00 each, and these ordinary shares were allotted and issued as fully paid to Fortune Ally. Consequently, the issued and paid-up share capital of the Company increased from 10,000 ordinary shares of HK$1.00 each to 18,496 ordinary shares of HK$1.00 each.

II. NOTES TO FINANCIAL INFORMATION (continued)

1. CORPORATE INFORMATION AND REORGANIZATION (continued)

Particulars of the subsidiaries are set out below:

Company name	Notes	Place and date of incorporation/ establishment and operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
International Far Eastern Leasing Co. Ltd.	* i	PRC September 13, 1991	US$332,710,922	100	—	Finance leasing
Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司)	** # i	PRC April 28, 2006	RMB5,000,000	—	100	Trading
Ever Trend Shipping Limited	ii	Hong Kong August 20, 2008	HK$2	—	100	Ship leasing
Good Master Shipping Limited	ii	Hong Kong September 3, 2009	HK$1	—	100	Ship leasing
Shanghai Domin Medical Engineering Co., Ltd. (上海德明醫用設備工程有限公司)	** # iii	PRC March 4, 2010	RMB20,000,000	—	74.95	Engineering & trading
China Bloom Shipping Limited	iii	Hong Kong October 15, 2009	HK$1	—	100	Ship leasing
Max Power Shipping Limited	iii	Hong Kong September 3, 2009	HK$1	—	100	Ship leasing
Sky Bright Transportation Limited	iii	Hong Kong August 3, 2009	HK$1	—	100	Ship leasing
Wealth Spread Shipping Limited	iii	Hong Kong October 15, 2009	HK$1	—	100	Ship leasing
Treasure Shipping Limited	iii	Hong Kong November 18, 2009	HK$1	—	100	Ship leasing
Chinese Port Shipping Limited	iii	Hong Kong November 18, 2009	HK$1	—	100	Ship leasing
Surplus Transportation Limited	iii	Hong Kong September 3, 2009	HK$1	—	100	Ship leasing
Speedway Transportation Limited	iii	Hong Kong November 19, 2009	HK$1	—	100	Ship leasing
Halcyon Ocean Shipping Limited	iii	Hong Kong December 4, 2009	HK$1	—	100	Ship leasing
Grand Eastern Shipping Limited	iii	Hong Kong November 5, 2009	HK$1	—	100	Ship leasing
Sino Trend Shipping Co., Ltd.	iii	Hong Kong October 22, 2009	HK$1	—	100	Ship leasing
GoodWay Transportation Limited	iii	Hong Kong February 4, 2010	HK$1	—	100	Ship leasing
Wide Treasure Industrial Limited	iii	Hong Kong April 22, 2010	HK$1	—	100	Ship leasing
Speedlink Transportation Limited	iii	Hong Kong April 22, 2010	HK$1	—	100	Ship leasing

II. NOTES TO FINANCIAL INFORMATION (continued)

1. CORPORATE INFORMATION AND REORGANIZATION (continued)

Company name	Notes	Place and date of incorporation/ establishment and operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Treasure Transportation Limited	iii	Hong Kong April 22, 2010	HK$1	—	100	Ship leasing
Wisdom Dragon Limited	iii	Hong Kong April 15, 2010	HK$1	—	100	Ship leasing
Great Fame Enterprise Limited	iii	Hong Kong April 22, 2010	HK$1	—	100	Ship leasing
Earn Luck Enterprise Limited	iii	Hong Kong April 22, 2010	HK$1	—	100	Ship leasing
New Vantage Shipping Limited	iii	Hong Kong May 6, 2010	HK$1	—	100	Ship leasing
Well Fame Shipping Limited	iii	Hong Kong May 6, 2010	HK$1	—	100	Ship leasing
Winway Shipping Limited	iii	Hong Kong May 6, 2010	HK$1	—	100	Ship leasing
Easy Sky Shipping Limited	iii	Hong Kong March 18, 2010	HK$1	—	100	Ship leasing
Good Vantage Shipping Limited	iii	Hong Kong March 18, 2010	HK$1	—	100	Ship leasing
Trend Dragon Corporation Limited	iii	Hong Kong February 22, 2010	HK$1	—	100	Ship leasing
Fastlink Shipping Limited	iii	Hong Kong April 12, 2010	HK$1	—	100	Ship leasing
Golden Mark Shipping Limited	iii	Hong Kong May 6, 2010	HK$1	—	100	Ship leasing
Max Ocean Shipping Limited	iii	Hong Kong May 6, 2010	HK$1	—	100	Ship leasing
Treasure Line Shipping Limited	iii	Hong Kong June 11, 2010	HK$1	—	100	Ship leasing
Unite Shipping Limited	iii	Hong Kong June 11, 2010	HK$1	—	100	Ship leasing
Wincome Shipping Limited	iii	Hong Kong June 11, 2010	HK$1	—	100	Ship leasing
Treasure Wide Corporation Limited	iii	Hong Kong July 22, 2010	HK$1	—	100	Ship leasing
On Faith Transportation Limited	iii	Hong Kong July 29, 2010	HK$1	—	100	Ship leasing
Trend Shipping Limited	iii	Hong Kong August 16, 2010	HK$1	—	100	Ship leasing

II. NOTES TO FINANCIAL INFORMATION (continued)

1. CORPORATE INFORMATION AND REORGANIZATION (continued)

Company name	Notes	Place and date of incorporation/ establishment and operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Ocean Vantage Shipping Limited	iii	Hong Kong August 16, 2010	HK$1	—	100	Ship leasing
Ocean Trend Shipping Limited	iii	Hong Kong August 16, 2010	HK$1	—	100	Ship leasing
Megaway Shipping Limited	iii	Hong Kong August 16, 2010	HK$1	—	100	Ship leasing
Kongway Shipping Limited	iii	Hong Kong August 16, 2010	HK$1	—	100	Ship leasing
Eternal Way Shipping Limited	iii	Hong Kong August 16, 2010	HK$1	—	100	Ship leasing
Easy Grand Shipping Limited	iii	Hong Kong August 16, 2010	HK$1	—	100	Ship leasing
Billion Way Shipping Limited	iii	Hong Kong August 16, 2010	HK$1	—	100	Ship leasing
Sino Advance Limited	iv	Cayman Islands October 2, 2009	US$1	100	—	Investment holding

* Registered as a wholly-foreign-owned enterprise under PRC law.

** Registered as a limited liability enterprise under PRC law.

\# The English names of these companies represent the best effort made by management of the Company to directly translate the Chinese names of these companies as they have not registered any official English names.

(i) The statutory accounts for the two years ended December 31, 2007 and December 31, 2008 were audited by Reanda Certified Public Accountants Co., Ltd. The statutory accounts for the year ended December 31, 2009 were audited by Ernst & Young Hua Ming.

(ii) The statutory accounts from the date of incorporation to December 31, 2009 were audited by Ernst &Young Certified Public Accountants Hong Kong.

(iii) For the year ended December 31, 2009, these subsidiaries have not yet been incorporated or have not started operation.

(iv) No statutory accounts have been prepared for this subsidiary since its incorporation as there is no statutory requirement for this company to prepare audited financial statements.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, the Company became the holding company of Far Eastern Leasing. As the Company and Far Eastern Leasing were under the common control of Sinochem Group both before and after the Reorganization and that control is not transitory, the Reorganization has been reflected in the Financial Information as a combination of entities under common control. Accordingly, the Company was treated as the holding company of Far Eastern Leasing and its subsidiaries for the Track Record Period presented rather than from the date of acquisition of Far Eastern Leasing on March 13, 2009. A business combination involving entities under common control is outside the scope of HKFRS 3 "Business Combinations" issued by HKICPA. Accordingly, the principles of merger accounting have been applied. Far Eastern Leasing was treated as a subsidiary of the Company during the Track Record Period and its results are then combined in the Financial Information for the Track Record Period.

II. NOTES TO FINANCIAL INFORMATION (continued)

2.1 BASIS OF PRESENTATION (continued)

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

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The HKICPA has issued a number of new or revised HKFRSs which are generally effective for annual periods beginning on or after January 1, 2007, 2008, 2009 and 2010. For the purpose of preparing and presenting the Financial Information, the Group has early adopted all these new and revised HKFRSs that are relevant to the Group's operations as at the beginning of the Track Record Period.

The Financial Information has been prepared under the historical cost convention, except for available-for-sale financial investments, which have been measured at fair value. It is presented in United States dollars ("US dollars" or "US$") and all values are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 1	Amendment to HKFRS 1 *Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 7	Amendments to HKFRS 7 *Disclosures-Transfers of Financial Assets*[5]
HKFRS 9	*Financial Instruments: Classification and Measurement*[4]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation— Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]
HKAS 12 Amendment	Amendments to HKAS 12 *Income Taxes-Deferred Tax: Recovery of Underlying Assets*[6]

II. NOTES TO FINANCIAL INFORMATION (continued)

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods beginning either on or after July 1, 2010 or on or after January 1, 2011, with earlier application permitted. There are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after February 1, 2010
2 Effective for annual periods beginning on or after July 1, 2010
3 Effective for annual periods beginning on or after January 1, 2011
4 Effective for annual periods beginning on or after January 1, 2013
5 Effective for annual periods beginning on or after July 1, 2011
6 Effective for annual periods beginning on or after January 1, 2012

So far, the directors conclude that the adoption of the above issued but not effective HKFRSs would not have a significant impact on the Group's results of operations and financial positions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

The Financial Information incorporates the financial statements of the subsidiaries for the Track Record Period. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

Consolidation under common control

The consolidation policy of the acquisition among the entities under common control is dealt with in accordance with the principles set out in Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA ("AG 5") as if the acquisition had occurred from the date when the combining entities first came under the control of the ultimate holding company.

As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The purchase method of accounting is used to account for the acquisitions of subsidiaries not under common control.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the

II. NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation under common control (continued)

existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated income statements and the consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

All dividends from subsidiaries are to be recognized in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an

II. NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (continued)

asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation.

II. NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principle annual rates used for this purpose are as follows:

Category	Useful life	Annual depreciation rate
Buildings	20 years	4.75%
Office equipment and computers	3-5 years	19.40-32.33%
Motor vehicles	4-5 years	19.40-24.25%

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Finance leases

Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and accounts receivable. Any unguaranteed residual value is also recognized at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognized as unearned finance income. Unearned finance income is recognized over the period of the lease using the effective interest rate method.

II. NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Operating leases

Leases where substantially all the rewards and risks of the assets remain with the lessor are accounted for as operating leases. Rental payments applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, lease receivables, and available-for-sale financial investments.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

II. NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortized cost less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in revenue in the income statement. The loss arising from impairment is recognized in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognized in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognized in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

II. NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates its available-for-sale financial investments whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

II. NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Available-for-sale financial investments

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

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is removed from other comprehensive income and recognized in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value

II. NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

has been below its original cost. Where there is evidence of impairment, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement—is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognized directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, other liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement. The net fair value gain or loss recognized in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings and other liabilities

After initial recognition, interest-bearing loans and borrowings and other liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized

II NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings and other liabilities (continued)

in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in cost of sales in the income statement.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Inventories

Inventories are goods valued at the lower of cost and net realizable value at the end of the reporting period. The cost of inventories issued is determined on the specific identification basis. The difference between the cost and the lower net realizable value is stated as a provision. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and estimated expenses and related taxes necessary to make the sale.

II. NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated and company statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of less than three months when acquired, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement. A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general guidance for provisions above; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the guidance for revenue recognition.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Income tax

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

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

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

II NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

II. NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) finance lease income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of finance lease;

(b) from rendering of services, income is recognized when the services have been rendered and the revenue can be reasonably estimated and deferred revenue is recorded as liability when the payments have been made in advance by customers for services yet to be rendered as at each of the reporting dates and recognized as income when the services have been rendered and the revenue can be reasonably estimated;

(c) from sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

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

Employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in the Track Record Period in which services have been rendered by the employees of the Group.

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year's basic salaries to the Annuity Plan. The contribution is charged to the income statement when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employees benefits.

Contributions to these plans are recognized in the income statement as incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

II. NOTES TO FINANCIAL INFORMATION (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in US dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at each balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain subsidiaries are currencies other than the US dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at each balance sheet date and their income statements are translated into US dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires 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)

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

II. NOTES TO FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

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

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

Provision for bad and doubtful receivables

Provision for bad and doubtful receivables is made based on the assessment of the recoverability of loans and receivables. The identification of doubtful receivables requires management's judgment and estimates. The management measures and monitors the asset quality of the lease receivables portfolio by classifying the lease receivables using the 5-category classification system by referring to guidelines promulgated by China Banking Regulatory Commission relating to asset quality for financial institutions under its regulation. And thereon, for the first two categories i.e. Pass and Special Mention, the lease receivables are regarded as performing assets as no objective evidence of impairment exists individually and are collectively assessed for impairment; while lease receivables in the remaining 3 categories i.e. Substandard, Doubtful and Loss, are regarded as non-performing assets and are measured for impairment individually since objective evidence of impairment exists individually for such lease receivables. Where the actual outcome or expectation in future is different from the original estimate, these differences will have an impact on the carrying amounts of the receivables and doubtful debt expenses/write-back 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, management will have to make assumptions on the credit risk, market volatility and correlations of the Group and the counterparties, and any changes in these underlying assumptions will affect the fair value of financial instruments.

5. OPERATING SEGMENT INFORMATION

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

- Finance leasing and advisory business, comprising (a) direct finance leasing and (b) sale-leaseback, in each case denominated in Renminbi or foreign currencies (c) advisory services; and

II. NOTES TO FINANCIAL INFORMATION (continued)

5. OPERATING SEGMENT INFORMATION (continued)

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

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

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

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

As at December 31, 2007 and for the year then ended	Leasing and Advisory	Trading and Others	Intersegment	Total
	US$'000	US$'000	US$'000	US$'000
Revenue	81,504	9,379	—	90,883
Cost of sales	(25,795)	(6,730)	—	(32,525)
Selling and distribution costs /administrative expenses	(25,029)	(1,550)	—	(26,579)
Profit before tax	35,192	1,038	—	36,230
Profit after tax	29,855	1,038	—	30,893
Segment assets	970,144	12,443	(2,676)	979,911
Segment liabilities	792,197	11,429	(2,060)	801,566

As at December 31, 2008 and for the year then ended	Leasing and Advisory	Trading and Others	Intersegment	Total
	US$'000	US$'000	US$'000	US$'000
Revenue	135,842	19,277	—	155,119
Cost of sales	(51,198)	(14,491)	—	(65,689)
Selling and distribution costs /administrative expenses	(32,854)	(2,575)	—	(35,429)
Profit before tax	60,979	2,265	(276)	62,968
Profit after tax	48,922	1,854	(276)	50,500
Segment assets	1,399,470	8,078	(2,860)	1,404,688
Segment liabilities	1,197,887	5,462	(2,201)	1,201,148

As at December 31, 2009 and for the year then ended	Leasing and Advisory	Trading and Others	Intersegment	Total
	US$'000	US$'000	US$'000	US$'000
Revenue	190,718	20,644	—	211,362
Cost of sales	(57,989)	(16,538)	—	(74,527)
Selling and distribution costs/administrative expenses	(47,101)	(2,248)	—	(49,349)
Profit before tax	87,475	1,890	—	89,365
Profit after tax	67,282	1,791	—	69,073
Segment assets	2,073,157	11,802	(922)	2,084,037
Segment liabilities	1,799,273	8,928	—	1,808,201

II. NOTES TO FINANCIAL INFORMATION (continued)

5. OPERATING SEGMENT INFORMATION (continued)

For the Nine months ended September 30, 2009	Leasing and Advisory	Trading and Others	Intersegment	Total
	US$'000	US$'000	US$'000	US$'000
Revenue	131,592	13,528	—	145,120
Cost of sales	(43,357)	(10,080)	—	(53,437)
Selling and distribution costs/administrative expenses	(30,466)	(1,506)	—	(31,972)
Profit before tax	58,571	1,958	—	60,529
Profit after tax	44,705	1,854	—	46,559

For the Nine months ended September 30, 2010	Leasing and Advisory	Trading and Others	Intersegment	Total
	US$'000	US$'000	US$'000	US$'000
Revenue	202,097	28,852	—	230,949
Cost of sales	(59,483)	(21,553)	—	(81,036)
Selling and distribution costs/administrative expenses	(54,045)	(2,798)	—	(56,843)
Profit before tax	95,568	4,839	(1,914)	98,493
Profit after tax	74,107	4,473	(1,914)	76,666
Segment assets	3,228,270	19,031	(8,600)	3,238,701
Segment liabilities	2,733,826	15,391	(5,423)	2,743,794

Geographical information

(a) Revenue from external customers

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Mainland China	88,224	150,400	209,845	144,446	227,323
Hong Kong	893	1,182	1,281	439	3,400
Other countries or regions	1,766	3,537	236	235	226
	90,883	155,119	211,362	145,120	230,949

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

(b) Non-current assets

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Mainland China	1,312	2,325	3,007	6,190

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

II. NOTES TO FINANCIAL INFORMATION (continued)

5. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

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

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value added tax, after allowances for returns and trade discounts; and the value of services rendered and gross leasing income received, net of business tax, during the Track Record Period.

An analysis of the Group's revenue, other income and gains is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Revenue					
Sale of goods	7,798	15,628	17,844	10,955	22,985
Leasing income	54,304	96,791	107,537	76,881	121,071
Service fee income	31,844	47,307	92,853	61,751	93,800
Business tax and surcharges	(3,063)	(4,607)	(6,872)	(4,467)	(6,907)
	90,883	155,119	211,362	145,120	230,949
Other income and gains					
Bank interest income	333	1,027	630	390	1,020
Foreign exchange gain/(loss)	2,256	(197)	(63)	(35)	725
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	—	—	—	—	4,251
Government grants (note 6a)	153	757	1,990	883	—
Others	10	203	95	—	502
	3,936	9,349	2,652	1,238	6,498

6a. GOVERNMENT GRANTS

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Government special subsidy	153	704	1,990	883	—
Sub-district office special subsidy	—	53	—	—	—
	153	757	1,990	883	—

The government special subsidy was granted to Far Eastern Leasing during 2007 to 2009. The Group was awarded the subsidy because it has fulfilled the relevant requirements stated in 'Modernized Service Industry LS9109' notification issued by the Shanghai Pudong New Area Lujiazui

II. NOTES TO FINANCIAL INFORMATION (continued)

6. REVENUE, OTHER INCOME AND GAINS (continued)

6a. GOVERNMENT GRANTS (continued)

Regional Management Committee. The amount was granted to the Group in recognition of its contribution to the local government, and was calculated based on the excess of its revenue and total profit over a certain threshold. And such arrangements for the government special subsidy were only effective during 2007 to 2009 according to the relevant government notice.

The sub-district office special subsidy was awarded to Shanghai Donghong Co., Ltd. ("Donghong"), in recognition of its contribution to the society and the amount was determined based on 70% of the tax that Donghong paid during 2008 to the Sub-district Business Development Office of Shanghai Pudong New Area. It is a one-off subsidy received by Donghong since Donghong fulfilled the relevant conditions for the subsidy.

7. FINANCE COSTS

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Interest on bank loans wholly repayable within five years	—	6	—	—	—

II. NOTES TO FINANCIAL INFORMATION (continued)

8. PROFIT BEFORE TAX

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

	Notes	Year ended December 31, 2007	2008	2009	Nine months ended September 30, 2009	2010
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Cost of borrowings included in cost of sales		25,795	51,198	57,989	43,357	59,483
Cost of inventories sold		6,730	14,491	16,538	10,080	21,553
Depreciation	14	231	386	482	350	614
Amortization of intangible assets and other long term assets		108	120	299	196	626
Rental expenses		1,725	2,568	3,102	2,371	2,642
Auditors' remuneration	(i)	—	22	119	98	572
Employee benefit expense (including directors' remuneration (note 9)):						
—Wages and salaries		7,975	11,838	16,226	10,568	21,135
—Pension scheme contributions		469	770	1,541	1,158	2,064
—Other employee benefits		2,125	3,537	4,919	3,102	5,235
Impairment of loans and accounts receivable		6,485	4,693	9,053	5,104	10,091
Entertainment fee		1,035	1,549	2,082	1,258	2,258
Business travelling expenses		2,369	3,774	5,342	3,442	5,866
Consultancy fee	(ii)	1,100	2,079	1,416	1,171	1,024
Office expenses		814	1,265	1,459	848	1,281
Advertising and promotion expenses		315	141	239	116	151
Transportation expenses		303	160	230	154	145
Communication expenses		350	517	608	409	651
Other miscellaneous		530	2,010	2,232	1,627	2,488
Loss on disposal of items of property, plant and equipment		24	17	99	95	187
Donation		13	89	1	—	—
Commission expense		93	270	673	325	888

Notes:

(i) Sinochem Group absorbed the statutory audit fee for the entire group in a lump-sum engagement contract with the Certified Public Accountants, and hence no auditors' remuneration was allocated and recognized in 2007 by the Group.

(ii) Consultancy fees refer to the payments by the Group to the professional institutions for purchasing their services, such as legal advisory services, financial advisory services, customer credit investigation, salary mechanism design and etc.

II. NOTES TO FINANCIAL INFORMATION (continued)

9. DIRECTORS' REMUNERATION

Directors' remuneration for the Track Record Period and Nine months ended September 30, 2009, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	127	161	220	121	461
Performance related bonuses *	136	119	349	—	—
Pension scheme contributions	3	3	16	13	63
	266	283	585	134	524
	266	283	585	134	524

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

(a) Non-executive directors and independent non-executive directors

There were no fees and other emoluments payable to non-executive directors and independent non-executive directors during the Track Record Period.

(b) The remuneration of the executive directors for each of the Track Record Period and Nine months ended September 30, 2009 is set out below:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended December 31, 2007					
Executive Directors					
Mr. Kong Fanxing	—	127	136	3	266
	—	127	136	3	266
Year ended December 31, 2008					
Executive Directors					
Mr. Kong Fanxing	—	161	119	3	283
	—	161	119	3	283
Year ended December 31, 2009					
Executive Directors					
Mr. Kong Fanxing	—	169	123	14	306
Mr. Fang Weihao**	—	29	124	1	154
Mr. Wang Mingzhe**	—	22	102	1	125
	—	220	349	16	585

II. NOTES TO FINANCIAL INFORMATION (continued)

9. DIRECTORS' REMUNERATION (continued)

(b) The remuneration of the executive directors for each of the Track Record Period and Nine months ended September 30, 2009 is set out below (continued):

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Nine months ended September 30, 2009 (unaudited)					
Executive Directors					
Mr. Kong Fanxing	—	121	—	13	134
	—	121	—	13	134
Nine months ended September 30, 2010					
Executive Directors					
Mr. Kong Fanxing	—	197	—	25	222
Mr. Fang Weihao	—	147	—	21	168
Mr. Wang Mingzhe	—	117	—	17	134
	—	461	—	63	524

** Mr. Fang Weihao and Mr. Wang Mingzhe are appointed as executive directors of the Company on October 16, 2009. Mr. Fang Weihao's remuneration for the year was US$249,000 (US$154,000 when he was a director). Mr. Wang Mingzhe's remuneration for the year was US$195,000 (US$125,000 when he was a director). Mr. Fang Weihao resigned from his position as the Company's executive director on December 8, 2010 due to personal reason but he remains as the executive vice president of the Company.

There were no arrangements under which a director waived or agreed to waive any remuneration, a director was paid any amount as an inducement to join or upon joining the Group, or a director or a past director was compensated for any amount for the loss of office as a director of any member of the group or of any other office in connection with the management of the affairs of any member of the group distinguishing between contractual and other payments during the Track Record Period.

10. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid employees within the Group during the Track Record Period and the Nine months ended September 30, 2009 is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Directors	1	1	3	1	3
Non-directors	4	4	2	4	2
	5	5	5	5	5

II. NOTES TO FINANCIAL INFORMATION (continued)

10. FIVE HIGHEST PAID INDIVIDUALS (continued)

Details of the remuneration of the remaining non-director, highest paid employees for the respective periods are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Salaries, allowances and benefits in kind	289	352	185	273	228
Performance related bonuses	286	396	242	—	—
Pension scheme contributions	11	13	18	31	36
	586	761	445	304	264

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

	Number of employees				
	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
				(unaudited)	
Nil to US$130,000	1	—	—	4	1
US$130,001 to US$190,000	3	2	—	—	1
US$190,001 to US$250,000	—	2	2	—	—
	4	4	2	4	2

There were no arrangements under which a non-director, highest-paid employee was paid any amount as an inducement to join or upon joining the Group, or a non-director, highest-paid employee was compensated for any amount for the loss of any office in connection with the management of the affairs of any member of the group distinguishing between contractual and other payments during the Track Record Period.

11. INCOME TAX EXPENSE

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Current—Hong Kong					
Charge for the year/period	—	—	—	—	476
Current—Mainland China					
Charge for the year/period	4,776	10,175	19,696	12,635	24,813
Underprovision/(overprovision) in prior years	—	—	2,507	2,507	—
Deferred tax (note 26)	561	2,293	(1,911)	(1,172)	(3,462)
Total tax charge for the year/period	5,337	12,468	20,292	13,970	21,827

II. NOTES TO FINANCIAL INFORMATION (continued)

11. INCOME TAX EXPENSE (continued)

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 period ended September 30, 2010. No provision was made in the years ended December 31, 2007, 2008 and 2009 as no taxable income occurred in Hong Kong.

Corporate Income Tax ("CIT")

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

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

On 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 introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Pursuant to relevant recognition by the local tax authorities, Far Eastern Leasing and Shanghai Donghong Co., Ltd. are entitled to transitional CIT rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% from 2012 onward.

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

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Profit before tax	36,230	62,968	89,365	60,529	98,493
Tax at the statutory income tax rates	5,279	11,349	17,874	12,044	21,515
Expenses not deductible for tax	252	125	357	143	584
Income not subject to tax	(178)	(1,304)	(3,026)	(2,749)	(2,993)
Adjustment on current income tax of the previous periods	—	—	2,507	2,507	—
Effects of change in tax rate	(16)	(12)	(462)	(332)	(613)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	—	2,310	3,042	2,357	3,334
Income tax expense reported in the consolidated income statement	5,337	12,468	20,292	13,970	21,827

II. NOTES TO FINANCIAL INFORMATION (continued)

12. DIVIDENDS

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Dividends	13,306	38,049	—	—	78,912

The rates of dividends are not presented as such information is not meaningful for the purpose of this report.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the preparation of the results of the Group for the Track Record Period on the consolidation basis as disclosed in note 2.1 and 2.2 above.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Office equipment and computers	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000
At January 1, 2007, net of accumulated depreciation	—	379	81	460
Additions	—	559	93	652
Depreciation	—	(198)	(33)	(231)
Disposals	—	(12)	(12)	(24)
Exchange realignment	—	38	8	46
At December 31, 2007 and January 1, 2008, net of accumulated depreciation	—	766	137	903
Additions	—	596	240	836
Depreciation	—	(326)	(60)	(386)
Disposals	—	(17)	—	(17)
Exchange realignment	—	62	14	76
At December 31, 2008 and January 1, 2009, net of accumulated depreciation	—	1,081	331	1,412
Additions	—	868	—	868
Transfers	—	—	70	70
Depreciation	—	(403)	(79)	(482)
Disposals	—	(8)	—	(8)
Exchange realignment	—	2	—	2
At December 31, 2009 and January 1, 2010, net of accumulated depreciation	—	1,540	322	1,862
Additions	1,279	643	220	2,142
Depreciation	(15)	(500)	(99)	(614)
Disposals	—	(92)	(6)	(98)
Exchange realignment	12	32	7	51
At September 30, 2010, net of accumulated depreciation	1,276	1,623	444	3,343

II. NOTES TO FINANCIAL INFORMATION (continued)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings	Office equipment and computers	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000
At January 1, 2007:				
Cost	—	639	248	887
Accumulated depreciation	—	(260)	(167)	(427)
Net carrying value	—	379	81	460
At December 31, 2007 and January 1, 2008:				
Cost	—	1,140	232	1,372
Accumulated depreciation	—	(374)	(95)	(469)
Net carrying value	—	766	137	903
At December 31, 2008 and January 1, 2009:				
Cost	—	1,659	496	2,155
Accumulated depreciation	—	(578)	(165)	(743)
Net carrying value	—	1,081	331	1,412
At December 31, 2009 and January 1, 2010:				
Cost	—	2,449	566	3,015
Accumulated depreciation	—	(909)	(244)	(1,153)
Net carrying value	—	1,540	322	1,862
At September 30, 2010:				
Cost	1,291	2,919	702	4,912
Accumulated depreciation	(15)	(1,296)	(258)	(1,569)
Net carrying value	1,276	1,623	444	3,343

As at September 30, 2010, the Group has not obtained one of the two real estate certificates for buildings with a total gross area of approximately 370m^2 and a net book value of US$ 723,000. The Group has obtained the real estate certificate for the building aforementioned till the date of this report.

15. OTHER ASSETS

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Software (note 15a)	343	843	841	1,139
Assets with continuing involvement (note 15b)	1,246	—	—	—
Other assets	1,312	70	304	1,708
	2,901	913	1,145	2,847

II. NOTES TO FINANCIAL INFORMATION (continued)

15. OTHER ASSETS (continued)

15a. SOFTWARE

	As at December 31, 2007	As at December 31, 2008	As at December 31, 2009	As at September 30, 2010
	US$'000	US$'000	US$'000	US$'000
Cost				
At the beginning of the year/period	436	598	1,239	1,528
Additions	127	579	288	562
Disposals/write off	—	—	—	(287)
Exchange differences	35	62	1	29
At the end of the year/period	598	1,239	1,528	1,832
Accumulated amortization				
At the beginning of the year/period	(134)	(255)	(396)	(687)
Additions	(108)	(120)	(289)	(283)
Disposals/write off	—	—	—	287
Exchange differences	(13)	(21)	(2)	(10)
At the end of the year/period	(255)	(396)	(687)	(693)
Net carrying amount				
At the end of the year/period	343	843	841	1,139
At the beginning of the year/period	302	343	843	841

15b. In May 2006, Far Eastern Leasing issued asset-backed securities secured with the leasing receivables (the "Security"), namely the "Far Eastern Debut Leasing Asset Backed Security Management Program" with an issue size of RMB486 million and which was publicly traded on the Shanghai Stock Exchange. Since Far Eastern Leasing neither retained nor transferred substantially all the risks and rewards of ownership of the underlying lease receivables, and retained control of the lease receivables, Far Eastern Leasing continued to recognize the lease receivables to the extent of its continuing involvement. The extent of the continuing involvement of Far Eastern Leasing in the lease receivables is the extent to which it is exposed to changes in the value of the lease receivables. The Securities matured and settled in 2008.

16. AVAILABLE-FOR-SALE FINANCIAL INVESTMENT

Group	As at December 31, 2007	As at December 31, 2008	As at December 31, 2009	As at September 30, 2010
	US$'000	US$'000	US$'000	US$'000
Unlisted equity investment	14,448	15,442	19,668	—

The available-for-sale financial investment of the Group pertains to an 6.93% equity investment in China Foreign Economy and Trade Trust Co., Ltd.. In April 2010, according to instructions from Sinochem Group the Group disposed of the available-for-sale financial investment to Sinochem Finance Co., at a consideration of US$19,852,000. Income that was recognized upon the disposal of the investment amounted to US$4,251,000.

II. NOTES TO FINANCIAL INFORMATION (continued)

17. INVENTORIES

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Finished goods	70	63	613	59

18. LOANS AND ACCOUNTS RECEIVABLE

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Loans and accounts receivable due within 1 year	341,829	536,269	744,028	1,040,830
Loans and accounts receivable due after 1 year	532,657	805,597	1,232,053	2,000,918
	874,486	1,341,866	1,976,081	3,041,748

18a. LOANS AND ACCOUNTS RECEIVABLE BY NATURE

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Lease receivables (Note 18b)	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 (Note 18b)	878,216	1,350,541	1,971,192	2,985,821
Lease interest receivables	4,927	5,404	7,915	13,437
Notes receivable	—	1,554	6,960	3,961
Accounts receivable (Note 18d)	3,253	1,995	1,796	4,334
Entrusted loans	—	—	14,685	71,276
Subtotal of loans and accounts receivable	886,396	1,359,494	2,002,548	3,078,829
Less: Provision for lease receivables (Note 18c)	(11,362)	(17,013)	(25,801)	(34,732)
Provision for accounts receivable (Note 18e)	(548)	(615)	(596)	(617)
Provision for entrusted loans (Note 18f)	—	—	(70)	(1,732)
	874,486	1,341,866	1,976,081	3,041,748

II. NOTES TO FINANCIAL INFORMATION (continued)

18. LOANS AND ACCOUNTS RECEIVABLE (continued)

18b(1). An aging analysis of lease receivables, determined based on the age of the receivable since the effective date of the relevant lease contracts, as at each of the reporting dates during the Track Record Period is as follows:

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Lease receivables				
Within 1 year	648,152	895,091	1,402,023	2,229,669
1-2 years	252,931	428,567	537,593	788,780
2-3 years	77,195	130,590	203,322	255,263
3 years and beyond	27,737	37,008	50,779	81,427
	1,006,015	1,491,256	2,193,717	3,355,139
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

18b(2). The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following three consecutive accounting years:

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Lease receivables				
Due within 1 year	407,263	611,130	847,719	1,183,107
Due in 1-2 years	308,658	465,958	662,156	947,073
Due in 2-3 years	182,136	266,216	407,720	602,190
Due after 3 years and beyond	107,958	147,952	276,122	622,769
Total	1,006,015	1,491,256	2,193,717	3,355,139
Net lease receivables				
Due within 1 year	339,712	535,265	738,427	1,019,538
Due in 1-2 years	271,549	426,079	597,641	843,658
Due in 2-3 years	165,863	248,626	377,413	546,219
Due after 3 years and beyond	101,092	140,571	257,711	576,406
Total	878,216	1,350,541	1,971,192	2,985,821

The Group had no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements that need to be recorded as at each of the reporting dates during the Track Record Period.

II. NOTES TO FINANCIAL INFORMATION (continued)

18. LOANS AND ACCOUNTS RECEIVABLE (continued)

18c. CHANGE IN PROVISION FOR LEASE RECEIVABLES

Group

	Individually assessed			
	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
At beginning of year/period	2,647	5,189	7,435	8,013
Charge for the year/period	3,244	1,826	807	170
Write-off	(963)	—	(236)	(35)
Exchange differences	261	420	7	154
At end of year/period	5,189	7,435	8,013	8,302

	Collectively assessed			
	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
At beginning of year/period	2,623	6,173	9,578	17,788
Transfer in	—	42	—	—
Charge for the year/period	2,682	2,840	8,196	8,266
Recovery of leases previously written off	574	—	—	—
Exchange differences	294	523	14	376
At end of year/period	6,173	9,578	17,788	26,430

	Total			
	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
At beginning of year/period	5,270	11,362	17,013	25,801
Transfer in	—	42	—	—
Charge for the year/period	5,926	4,666	9,003	8,436
Recovery of leases previously written off	574	—	—	—
Write off	(963)	—	(236)	(35)
Exchange differences	555	943	21	530
At end of year/period	11,362	17,013	25,801	34,732

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Lease receivables:				
Individually assessed (Note (i))	16,433	27,408	25,711	23,409
Collectively assessed	989,582	1,463,848	2,168,006	3,331,730
Total	1,006,015	1,491,256	2,193,717	3,355,139
Net lease receivables:				
Individually assessed (Note (i))	14,889	25,624	23,589	21,844
Collectively assessed	863,327	1,324,917	1,947,603	2,963,977
Total	878,216	1,350,541	1,971,192	2,985,821
Asset impairment provisions:				
Individually assessed (Note (i))	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

II. NOTES TO FINANCIAL INFORMATION (continued)

18. LOANS AND ACCOUNTS RECEIVABLE (continued)

18c. CHANGE IN PROVISION FOR LEASE RECEIVABLES (continued)

***Group* (continued)**

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

Note (ii) As at December 31, 2007, December 31, 2008, December 31, 2009 and September 30, 2010, the carrying values of lease receivables pledged as security for the Group's borrowings amounted to US$51,839,000, US$152,171,000, US$537,475,000 and US$1,543,415,000 respectively (see note 24 (b)).

18d. An aging analysis of accounts receivable as at each of the reporting dates during the Track Record Period is as follows:

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

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Within 1 year	3,253	1,490	1,200	3,727
More than 1 year	—	505	596	607
	3,253	1,995	1,796	4,334

18e. CHANGE IN PROVISION FOR ACCOUNTS RECEIVABLE

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
At the beginning of year/period	—	548	615	596
Charge for the year/period	529	106	24	10
Reversal for the year/period	—	(77)	(44)	—
Exchange differences	19	38	1	11
At end of year/period	548	615	596	617

18f. CHANGE IN PROVISION FOR ENTRUSTED LOANS

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
At the beginning of year/period	—	—	—	70
Charge for the year/period	—	—	70	1,645
Exchange differences	—	—	—	17
At the end of year/period	—	—	70	1,732

II. NOTES TO FINANCIAL INFORMATION (continued)

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Notes	As at December 31, 2007	2008	2009	As at September 30, 2010
		US$'000	US$'000	US$'000	US$'000
Prepayments		205	47	1,411	782
Leased assets*		2,842	—	12,175	13,277
Provision for leased assets	(19a)	(41)	—	—	—
Other receivables		3,313	1,772	1,256	2,943
Provision for other receivables	(19b)	(4)	(2)	(2)	(2)
Export tax refund receivables		156	100	84	331
Due from related parties	(19c)	454	671	11,148	1,768
		6,925	2,588	26,072	19,099

* The leased assets refer to situations where the Group had already made payments to vendors or suppliers of machinery and equipment, for which the terms of relate lease contract for the said machinery and equipment has not commenced. The Group records these paid amounts as the leased assets among its current assets as such assets had already been earmarked for lease to the customers. Once the term of the lease contract begins, the Group ceases to recognize the amount relating to the leased asset and recognize the lease receivables due under the lease contract.

Company

	Notes	As at December 31, 2008	2009	As at September 30, 2010
		US$'000	US$'000	US$'000
Current asset :				
Due from related parties	(19c)	—	10,450	29,228
Prepayment related to the listing of the Company's shares		—	—	664
Others		—	—	6
Non-current asset :				
Due from related parties	(19c)	—	—	155,258
		—	10,450	185,156

19a. CHANGES IN PROVISION FOR LEASED ASSETS

Group

	As at December 31, 2007	2008	2009	As at September 30, 2010
	US$'000	US$'000	US$'000	US$'000
At the beginning of year/period	10	41	—	—
Charge for the year/period	40	—	—	—
Reversal for the year/period	(10)	—	—	—
Transfer out for the year/period	—	(42)	—	—
Exchange differences	1	1	—	—
At the end of year/period	41	—	—	—

II. NOTES TO FINANCIAL INFORMATION (continued)

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

19b. CHANGES IN PROVISION FOR OTHER RECEIVABLES

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
At the beginning of year/period	4	4	2	2
Charge for the year/period	—	—	—	—
Reversal for the year/period	—	(2)	—	—
Exchange differences	—	—	—	—
At the end of year/period	4	2	2	2

19c. BALANCES WITH RELATED PARTIES

Group

	Notes	As at December 31,			As at September 30,
		2007	2008	2009	2010
		US$'000	US$'000	US$'000	US$'000
Due from related parties:					
Parent company:					
Fortune Ally	(i)	—	—	450	1,061
Companies controlled by the ultimate holding company:					
China Jin Mao Group Co., Ltd.	(i)	422	641	664	658
Beijing Chemsunny Property Co., Ltd.	(i)	32	30	34	49
Sinochem Hong Kong	(ii)	—	—	10,000	—
		454	671	11,148	1,768

Company

	Notes	As at December 31,		As at September 30,
		2008	2009	2010
		US$'000	US$'000	US$'000
Due from related parties:				
Parent company:				
Fortune Ally	(i)	—	450	1,061
Companies controlled by the ultimate holding company:				
Sinochem Hong Kong	(ii)	—	10,000	—
Indirectly held subsidiaries	(iii)	—	—	183,425
		—	10,450	184,486

Notes:

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

(ii) This is in relation to a short term loan granted to Sinochem Hong Kong with an annual interest rate of 0.83%. As confirmed by the Company's Hong Kong legal advisor, the loan does not contravene the Companies Ordinance or the Money Lenders Ordinance.

(iii) This is in relation to long-term loans granted to subsidiaries with annual interest rates of 3.25%~3.54%.

II. NOTES TO FINANCIAL INFORMATION (continued)

20. INVESTMENT IN SUBSIDIARIES

Company:

	As at December 31,		As at September 30,
	2008	2009	2010
	US$'000	US$'000	US$'000
Unlisted investment, at cost	—	364,495	420,175

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Cash and bank balances	80,079	33,502	48,586	94,046
Time deposits	—	8,779	5,858	69,509
	80,079	42,281	54,444	163,555
Less:				
Pledged time deposits	—	—	—	8,474
Time deposits with original maturity of more than 3 months	—	—	—	59,692
	—	—	—	68,166
Cash and cash equivalents	80,079	42,281	54,444	95,389

Company

	As at December 31,		As at September 30,
	2008	2009	2010
	US$'000	US$'000	US$'000
Cash and bank balances	—	199	1,056

As at December 31, 2007, 2008 and 2009 and September 30, 2010, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$12,135,000, US$37,239,000, US$41,830,000 and US$71,864,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into other currencies through banks authorized to conduct foreign currency business.

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

As at December 31, 2007, 2008 and 2009 and September 30, 2010, cash of US$4,401,000, US$13,738,000, US$17,957,000 and US$9,389,000 was deposited with related parties controlled by the ultimate holding company.

II. NOTES TO FINANCIAL INFORMATION (continued)

22. TRADE AND BILLS PAYABLES

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Bills payable	15,345	13,502	51,888	71,709
Trade payables	33,310	20,423	45,374	70,474
	48,655	33,925	97,262	142,183

An aging analysis of trade and bills payables as at each of the reporting dates during the Track Record Period is as follows:

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Within 1 year	47,982	31,922	95,235	139,845
1-2 years	203	1,520	1,221	1,369
2-3 years	361	66	389	200
3 years and beyond	109	417	417	769
	48,655	33,925	97,262	142,183

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

23. OTHER PAYABLES AND ACCRUALS

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Current:				
Lease deposits due within 1 year	20,697	24,787	31,873	45,359
Salary payables	252	5,592	6,985	7,913
Welfare payables	21	87	341	425
Advances from customers	5,233	4,743	9,618	26,463
Due to related parties (note 23a)	27,709	516	160,428	659
Other taxes payable	735	636	1,136	1,379
Interest payable	949	1,417	1,955	3,804
Other payables	251	82	395	1,405
	55,847	37,860	212,731	87,407
Non-current:				
Related liability for assets with continuing involvement (note 15b)	1,246	—	—	—
Lease deposits due after 1 year	97,540	159,326	235,646	348,896
	98,786	159,326	235,646	348,896
	154,633	197,186	448,377	436,303

II. NOTES TO FINANCIAL INFORMATION (continued)

23. OTHER PAYABLES AND ACCRUALS (continued)

Company

	As at December 31,		As at September 30,
	2008	2009	2010
	US$'000	US$'000	US$'000
Current:			
Due to related parties (note (23a))	1	160,007	12
Interest payables	—	—	584
Others	—	—	1,161
	1	160,007	1,757

23a. BALANCES WITH RELATED PARTIES

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Due to related parties:				
Parent company:				
Fortune Ally	—	—	160,000	—
Companies controlled by the ultimate holding company:				
China Foreign Economy and Trade Trust Co., Ltd.	148	249	—	—
Sinochem Finance Co., Ltd.	—	266	326	—
Sinochem Hong Kong	27,561	1	102	659
	27,709	516	160,428	659

Company

	As at December 31,		As at September 30,
	2008	2009	2010
	US$'000	US$'000	US$'000
Due to related parties:			
Parent company:			
Fortune Ally	—	160,000	—
Companies controlled by the ultimate holding company:			
Sinochem Hong Kong	1	7	7
Indirectly held Subsidiaries	—	—	5
	1	160,007	12

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

II. NOTES TO FINANCIAL INFORMATION (continued)

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	As at December 31, 2007			2008			2009			As at September 30, 2010		
	Contractual interest rate (%) per annum	Maturity	US$	Contractual interest rate (%) per annum	Maturity	US$	Contractual interest rate (%) per annum	Maturity	US$	Contractual interest rate (%) per annum	Maturity	US$
Current												
Bank loans—secured	6.32	2008	20,535	—	—	—	4.37	2010	27,826	4.24~4.78	2011	118,107
Current portion of long term bank loans—secured	5.91~6.73	2008	23,581	4.86~6.80	2009	6,255	4.64~5.91	2010	96,488	4.86~5.18	2010-2011	25,924
Bank loans—unsecured	5.51~6.56	2008	80,278	5.58~7.10	2009	127,293	2.3~5.04	2010	97,871	0.7~4.62	2010-2011	289,267
Current portion of long term bank loans—unsecured	6.08	2008	1,814	4.86~6.80	2009	3,797	4.86~5.18	2010	1,977	4.86~5.18	2011	5,786
Loans from companies controlled by the ultimate holding company—secured	5.05~6.57	2008	94,231	5.31~6.04	2009	102,103	—	—	—	—	—	—
Loans from companies controlled by the ultimate holding company—unsecured	—	—	—	—	—	—	—	—	—	1.75~4.86	2010-2011	254,444
Other loans—secured	—	—	—	—	—	—	4.13~4.90	2010	92,676	—	—	—
			220,439			239,448			316,838			693,528
Non-current												
Bank loans—secured	5.80~6.89	2009~2011	325,626	4.86~7.56	2010~2013	442,082	4.86~5.76	2011~2014	469,188	1.80~5.72	2011~2014	1,044,577
Bank loans—unsecured	5.91~6.97	2009~2011	51,209	4.86~7.56	2010~2013	104,345	4.86~5.76	2011~2013	222,973	2.28~5.76	2012~2013	340,037
Loans from companies controlled by the ultimate holding company—unsecured	—	—	—	5.40	2011	175,577	1.45~4.86	2011~2013	234,127	1.48~4.86	2012~2013	59,219
Other loans—unsecured	—	—	—	5.00	2011	5,000	5.00	2011	4,167	5.00	2011	3,333
			376,835			727,004			930,455			1,447,166
			597,274			966,452			1,247,293			2,140,694

II. NOTES TO FINANCIAL INFORMATION (continued)

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

Company

	As at December 31,						As at September 30,		
	2008			2009			2010		
	Contractual interest rate (%) per annum	Maturity	US$	Contractual interest rate (%) per annum	Maturity	US$	Contractual interest rate (%) per annum	Maturity	US$
Current									
Bank loans—unsecured	—	—	—	—	—	—	0.7~1.4	2010-2011	64,000
Loans from companies controlled by the ultimate holding company—unsecured	—	—	—	—	—	—	1.75~3.49	2010-2011	70,800
			—			—			134,800
Non-current									
Bank loans—secured	—	—	—	—	—	—	1.95	2012~2013	37,019
Loans from companies controlled by the ultimate holding Company-unsecured			—			—	3.26	2013	1,500
			—			—			38,519
			—			—			173,319

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Analyzed into:				
Bank loans repayable:				
Within one year or on demand	126,208	137,345	224,162	439,084
In the second year	26,572	234,769	329,320	268,685
In the third to fifth years, inclusive	350,263	311,658	362,841	1,115,929
	503,043	683,772	916,323	1,823,698
Loans from companies controlled by the ultimate holding company repayable:				
Within one year	94,231	102,103	—	254,444
In the second year	—	—	175,742	51,069
In the third to fifth years, inclusive	—	175,577	58,385	8,150
	94,231	277,680	234,127	313,663
Other borrowings repayable:				
Within one year	—	—	92,676	—
In the second year	—	—	4,167	3,333
In the third to fifth years, inclusive	—	5,000	—	—
	—	5,000	96,843	3,333
	597,274	966,452	1,247,293	2,140,694

Notes:

(a) As at December 31, 2007, 2008 and 2009 and September 30, 2010, the Group's borrowings from banks guaranteed by Sinochem Group amounted to US$414,798,000, US$436,311,000, US$252,990,000 and US$103,062,000, respectively.

(b) As at December 31, 2007, 2008 and 2009 and September 31, 2010, the Group's bank borrowings pledged by lease receivables amounted to US$38,880,000, US$114,129,000, US$433,188,000 and US$1,085,546,000 respectively. As at December 31, 2007, 2008 and 2009 and September 30, 2010, the Group's lease receivables pledged as security for the Group's bank borrowings amounted to US$51,839,000, US$152,171,000, US$537,475,000 and US$1,543,415,000, respectively.

(c) As at December 31, 2007, 2008 and 2009 and September 30, 2010, no property, plant and equipment of the Group were provided as collateral for borrowings nor had the Group provided any guarantees for other entities.

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

II. NOTES TO FINANCIAL INFORMATION (continued)

25. DEFERRED REVENUE

Group

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
At the beginning of year/period	—	—	—	1,304
Addition during the year/period	—	—	1,317	2,957
Amortized to the income statement	—	—	(14)	(957)
Exchange differences	—	—	1	43
At the end of year/period	—	—	1,304	3,347

The Group deferred the recognition of revenue in accordance with the progress of the services rendered. And the circumstances under which services were paid in a lump sum while rendered in progress occurred since 2009.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Track Record Period are as follows:

Group

Deferred tax assets

	Allowances for impairment losses	Salary and welfare payable	Accrued liabilities	Total
	US$'000	US$'000	US$'000	US$'000
At January 1, 2007	—	466	169	635
Credited/(charged) to the income statement during the year	95	(482)	(174)	(561)
Exchange differences	4	16	5	25
Gross deferred tax assets at December 31, 2007 and January 1, 2008	99	—	—	99
Credited to the income statement during the year	17	—	—	17
Exchange differences	7	—	—	7
Gross deferred tax assets at December 31, 2008 and January 1,2009	123	—	—	123
Credited to the income statement during the year	3,417	1,536	—	4,953
Exchange differences	2	1	—	3
Gross deferred tax assets at December 31, 2009 and January 1, 2010	3,542	1,537	—	5,079
Credited/(charged) to the income statement during the period	2,526	327	—	2,853
Exchange differences	85	33	—	118
Gross deferred tax assets at September 30, 2010	6,153	1,897	—	8,050

II. NOTES TO FINANCIAL INFORMATION (continued)

26. DEFERRED TAX (continued)

Group (continued)

Deferred tax liabilities

	Changes in fair values of available-for-sale distributable financial investments	Withholding tax on the profits	Total
	US$'000	US$'000	US$'000
At January 1, 2007	—	—	—
Charged to the income statement during the year	—	—	—
Gross deferred tax liabilities at December 31, 2007 and January 1, 2008	—	—	—
Charged to the income statement during the year	—	2,310	2,310
Exchange differences	—	80	80
Gross deferred tax liabilities at December 31, 2008 and January 1, 2009	—	2,390	2,390
Charged to the income statement during the year	—	3,042	3,042
Charged to equity during the year	927	—	927
Exchange differences	—	4	4
Gross deferred tax liabilities at December 31, 2009 and January 1, 2010	927	5,436	6,363
Credited to the income statement during the period	—	(609)	(609)
Credited to equity during the period	(935)	—	(935)
Exchange differences	8	56	64
Gross deferred tax liabilities at September 30, 2010	—	4,883	4,883

For the purpose of the presentation of the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Net deferred tax assets recognized in the consolidated statements of financial position	99	123	4,152	8,050
Net deferred tax liabilities recognized in the consolidated statements of financial position	—	2,390	5,436	4,883

Pursuant to the New CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement became effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower tax rate may be applied if there is a tax treaty between China and the countries/regions where the foreign investors are registered. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from January 1, 2008. The Group recognized deferred tax liabilities in respect of accumulated distributable earnings from its subsidiaries established in Mainland China since January 1, 2008, no matter whether such earnings have been declared or not by the subsidiaries at the reporting date.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

II. NOTES TO FINANCIAL INFORMATION (continued)

27. ISSUED CAPITAL

	Notes	Number of shares	Amounts
			HK$
Authorized ordinary shares of HK$1.00 each:			
At December 31, 2008	(a)	10,000	10,000
At December 31, 2009		10,000	10,000
At September 30, 2010		18,496	18,496
Issued and fully paid ordinary shares of HK$1.00 each:			
At December 31, 2008	(a)	1	1
At December 31, 2009	(b)	10,000	10,000
At September 30, 2010	(c)	18,496	18,496

The movements in the Company's issued ordinary share capital during the Track Record Period are as follows:

	Notes	Number of shares in issue	Issued share capital	Equivalent to
			HK$	US$
At May 15, 2008 (date of incorporation)		—	—	—
Issue of shares	(a)	1	1	—
At December 31, 2008 and January 1, 2009		1	1	—
Issue of shares	(b)	9,999	9,999	1,290
At December 31, 2009 and January 1, 2010		10,000	10,000	1,290
Issue of shares	(c)	8,496	8,496	1,091
At September 30, 2010		18,496	18,496	2,381

Notes:

(a) On May 15, 2008, the Company was incorporated with an authorized share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. 1 share was issued and fully paid at par.

(b) Pursuant to the Reorganization as detailed in note 1, Sinochem Hong Kong and Sinochem Europe injected their 69.3% and 30.7% equity interests in Far Eastern Leasing to the Company on March 13, 2009. As consideration, the Company issued 9,999 ordinary shares of HK$1.00 each to Fortune Ally who in turn issued an aggregate of 9,999 ordinary shares to Sinochem Hong Kong and Sinochem Europe.

(c) Pursuant to the Reorganization as detailed in note 1, on September 30, 2010, the Company issued 8,496 ordinary shares of HK$1.00 each to Fortune Ally for the capitalization of the shareholder's loan amounting to US$215,680,000 in aggregate.

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Track Record Period are presented in the consolidated statements of changes in equity.

The Group's capital reserve represents the excess of the carrying amounts of capital and capital reserve of the subsidiaries acquired pursuant to the Reorganization as detailed in Note 1, over the nominal value of the Company's shares issued as consideration and plus the amount of borrowings capitalized in excess of the nominal value of shares issued.

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in Note 1 of this report are required to transfer no less than 10% of

II. NOTES TO FINANCIAL INFORMATION (continued)

28. RESERVES (continued)

(a) Group (continued)

their profits after taxation, as determined under PRC Company Law, to the statutory reserve fund until the balance reaches 50% of the registered capital. The transfer to this statutory reserve fund must be made before the distribution of dividend to shareholders.

(b) Company

	Capital reserve	Retained profits	Total
	US$'000	US$'000	US$'000
At May 15, 2008 (date of incorporation)	—	—	—
Loss for the period	—	(1)	(1)
At December 31, 2008 and January 1, 2009	—	(1)	(1)
Issue of shares	214,494	—	214,494
Profit for the year	—	643	643
At December 31, 2009 and January 1, 2010	214,494	642	215,136
Profit for the period	—	79,273	79,273
Dividend distribution (note 12)	—	(78,912)	(78,912)
Capitalization of shareholder's loan (note 27(c))	215,679	—	215,679
At September 30, 2010	430,173	1,003	431,176
At December 31, 2008 and January 1, 2009	—	(1)	(1)
Issue of shares	214,494	—	214,494
Loss for the period (unaudited)	—	(6)	(6)
At September 30, 2009 (unaudited)	214,494	(7)	214,487

29. CONTINGENT LIABILITIES

A number of legal proceedings are initiated by third parties against the Group as defendant. The total outstanding claims at each of the reporting dates during the Track Record Period are as follows:

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

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

30. OPERATING LEASE ARRANGEMENTS

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

At each of the reporting dates during the Track Record Period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'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

II. NOTES TO FINANCIAL INFORMATION (continued)

31. COMMITMENTS

(a) In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at each balance sheet date:

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Contracted, but not provided for:				
Capital expenditure for acquisition of property and equipment	36	139	570	70

(b) Credit commitments

The Group's irrevocable credit commitments at each balance sheet date are as follow:

	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'000
Irrevocable credit commitment:	40,823	136,899	176,370	490,055

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

32. RELATED PARTY TRANSACTIONS

Relationship between the Group and its related parties:

Company name	Relationship
Sinochem Group	Ultimate holding company
Fortune Ally	Parent company
Sinochem Hong Kong	Controlled by the ultimate holding company
Sinochem Europe	Controlled by the ultimate holding company
Sinochem Finance Co., Ltd.	Controlled by the ultimate holding company
China Foreign Economy and Trade Trust Co., Ltd.	Controlled by the ultimate holding company
China Jin Mao Group Co., Ltd.	Controlled by the ultimate holding company
Beijing Chemsunny Property Co., Ltd.	Controlled by the ultimate holding company
Shanghai Jin Mao Imtech Facility Services Co., Ltd.	Controlled by the ultimate holding company
Sinochem Co., Ltd.	Controlled by the ultimate holding company

II. NOTES TO FINANCIAL INFORMATION (continued)

32. RELATED PARTY TRANSACTIONS (continued)

In addition to the transactions and balances in notes 16, 19, 21, 23 and 24 to the Financial Information, the Group had the following material transactions with related parties during the Track Record Period:

(a) Discontinued transactions

(i) Interest income from cash in bank:

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Sinochem Finance Co., Ltd.	—	518	452	312	396
China Foreign Economy and Trade Trust Co., Ltd.	179	301	—	—	—

The interest income were charged at rates ranging from 0.36% to 3.33% per annum.

(ii) Loan interest income:

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Sinochem Hong Kong	—	—	—	—	4

The interest income were charged at 0.83% per annum.

(iii) Interest expense on borrowings:

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
China Foreign Economy and Trade Trust Co., Ltd.	4,862	5,187	2,165	2,016	—
Sinochem Hong Kong	—	—	239	170	973
Sinochem Finance Co., Ltd.	—	4,916	12,750	10,121	10,648

The interest expenses were charged at rates ranging from 1.48% to 5.40% per annum.

(iv) Dividend income:

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
China Foreign Economy and Trade Trust Co., Ltd.	1,184	4,404	—	—	—

II. NOTES TO FINANCIAL INFORMATION (continued)

32. RELATED PARTY TRANSACTIONS (continued)

(b) Continued transactions

(i) Rental expenses:

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
China Jin Mao Group Co., Ltd.	1,347	2,242	2,737	2,041	2,054
Beijing Chemsunny Property Co., Ltd.	63	144	128	110	171
Sinochem Co. Ltd	—	33	58	—	29
Shanghai Jin Mao Imtech Facility Services Co., Ltd.	157	99	97	63	70

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

In the opinion of the directors, the transactions listed in (a) and (b) as above between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

The directors of the Company also confirmed that except for the rental expenses payable listed in (b) as above to the companies controlled by Sinochem Group set out above, all the transactions listed in (a) as above will not continue after the listing of the Company's shares on the Main Board of the Stock Exchange.

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

	Year ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Short-term employee benefits	429	489	1,139	277	785

(d) Further details of directors' emoluments are set out in note 9 to the Financial Information.

II. NOTES TO FINANCIAL INFORMATION (continued)

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting date during the Track Record Period are as follows:

As at December 31, 2007

Group

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	US$'000	US$'000	US$'000
Available-for-sale financial investments	—	14,448	14,448
Loans and accounts receivable	874,486	—	874,486
Deposits and other receivables	6,720	—	6,720
Cash and cash equivalents	80,079	—	80,079
Other assets	2,492	—	2,492
	963,777	14,448	978,225

Financial liabilities-at amortized cost

	US$'000
Trade and bills payables	48,655
Other payables and accruals	152,156
Interest-bearing bank and other borrowings	597,274
	798,085

As at December 31, 2008

Group

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	US$'000	US$'000	US$'000
Available-for-sale financial investments	—	15,442	15,442
Loans and accounts receivable	1,341,866	—	1,341,866
Deposits and other receivables	2,541	—	2,541
Cash and cash equivalents	42,281	—	42,281
	1,386,688	15,442	1,402,130

Financial liabilities-at amortized cost

	US$'000
Trade and bills payables	33,925
Other payables and accruals	194,805
Interest-bearing bank and other borrowings	966,452
	1,195,182

II. NOTES TO FINANCIAL INFORMATION (continued)

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at December 31, 2009

Group

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	US$'000	US$'000	US$'000
Available-for-sale financial investments	—	19,668	19,668
Loans and accounts receivable	1,976,081	—	1,976,081
Deposits and other receivables	24,661	—	24,661
Cash and cash equivalents	54,444	—	54,444
	2,055,186	19,668	2,074,854

Financial liabilities-at amortized cost

	US$'000
Trade and bills payables	97,262
Other payables and accruals	442,334
Interest-bearing bank and other borrowings	1,247,293
	1,786,889

As at September 30, 2010

Group

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	US$'000	US$'000	US$'000
Loans and accounts receivable	3,041,748	—	3,041,748
Deposits and other receivables	17,653	—	17,653
Cash and cash equivalents	95,389	—	95,389
Time and pledged deposits	68,166	—	68,166
	3,222,956	—	3,222,956

Financial liabilities-at amortized cost

	US$'000
Trade and bills payables	142,183
Other payables and accruals	431,039
Interest-bearing bank and other borrowings	2,140,694
	2,713,916

II. NOTES TO FINANCIAL INFORMATION (continued)

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets—loans and receivables

	As at December 31, 2008	As at December 31, 2009	As at September 30, 2010
	US$'000	US$'000	US$'000
Cash and cash equivalents		199	1,056
Deposits and other receivables	—	10,450	184,492
	—	10,649	185,548

Financial liabilities—at amortized cost

	As at December 31, 2008	As at December 31, 2009	As at September 30, 2010
	US$'000	US$'000	US$'000
Interest-bearing bank and other borrowings	—	—	173,319
Other payables and accruals	1	160,007	1,757
	1	160,007	175,076

34. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Available-for-sale financial investments:	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Equity investments				
Balance as at December 31, 2009:	—	—	19,668	19,668

The movements in fair value measurements in Level 3 during the Track Record Period are as follows (see Note 16 for further details):

	US$'000
Available-for-sale financial investments—unlisted :	
At January 1, 2009	15,442
Total gains recognized in other comprehensive income	4,210
Exchange differences	16
At December 31, 2009 and January 1, 2010	19,668
Disposal	(19,852)
Exchange differences	184
At September 30, 2010	—

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease receivables, trade receivables, trade payables, bank loans, other interest-bearing loans, cash and short term deposits. The main purpose of bank loans and other interest-bearing loans are to finance the Group's operations while other financial assets and liabilities such as lease receivables, trade receivables and trade payables are directly related to the Group's operating activities.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing bank and other borrowings and lease receivables.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such measures to mitigate such risk.

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

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at each balance sheet date subject to repricing within the coming year.

	Group increase/(decrease) in profit before tax			
	As at December 31,			As at September 30,
	2007	2008	2009	2010
	US$'000	US$'000	US$'000	US$'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 tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of this interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities move by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

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

Group

	As at December 31, 2007					
	Non-interest-bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	10	80,069	—	—	—	80,079
Loans and accounts receivable	7,633	788,863	62,900	15,090	—	874,486
Deposits and other receivables	6,720	—	—	—	—	6,720
Available-for-sale financial investments	14,448	—	—	—	—	14,448
Other assets	1,246	1,246	—	—	—	2,492
Total financial assets	30,057	870,178	62,900	15,090	—	978,225
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	105,221	492,053	—	—	597,274
Trade and bills payables	48,655	—	—	—	—	48,655
Other payables and accruals	150,577	—	—	1,579	—	152,156
Total financial liabilities	199,232	105,221	492,053	1,579	—	798,085
Interest rate risk exposure	(169,175)	764,957	(429,153)	13,511	—	180,140

	As at December 31, 2008					
	Non-interest-bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	10	42,271	—	—	—	42,281
Loans and accounts receivable	8,338	1,151,890	162,934	18,704	—	1,341,866
Deposits and other receivables	2,541	—	—	—	—	2,541
Available-for-sale financial investments	15,442	—	—	—	—	15,442
Total financial assets	26,331	1,194,161	162,934	18,704	—	1,402,130
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	355,848	605,604	5,000	—	966,452
Trade and bills payables	33,925	—	—	—	—	33,925
Other payables and accruals	193,673	—	—	1,132	—	194,805
Total financial liabilities	227,598	355,848	605,604	6,132	—	1,195,182
Interest rate risk exposure	(201,267)	838,313	(442,670)	12,572	—	206,948

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Group (continued)

	As at December 31, 2009					
	Non-interest-bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	9	54,435	—	—	—	54,444
Loans and accounts receivable	16,075	1,650,415	272,649	30,632	6,310	1,976,081
Deposits and other receivables	14,661	10,000	—	—	—	24,661
Available-for-sale financial investments	19,668	—	—	—	—	19,668
Total financial assets	50,413	1,714,850	272,649	30,632	6,310	2,074,854
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	880,614	341,033	25,646	—	1,247,293
Trade and bills payables	97,262	—	—	—	—	97,262
Other payables and accruals	442,334	—	—	—	—	442,334
Total financial liabilities	539,596	880,614	341,033	25,646	—	1,786,889
Interest rate risk exposure	(489,183)	834,236	(68,384)	4,986	6,310	287,965

	As at September 30, 2010					
	Non-interest-bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	15	95,374	—	—	—	95,389
Time and pledged deposits	—	37,276	30,890	—	—	68,166
Loans and accounts receivable	21,781	2,796,957	205,818	17,192	—	3,041,748
Deposits and other receivables	4,969	12,684	—	—	—	17,653
Total financial assets	26,765	2,942,291	236,708	17,192	—	3,222,956
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	1,799,293	324,330	17,071	—	2,140,694
Trade and bills payables	142,183	—	—	—	—	142,183
Other payables and accruals	427,039	4,000	—	—	—	431,039
Total financial liabilities	569,222	1,803,293	324,330	17,071	—	2,713,916
Interest rate risk exposure	(542,457)	1,138,998	(87,622)	121	—	509,040

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Company

	As at December 31, 2008					
	Non-interest-bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	—	—	—	—	—	—
Due from related parties	—	—	—	—	—	—
Total financial assets	—	—	—	—	—	—
FINANCIAL LIABILITIES:						
Other payables and accruals	1	—	—	—	—	1
Interest rate risk exposure	(1)	—	—	—	—	(1)

	As at December 31, 2009					
	Non-interest-bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	—	199	—	—	—	199
Deposits and other receivables	450	10,000	—	—	—	10,450
Total financial assets	450	10,199	—	—	—	10,649
FINANCIAL LIABILITIES:						
Other payables and accruals	160,007	—	—	—	—	160,007
Interest rate risk exposure	(159,557)	10,199	—	—	—	(149,358)

	As at September 30, 2010					
	Non-interest-bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	1,056					1,056
Deposits and other receivables	3,853	180,639	—	—	—	184,492
Total financial assets	4,909	180,639	—	—	—	185,548
FINANCIAL LIABILITIES:						
Other payables and accruals	1,757	—	—	—	—	1,757
Interest-bearing bank and other borrowings	—	143,319	30,000	—	—	173,319
Total financial liabilities	1,757	143,319	30,000	—	—	175,076
Interest rate risk exposure	3,152	37,320	(30,000)	—	—	10,472

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk

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

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US$, and, to a lesser extent, other currencies. The Group's treasury operations exposure mainly arises from its transactions in currencies other than RMB. The Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

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

The table below indicates a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against the RMB, with all other variables held constant, on profit before tax. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at 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.

		Group increase/(decrease) in profit before tax			
		As at December 31,			As at September 30,
Currency	**Change in currency rate**	**2007**	**2008**	**2009**	**2010**
		US$'000	**US$'000**	**US$'000**	**US$'000**
US$	-1%	(408)	9	1,527	257

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

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

Group

	As at December 31, 2007			
	RMB	US$	Others	Total
(In US$'000 equivalent)				
FINANCIAL ASSETS:				
Cash and cash equivalents	12,135	67,944	—	80,079
Loans and accounts receivable	873,619	853	14	874,486
Deposits and other receivables	6,720	—	—	6,720
Available-for-sale financial investments	14,448	—	—	14,448
Other assets	2,492	—	—	2,492
Total financial assets	909,414	68,797	14	978,225
FINANCIAL LIABILITIES:				
Interest-bearing bank and other borrowings	597,274	—	—	597,274
Trade and bills payables	41,327	433	6,895	48,655
Other payables and accruals	124,595	27,561	—	152,156
Total financial liabilities	763,196	27,994	6,895	798,085
Net position	146,218	40,803	(6,881)	180,140

	As at December 31, 2008			
	RMB	US$	Others	Total
(In US$'000 equivalent)				
FINANCIAL ASSETS:				
Cash and cash equivalents	37,239	5,042	—	42,281
Loans and accounts receivable	1,341,217	95	554	1,341,866
Deposits and other receivables	2,541	—	—	2,541
Available-for-sale financial investments	15,442	—	—	15,442
Total financial assets	1,396,439	5,137	554	1,402,130
FINANCIAL LIABILITIES:				
Interest-bearing bank and other borrowings	961,452	5,000	—	966,452
Trade and bills payables	32,980	945	—	33,925
Other payables and accruals	194,753	52	—	194,805
Total financial liabilities	1,189,185	5,997	—	1,195,182
Net position	207,254	(860)	554	206,948

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Group (continued)

	As at December 31, 2009			
	RMB	US$	Others	Total
(In US$'000 equivalent)				
FINANCIAL ASSETS:				
Cash and cash equivalents	41,830	12,614	—	54,444
Loans and accounts receivable	1,960,975	15,101	5	1,976,081
Deposits and other receivables	14,211	10,450	—	24,661
Available-for-sale financial investments	19,668	—	—	19,668
Total financial assets	2,036,684	38,165	5	2,074,854
FINANCIAL LIABILITIES:				
Interest-bearing bank and other borrowings	1,218,677	28,616	—	1,247,293
Trade and bills payables	97,207	54	1	97,262
Other payables and accruals	280,100	162,234	—	442,334
Total financial liabilities	1,595,984	190,904	1	1,786,889
Net position	440,700	(152,739)	4	287,965

	As at September 30, 2010			
	RMB	US$	Others	Total
(In US$'000 equivalent)				
FINANCIAL ASSETS:				
Cash and cash equivalents	71,864	23,525	—	95,389
Time and pledged deposits	68,166	—	—	68,166
Loans and accounts receivable	2,822,824	218,924	—	3,041,748
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

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Group enters into transactions only with the recognized and reputable third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Other financial assets of the Group include cash and bank deposits, accounts receivable, notes receivable, available–for-sale financial assets, entrusted loans and other accounts receivable. The credit risk of these financial assets arises from counterparty's inability to meet its obligations. The maximum exposure to credit risk equals to the carrying amounts of these assets.

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

	As at December 31, 2007		As at December 31, 2008		As at December 31, 2009		As at September 30, 2010	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Lease receivables								
Healthcare	368,125	42	523,551	39	699,209	35	846,284	28
Printing	200,386	23	307,485	23	420,369	21	527,320	18
Shipping	103,893	12	123,762	9	112,013	6	365,962	12
Infrastructure construction	69,710	8	133,203	10	248,001	13	364,806	12
Machinery	35,117	4	73,320	5	159,020	8	237,914	8
Education	78,412	9	174,756	13	314,107	16	468,205	16
Others	22,573	2	14,464	1	18,473	1	175,330	6
	878,216	100	1,350,541	100	1,971,192	100	2,985,821	100
Less: Impairment provision on lease receivables	(11,362)		(17,013)		(25,801)		(34,732)	
Net	866,854		1,333,528		1,945,391		2,951,089	

As the customers of the Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Group.

The quantitative data of exposure to credit risk arising from lease receivables, notes receivable, accounts receivable, entrusted loans, available-for-sale financial investments and other receivables are set out in note 18, note 16 and note 19, respectively.

The analysis of financial assets which are not past due is as follows:

	Neither past due nor impaired			
	As at December 31,			As at September 30, 2010
	2007	2008	2009	
	US$'000	US$'000	US$'000	US$'000
Lease receivables	863,327	1,324,917	1,947,603	2,963,977
Notes receivable	—	1,554	6,960	3,961
Accounts receivable	2,705	1,141	1,200	3,702
Available-for-sale financial investments	14,448	15,442	19,668	—
Entrusted loans	—	—	14,685	71,276
Lease interest receivables	4,927	5,404	7,915	13,437
Deposits and other receivables	6,761	2,541	24,661	17,653

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

As at December 31, 2007, 2008 and 2009 and September 30, 2010, there were no assets which had been past due but are considered not impaired.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

The Group manages its liquidity risk through daily monitoring with the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets and in terms of liquidity of the Group, maintaining an efficient internal fund transfer mechanism.

The tables below summarize the maturity profile of the Group's and the Company's financial assets and liabilities based on the contractual undiscounted cash flows:

Group

	As at December 31, 2007					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	80,079	—	—	—	—	80,079
Loans and accounts receivable	1,670	107,505	300,205	592,905	—	1,002,285
Deposits and other receivables	103	3,804	2,146	667	—	6,720
Available-for-sale financial investments	—	—	—	14,448	—	14,448
Other assets	—	2,492	—	—	—	2,492
Total financial assets	81,852	113,801	302,351	608,020	—	1,106,024
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	103,347	145,916	415,052	—	664,315
Trade and bills payables	33,309	8,504	6,842	—	—	48,655
Other payables and accruals	29,708	8,156	16,745	97,547	—	152,156
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

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

	As at December 31, 2008					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash and cash equivalents	33,502	8,779	—	—	—	42,281
Loans and accounts receivable	3,618	152,943	455,574	870,446	—	1,482,581
Deposits and other receivables	—	836	1,705		—	2,541
Available-for-sale financial investments	—	—	—	15,442	—	15,442
Total financial assets	37,120	162,558	457,279	885,888	—	1,542,845
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	145,457	141,021	789,198	—	1,075,676
Trade and bills payables	20,566	9,986	3,373	—	—	33,925
Other payables and accruals	793	11,860	22,761	159,391	—	194,805
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 at December 31, 2009					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	48,586	5,858	—	—	—	54,444
Loans and accounts receivable	1,153	220,828	634,228	1,329,127	17,226	2,202,562
Deposits and other receivables	—	22,180	2,485	—	—	24,665
Available-for-sale financial investments	—	—	19,668	—	—	19,668
Total financial assets	49,739	248,866	656,381	1,329,127	17,226	2,301,339
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	11,716	32,054	348,446	1,016,571	—	1,408,787
Trade and bills payables	6,035	16,255	46,294	28,678	—	97,262
Other payables and accruals	161,916	15,405	29,319	234,400	1,296	442,336
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

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

	As at September 30, 2010					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	94,046	1,349	—	—	—	95,395
Time and pledged deposits	—	33,496	35,282	—	—	68,778
Loans and accounts receivable	3,169	349,934	855,144	2,188,855	27,352	3,424,454
Deposits and other receivables	—	9,747	7,277	821	—	17,845
Total financial assets	97,215	394,526	897,703	2,189,676	27,352	3,606,472
FINANCIAL LIABILITIES:						
Interest-bearing bank and other borrowings	—	190,926	585,120	1,547,694	—	2,323,740
Trade and bills payables	28,631	58,972	51,479	3,101	—	142,183
Other payables and accruals	1,836	41,893	38,400	335,505	14,388	432,022
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

Company

	As at December 31, 2008					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	—	—	—	—	—	—
FINANCIAL LIABILITIES:						
Other payables and accruals	1	—	—	—	—	1
Net liquidity gap	(1)	—	—	—	—	(1)

	As at December 31, 2009					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	199	—	—	—	—	199
Deposits and other receivables	—	10,000	450	—	—	10,450
Total financial assets	199	10,000	450	—	—	10,649
FINANCIAL LIABILITIES:						
Other payables and accruals	160,007	—	—	—	—	160,007
Net liquidity gap	(159,808)	10,000	450	—	—	(149,358)

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company (continued)

	As at September 30, 2010					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
FINANCIAL ASSETS:						
Cash and cash equivalents	1,056	—	—	—	—	1,056
Deposits and other receivables	643	6,317	22,274	146,310	27,860	203,404
Total financial assets	1,699	6,317	22,274	146,310	27,860	204,460
FINANCIAL LIABILITIES:						
Other payables and accruals	—	579	1,178	—	—	1,757
Interest-bearing bank and other borrowings	—	34,100	102,654	40,661	—	177,415
Total financial liability	—	34,679	103,832	40,661	—	179,172
Net liquidity gap	1,699	(28,362)	(81,558)	105,649	27,860	25,288

Capital management

Group

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the Track Record Period.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes bank and other borrowings. The gearing ratios as at each of the reporting dates during the Track Record Period are as follows:

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

II. NOTES TO FINANCIAL INFORMATION (continued)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Far Eastern Leasing

The primary objectives of the capital management of Far Eastern Leasing, a principal subsidiary of the Group located 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 the Group aforementioned. In accordance with the "Administration of Foreign Investment in the Leasing Industry" promulgated by the MOFCOM on February 3, 2005 and other relevant laws and regulations, Far Eastern Leasing has set up appropriate business development and capital management programs and established a comprehensive evaluation system. It actively adjusts the capital structure in light of changes in the market and the risks being confronted, by adjusting its dividends policy or financing channels. During the Track Record Period, there are no significant changes on the policies or processes for managing the capital of Far Eastern Leasing.

In accordance with the requirements of the MOFCOM aforementioned, Far Eastern Leasing should maintain its assets at risk within 10 times of its equity. The calculations of assets at risk to equity as at each of the reporting dates during the Track Record Period are as follows:

	As at December 31,			As at 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

36. POST BALANCE SHEET EVENT

The companies now comprising the Group completed the pre-IPO restructuring on March 8, 2011 in preparation for the listing of the shares of the Company on the Stock Exchange. Further details of the Reorganization are set out in the section headed "Our History and Reorganization—Reorganization" in the prospectus.

Pursuant to the extraordinary general meeting held on March 11, 2011, the shareholders of the Group resolved the matters resulting to the further changes of the share capital of the Group and the further details are set out in the Appendix VII "Statutory and General Information" in the prospectus.

Except as disclosed in this Note 36 in this report, there are no material subsequent events undertaken by the Company or by the Group after September 30, 2010.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any reporting period after September 30, 2010.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong