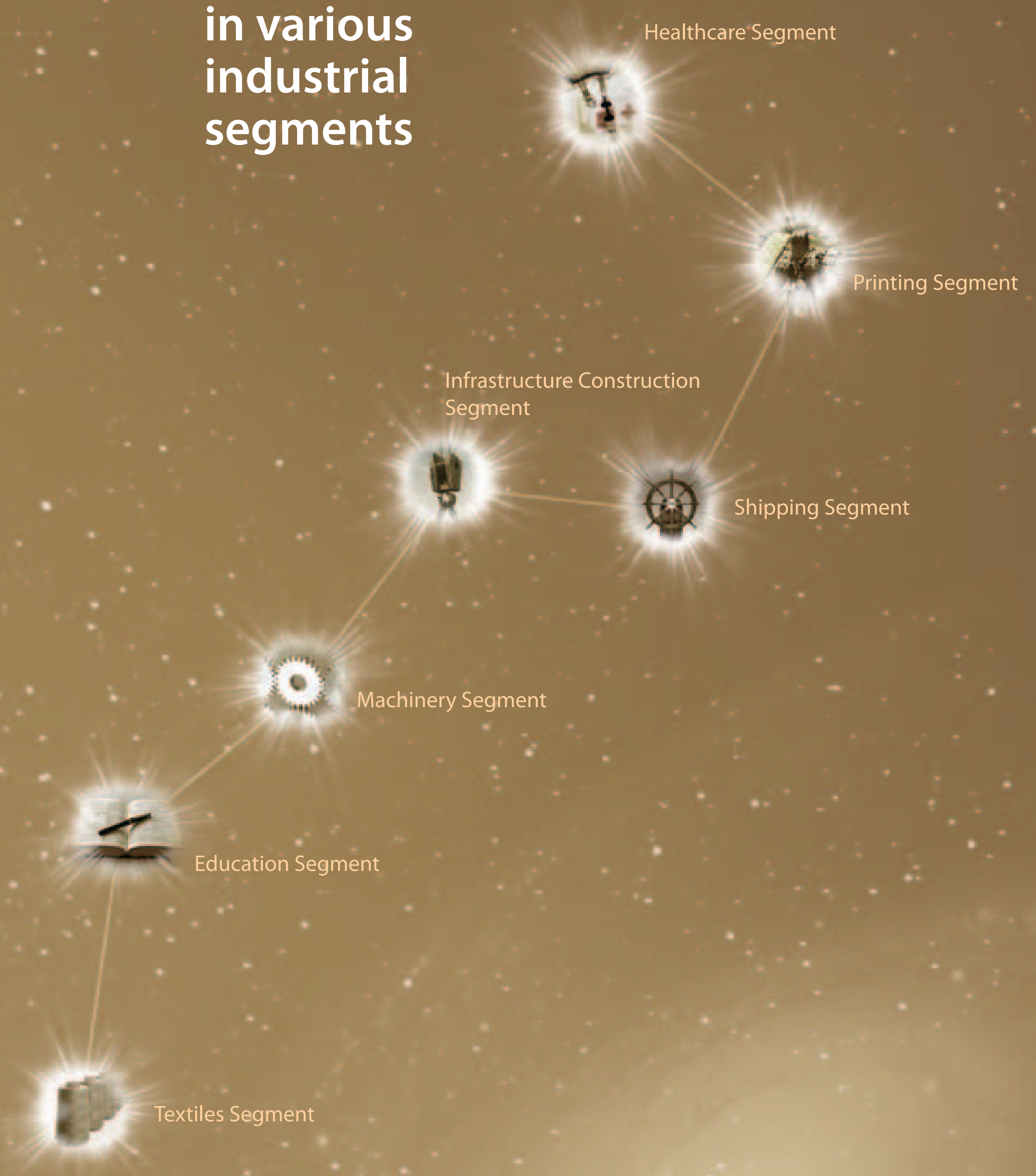
遠東宏信
FAR EAST HORIZON

2012 Interim Report

Incorporated in Hong Kong with limited liability Stock Code: 3360

Thriving in various industrial segments



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Corporate Information

Board of Directors

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

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

Non-Executive Director
Mr. Yang Lin
Ms. Shi Dai
Mr. Liu Haifeng David
Ms. Sun Xiaoning

Independent Non-Executive Director
Mr. Cai Cunqiang
Mr. Han Xiaojing
Mr. Liu Jialin
Mr. Yip Wai Ming

Composition of Committee

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

Remuneration and Nomination Committee
Mr. Liu Jialin *(Chairman)*
Mr. Han Xiaojing
Ms. Shi Dai

Strategy and Investment Committee
Mr. Liu Haifeng David *(Chairman)*
Mr. Kong Fanxing
Mr. Cai Cunqiang

Company Secretary

Ms. Mak Sze Man

Authorised Representatives

Mr. Kong Fanxing
Ms. Mak Sze Man

Registered Office

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

Principal Place of Business in the PRC

35th Floor, Jin Mao Tower,
88 Century Avenue, Pudong,
Shanghai, the People's Republic of China

Principal Place of Business in Hong Kong

Room 4706, Office Tower,
Convention Plaza, 1 Harbour Road,
Wanchai,
Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited

Principal Bankers

China Development Bank
Bank of China

Auditors

Ernst & Young

Legal Adviser

Paul Hastings

Company's Website

www.fehorizon.com

Stock Code

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

Company Profile

Far East Horizon Limited ("the Company") and its subsidiaries ("The Group") is one of China's leading innovative financial companies focusing on the Chinese infrastructure industry and leveraging the business model of integrating finance and industry to serve enterprises of greatest vitality with the support of the fast-growing economy in China. We provide our target customers in specific industries in China with tailor-made financial services and solutions through financial leasing as well as value-added services covering advisory, trading and brokerage.

Over the past 20 years, the Group has evolved from a single financial service company into an integrated service provider with a global vision centered on China so as to facilitate sustainable economic and social development. With the creative integration of industrial capital and financial capital and with unique advantages in the organisation of resources and value added services, we provide integrated finance, trade, advisory and investment services in healthcare, printing, shipping, construction infrastructure, industrial machinery, education, textile, information networks, as well as other sectors. The Group, headquartered in Hong Kong, has an operations center in Shanghai, and has offices in major cities throughout China such as Beijing, Shenyang, Ji'nan, Zhengzhou, Wuhan, Chengdu, Chongqing, Changsha, Shenzhen, Xi'an, Harbin and Xiamen, forming a client service network that covers the national market. The Group has been successfully operating its professional and dedicated business platforms in China and abroad in financial leasing, trade, medical engineering, ship leasing, etc.

The Company was officially listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 30 March 2011 and has been a designated constituent of the Hang Seng China-Affiliated Corporations Index ("HSCCI"), Morgan Stanley Capital International ("MSCI") China Index and Financial Times Stock Exchange ("FTSE") China Index.

Business Overview

	For the six months ended 30 June		For the year ended 31 December		
	2012	2011	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
OPERATIONAL RESULTS					
TOTAL REVENUE	**540,358**	294,321	729,895	326,909	211,362
Financial leasing (interest income)	**360,985**	173,002	474,028	178,361	107,537
Advisory services (fee income)	**130,544**	81,758	170,199	119,768	89,965
Cost of sales	**(254,132)**	(132,027)	(342,641)	(117,864)	(74,527)
Interest expenses	**(196,775)**	(89,936)	(250,007)	(87,656)	(57,989)
Profit before tax	**166,570**	98,631	228,854	133,328	89,365
Profit for the year/period attributable to owners of the parent	**122,786**	74,697	171,412	103,749	69,073
Basic and diluted – earnings per share (US cents)	**4.01**	3.14	6.56	5.45	3.63
PROFITABILITY INDICATORS					
Return on average assets [1]	**3.09%**	3.02%	3.04%	3.50%	3.96%
Return on average equity [2]	**14.45%**	16.05%	17.13%	25.75%	28.82%
Net interest margin [3]	**4.55%**	3.82%	4.33%	3.18%	2.97%
Net interest spread [4]	**3.12%**	2.29%	2.95%	1.65%	1.21%
Service fee income ratio (%) [5]	**43.51%**	47.75%	41.74%	54.68%	62.60%
Cost to income ratio [6]	**32.70%**	30.18%	32.56%	31.31%	29.40%
Cost of credit [7]	**0.78%**	0.75%	0.77%	0.59%	0.54%

Business Overview

	30 June 2012 US$'000 (Unaudited)	30 June 2011 US$'000 (Unaudited)	31 December 2011 US$'000 (Audited)	31 December 2010 US$'000 (Audited)	31 December 2009 US$'000 (Audited)
GEARING POSITION					
Total assets	8,366,333	6,055,281	7,474,702	3,824,164	2,084,037
Net lease receivables	7,743,546	4,893,189	6,524,480	3,657,678	1,971,192
Total liabilities	6,452,047	4,720,491	5,998,442	3,296,832	1,808,201
Interest-bearing bank and other borrowings	5,011,538	3,778,603	5,495,364	2,569,939	1,247,293
Total equity	1,914,286	1,334,790	1,476,260	527,332	275,836
Equity attributable to owners of the parent	1,913,948	1,334,348	1,475,622	526,916	275,836
Net assets per share	0.58	0.47	0.52	0.28	0.14
DURATION MATCHING OF ASSETS AND LIABILITIES					
Financial assets	9,477,911	6,749,401	8,522,538	4,311,798	2,301,339
Financial liabilities	6,967,381	4,944,509	6,437,117	3,459,411	1,948,385
ASSET QUALITY					
Non-performing assets ratio (8)	0.67%	0.74%	0.60%	0.99%	1.20%
Provision coverage ratio (9)	217.82%	163.96%	214.34%	116.38%	109.38%
Write-off of non-performing assets (10)	0.00%	0.00%	0.00%	0.15%	0.92%
Overdue lease receivables (over 30 days) ratio (11)	0.34%	0.16%	0.08%	0.14%	0.38%

Notes:

(1) Return on average assets = profit for the period/average balance of assets at the beginning and end of the period, presented on an annualized basis;

(2) Return on average equity = profit for the period/average balance of equity at the beginning and end of the period, presented on an annualized basis;

(3) Net interest margin = net interest income/average total balance of interest-earning assets, presented on an annualized basis;

(4) Net interest spread = average yield of interest-earning assets – average cost of interest-bearing liabilities, presented on an annualized basis;

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

(6) Cost to income ratio = (selling and distribution cost + administrative expenses – impairment of loans and accounts receivable)/gross profit;

(7) Cost of credit = impairment of loans and accounts receivables/average balance of interest-earning assets at the beginning and end of the period, presented on an annualized basis;

(8) Non-performing assets ratio = balance of non-performing assets/net lease receivables;

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

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

(11) Overdue lease receivables (over 30 days) ratio= overdue lease receivables (over 30 days)/net lease receivables.

Management Discussion and Analysis

1. Economic Environment

In the first half of 2012, global economic recovery was further stalled and the sovereign debt crisis continued to spread, exposing the economy to significant downside risk. US economic growth displayed downward trends while inflation, employment and real estate markets improved slightly. Peripheral economies in the Eurozone experienced a certain extent of tightened economic activity, casting concerns over their economic growth, which in turn affected the core countries. The debt situation in Japan worsened with economic growth falling after an initial rise, with decrease in industrial output reaching a record high since the 3.11 earthquake. Major emerging markets' economic growth rate generally slowed down due to factors such as decreased external and internal demand and capital loss, as major countries such as India and Brazil lowered their interest rates. The International Monetary Fund (IMF) lowered the forecasted global economic growth for this year and the next to 3.5% and 3.9% respectively. Growth rate for developed economies were 1.4% and 1.9% while emerging and developing economies were 5.6% and 5.9%. China's forecasted GDP growth rate for this and next year has also been lowered to 8.0% and 8.5%.

In the first half of 2012, domestic economic growth further moderated, but guided by the government's stable growth policies, economic growth for the second half of the year looks to rise steadily. GDP for the first half of the year was RMB22,709.8 billion, which increased by 7.8% over the same period last year. However, year-on-year growth for the first and second quarter was 8.1% and 7.6% respectively, continuing the overall downward trend for 11 consecutive quarters. From a fixed asset investment perspective, fixed asset investments for the first half of the year was RMB15,071 billion, up by 20.4% compared to last year and the growth rate was 0.3 percentage points higher than January to May. Looking at the level of inflation, Consumer Price Index (CPI) for the first half of the year was up by 3.3% year-on-year but the percentage of increase was lower than the same period last year. On a backdrop of heightened importance in maintaining stable growth, investment demand for projects such as infrastructure construction will lead the gradual recovery of economic growth.[1]

From the perspective of the financial environment, in the first half of 2012, the central government implemented active fiscal policy and solid monetary policy and strengthened adjustments in pre-defined policy. In face of the complex and daunting economic situation both domestically and abroad, the People's Bank of China (the "PBOC") further decreased reserve requirement ratio this year following a reduction in the second half of 2011, bringing down the reserve requirement ratio for a total of 1.5%. Meanwhile, PBOC also cut the benchmark deposit and lending rates twice this year in June and July respectively for a total of 0.56%, a gradual loosening credit environment is expected to form.[2]

In respect of the financial leasing industry, the industry maintained a relatively rapid growth in China in the first half of 2012. According to the statistics of the China Leasing Alliance, the contract balance of the rental industry in the first half of the year was approximately RMB1.28 trillion, up by approximately RMB350 billion from the end of 2011. The number of firms was approximately 350, representing an increase of over 50 firms compared with the end of 2011 including financial leasing firms such as SPDB Leasing and SIG Leasing and various domestically and foreign funded pilot financial leasing companies. It is predicted that the industry will maintain rapid growth for the second half of the year.

Looking at the seven major industries which the Group serves, in the first half of 2012, healthcare, education and infrastructure construction, were relatively stable, while shipping and machinery were affected by weak external demand and markets were quiet. Overall, the seven industries' demand on the Group's financial leasing and related value-added services is steadily increasing, providing a solid base for the Group's sustainable development.

1. Data source: National Bureau of Statistics of China
2. Data source: People's Bank of China

Management Discussion and Analysis

2. Analysis of Profit and Loss

2.1. Analysis of Profit and Loss (Overview)

In the first half of 2012, the Group achieved a healthy and rapid growth in its results with the growth in revenue being in line with the growth in costs and various expenses. The Group realized a profit before tax of US$166,570,000, representing a growth of 68.88% as compared with the corresponding period of the previous year and the profit attributable to the owner of the parent during the period was US$122,786,000, representing a growth of 64.38% as compared with the corresponding period of the previous year. The following table sets forth the figures for the six months ended 30 June 2011 for comparison.

	For the six months ended 30 June		
	2012	2011	
	US$'000	US$'000	Change %
	(Unaudited)	(Unaudited)	
Revenue	**540,358**	294,321	83.59%
Cost of sales	**(254,132)**	(132,027)	92.48%
Gross profit	**286,226**	162,294	76.36%
Other income and gains	**4,874**	4,889	-0.31%
Selling and distribution costs	**(53,758)**	(27,715)	93.97%
Administrative expenses	**(68,039)**	(37,635)	80.79%
Other expenses	**(2,733)**	(3,202)	-14.65%
Profit before tax from continuing operations	**166,570**	98,631	68.88%
Income tax expense	**(44,082)**	(23,922)	84.27%
Profit for the period from continuing operations	**122,488**	74,709	63.95%
Attributable to:			
Owners of the parent	**122,786**	74,697	64.38%
Non-controlling interests	**(298)**	12	-2583.33%

Management Discussion and Analysis

2.2. Revenue

In the first half of 2012, the Group realized a revenue of US$540,358,000, representing a growth of 83.59% from US$294,321,000 as recorded in the corresponding period in the previous year, which was mainly attributable to the growth of income in leasing and advisory segment. In the first half of 2012, income (before business taxes and surcharges) of leasing and advisory segment was US$491,529,000, accounting for 88.70% of the total income (before business taxes and surcharges), and representing a growth of 92.94% as recorded in the corresponding period in the previous year. Income from trading and others segment rose by 29.17%, representing a growth slower than the leasing and advisory segment and making its share in the total income (before business taxes and surcharges) fall to 11.30% from 15.99% in the corresponding period of the previous year, mainly due to a reduced growth rate in the income of the trading business and brokerage business, while the engineering business of healthcare displayed negative growth. The Group's income has become more diversified in distribution.

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

	For the six months ended 30 June				
	2012		2011		
	US$'000 (Unaudited)	% of total	US$'000 (Unaudited)	% of total	Change %
Leasing and advisory segment	491,529	88.70%	254,760	84.01%	92.94%
Financial leasing (interest income)	360,985	65.14%	173,002	57.05%	108.66%
Advisory services (fee income)	130,544	23.56%	81,758	26.96%	59.67%
Trading and others segment	62,635	11.30%	48,490	15.99%	29.17%
Total	554,164		303,250		82.74%
Business taxes and surcharges	(13,806)		(8,929)		54.62%
Revenue (after business taxes and surcharges)	540,358		294,321		83.59%

The Group also categorized income by industry, and the Group was mainly engaged in healthcare, printing, infrastructure construction, education, machinery, shipping and textile industries in the first half of 2012. In the first half of 2012, the share of each industry in total income tended to be more balanced, and the share of the machinery and printing industries decreased year-on-year given the impact of market environment, as a result, the growth rate of the two industries has slightly slowed down. The Group newly introduced its business in the textile industry at the end of November 2011. In the first half of 2012, the public and passenger transportation as well as heat supply businesses in other industries grew faster compared with the same period of last year and in turn supported the increase in the share of other industries. The Group consolidated the electronic and information business in April 2012, through which the electronic operation in machinery industry was combined into other industries.

Management Discussion and Analysis

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

	For the six months ended 30 June				
	2012		2011		
	US$'000 (Unaudited)	% of total	US$'000 (Unaudited)	% of total	Change %
Healthcare	108,648	19.61%	64,948	21.42%	67.28%
Education	77,195	13.93%	37,220	12.27%	107.40%
Infrastructure construction	85,795	15.48%	38,728	12.77%	121.53%
Shipping	53,774	9.70%	30,414	10.03%	76.81%
Printing	99,647	17.98%	64,469	21.26%	54.57%
Machinery [(1)]	63,184	11.40%	44,328	14.62%	42.54%
Textiles	8,728	1.58%	1,217	0.40%	617.17%
Others [(2)]	57,193	10.32%	21,926	7.23%	160.85%
Total	554,164	100.00%	303,250	100.00%	82.74%

Notes:

(1) Electronic business in the machinery industry was reverted to other industries during the first half of 2011. The income (before business taxes and surcharges) from machinery industry was US$41,651,000, accounting for 13.73% of the total and representing a change of 51.70%.

(2) Electronic business in the machinery industry was reverted to other industries during the first half of 2011. The income (before business taxes and surcharges) from other industries was US$24,603,000, accounting for 8.11% of the total and representing a change of 132.46%.

2.2.1 *Financial Leasing (Interest Income)*

The interest income (before business taxes and surcharges) from the leasing and advisory segment of the Group rose from US$173,002,000 in the first half of 2011 to US$360,985,000 or by 108.66% in the first half of 2012, accounting for 65.14% of the Group's total revenue (before business taxes and surcharges) and representing an increase of 8.09 percentage points from 57.05% as recorded in the first half of 2011. It is mainly due to the growth of average balance of interest-earning assets.

The changes in interest income were mainly driven by two factors: average balance of interest-earning assets and average yield. The Group's average balance of interest-earning assets rose from US$4,346,717,000 as at the end of the first half of 2011 to US$7,225,474,000 as at the end of the first half of 2012, representing an increase of 66.23%. It was attributable to the expansion of the Group's business operation. Average rate of yield of the Group rose from 7.96% as at the end of the first half of 2011 to 9.99% as at the end of the first half of 2012. It was mainly due to continued benefit from the three upward adjustments of Renminbi ("RMB") benchmark deposit and lending interest rate of financial institutions by the PBOC in 2011, which was fully reflected in the results as at the end of the first half of 2012.

Management Discussion and Analysis

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

	For the six months ended 30 June					
	2012			2011		
	Average interest – earning assets(1) US$'000 (Unaudited)	Interest income(2) US$'000 (Unaudited)	Average yield(3) %	Average interest – earning assets(1) US$'000 (Unaudited)	Interest income(2) US$'000 (Unaudited)	Average yield(3) %
Healthcare	1,548,842	75,525	9.75%	1,082,565	42,607	7.87%
Education	1,195,528	57,982	9.70%	651,751	26,782	8.22%
Infrastructure construction	1,108,934	59,185	10.67%	678,919	26,575	7.83%
Shipping	714,587	32,484	9.09%	428,073	14,318	6.69%
Printing	1,031,414	49,395	9.58%	670,795	26,615	7.94%
Machinery (5)	630,556	38,143	12.10%	389,004	17,132	8.81%
Textiles	98,846	5,833	11.80%	15,303	169	2.21%
Others (6)	896,767	42,438	9.46%	430,307	18,804	8.74%
Total	7,225,474	360,985	9.99%	4,346,717	173,002	7.96%

Notes:

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

(2) Interest income of each industry represents the revenue before business taxes and surcharges.

(3) Average yield represents the quotient of interest income as divided by average balance of interest-earning assets, on annualized basis.

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

(5) Electronic business in the machinery industry was reverted to other industries during the first half of 2011. The average interest-earning assets and interest income from machinery industry were US$360,155,000 and US$15,528,000, respectively, and its average yield was 8.62%.

(6) Electronic business in the machinery industry was reverted to other industries during the first half of 2011. The average interest-earning assets and interest income from other industries were US$459,157,000 and US$20,408,000, respectively, and its average yield was 8.89%.

Analysis according to average balance of interest-earning assets

Among the seven target industries, healthcare, education, infrastructure construction and printing were the key drivers to the Group's average balance of interest-earning assets, representing 67.60% to the growth of the average balance of interest-earning assets in the first half of 2012. The increase in the average balance of interest-earning assets reflected the business expansion of the Group and the introduction of new target industries, as well as the benefits received from the Group's further effort in marketing and promotion, including arranging expos and exhibitions for major industry participants and professionals, and recruiting more sales and marketing staff.

Management Discussion and Analysis

Analysis according to average yield

In the first half of 2012, the average yield of the Group was 9.99%, being 2.03 percentage points higher than the 7.96% as recorded in the same period of last year and was attributable to the following factors. First, since the end of 2010, as a result of the tightening of bank credit, clients' reliance on the Group's business increased considerably. Although the reserve requirement ratio of commercial banks was lowered twice from the second half of 2011 to the first half of 2012, relieving the tightened conditions, the extent was unremarkable. Demand from clients from the Group's target industries still existed and resources were more effective allocated. Secondly, the Group's overall average yield rose as a result of the three consecutive increases in the benchmark interest rate by the PBOC in 2011 which were reflected in this year's results. The decreasing of the benchmark interest rate by the PBOC in June 2012 had an insignificant impact on this period's results. The average yield of the Group's shipping industry rose from 6.69% as at the end of the first half of 2011 to 9.09% as at the end of the first half of 2012. The average yield had a small increase and was lower than the average yield of the Group. It was mainly because there were more projects denominated in United States Dollars ("US$") in the shipping industry and revenue from projects denominated in US$ was affected by the LIBOR. While the average yield of the shipping industry was low, its average cost rate was also low and therefore overall revenue was steady.

2.2.2 *Advisory Services (Fee Income)*

In the first half of 2012, fee income (before business and surcharges) from leasing and advisory segment grew by 59.67% from US$81,758,000 in the first half of 2011 to US$130,544,000 in the first half of 2012, accounting for 23.56% of the total revenue (before business taxes and surcharges) of the Group, or a decrease of 3.40 percentage points as compared with 26.96% in the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2012		2011		
	US$'000 (Unaudited)	% of total	US$'000 (Unaudited)	% of total	Change %
Healthcare	31,088	23.81%	17,414	21.30%	78.52%
Education	19,213	14.72%	10,438	12.77%	84.07%
Infrastructure construction	24,672	18.90%	12,153	14.86%	103.01%
Shipping	12,509	9.58%	9,836	12.03%	27.18%
Printing	20,712	15.87%	13,704	16.76%	51.14%
Machinery (1)	12,693	9.72%	14,040	17.17%	-9.59%
Textiles	2,895	2.22%	1,048	1.28%	176.24%
Others (2)	6,762	5.18%	3,125	3.83%	116.38%
Total	130,544	100.00%	81,758	100.00%	59.67%

Notes:

(1) Electronic business in the machinery industry was reverted to other industries during the first half of 2011. The service charge income from machinery industry was US$12,967,000, accounting for 15.86% of the total and representing a change of -2.11%.

(2) Electronic business in the machinery industry was reverted to other industries during the first half of 2011. The service charge income from other industries was US$4,198,000, accounting for 5.13% of the total and representing a change of 61.08%.

Management Discussion and Analysis

Healthcare, infrastructure construction, education and printing represented the greatest contribution to the aggregate growth of the Group's service charge income (before business taxes and surcharges) and service charge income of such segments represented 86.04% of the Group's total service charge income in the first half of 2012. The public and passenger transportation and heat supply businesses in other industries grew faster as compared with the same period of last year and in turn supported the increase in the share of other industries. The increase in service charge income of such industries was mainly attributable to: (i) the expansion of scale and scope of services provided to the customers of the Group in view of the diversification of products and services offered in the Group's advisory services segment and expansion of the Group's businesses; and (ii) the recruitment of more sales and marketing staff of different industries. Given the impact of the sluggish market condition, the growth in our business in the machinery industry decelerated to a certain extent as compared with the same period of last year.

2.2.3 Revenue from Trade and Others Segment

Revenue from trade and others segment of the Group in the first half of 2012, before business taxes and surcharges, increased by 29.17% from US$48,490,000 in the first half of 2011 to US$62,635,000 in the first half of 2012, accounting for 11.30% of the total revenue (before business taxes and surcharges) of the Group, which is 4.69 percentage points lower than 15.99% as recorded in the same period of last year. This was mainly attributable to the increase in the trading revenue from the printing and machinery industries as well as brokerage revenue from the shipping industry. The operating lease business in the infrastructure construction industry achieved a breakthrough during the first half of 2012, such business had not commenced operation during the corresponding period of the previous year.

The following table sets forth the revenue from the trading and others segment (before business taxes and surcharges) of the Group by business segment during the indicated periods.

	For the six months ended 30 June				
	2012		2011		
	US$'000 (Unaudited)	% of total	US$'000 (Unaudited)	% of total	Change %
Revenue from trading	50,565	80.73%	38,009	78.39%	33.03%
Revenue from brokerage	9,174	14.65%	6,906	14.24%	32.84%
Revenue from construction contracts	958	1.53%	3,575	7.37%	-73.20%
Revenue from operating lease	1,938	3.09%	–	–	N/A
Total	62,635	100.00%	48,490	100.00%	29.17%

In the first half of 2012, revenue (before business taxes and surcharges) from the trade business was US$50,565,000, representing an increase of US$12,556,000 or 33.03% from the first half of 2011 as a result of the Group's efforts to meet the increasing demand for paper among the printing customers and for equipment agency sales among the machinery customers. The brokerage revenue (before business taxes and surcharges) was US$9,174,000, representing an increase of US$2,268,000 or 32.84% from the first half of 2011 mainly because of the increase in the demand for the ship chartering business and brokerage services for the sale and purchase of ships. The medical engineering business of the Group achieved revenue (before business taxes and surcharges) of US$958,000, representing a decline of US$2,617,000 or 73.20% from the first half of 2011. This was mainly due to the unique nature of the medical engineering business as well as the recognition principle. The Group's operating leasing business achieved a breakthrough in the first half of 2012, recording revenue (before business taxes and surcharges) of US$1,938,000.

Management Discussion and Analysis

2.3. Cost of Sales

Cost of sales of the Group in the first half of 2012 was US$254,132,000, representing an increase of 92.48% from US$132,027,000 in the same period of last year. This was mainly due to the cost increase from the leasing and advisory service segment and the trade and others segment. Among them, the cost from the leasing and advisory segment was US$196,775,000, accounting for 77.43% of the total cost. The cost from the trade and others segment was US$57,357,000, accounting for 22.57% of the total cost.

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

	For the six months ended 30 June				
	2012		2011		
	US$'000 (Unaudited)	% of total	US$'000 (Unaudited)	% of total	Change %
Cost from the leasing and advisory segment	(196,775)	77.43%	(89,936)	68.12%	118.79%
Cost from trade and others segments	(57,357)	22.57%	(42,091)	31.88%	36.27%
Cost of sales	(254,132)	100.00%	(132,027)	100.00%	92.48%

2.3.1 *Cost from the Leasing and Advisory Segment*

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

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

	For the six months ended 30 June					
	2012			2011		
	Average balance (1) US$'000 (Unaudited)	Interest expenses US$'000 (Unaudited)	Average cost (2) % of total	Average balance (1) US$'000 (Unaudited)	Interest expenses US$'000 (Unaudited)	Average cost (2) % of total
Interest – bearing liabilities	5,729,091	196,775	6.87%	3,174,271	89,936	5.67%

Notes:

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

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

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The cost of sales from financial leasing increased by 118.79% from US$89,936,000 for the first half of 2011 to US$196,775,000 for the first half of 2012 because the Group continued to increase the level of interest-bearing bank and other borrowings to fund the on-going business expansion of the Group. The average cost rate of our interest-bearing bank and other borrowings was 6.87% in the first half of 2012, representing an increase of 1.20% from 5.67% in the first half of 2011. The increase in the average cost of our interest-bearing bank and other borrowings in the first half of 2012 was mainly attributable to the following: (i) the substantial growth in the size of the Group's financing by 32.63%; (ii) in the first half of 2012, the Group was affected by the macroeconomic environment of China, with signs of a loosening credit environment remained unclear. The impact of the three increases in the PBOC benchmark interest rates for RMB loans and deposits extended by financial institutions in 2011 continually reflected in the results for the year, while the decrease in the PBOC benchmark interest rates in June 2012 had insignificant impact on this year's results. The Group's finance cost thus increased. Despite an increase in the Group's average cost rate, the overall revenue level stayed steadily and the growth in the average yield was greater than that in the average cost rate.

2.3.2 Cost from Trade and Others Segment

The cost of sales for the trading and others segment of the Group primarily consists of the cost of sales for trading services of the Group. The cost of sales for trading services of the Group is derived from the cost of inventories, cost of construction business and cost of charter business.

The following table sets forth the cost from trade and others segment of the Group by industry during the indicated periods.

	For the six months ended 30 June				
	2012		2011		
	US$'000 (Unaudited)	% of total	US$'000 (Unaudited)	% of total	Change %
Cost from trading services	49,377	86.09%	36,571	86.89%	35.02%
Cost from brokerage business	6,810	11.87%	2,963	7.04%	129.83%
Cost of construction contracts	676	1.19%	2,557	6.07%	-73.56%
Cost from operational leasing	494	0.86%	–	–	N/A
Total	57,357	100.00%	42,091	100.00%	36.27%

Cost of goods sold for trading business of the Group increased by 35.02% to US$49,377,000 in the first half of 2012 from US$36,571,000 in the first half of 2011, primarily due to an increase in the aggregate value of trade transactions in the printing and machinery industries in the first half of 2012, which resulted in an increase in the cost of sales relating to the trading business of the Group in the printing and machinery industries. The cost of charter business increased by 129.83% from US$2,963,000 in the first half of 2011 to US$6,810,000 in the first half of 2012. It was mainly due to an increase in demand for ship chartering business and brokerage services for the sale and purchase of ships, which resulted in an increase in cost from such businesses. The cost of construction contracts decreased by 73.56% from US$2,557,000 in the first half of 2011 to US$676,000 in the first half of 2012, primarily attributable to a decline in the new income of construction contracts in healthcare, which resulted in a subsequent decrease in cost of construction contracts in healthcare. In addition, the cost of operational leasing business in the infrastructure construction industry was US$494,000. Such business did not commence operation in the first half of 2011.

Management Discussion and Analysis

2.4. Gross Profit

The gross profit of the Group in the first half of 2012 was US$286,226,000, which increased by US$123,932,000 or 76.36% from US$162,294,000 in the same period of last year. For the first half of 2012 and the corresponding period of the previous year, the gross profit margin of the Group was 52.97% and 55.14%, respectively.

2.4.1 Gross Profit of Lease and Services Segment

The gross profit margin of the lease and services segment of the Group in the first half of 2012 decreased to 58.82% from 63.45% in the same period of last year, mainly due to an increase in the Group's finance costs, leading to increased interest expenses. The gross profit margin of leasing and services segment was affected by the change of net interest income and net interest margin from leasing. The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin for the indicated periods.

	For the six months ended 30 June		
	2012	2011	
	US$'000	US$'000	Change %
	(Unaudited)	(Unaudited)	
Interest income [(1)]	360,985	173,002	108.66%
Interest expense [(2)]	(196,775)	(89,936)	118.79%
Net interest income	164,210	83,066	97.69%
Net interest spread [(3)]	3.12%	2.29%	36.24%
Net interest margin [(4)]	4.55%	3.82%	19.11%

Notes:

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

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

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

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

Net interest spread of the Group for the first half of 2012 increased by 0.83 percentage points to 3.12% compared to 2.29% in the same period of last year. Net interest spread increased, primarily due to the increase of 203 basis points in respect of the average yield on interest-earning assets of the Group, which was partially offset by the increase of 120 basis points in the average cost on interest-bearing borrowings of the Group. For the changes in respect of the average yield on interest-earning assets and average cost on interest-bearing borrowings, please refer to paragraphs 2.2.1 and 2.3.1 of this section. At the same time, the average total balance of interest-earning assets of our Group in the first half of 2012 increased by 66.23%. As such, the net interest income of the Group increased by 108.66% to US$360,985,000 for the first half of 2012 from US$173,002,000 for the first half of 2011. On the basis of the above-mentioned reasons, the net interest margin of the Group rose from 3.82% for the first half of 2011 to 4.55% for the first half of 2012.

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2.4.2 Gross Profit of Trade and Others Segment

The gross profit of trade and other segments decreased by 17.06% from US$6,214,000 for the first half of 2011 to US$5,154,000 for the first half of 2012, primarily due to the increase in trading revenue from the printing and machinery industries and the increase in brokerage revenue from the shipping industry, partially offset by the decrease in revenue from the medical engineering business.

2.5. Other Income and Gains

The following table sets forth a breakdown of the Group's other income and gains for the indicated periods.

	For the six month ended 30 June		
	2012	2011	
	US$'000	US$'000	Change %
	(Unaudited)	(Unaudited)	
Bank interest income	**4,282**	1,596	168.30%
Foreign exchange gain	**184**	3,265	-94.36%
Other income	**408**	28	1357.14%
Total	**4,874**	4,889	-0.31%

In the first half of 2012, the Group's other income and gains amounted to US$4,874,000, which stayed quite steadily as compared to that of the same period of last year. The foreign exchange gain of US$184,000 declined substantially from US$3,265,000 of the same period last year, which was mainly affected by the changes in exchange rate. Other income, which amounted to US$408,000, increased substantially compared to the same period last year. This is mainly attributable to the implementation of the collection of value-added tax instead of business tax in 2012, after which the Group benefited from the instant rebate of value-added tax policy, and the rebated value-added tax has already been realized.

2.6. Selling and Distribution Costs

Selling and distribution cost of the Group in the first half of 2012 was US$53,758,000, which increased by US$26,043,000 or 93.97% as compared to the same period of the previous year, mainly attributable to the increase of 112.01% in the cost of the Group relating to the salaries and benefits of sales and marketing staff due to the increase in total headcount for selling and distribution personnel of the Group from 621 in the same period of the previous year to 1,010 in the first half of 2012. This increase in headcount for selling and distribution personnel was necessary for the expansion of the Group's business operations. Also, such increase in selling and distribution costs also resulted in an increase in our travel expenses. The Group's travel expenses increased by 37.55%.

2.7. Administrative Expenses

Administrative expenses of the Group in the first half of 2012 were US$68,039,000, representing an increase of US$30,404,000 or 80.79% from the corresponding period of last year. The increase in administrative expenses was mainly due to: (i) the increase in expenses relating to the impairment of loans and accounts receivable. In the first half of 2012, impairment of loans and accounts receivable of the Group was US$28,210,000, up by US$16,367,000 or 72.36% compared with the same period last year; (ii) the increase in office expenses due to business expansion. In the first half of 2012, the Group's office expenses were US$1,732,000, up by US$1,346,000 or 28.68% from the same period last year; and (iii) the increase in headcount of full-time staff. Costs related to the Group's administrative expense and salary and benefits of related personnel rose by 125.71%. The total headcount of full-time staff of the Group increased from 1,184 in the first half of 2011 to 1,777 in the first half of 2012.

Management Discussion and Analysis

2.7.1 Impairment of Loans and Accounts Receivable

The impairment of loans and accounts receivable of the Group in the first half of 2012 was US$28,210,000, which increased by US$16,367,000 or 72.36% from the same period of last year. This is primarily due to an increase of 58.25% in the net lease receivables during the relevant period. According to the standards of the five-category classification, the Group cautiously increased the provisions for the impairment of loans and accounts receivable simultaneously.

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

	For the six months ended 30 June				
	2012		2011		
	US$'000 (Unaudited)	% of total	US$'000 (Unaudited)	% of total	Change %
Impairment of loans and accounts receivable:					
Individual assessment	5,615	19.90%	387	2.36%	1350.90%
Collective assessment	22,595	80.10%	15,980	97.64%	41.40%
Total	28,210	100.00%	16,367	100.00%	72.36%

2.7.2 Cost to Income Ratio

Cost to income ratio of the Group in the first half of 2012 was 32.70%, which was a slight increase from 32.56% of the end of last year.

2.8. Other Expenses

Other expenses of the Group in the first half of 2012 were US$2,733,000, which decreased by US$469,000 from the same period of last year.

2.9. Income Tax Expense

Income tax expense of the Group in the first half of 2012 was US$44,082,000, which increased by US$20,160,000 or 84.27% from the same period of last year. The increase was primarily due to an increase in the operating profit of the Group during the relevant period. Effective tax rate of the Group for the first half of 2012 and the corresponding period of the previous year were 26.46% and 24.25%, respectively.

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

Based on the above discussion and analysis, profit for the period attributable to owners of the parent was US$122,786,000, which increased by US$48,089,000 or 64.38% from the corresponding period of the previous year. Net profit margin of the Group decreased from 25.38% in the same period of the previous year to 22.67% in the first half of 2012.

3. Analysis of Financial Position

3.1. Assets (Overview)

As at 30 June 2012, the Group's total assets increased by US$891,631,000 or 11.93% to US$8,366,333,000 as compared to that of the end of last year. The loans and accounts receivable increased by US$1,195,643,000 or 18.23% to US$7,753,725,000 as compared with the end of last year.

As at 30 June 2012, the Group had sufficient cash and cash equivalents, which amounted to US$403,747,000. The amount was lower than that of the end of 2011, but was still sufficient. This was mainly attributable to the gradual relief of the domestic credit crunch and a relatively sufficient cash position being maintained by the Group to finance its business development needs and to secure the Group's liquidity.

As at 30 June 2012, the Group had restricted deposits of US$90,378,000, which mainly consisted of restricted security deposits and term deposits of more than 3 months with banks.

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

	30 June 2012		31 December 2011		
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	Change %
Loans and accounts receivable	7,753,725	92.68%	6,558,082	87.74%	18.23%
Including: Net lease receivables	7,743,546		6,524,480		18.68%
Cash and cash equivalents	403,747	4.83%	661,365	8.85%	-38.95%
Restricted deposits	90,378	1.08%	183,626	2.45%	-50.78%
Prepayments and other receivables	49,688	0.59%	22,398	0.30%	121.84%
Deferred tax assets	27,170	0.32%	20,103	0.27%	35.15%
Property, plant and equipment	29,907	0.36%	17,009	0.23%	75.83%
Derivatives financial instruments	597	0.01%	760	0.01%	-21.45%
Inventories	855	0.01%	1,140	0.02%	-25.00%
Construction contracts	5,733	0.07%	4,780	0.06%	19.94%
Other assets	4,533	0.05%	5,439	0.07%	-16.66%
Total assets	8,366,333	100%	7,474,702	100%	11.93%

Management Discussion and Analysis

3.2. Loans and Accounts receivable

The main components of assets of the Group are loans and accounts receivable, accounting for 92.68% of the total assets of the Group as of 30 June 2012. In the first half of 2012, in face of increasing uncertainty of the external economic environment, the Group adhered to its operating strategies and countermeasures as planned by focusing on its core serving industries and customers that have a relatively good trading record. A stable increase in both the number of customers served and the number of new lease contracts entered into by the Group, which led to a stable increase in net lease receivables, was resulted from the continuous, stable expansion of financial leasing business and increase of sales and marketing personnel of the Group on a basis of the Group's effective risk control.

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

	30 June 2012		31 December 2011		
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	Change %
Lease receivables	8,932,152		7,609,623		17.38%
Less: Unearned finance income	(1,188,606)		(1,085,143)		9.53%
Net lease receivable	7,743,546	98.41%	6,524,480	98.18%	18.68%
Entrusted loans (1)	61,243	0.78%	70,468	1.06%	-13.09%
Long-term receivables	1,855	0.02%	2,223	0.03%	-16.55%
Others	62,238	0.79%	48,208	0.73%	29.10%
Loans and accounts receivable (2)	7,868,882	100.00%	6,645,379	100.00%	18.41%

Notes:

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

(2) The amount is before provisions.

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

Loans and accounts receivable of the Group (after provisions) as of 30 June 2012 amounted to US$7,753,725,000, representing an increase of 18.23% from US$6,558,082,000 as of 31 December 2011. Net lease receivables (before provisions) were the most significant component of loans and accounts receivable, accounting for 98.41% of loans and accounts receivable (before provisions) as of 30 June 2012.

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3.2.1 Lease Receivables

Net lease receivables of the Group as of 30 June 2012 were US$7,743,546,000, representing an increase of 18.68% as compared to US$6,524,480,000 as of 31 December 2011. The increase was due to a stable increase in both the number of customers served and the number of new lease contracts entered into by the Group, as a result of the continuous, stable expansion of financial leasing business of the Group on a basis of the Group's effective risk control in the first half of 2012.

3.2.2 Net Lease Receivables by Industry

The following table sets forth net lease receivables of the Group by industry as of the dates indicated.

	30 June 2012		31 December 2011		
	US$'000	**% of total**	US$'000	% of total	Change%
	(Unaudited)		(Audited)		
Healthcare	**1,636,261**	**21.13%**	1,427,091	21.87%	14.66%
Education	**1,293,424**	**16.70%**	1,094,533	16.78%	18.17%
Infrastructure construction	**1,236,534**	**15.97%**	981,333	15.04%	26.01%
Shipping	**804,670**	**10.39%**	624,504	9.57%	28.85%
Printing	**1,108,516**	**14.32%**	954,311	14.63%	16.16%
Machinery (1)	**617,536**	**7.97%**	628,344	9.63%	-1.72%
Textiles	**118,233**	**1.53%**	79,459	1.22%	48.80%
Others (2)	**928,372**	**11.99%**	734,905	11.26%	26.33%
Total	**7,743,546**	**100.00%**	6,524,480	100.00%	18.68%

Notes:

(1) On 31 December 2011, the electronic business in the machinery industry was reverted to other industries. The net lease receivables of the machinery industry were US$543,863,000, accounting for 8.38% of the total and representing a change of 12.92%.

(2) On 31 December 2011, the electronic business in the machinery industry was reverted to other industries. The net lease receivables of the other industry were US$816,386,000, accounting for 12.51% of the total and representing a change of 13.72%.

Net lease receivables for infrastructure construction, healthcare, education and others grew the most, namely by US$255,201,000, US$209,170,000,US$198,891,000 and US$193,467,000 from 31 December 2011 to 30 June 2012, as the Group had assigned more dedicated sales and marketing personnel to these industries.

Management Discussion and Analysis

3.2.3 Ageing Analysis of Lease Receivables

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

	30 June 2012		31 December 2011		
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	Change %
Net lease receivables					
Within 1 year	4,631,439	59.81%	4,186,672	64.17%	10.62%
1 to 2 years	2,257,616	29.16%	1,713,888	26.27%	31.72%
2 to 3 years	679,272	8.77%	490,452	7.52%	38.49%
3 years and beyond	175,219	2.26%	133,468	2.04%	31.28%
Total	7,743,546	100.00%	6,524,480	100.00%	18.68%

Net lease receivables within one year represent net lease receivables relating to new lease contracts that become effective within one year from the reporting date indicated, and are still valid as of the end of the year. As of 30 June 2012, net lease receivables within one year represented 59.81% of net lease receivables of the Group, while slightly lower than the level recorded as of the end of last year, the Group still had the ability to sustain the signing and executing of new lease contracts compared with that as of the end of last year.

3.2.4 Maturity Profile of Lease Receivables

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

	30 June 2012		31 December 2011		
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	Change %
Maturity date					
Within 1 year	2,792,006	36.06%	2,261,453	34.66%	23.46%
1 to 2 years	2,327,948	30.06%	1,913,043	29.32%	21.69%
2 to 3 years	1,471,485	19.00%	1,263,148	19.36%	16.49%
3 years and beyond	1,152,107	14.88%	1,086,836	16.66%	6.01%
Total	7,743,546	100.00%	6,524,480	100.00%	18.68%

Net lease receivables due within the first year represent net lease receivables which the Group will receive within one year of the reporting date indicated. As of 30 June 2012, net lease receivables due within one year as set forth in the table above represented 36.06% of the Group's net lease receivables as of each of the respective dates, which was in line with the situation as compared to the end of last year. This indicated that the maturity of the Group's net lease receivables was widely spread and could provide the Group with consistent and sustainable cash inflows that facilitated the matching of our liabilities.

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3.2.5 Asset Quality of Net Lease Receivables

3.2.5.1 Five-category lease receivables classification

The Group implements a five-category classification of lease receivables that accurately reveal the asset risk profile and confirm the quality of assets primarily by obtaining information on the qualification of stock and assets. On such basis, we have deployed management resources and efforts in a focused manner to effectively implement measures on category management, and have strengthened risk anticipation and the relevance of risk prevention to improve the ability to control asset risks.

Classification criteria

In determining the classification of our lease receivables portfolio, we apply a series of criteria that are derived from our own internal regulations regarding the management of lease assets. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on our lease receivables. Our lease receivable classification criteria focus on a number of factors, to the extent applicable; and our lease classifications include:

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

Special mention. Even though the lessee has been able to pay the lease payments in a timely manner, there are still factors that could adversely affect its ability to pay, which are related to changes in the economic, policy and industrial environment, the structure of the lessee's property rights and the lessee's management mechanisms, organizational framework and management personnel adjustments, operating capabilities, material investments and credit size and conditions, as well as the impact of changes in the value of core assets on the lessee's ability to repay; while taking into consideration the impact of subjective factors, including any change in the lessee's willingness to repay, on the quality of assets, such as if lease payments have been overdue for 30 days or more, then the lease receivables for this lease contract shall be classified as special mention or lower.

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

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

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

Management Discussion and Analysis

Asset Management Measures

In face of the unclear macro environment in the first half of 2012 and the challenges which it presented for asset management, the Group adhered to its predetermined asset management standards, continued with its cautious risk management approach, administering strict risk management policies and measures, realizing a concept of thorough and complete risk management. During the reporting period, the Group's overall assets quality remained sound.

Optimizing Risk Management Systems and Segregation of Duties in Asset Management

In the first half of 2012, the Group strengthened its vertical specialization in asset management, restructuring the system from asset management headquarters to various industry levels, thus forming a more complete system. In respect of each industry, we had begun gradually implementing operational manuals in asset management through the internet and revised rules for rental management, important events and precautionary management based on the specific features of each industry. Building on a more complete risk management system, the Group was able to further refine segregation of duties in asset management. This highlights the independence and professionalism of asset management personnel and allows them to emphasize their efforts on monitoring and tracking important projects and refines the customer manager's asset monitoring method. Through the restructuring and duty adjustment of asset monitoring, the Group's asset management featuring hierarchical and separating management is realized. The timeliness and effectiveness of asset monitoring is also enhanced.

Optimizing Risk Management Procedures, Enhancing Quality of Asset Monitoring Work

In the first half of 2012, in an effort to further optimize the Company's business flow and enhance work efficiency, the Group improved the contract alteration flow of asset management and continued optimization of centralized rental management work, resulting in a substantial raise in work efficiency. In the daily monitoring of asset portfolios, the record keeping of asset management inspection was improved while every asset manager's inspection work was clearly recorded. The asset management department was then more capable of tracking results and problems, thus providing more precise advice and enhancing the quality of asset monitoring; in risk warning and prevention, the Group optimized the recording tools for the warning of important events, allowing for real-time access of the status quo of every risk project and the procedures implemented, which enhanced the timeliness and effectiveness of risk management; the Group also closely followed China's macro-economic adjustment and industrial policies. Based on the characteristics of the current macroeconomic condition and common risk factors among industries, segregated markets within industries and the selection criteria were adjusted in a timely manner, strengthening asset management within a closed environment.

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

	30 June 2012		31 December 2011		31 December 2010		31 December 2009	
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	US$'000 (Audited)	% of total	US$'000 (Audited)	% of total
Pass	6,487,525	83.78%	5,454,713	83.61%	3,019,352	82.55%	1,652,089	83.81%
Special Mention	1,204,109	15.55%	1,030,317	15.79%	602,064	16.46%	295,514	14.99%
Substandard	40,027	0.52%	30,211	0.46%	29,750	0.81%	16,294	0.83%
Doubtful	11,806	0.15%	8,762	0.13%	5,856	0.16%	6,855	0.35%
Loss	79	0.00%	477	0.01%	656	0.02%	440	0.02%
Net lease receivables	7,743,546	100.00%	6,524,480	100.00%	3,657,678	100.00%	1,971,192	100.00%
Non-performing assets	51,912		39,450		36,262		23,589	
Non-performing asset ratio	0.67%		0.60%		0.99%		1.20%	

The Group has established prudent asset quality control measures and adhered to a stringent and conservative asset classification policy. As of 30 June 2012, the Group's assets under special mention accounted for 15.55% of its total amount, representing a decrease compared to 15.79% as of the end of last year. In particular, assets under special mention in other industries accounted for the largest portion i.e. 29.56%, mainly because of the exploration of new industries by the Company, the short operating period and limited knowledge on customers' repayment pattern. Despite that, our business operations maintained steady growth and no default payment was recorded during the year, nevertheless, taking into account of the ongoing tightening policy under the macro environment and the overall industry risks, the Group prudently adjusted the entire asset classification for such type of customers as the Group paid close attention to the systematic risks of such industry. The assets under special mention in the education industry was the second largest i.e. 15.82%. These assets were mainly used for expanding the vocational and elementary sectors. The business is still at its early stages, and the Group will cautiously adjust assets from this sector into assets under special mention. The assets under special mention for the infrastructure construction industry accounted for the third largest portion, i.e. 15.79%. Despite the low default rate of construction related assets, taking into account the ongoing tightening policy under the macro environment and the overall industry risks, the Group prudently re-classified more construction related assets as assets under special mention.

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

Management Discussion and Analysis

	30 June 2012		31 December 2011		31 December 2010		31 December 2009	
	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of total
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Healthcare	105,764	8.78%	63,842	6.20%	60,763	10.09%	66,687	22.57%
Education	190,546	15.82%	170,640	16.56%	150,264	24.96%	87,668	29.67%
Infrastructure Construction	190,135	15.79%	209,227	20.31%	102,099	16.96%	63,638	21.53%
Shipping	171,909	14.28%	120,558	11.70%	65,965	10.96%	9,984	3.38%
Printing	12,113	1.01%	53,396	5.18%	32,884	5.46%	50,934	17.23%
Machinery	92,092	7.65%	87,697	8.51%	25,711	4.27%	15,760	5.33%
Textiles	85,652	7.11%	4,418	0.43%	–	–	–	–
Others	355,898	29.56%	320,539	31.11%	164,378	27.30%	843	0.29%
Total	1,204,109	100.00%	1,030,317	100.00%	602,064	100.00%	295,514	100.00%

Notes:

(1) On 31 December 2011, the electronic business in the machinery industry was reverted to other industries. Assets under special mention in machinery were US$80,565,000, accounting for 7.82% of the total.

(2) On 31 December 2011, the electronic business in the machinery industry was reverted to other industries.Net lease receivables of other industries was US$327,671,000, accounting for 31.80% of total.

In addition, lease receivables over 30 days overdue were also included in assets under special mention. Due to the Group's persistence with pre-defined asset management standards, reinforcement of stringent risk control and asset quality management policies, although lease receivables over 30 days overdue for the first half of 2012 was 0.34%, up by 0.26 percentage points compared to 0.08% at the end of last year, overall asset quality remained solid as the proportion of special mention assets and non-performing asset ratio remained low, both lower than the same period of 2011.

Based on the Group's historical migration, the higher percentage of the Group's assets under special mention does not represent a lower asset quality of the Group.

Management Discussion and Analysis

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

	Pass	Special Mention	Substandard	Doubtful	Loss and Write-off
			30 June 2012 (Unaudited)		
Special Mention	10.18%	72.80%	0.88%	0.05%	0.00%
			31 December 2011 (Unaudited)		
Special Mention	16.41%	49.24%	1.26%	0.44%	0.00%
			31 December 2010 (Unaudited)		
Special Mention	32.87%	32.18%	1.43%	0.84%	0.00%
			31 December 2009 (Unaudited)		
Special Mention	14.59%	44.56%	0.49%	1.19%	0.00%

The Group's overall asset quality remained sound, despite that the non-performing asset ratio increased slightly from 0.60% from the end of last year to 0.67% as of 30 June 2012. The Group's write-off amount of non-performing asset remained at US$0 as of last year. The write-off ratio remained at 0.00%.

The ratio of non-performing assets for the printing industry to total non-performing assets was 31.85%, mainly due to the fact that the printing industry is more vulnerable to China's macroeconomic influences. The ratio of non-performing assets for the shipping industry to total non-performing assets was 27.31%, mainly due to the fact that the shipping industry is more vulnerable to changing international economic environment.

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

	30 June 2012		31 December 2011		31 December 2010		31 December 2009	
	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of total
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Healthcare	1,318	2.54%	1,561	3.96%	2,625	7.24%	2,814	11.93%
Education	4,704	9.06%	2,945	7.46%	1,055	2.91%	–	0.00%
Infrastructure Construction	12,993	25.03%	9,727	24.65%	3,621	9.98%	7,616	32.29%
Shipping	14,177	27.31%	15,002	38.03%	18,733	51.66%	767	3.25%
Printing	16,532	31.85%	7,317	18.55%	10,228	28.21%	9,150	38.79%
Machinery [(1)]	2,188	4.21%	2,899	7.35%	–	–	3,242	13.74%
Textiles	–	–	–	–	–	–	–	–
Others	–	–			–	–	–	–
Total	51,912	100.00%	39,451	100.00%	36,262	100.00%	23,589	100.00%

Note:

(1) On 31 December 2011, there were no non-performing assets in the electronics business of the machinery industry.

Management Discussion and Analysis

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

	30 June 2012		31 December 2011		31 December 2010		31 December 2009	
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	US$'000 (Audited)	% of total	US$'000 (Audited)	% of total
Healthcare	1,318	3.29%	1,561	5.17%	1,604	5.39%	1,649	10.12%
Education	3,252	8.13%	1,332	4.41%	1,055	3.55%	–	–
Infrastructure Construction	9,505	23.75%	8,465	28.02%	3,621	12.17%	7,616	46.74%
Shipping	13,438	33.57%	15,002	49.66%	18,733	62.97%	–	0.00%
Printing	12,514	31.26%	2,989	9.89%	4,737	15.92%	3,924	24.08%
Machinery [(1)]	–	–	863	2.85%	–	–	3,105	19.06%
Textiles	–	–	–	–		–	–	–
Others	–	–	–	–	–	–	–	–
Total	40,027	100.00%	30,212	100.00%	29,750	100.00%	16,294	100.00%

Note:

(1) On 31 December 2011, there were no substandard assets in the electronics business of the machinery industry.

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

	30 June 2012		31 December 2011		31 December 2010		31 December 2009	
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	US$'000 (Audited)	% of total	US$'000 (Audited)	% of total
Healthcare	–	–	–	–	820	14.00%	1,165	17.01%
Education	1,452	12.30%	1,613	18.41%	–	–	–	–
Infrastructure Construction	3,488	29.55%	1,262	14.40%	–	–	–	–
Shipping	739	6.26%	–	–	–	–	767	11.19%
Printing	3,939	33.36%	3,851	43.95%	5,036	86.00%	4,786	69.82%
Machinery [(1)]	2,188	18.53%	2,036	23.24%	–	–	137	1.98%
Textiles	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–
Total	11,806	100.00%	8,762	100.00%	5,856	100.00%	6,855	100.00%

Note:

(1) On 31 December 2011, there were no doubtful assets in the electronics business of the machinery industry.

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

	30 June 2012		31 December 2011		31 December 2010		31 December 2009	
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	US$'000 (Audited)	% of total	US$'000 (Audited)	% of total
Healthcare	–	–	–	–	200	30.49%	–	–
Education	–	–	–	–	–	–	–	–
Infrastructure Construction	–	–	–	–	–	–	–	–
Shipping	–	–	–	–	–	–	–	–
Printing	79	100.00%	477	100.00%	456	69.51%	440	100.00%
Machinery	–	–	–	–	–	–	–	–
Textiles	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–
Total	79	100.00%	477	100.00%	656	100.00%	440	100.00%

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

	Amount US$'000 (Unaudited)	NPA Ratio %
31 December 2009	23,589	1.20%
Downgrades (1)	28,554	
Upgrades	(1,971)	
Recoveries	(13,875)	
Write-off	(35)	
31 December 2010	36,262	0.99%
Downgrades (1)	19,133	
Upgrades	(1,942)	
Recoveries	(14,003)	
Write-off	–	
31 December 2011	39,450	0.60%
Downgrades (1)	21,251	
Upgrades	(443)	
Recoveries	(8,346)	
Write-off	–	
30 June 2012	51,912	0.67%

Note:

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

Management Discussion and Analysis

3.2.5.2 Lease receivable provisions

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

	30 June 2012		31 December 2011		31 December 2010		31 December 2009	
	US$'000	**% of total**	US$'000	% of total	US$'000	% of total	US$'000	% of total
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Asset impairment provisions:								
Individual assessment	17,963	15.89%	12,037	14.24%	8,930	21.16%	8,013	31.06%
Collective assessment	95,111	84.11%	72,520	85.76%	33,270	78.84%	17,788	68.94%
Total	113,074	100.00%	84,557	100.00%	42,200	100.00%	25,801	100.00%
Non-performing assets	51,912		39,450		36,262		23,589	
Provision coverage ratio	217.82%		214.34%		116.38%		109.38%	

As of 30 June 2012, after prudent analysis of the tightening credit policies in China and dynamic changes in the global economic environment, the Group managed the asset quality of the Group in a prudent and cautious manner by adopting a more conservative provision policy and increased the provision for asset impairment. Accordingly, the provision coverage ratio of the Group rose to 217.82% as of 30 June 2012.

3.2.5.3 Write-offs of lease receivables

The following table sets forth write-offs of lease receivables as of the dates indicated.

	30 June 2012	31 December 2011	31 December 2010	31 December 2009
	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Audited)	(Audited)	(Audited)
Write-off	–	–	35	236
Non-performing assets of the last year	39,450	36,262	23,589	25,624
Write-off ratio (1)	0.00%	0.00%	0.15%	0.92%

Note:

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

As a result of the Group's stringent risk management controls and our management of asset quality, the Group's non-performing assets write-off ratio remained at 0.00% in the first half of 2012.

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

The following table sets forth the status of overdue loans and lease receivables (over 30 days) as of the dates indicated.

	30 June 2012 US$'000 (Unaudited)	31 December 2011 US$'000 (Audited)	31 December 2010 US$'000 (Audited)	31 December 2009 US$'000 (Audited)
Overdue ratio (over 30 days)	**0.34%**	0.08%	0.14%	0.38%

As a result of the Group's prudent risk controls and our management of assets quality, the Group's lease overdue ratio (over 30 days) was 0.34% in the first half of 2012, representing an increase as compared to 0.08% as of the end of 2011.

The following table sets forth the status of overdue loans and lease receivables (over 30 days) by industry as of the dates indicated.

	30 June 2012		31 December 2011	
	US$'000 (Unaudited)	**% of total**	US$'000 (Audited)	% of total
Healthcare	**401**	**1.52%**	–	–
Education	**4,232**	**16.08%**	551	10.26%
Infrastructure construction	**5,920**	**22.48%**	600	11.17%
Shipping	**739**	**2.81%**	–	–
Printing	**12,848**	**48.80%**	2,184	40.67%
Machinery	**2,188**	**8.31%**	2,036	37.90%
Textiles	**–**	**–**	–	–
Others	**–**	**–**	–	–
Total	**26,328**	**100.00%**	5,371	100.00%

The Group's lease overdue ratio (over 30 days) increased in the first half of 2012. However, with a prudent asset classification and asset quality control policy insisted by the Group, overdue loans and lease receivables (over 30 days) were already reflected in the non-performing asset, and thus, leading to a continuity in an optimized overall asset quality control of the Group.

Management Discussion and Analysis

The following table sets forth the status of overdue loans and lease receivables (over 30 days) by category as of the dates indicated.

	30 June 2012		31 December 2011	
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total
Special mention	1,811	6.88%	–	–
Substandard	16,746	63.61%	668	12.44%
Doubtful	7,691	29.21%	4,225	78.67%
Loss	79	0.30%	477	8.89%
Total	26,328	100.00%	5,371	100.00%

3.3. Liabilities (Overview)

On 30 June 2012, total debt of the Group was US$6,452,047,000, representing an increase of US$453,605,000 or 7.56% as compared with the end of last year. Interest-bearing bank and other borrowings is the main component of the Group's liabilities, accounting for 77.67% of the total, essentially remaining unchanged as of the end of last year.

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

	30 June 2012		31 December 2011		
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	Change %
Interest-bearing bank and other borrowings	5,011,538	77.68%	4,705,588	78.45%	6.50%
Other payables and accruals	1,093,618	16.95%	886,186	14.77%	23.41%
Trade and bills payables	300,509	4.66%	357,354	5.96%	-15.91%
Tax Payable	31,707	0.49%	34,940	0.58%	-9.25%
Deferred tax liabilities	13,074	0.20%	12,267	0.20%	6.58%
Deferred revenue	1,601	0.02%	2,107	0.04%	-24.02%
Total Liabilities	6,452,047	100.00%	5,998,442	100.00%	7.56%

Management Discussion and Analysis

3.4. Interest-bearing Bank and Other Borrowings

Between the second half of 2011 and the first half of 2012, despite the PBOC lowering the reserve requirement ratio twice and lowering the benchmark interest rate once, China's domestic credit market did not show significant signs of loosening. The financing market continued with the tightened trend of 2011. In face of such complicated capital environment, the Group adhered to the strategy of asset globalization, constantly coming up with new financing methods and optimizing the liability structure.

For indirect financing, the Group actively expanded into new markets and increased the scale of borrowing. Apart from Mainland China, the Group obtained widespread recognition in Hong Kong, Taiwan and other overseas markets, and successfully entered into a number of RMB and US Dollar syndicated loan agreements. For direct financing, the Group placed emphasis on bond financing and wealth management financing. After issuing dim sum bonds in 2011, the Group successfully set up a US$1,000,000,000 MTN program in Hong Kong in April 2012. The Group will continue to increase the proportion of direct financing.

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

As of 30 June 2012, the Group's interest-bearing liabilities (including deposits for lease and entrusted loans) amounted to US$5,962,818,000, of which interest-bearing bank and other borrowings amounted to US$5,011,538,000, representing an increase of 6.50% compared with US$4,705,588,000 as of the end of last year. This is primarily because the Group increased the amount of bank loans in the first half of 2012 in order to support the growth of the Group's lease receivable portfolio as we expanded our business operations. The Group's borrowings are mainly denominated in RMB and US$ with variable interest rates.

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

	30 June 2012		31 December 2011		
	US$'000	**% of total**	US$'000	% of total	Change %
	(Unaudited)		(Audited)		
Current	2,547,411	50.83%	1,918,048	40.76%	32.81%
Non-current	2,464,127	49.17%	2,787,540	59.24%	-11.60%
Total	5,011,538	100.00%	4,705,588	100.00%	6.50%

As of 30 June 2012, the Group's current interest-bearing bank and other borrowings (including short-term loans and portions that are due within one year in long-term loans) as a percentage of the Group's total interest-bearing bank and other borrowings was 50.83%. It increased by 10.07 percentage points from 40.76% as of 31 December 2011. In the first half of 2012, the Group made no change to the Group's policies with respect to the term structure of current and non-current bank and other borrowings.

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

	30 June 2012		31 December 2011		
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	Change %
Secured	1,906,138	38.03%	2,060,091	43.78%	-7.47%
Unsecured	3,105,400	61.97%	2,645,497	56.22%	17.38%
Total	5,011,538	100.00%	4,705,588	100.00%	6.50%

The Group carefully managed its funding risk in the first half of 2012. As at 30 June 2012, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 61.97% of the Group's total interest-bearing bank and other borrowings, representing an increase over the end of last year.

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

	30 June 2012		31 December 2011		
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	Change %
Bank loans	3,959,773	79.01%	3,517,379	74.75%	12.58%
Related-party borrowings	314,212	6.27%	650,998	13.83%	-51.73%
Other loans	737,553	14.72%	537,211	11.42%	37.29%
Total	5,011,538	100.00%	4,705,588	100.00%	6.50%

The proportion of the Group's related-party borrowings as a percentage to the Group's total bank and other borrowings was 6.27% as at 30 June 2012, decreased by 7.56 percentage points as compared to the end of last year as the Group chose to utilize more other loans to expand its business.

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

	30 June 2012		31 December 2011		
	US$'000 (Unaudited)	% of total	US$'000 (Audited)	% of total	Change %
China	4,091,754	81.65%	3,819,776	81.18%	7.12%
Overseas	919,784	18.35%	885,812	18.82%	3.84%
Total	5,011,538	100.00%	4,705,588	100.00%	6.50%

As at 30 June 2012, the proportion of the Group's total borrowings from banks and other borrowings in China was 81.65%, which stayed quite steadily as compared to that at the end of last year as the Group chose to utilize more borrowings from overseas to expand the business of the Group.

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

	30 June 2012		31 December 2011		
	US$'000	% of total	US$'000	% of total	Change %
	(Unaudited)		(Audited)		
RMB	4,622,973	92.25%	4,308,284	91.56%	7.30%
US dollars	388,565	7.75%	397,304	8.44%	-2.20%
Total	5,011,538	100.00%	4,705,588	100.00%	6.50%

As at 30 June 2012, the proportion of the Group's total bank and other borrowings in RMB was 92.25%, a slight increase over the end of last year as the Group proactively chose to utilize more borrowings in US dollars to expand the Group's business.

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

	30 June 2012		31 December 2011		
	US$'000	% of total	US$'000	% of total	Change %
	(Unaudited)		(Audited)		
Direct financing	368,787	7.36%	422,003	8.97%	-12.61%
Indirect financing	4,642,751	92.64%	4,283,585	91.03%	8.38%
Total	5,011,538	100.00%	4,705,588	100.00%	6.50%

As at 30 June 2012, the proportion of the Group's total indirect bank and other borrowings was 92.64%, an increase of 1.61 percentage points over the end of last year as the Group proactively chose to utilize more direct financing to expand the Group's business.

3.5. Equity of Shareholders

As at 30 June 2012, the total equity of the Group was US$1,914,286,000, an increase of US$438,026,000 over the end of last year, representing an increase of 29.67%.

As at 30 March 2011, according to the initial public offering set out in the prospectus of the Company, the Company issued 816,000,000 new ordinary shares of HK$0.01 each at a price of HK$6.29 per share. The total proceeds obtained were HK$5,132,640,000 (equivalent to US$658,566,000).

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

On 2 April 2012, the Company issued an additional 450,000,000 new ordinary shares of HK$0.01 each at a price of HK$6.40 per share, resulting in gross proceeds of HK$2,880,000,000 (equivalent to US$370,909,000).

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

	30 June 2012		31 December 2011		
	US$'000 (Unaudited)	**% of total**	US$'000 (Audited)	% of total	Change %
Issued Capital	4,227	0.22%	3,647	0.25%	15.90%
Reserve	1,909,721	99.76%	1,471,975	99.71%	29.74%
Non-controlling interest	338	0.02%	638	0.04%	-47.02%
Total Equity	1,914,286	100.00%	1,476,260	100.00%	29.67%

4. ANALYSIS ON CASH FLOWS STATEMENT

	For the six months ended 30 June		
	2012 US$'000 (Unaudited)	2011 US$'000 (Unaudited)	Change %
Net cash flow from operating activities	(1,071,387)	(896,014)	19.57%
Net cash flow from investing activities	2,524	(68,460)	-103.69%
Net cash flow from financing activities	786,737	1,881,772	-58.19%
Effect of exchange rate changes on cash and cash equivalents	476	8,861	-94.63%
Net increase/(decrease) in cash and cash equivalents	(281,650)	926,159	-130.41%

As at 30 June 2012, the Group had net cash outflow from operating activities in the amount of US$1,071,387,000 as the Group expanded its business and increased the balance of our net lease receivables. Correspondingly, the Group increased its bank and other borrowings, which were recorded as cash inflow from financing activities. Furthermore, on 2 April 2012, the Company increased the issuance of 450,000,000 shares. As a result, as at 30 June 2012, net cash inflow from financing activities was US$786,737,000. Net cash outflow from investing activities was US$2,524,000 as at 30 June 2012, which was primarily attributable to the impact of recovery of the Group's non-pledged time deposits when they fall due. As at 30 June 2012, the Group's cash and cash equivalents amounted to US$403,747,000, which are mainly denominated in RMB, USD and Hong Kong dollars.

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5. Capital Management

The primary objective of the Group's capital management activities is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. In the first half of 2012, no change was made to the objectives, policies or processes for managing capital.

5.1. Gearing Ratio

The Group monitors capital by gearing ratio.

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

	30 June 2012 US$'000 (Unaudited)	31 December 2011 US$'000 (Audited)
Total assets	**8,366,333**	7,474,702
Total liabilities	**6,452,047**	5,998,442
Total equity	**1,914,286**	1,476,260
Gearing ratio	**77.12%**	80.25%

In the first half of 2012, the Company made full use of capital leverage for our operations to keep the Group's gearing ratio relatively high while at the same time closely managed the Group's gearing ratio to avoid potential liquidity risk. As at 30 June 2012, our gearing ratio, which was maintained at a reasonable level, was 77.12%.

6. Capital Expenditure

The Group's capital expenditure was US$14.87 million in the first half of 2012, which was mainly used as the expenditures for additions of property, plant and equipment.

7. Risk Management

7.1. Interest rate risk

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

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

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

Management Discussion and Analysis

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year. The assumed changes in interest rates on profit before tax resulted in changes in profit of assets corresponded to the Group's non interest – bearing capital (non interest – bearing liabilities and equity interests). Changes in the portion of interest – bearing capital was slightly affected.

	Increase/(decrease) in profit before tax of the Group	
	30 June 2012	31 December 2011
	US$'000	US$'000
	(Unaudited)	(Audited)
Change in basis points		
+ 100 basis points	**37,905**	28,163
– 100 basis points	**(37,905)**	(28,163)

7.2. Currency risk

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

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US$, and to a lesser extent, other currencies. The Group's treasury operations exposure mainly arises from its transactions in currencies other than RMB. The Group seeks to limit its exposure to foreign currency risk by 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 changes in the exchange rate of the currency to which the Group had exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rate against the RMB, with all other variables held constant, on profit before tax. This effect, however, is based on the assumption that the Group's foreign exchange exposures as of the end of each reporting period are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

		Increase/(decrease) in profit before tax of the Group	
		30 June 2012	31 December 2011
Currency	**Change in currency rate**	**US$'000**	US$'000
		(Unaudited)	(Audited)
US dollar	-1%	**749**	1,089

Since the net position is comparatively small, the Group has adopted financial instruments to hedge against currency risk to a small extent.

Management Discussion and Analysis

7.3. Liquidity risk

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

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

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

	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
			As of 30 June 2012 (Unaudited)			
Total financial assets	396,517	888,805	2,635,539	5,451,242	105,808	9,477,911
Total financial liabilities	16,021	866,099	2,343,765	3,717,805	23,691	6,967,381
Net liquidity gap	380,496	22,706	291,774	1,733,437	82,117	2,510,530
			As of 31 December 2011 (Audited)			
Total financial assets	670,285	788,122	2,192,931	4,772,240	98,960	8,522,538
Total financial liabilities	32,277	852,791	1,585,660	3,946,671	19,718	6,437,117
Net liquidity gap	638,008	(64,669)	607,271	825,569	79,242	2,085,421

8. Charge on Group Assets

The Group had lease receivables in the amount of US$2,220 million and cash in the amount of US$21.64 million pledged to the bank as of 30 June 2012 in order to secure the bank borrowings.

9. Material Investments, Acquisitions or Disposals

As of 30 June 2012, the Company had no material investment and there was no material acquisition and disposal of subsidiaries and associated companies.

10. Human Resources

As of 30 June 2012, the Group had 1,777 full-time employees, an increase of 424 full-time employees compared to 1,353 by the end of 2011.

During the first halves of 2012 and 2011, the Group incurred employee benefit expenses of US$66.59 million and US$29.53 million, respectively, representing approximately 12.32% and 10.03% of the Group's total revenue for those periods.

The Group believes it has a high quality work force with specialized industry expertise, with approximately 91% of the Group's employees having bachelor's degrees and above, and approximately 57% having master's degrees and above as of 30 June 2012.

Management Discussion and Analysis

The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the Company rather than operational results, and have established a merit-based remuneration awards system. Employees are promoted not only in terms of position and seniority, but also in terms of professional classification. Our senior employees are reviewed every quarter on the basis of, among other criteria, their performance as business leaders to achieve stipulated performance targets (such as budget targets) and their risk management capabilities on the operational matters under their charge.

Employee benefits

In accordance with applicable PRC regulations, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. The Group also provides supplemental commercial medical insurance, property insurance and safety insurance in addition to those required under the PRC regulations. As of 30 June 2012, the Group had complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.

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

11.1. Contingent liabilities

As of 30 June 2012, no legal proceedings were initiated by any of the third parties against the Group as defendant.

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

	As of 30 June 2012 US$'000 (Unaudited)	As of 31 December 2011 US$'000 (Audited)
Legal proceedings		
Claimed amounts	–	158

11.2. Capital Commitments and Credit Commitments

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

	As of 30 June 2012 US$'000 (Unaudited)	As of 31 December 2011 US$'000 (Audited)
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	1,944	2,071
Irrevocable credit Commitments	830,038	605,542

Management Discussion and Analysis

The Group's irrevocable credit commitments represent leases that have been signed but the term of the lease has not started. The increase in irrevocable credit commitments from 31 December 2011 to 30 June 2012 was primarily due to the expansion of the Group's business during the first half of 2012.

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

12. Unaudited Interim Results

The board of directors of the Company (the "Board") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2012, together with comparative amounts as follows. The Company's auditor Ernst & Young has reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012, and issued the relevant review report, details of which are set out on pages 48 to 84 of this interim report.

13. Prospects

Looking at the second half of 2012, global economic growth will be relatively weak due to the effects of the various adverse factors impeding global economic recovery. The increase of fiscal and financial risks in developed economies induces a variety of uncertainties. The International Monetary Fund (IMF) predicts that global economic growth rate for 2012 will decrease to 3.5%, of which, the US will experience 2.0% of economic growth and the Eurozone will decline by 0.3%. Japan will grow by 2.4% while emerging economies will slow down to 5.6% of growth. For the short term, the main risk facing the US is over-tightening of fiscal policies while delayed or incomplete policy action worsens the Eurozone crisis. Japan has not been able to make desirable progress in establishing mid-term fiscal plans. The downside risks confronting emerging markets and developing economies are mainly linked with external factors.

From a domestic macroeconomic point of view, in the second half of 2012 the Chinese economy should be able to get rid of the continued trend of decelerated growth as growth begins to move up gradually. Currently, the development of the Chinese economy and society is still at a critical strategic stage, and stable but brisk economic growth will provide many favorable conditions. Urbanization, industrialization and regional coordination are enthusiastically embraced all over the country while consumption continues to expand and the service industry possesses great potential. Long-term economic growth remains essentially unchanged.

Looking at macroeconomic adjustments, the Chinese government will continue with the principle of "Seeking growth while ensuring stability", placing greater emphasis on stable growth, actively expanding internal demand and guiding investments to develop the real economy. Current and future economic development will be balanced through reforms and innovation, especially by increasing support in the construction of major national projects. Industrial transformation and upgrading will be promoted while transformation of economic development model will be sped up. A point of concern is that the change of the economic growth structure is a relatively long process. Since the current external economic environment is weak, some domestic industries may experience reduced growth rates, which could affect the Group's growth of new business in these industries and the quality of assets.

Overall, China's economy will continue with a rather rapid rate of development, as stable growth government policies that are due to be implemented soon will prevent the economy from declining by a large extent. With the economic structure further optimized while urbanization and industrialization is strongly implemented, the demand for financial services from the seven largest industries which the Group serves and small and medium enterprises will build a solid external environment for the group's sustained development.

Disclosure of Interest

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2012, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were detailed as follows:

Name of Director	Name of corporation	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
KONG Fanxing	The Company	Beneficial owner	590,000 (L)	0.01%
WANG Mingzhe	The Company	Beneficial owner	181,000 (L)	0.00%
HAN Xiaojing	The Company	Beneficial owner	30,000 (L)	0.00%

Notes:

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

Save as disclosed above, as at 30 June 2012, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she had taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interest

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

As at 30 June 2012, the following entities who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO or had otherwise notified to the Company were as follows:

Name of shareholder	Capacity/nature of interest	Number of ordinary shares[1]	Approximate percentage of interest
Sinochem Group[2]	Interest in a controlled corporation	1,294,720,000(L)	39.32%
Greatpart Limited[2]	Beneficial owner	1,294,720,000(L)	39.32%
KKR Future Investments S.À.R.L.[3]	Beneficial owner	337,000,000(L)	10.23%
KKR Future Holdings Limited[3]	Beneficial owner Interest in a controlled corporation	132,335,000(L) 395,791,000(L)	4.01% 12.02%
KKR Asian Fund L.P.[3]	Interest in a controlled entity	528,126,000(L)	16.04%
KKR Associates Asia L.P.[3]	Interest in a controlled entity	528,126,000(L)	16.04%
KKR SP Limited[3]	Interest in a controlled entity	501,272,000(L)	15.22%
KKR Asia Limited[3]	Interest in a controlled entity	528,126,000(L)	16.04%
KKR Fund Holdings L.P.[3]	Interest in a controlled entity	528,126,000(L)	16.04%
KKR Fund Holdings GP Limited[3]	Interest in a controlled entity	528,126,000(L)	16.04%
KKR Group Holdings L.P.[3]	General partner	528,126,000(L)	16.04%
KKR Group Limited[3]	Interest in a controlled entity	528,126,000(L)	16.04%
KKR & Co. L.P.[3]	Interest in a controlled entity	528,126,000(L)	16.04%
KKR Management LLC[3]	Interest in a controlled entity	528,126,000(L)	16.04%
Mr. Henry R. Kravis and Mr. George R. Roberts[3]	Interest in a controlled entity	528,126,000(L)	16.04%
Techlink Investment Pte Ltd[4]	Beneficial owner	214,014,000(L)	6.5%
Tetrad Ventures Pte Ltd[4]	Interest in a controlled corporation	214,014,000(L)	6.5%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.[4]	Interest in a controlled corporation	214,014,000(L)	6.5%
GIC Special Investments Private Limited[4]	Interest in a controlled corporation	214,014,000(L)	6.5%
Government of Singapore Investment Corporation Private Limited[4]	Interest in a controlled corporation Investment manager	214,014,000(L) 55,139,000(L)	6.5% 1.67%
Prime Capital Management (Cayman) Limited	Investment manager	190,252,000(L)	5.77%
Morgan Stanley	Interest in a controlled corporation	165,897,983(L) 46,994,620(S)	5.04% 1.43%

Disclosure of Interest

Notes:

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

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

(3) Amongst the 528,126,000 Shares, 132,335,000 Shares are directly held by KKR Future Holdings Limited, 337,000,000 Shares are directly held by KKR Future Investments S.À.R.L. and 58,791,000 Shares are directly held by KKR Future Holdings II Limited. KKR Future Holdings Limited (as the sole shareholder as KKR Future Investment S.À.R.L and KKR Future Holdings II Limited and the beneficial owner of 58,791,000 Shares); each of KKR Asian Fund L.P. (as the controlling shareholder of KKR Future Holdings Limited), KKR Associates Asia L.P.(as the general partner of KKR Asian Fund L.P.), KKR SP Limited (as the voting partner of KKR Associates Asia L.P.), KKR Asia Limited (as the general partner of KKR Associates Asia L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia Limited), KKR Fund Holdings GP Limited (as the general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as the general partner of KKR Fund Holdings L.P.), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L.P.) and Mr. Henry R. Kravis and Mr. George R. Roberts (as the designated shareholders of KKR Management LLC) is deemed to be interested in the Shares of the Company. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares of the Company.

(4) Techlink Investment Pte Ltd ("Techlink") is wholly-owned by Tetrad Ventures Pte Ltd which, in turn, is wholly-owned by Government of Singapore Investment Corporation (Ventures) Pte. Ltd. GIC Special Investments Private Limited manages the investments of Techlink, and is wholly-owned by Government of Singapore Investment Corporation Private Limited. Each of Tetrad Ventures Pte Ltd, Government of Singapore Investment Corporation (Ventures) Pte. Ltd., GIC Special Investments Private Limited and Government of Singapore Investment Corporation Private Limited is deemed to be interested in the Shares of the Company held by Techlink under the SFO. In addition, Government of Singapore Investment Corporation Ptr Ltd holds 55,139,000 Shares in the capacity of investment manager.

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

Corporate Governance

CORPORATE GOVERNANCE PRACTICES

The Corporate Governance Code (the "New Code") as contained in Appendix 14 of the Listing Rules, issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2011, is the new edition of the Code on Corporate Governance Practices (the "Former Code") as contained in Appendix 14 of the Listing Rules, and is applicable to financial reports covering an accounting period which ends after 1 April 2012. During the accounting period for the six months ended 30 June 2012, the Company has complied with all the Code Provisions set out in the New Code during the period from 1 April 2012 to 30 June 2012 as well as the Former Code during the period from 1 January 2012 to 31 March 2012, except for Code Provision E.1.2 as explained below.

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

At the annual general meeting of the Company held on 13 June 2012 (the "2012 AGM"), Mr. Liu De Shu (Chairman of the Board), Mr. Liu Haifeng David (Chairman of the Strategy and Investment Committee) and Mr. Liu Jialin (Chairman of the Remuneration and Nomination Committee) were unable to turn up due to other important business engagements. In order to ensure smooth holding of the 2012 AGM, Mr. Kong Fanxing, an executive director and Chief Executive Officer of the Company, chaired the 2012 AGM. Furthermore, Mr Kong Fanxing (as a member of the Strategy and Investment Committee) together with Ms. Shi Dai (a non-executive director of the Company and member of the Remuneration and Nomination Committee) and Mr. Yip Wai Ming (an independent non-executive director of the Company and Chairman of the Audit Committee) were available at the 2012 AGM to answer questions where necessary.

Corporate Governance

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in compliance with Rules 3.21 and 3.22 of the Listing Rules. The Audit Committee comprises three members, including Mr. Yip Wai Ming as Chairman, Mr. Han Xiaojing and Ms. Sun Xiaoning.

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the condensed consolidated financial statements for the six months ended 30 June 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by Directors.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the requirements set out in the Model Code throughout the six months ended 30 June 2012.

The Company has also established guidelines for the relevant employees' securities transactions, which are no less exacting than the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board of Directors has been, at any time, in compliance with Rule 3.10(1) of the Listing Rules, which requires a company to maintain at least three Independent Non-executive Directors in the Board of Directors; with Rule 3.10(2) of the Listing Rules, which requires one of those Independent Non-executive Directors to be specialized in accounting or relevant financial management; and with Rule 3.10A of the Listing Rules, which requires Independent Non-executive Directors representing at least one-third of the Board of Directors.

Other Information

IMPLEMENTATION OF DISTRIBUTION OF 2011 FINAL DIVIDENDS

According to the method of distribution of dividends, which was considered and passed at the Annual General Meeting held on 13 June 2012, the Group has declared the payment of dividends of HK$0.1 per share to shareholders whose names appear on the register of members of the Company on 21 June 2012, thereby resulting in a total dividend payment amount of HK$329.24 million.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 June 2012.

SHARE OPTION SCHEME

The Group does not have any share option scheme.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2012.

Report on Review of Interim Condensed Consolidated Financial Statements

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

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 49 to 84, which comprises the interim condensed consolidated statement of financial position of Far East Horizon Limited and its subsidiaries (the "Group") as at 30 June 2012, and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants

22F CITIC Tower
1 Tim Mei Avenue Central,
Hong Kong
22 August 2012

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	**US$'000**	US$'000
CONTINUING OPERATIONS			
REVENUE	*4*	**540,358**	294,321
Cost of sales		**(254,132)**	(132,027)
Gross profit		**286,226**	162,294
Other income and gains	*4*	**4,874**	4,889
Selling and distribution costs		**(53,758)**	(27,715)
Administrative expenses		**(68,039)**	(37,635)
Other expenses		**(2,733)**	(3,202)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**166,570**	98,631
Income tax expense	*6*	**(44,082)**	(23,922)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**122,488**	74,709
Attributable to:			
Owners of the parent		**122,786**	74,697
Non-controlling interests		**(298)**	12
		122,488	74,709
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**US cents**	US cents
Basic and Diluted			
– For profit for the period	*8*	**4.01**	3.14

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
PROFIT FOR THE PERIOD	**122,488**	74,709
Exchange differences on translation of financial statements of entities in Mainland China	**(5,375)**	14,537
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(5,375)**	14,537
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**117,113**	89,246
Attributable to:		
Owners of the parent	**117,413**	89,224
Non-controlling interests	**(300)**	22
	117,113	89,246

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	29,907	17,009
Other assets		4,533	5,439
Deferred tax assets	*16*	27,170	20,103
Loans and accounts receivable	*10*	4,929,800	4,262,017
Prepayments, deposits and other receivables		15,120	4,680
Restricted deposits	*13*	1,358	15,871
Derivative financial instruments	*11*	597	760
Total non-current assets		5,008,485	4,325,879
CURRENT ASSETS			
Inventories		855	1,140
Construction contracts	*12*	5,733	4,780
Loans and accounts receivable	*10*	2,823,925	2,296,065
Prepayments, deposits and other receivables		34,568	17,718
Restricted deposits	*13*	89,020	167,755
Cash and cash equivalents	*13*	403,747	661,365
Total current assets		3,357,848	3,148,823
CURRENT LIABILITIES			
Trade and bills payables	*14*	300,509	357,354
Other payables and accruals		249,523	190,487
Interest-bearing bank and other borrowings	*15*	2,547,411	1,918,048
Taxes payable		31,707	34,940
Total current liabilities		3,129,150	2,500,829
NET CURRENT ASSETS		228,698	647,994
TOTAL ASSETS LESS CURRENT LIABILITIES		5,237,183	4,973,873

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	2,464,127	2,787,540
Deferred tax liabilities	16	13,074	12,267
Other payables and accruals		844,095	695,699
Deferred revenue		1,601	2,107
Total non-current liabilities		3,322,897	3,497,613
Net assets		1,914,286	1,476,260
EQUITY			
Equity attributable to owners of the parent			
Issued capital	17	4,227	3,647
Reserves	18	1,909,721	1,471,975
		1,913,948	1,475,622
Non-controlling interests		338	638
Total equity		1,914,286	1,476,260

Kong Fanxing
Director

Wang Mingzhe
Director

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2012

	Attributable to owners of the parent								
	Issued capital US$'000 *(Note 17)*	Share premium account US$'000 *(Note 17)*	Capital reserve US$'000 *(Note 18)*	Reserve funds US$'000 *(Note 18)*	Exchange fluctuation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2012 (Audited)	3,647	729,260	340,296	16,350	82,125	303,944	1,475,622	638	1,476,260
Profit for the period	–	–	–	–	–	122,786	122,786	(298)	122,488
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–
Exchange differences on translation of financial statements of entities in Mainland China	–	–	–	–	(5,373)	–	(5,373)	(2)	(5,375)
Total comprehensive income for the period	–	–	–	–	(5,373)	122,786	117,413	(300)	117,113
Issue of shares *(Note 17)*	580	370,329	–	–	–	–	370,909	–	370,909
Share issue expenses *(Note 17)*	–	(7,560)	–	–	–	–	(7,560)	–	(7,560)
Dividends *(Note 7)*	–	–	–	–	–	(42,436)	(42,436)	–	(42,436)
At 30 June 2012 (Unaudited)	4,227	1,092,029*	340,296*	16,350*	76,752*	384,294*	1,913,948	338	1,914,286

* These reserve accounts comprise the consolidated reserves of US$1,909,721,000 (31 December 2011: US$1,471,975,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2012

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Note	For the six months ended 30 June 2012 (Unaudited) US$'000	2011 (Unaudited) US$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(1,071,387)	(896,014)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		2,524	(68,460)
NET CASH FLOWS FROM FINANCING ACTIVITIES		786,737	1,881,772
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(282,126)	917,298
Cash and cash equivalents at beginning of the period		661,365	53,362
Effect of exchange rate changes on cash and cash equivalents		476	8,861
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		379,715	979,521
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	*13*	403,747	979,521
Less: Non-restricted time deposits with original maturity of over three months when acquired		(24,032)	–
Cash and cash equivalents as stated in the statement of cash flows		379,715	979,521

Notes to Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2012 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2011.

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

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that are adopted by the Group for the first time for the current period's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 – *Financial Instruments: Disclosures – Transfers of financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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

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

Notes to Interim Condensed Consolidated Financial Statements

3. OPERATING SEGMENT INFORMATION

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

- Finance leasing and advisory business comprises (a) direct finance leasing (b) sale-leaseback and (c) advisory services.

- Trade and others business comprises primarily (a) import and export trade and domestic trade of medical equipment and parts, paper, ink, cardboard and paper goods primarily for the healthcare and printing industries, as well as the provision of trade agency services primarily within the machinery industry (b) the ship brokerage services (c) medical engineering and (d) operating leasing.

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.

For the six months ended 30 June 2012 (Unaudited)	Leasing and Advisory US$'000	Trading and Others US$'000	Intersegment US$'000	Total US$'000
Revenue	478,128	62,511	(281)	540,358
Cost of sales	(196,877)	(57,357)	102	(254,132)
Selling and distribution costs/administrative expenses	(118,102)	(3,725)	30	(121,797)
Profit before tax	165,162	1,362	46	166,570
Profit after tax	121,114	1,328	46	122,488

Notes to Interim Condensed Consolidated Financial Statements

3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2011 (Unaudited)	Leasing and Advisory US$'000	Trading and Others US$'000	Intersegment US$'000	Total US$'000
Revenue	246,050	48,305	(34)	294,321
Cost of sales	(89,936)	(42,091)	–	(132,027)
Selling and distribution costs/administrative expenses	(63,011)	(2,339)	–	(65,350)
Profit before tax	94,927	3,704	–	98,631
Profit after tax	71,152	3,557	–	74,709
At 30 June 2012 (Unaudited)				
Segment assets	**8,348,708**	**102,717**	**(85,092)**	**8,366,333**
Segment liabilities	**6,469,346**	**49,406**	**(66,705)**	**6,452,047**
At 31 December 2011 (Audited)				
Segment assets	7,463,515	42,831	(31,644)	7,474,702
Segment liabilities	5,993,914	18,498	(13,970)	5,998,442

Notes to Interim Condensed Consolidated Financial Statements

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Mainland China	**537,045**	288,035
Hong Kong	**2,390**	4,467
Other countries or regions	**923**	1,819
	540,358	294,321

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

(b) Non-current assets

	30 June	31 December
	2012	2011
	(Unaudited)	(Audited)
	US$'000	US$'000
Mainland China	**34,428**	22,448
Hong Kong	**12**	–

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

Information about a major customer

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

Notes to Interim Condensed Consolidated Financial Statements

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Revenue		
Finance lease income	**360,985**	173,002
Service fee income	**130,544**	81,758
Sale of goods	**50,565**	38,009
Brokerage income	**9,174**	6,906
Construction contract revenue	**958**	3,575
Operating lease income	**1,938**	–
Business tax and surcharges	**(13,806)**	(8,929)
	540,358	294,321
Other income and gains		
Bank interest income	**4,282**	1,596
Foreign exchange gain	**184**	3,265
Others	**408**	28
	4,874	4,889

Notes to Interim Condensed Consolidated Financial Statements

5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	**US$'000**	US$'000
Cost of borrowings included in cost of sales		**196,775**	89,936
Cost of inventories sold		**49,377**	36,571
Cost of construction contract		**676**	2,557
Cost of transportation		**6,810**	2,963
Cost of operating lease		**494**	–
Depreciation		**1,345**	611
Amortisation of intangible assets and other long term assets		**1,081**	901
Rental expenses		**4,673**	2,608
Auditors' remuneration		**325**	216
Employee benefit expense (including directors' remuneration)			
– Wages and salaries		**54,353**	19,311
– Pension scheme contributions		**2,947**	1,655
– Other employee benefits		**9,285**	8,561
Impairment of loans and accounts receivable		**28,210**	16,367
Entertainment fee		**2,345**	1,740
Business travelling expenses		**7,629**	5,392
Consultancy fees		**1,814**	1,212
Office expenses		**1,732**	1,346
Advertising and promotion expenses		**77**	468
Transportation expenses		**243**	175
Communication expenses		**778**	514
Other miscellaneous expenses		**4,960**	4,273
Loss on disposal of property plant and equipment		**10**	–
Donation		**–**	306
Commission expense		**2,152**	2,288
Derivative financial instruments transaction not qualifying hedge:			
Unrealised fair value losses,net		**162**	608
Realised fair value losses,net		**409**	–

Notes to Interim Condensed Consolidated Financial Statements

6. INCOME TAX

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Current – Hong Kong		
Charge for the period	**1,533**	844
Underprovision in prior years	**–**	72
Current – Mainland China		
Charge for the period	**48,891**	24,458
Overprovision in respect of prior years	**–**	(750)
Deferred tax	**(6,342)**	(702)
Total tax charge for the period	**44,082**	23,922

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2011:16.5%) on the estimated assessable profits arising in Hong Kong for the period.

Corporate Income Tax ("CIT")

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

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

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

Notes to Interim Condensed Consolidated Financial Statements

6. INCOME TAX (continued)

Corporate Income Tax ("CIT") (continued)

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Profit before tax	166,570	98,631
Tax at the statutory income tax rates	42,178	23,098
Expenses not deductible for tax	1,512	1,062
Income not subject to tax	(2,901)	(2,220)
Adjustment on current income tax in respect of prior years	–	(678)
Effects of change in tax rate	–	(495)
Tax losses utilised from previous year	–	(25)
Unrecognised tax losses	1,762	–
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	1,531	3,180
Income tax expense reported in the interim condensed consolidated income statement	44,082	23,922

7. DIVIDENDS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Dividends	42,436	1,124

Pursuant to a resolution passed at the general meeting on 13 June 2012, the Company offered a final dividend of HK$0.10 per share in respect of year ended 31 December 2011 to its shareholders whose names appear on the register of members of the Company on 21 June 2012. Based on the total number of outstanding ordinary shares of 3,292,400,000 as at 21 June 2012, the cash dividends of approximately HK$329,240,000 (equivalent to US$42,436,000) were recognised in the financial statements.

The board of directors does not recommend the payment of an interim dividend to shareholders in respect of the period for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

Notes to Interim Condensed Consolidated Financial Statements

8. EARNINGS PER SHARE

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

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue for the period. The weighted average number of ordinary shares includes the weighted average of 450,000,000 shares issued on 2 April 2012, in addition to the outstanding 2,842,400,000 ordinary shares as at 31 December 2011.

The calculation of basic earnings per share is based on:

Earnings

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Profit attributable to ordinary equity holders of the parent, used in the basic earning per share calculation	**122,786**	74,697

Shares

	Number of shares For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**3,062,454,945**	2,376,243,094

There were no potential dilutive ordinary shares during the period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment at a total cost of US$14,872,000 (six months ended 30 June 2011: US$1,763,000) and disposed of or wrote off items of property, plant and equipment with a total net carrying amount of US$7,000 (six months ended 30 June 2011: US$3,000).

As at 30 June 2012, the Group has not obtained two real estate certificates for the buildings with a total gross area of approximately 434.01m^2 and a net book value of US$1,348,000. The Group is in the process of applying for the real estate certificates aforementioned for the building till the date of the report.

Notes to Interim Condensed Consolidated Financial Statements

10. LOANS AND ACCOUNTS RECEIVABLE

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Loans and accounts receivable due within 1 year	2,823,925	2,296,065
Loans and accounts receivable due after 1 year	4,929,800	4,262,017
	7,753,725	6,558,082

10a. LOANS AND ACCOUNTS RECEIVABLE BY NATURE

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Lease receivables *(Note 10b)*	8,932,152	7,609,623
Less: Unearned finance income	(1,188,606)	(1,085,143)
Net lease receivables *(Note 10b)*	7,743,546	6,524,480
Lease interest receivables	40,225	34,373
Notes receivable	885	2,672
Accounts receivable *(Note 10d)*	21,128	11,163
Entrusted loans	61,243	70,468
Long-term receivables	1,855	2,223
Subtotal of loans and accounts receivable	7,868,882	6,645,379
Less: Provision for lease receivables *(Note 10c)*	(113,074)	(84,557)
Provision for accounts receivable *(Note 10e)*	(541)	(894)
Provision for entrusted loans *(Note 10f)*	(1,523)	(1,828)
Provision for long-term receivables *(Note 10g)*	(19)	(18)
	7,753,725	6,558,082

Notes to Interim Condensed Consolidated Financial Statements

10. LOANS AND ACCOUNTS RECEIVABLE (continued)

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

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Lease receivables		
Within 1 year	5,384,482	4,938,514
1-2 years	2,585,671	1,973,561
2-3 years	767,331	549,470
3 years and beyond	194,668	148,078
Total	8,932,152	7,609,623

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Net lease receivables		
Within 1 year	4,631,439	4,186,672
1-2 years	2,257,616	1,713,888
2-3 years	679,272	490,452
3 years and beyond	175,219	133,468
Total	7,743,546	6,524,480

10. LOANS AND ACCOUNTS RECEIVABLE (continued)

10b(2). The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following three consecutive accounting years:

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Lease receivables		
Due within 1 year	**3,365,088**	2,768,003
Due in 1-2 years	**2,673,444**	2,227,659
Due in 2-3 years	**1,640,431**	1,424,709
Due after 3 years and beyond	**1,253,189**	1,189,252
Total	**8,932,152**	7,609,623

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Net lease receivables		
Due within 1 year	**2,792,006**	2,261,453
Due in 1-2 years	**2,327,948**	1,913,043
Due in 2-3 years	**1,471,485**	1,263,148
Due after 3 years and beyond	**1,152,107**	1,086,836
Total	**7,743,546**	6,524,480

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

Notes to Interim Condensed Consolidated Financial Statements

10. LOANS AND ACCOUNTS RECEIVABLE (continued)

10c. CHANGE IN PROVISION FOR LEASE RECEIVABLES

	Individually assessed		Collectively assessed		Total	
	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000	**30 June 2012 (Unaudited) US$'000**	31 December 2011 (Audited) US$'000	**30 June 2012 (Unaudited) US$'000**	31 December 2011 (Audited) US$'000
At beginning of period/year	**12,037**	8,930	**72,520**	33,270	**84,557**	42,200
Charge for the period/year	**5,977**	2,685	**22,892**	36,766	**28,869**	39,451
Write-off	**–**	–	**–**	–	**–**	–
Exchange difference	**(51)**	422	**(301)**	2,484	**(352)**	2,906
At end of period/year	**17,963**	12,037	**95,111**	72,520	**113,074**	84,557

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Lease receivables:		
Individually assessed *(Note (i))*	**57,948**	43,665
Collectively assessed	**8,874,204**	7,565,958
Total	**8,932,152**	7,609,623

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Net lease receivables:		
Individually assessed *(Note (i))*	**51,912**	39,450
Collectively assessed	**7,691,634**	6,485,030
Total	**7,743,546**	6,524,480

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

Note (ii) As at 30 June 2012, the carrying amount of lease receivables and entrusted loans pledged as security for the Group's borrowings amounted to US$2,220,444,000 (31 December 2011: US$2,245,760,000) (see Note 15 (a)).

Notes to Interim Condensed Consolidated Financial Statements

10. LOANS AND ACCOUNTS RECEIVABLE (continued)

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

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

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Within 1 year	20,186	10,719
More than 1 year	942	444
Total	21,128	11,163

10e. CHANGE IN PROVISION FOR ACCOUNTS RECEIVABLE

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
At beginning of period/year	894	519
(Reversal)/Charge for the period/year	(362)	347
Exchange difference	9	28
At end of period/year	541	894

10f. CHANGE IN PROVISION FOR ENTRUSTED LOANS

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
At beginning of period/year	1,828	1,466
(Reversal)/Charge for the period/year	(298)	280
Exchange difference	(7)	82
At end of period/year	1,523	1,828

Notes to Interim Condensed Consolidated Financial Statements

10. LOANS AND ACCOUNTS RECEIVABLE (continued)

10g. CHANGE IN PROVISION FOR LONG-TERM RECEIVABLE

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
At beginning of period/year	18	–
Charge for the period/year	1	18
Exchange difference	–	–
At end of period/year	19	18

11. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Cross-currency interest rate swaps	439	601
Call options	158	159
Total	597	760

Notes to Interim Condensed Consolidated Financial Statements

12. CONSTRUCTION CONTRACTS

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Gross amount due from contract customers	7,061	4,780
Gross amount due to contract customers included in other payables	(1,328)	–
	5,733	4,780
Contract costs incurred plus recognised profits less recognised losses to date	10,263	10,520
Less: Progress billings	4,563	5,860
Exchange differences	33	120
	5,733	4,780

13. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Cash and bank balances	455,347	751,304
Time deposits	38,778	93,687
	494,125	844,991
Less: Restricted deposits	90,378	183,626
Cash and cash equivalents	403,747	661,365

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$389,333,000 (31 December 2011: US$701,425,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2012, cash of US$21,638,000 (31 December 2011: US$74,221,000) was pledged for bank and other borrowings (see Note 15(b)).

As at 30 June 2012, cash of US$20,795,000 (31 December 2011: US$145,750,000) was deposited with Sinochem Finance Co., Ltd.

Notes to Interim Condensed Consolidated Financial Statements

14. TRADE AND BILLS PAYABLES

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Bills payable	169,652	196,113
Trade payables	130,857	161,241
	300,509	357,354

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

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Within 1 year	277,473	342,360
1 to 2 year	18,257	11,589
2 to 3 year	3,780	2,532
3 years and beyond	999	873
	300,509	357,354

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

Notes to Interim Condensed Consolidated Financial Statements

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2012 (Unaudited)			31 December 2011(Audited)		
	Effective annual interest rate (%)	Maturity	US$'000	Effective annual interest rate (%)	Maturity	US$'000
Current						
Bank loans – secured	5.60~6.56	2012~2013	169,489	0.98~6.56	2012	274,718
Current portion of long term bank loans – secured	2.16~7.25	2012~2013	634,875	1.95~7.32	2012	421,555
Bank loans – unsecured	0.98~7.54	2012~2013	616,397	1.16~7.22	2012	519,735
Current portion of long term bank loans – unsecured	2.07~8.65	2012~2013	600,270	2.47~7.48	2012	401,484
Current portion of long term loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	6.40~6.65	2012~2013	186,305	6.65	2012	3,405
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence- unsecured	–	–	–	6.56	2012	165,056
Current portion of other long term loans- secured	7.04~8.65	2012~2013	88,539	–	–	–
Other loans- secured	7.04~9.00	2012~2013	196,430	6.89~9.00	2012	61,102
Bonds-secured	6.60~7.00	2013	55,106	6.30~7.00	2012	70,993
			2,547,411			1,918,048
Non-current						
Bank loans – secured	2.16~7.25	2013~2016	677,903	1.90~7.32	2013~2016	1,142,728
Bank loans – unsecured	2.68~8.65	2013~2017	1,260,839	2.47~7.48	2013~2014	757,159
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	6.40~6.65	2013~2014	127,907	6.65	2013~2014	482,537
Other loans- secured	7.04~8.65	2013~2014	83,796	7.315	2013~2014	58,722
Bonds-secured	–	–	–	6.30~7.00	2013	30,273
Bonds-unsecured	3.90~6.95	2014~2016	313,682	3.90~6.95	2014~2016	316,121
			2,464,127			2,787,540
			5,011,538			4,705,588

Notes to Interim Condensed Consolidated Financial Statements

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

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	2,021,031	1,617,492
In the second year	1,178,210	1,404,965
In the third to fifth years, inclusive	760,532	494,922
	3,959,773	3,517,379
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence over the Group:		
Within one year	186,305	168,461
In the second year	98,515	3,438
In the third to fifth years, inclusive	29,392	479,099
	314,212	650,998
Other borrowings repayable:		
Within one year	340,075	132,095
In the second year	280,861	68,363
In the third to fifth years, inclusive	116,617	336,753
	737,553	537,211
	5,011,538	4,705,588

(a) As at 30 June 2012, the Group's bank and other borrowings pledged by lease receivables and entrusted loans amounted to US$1,816,961,000(31 December 2011: US$1,949,098,000). As at 30 June 2012, the Group's lease receivables and entrusted loans pledged as security for the Group's bank and other borrowings amounted to US$2,220,444,000 (31 December 2011: US$2,245,760,000).

(b) As at 30 June 2012, the Group's bank and other borrowings pledged by cash amounted to US$177,333,000 (31 December 2011: US$195,123,000).

(c) As at 30 June 2012, the Group's bank borrowings pledged by the shares in indirectly held subsidiaries amounted to US$88,156,000 (31 December 2011: US$157,135,000). The indirectly held subsidiaries are Ever Trend Shipping Limited, Treasure Shipping Limited, Gold Power Transportation Limited.

(d) As at 30 June 2012, no property, plant and equipment of the Group were provided as collateral for borrowings nor had the Group provided any guarantees for other entities (31 December 2011: nil).

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

Notes to Interim Condensed Consolidated Financial Statements

16. DEFERRED TAX

The movements in deferred tax liabilities and assets of the Group during the period are as follows:

Deferred tax assets

	Allowances for impairment losses (Unaudited) US$'000	Salary and welfare payable (Unaudited) US$'000	Recoverable loss (Unaudited) US$'000	Total (Unaudited) US$'000
Gross deferred tax assets at 1 January 2012	18,802	5,241	285	24,328
Charged to the income statement during the period	6,852	2,297	141	9,290
Exchange differences	(80)	(25)	–	(105)
Gross deferred tax assets at 30 June 2012	25,574	7,513	426	33,513

	Allowances for impairment losses (Audited) US$'000	Salary and welfare payable (Audited) US$'000	Recoverable loss (Audited) US$'000	Total (Audited) US$'000
Gross deferred tax assets at 1 January 2011	7,771	1,484	8	9,263
Charged to the income statement during the year	10,415	3,590	275	14,280
Exchange differences	616	167	2	785
Gross deferred tax assets at 31 December 2011	18,802	5,241	285	24,328

Deferred tax liabilities

	Lease deposits US$'000 (Unaudited)	Withholding tax US$'000 (Unaudited)	Total US$'000 (Unaudited)
Gross deferred tax liabilities at 1 January 2012	4,225	12,267	16,492
Charged to the income statement during the period	2,138	810	2,948
Exchange differences	(20)	(3)	(23)
Gross deferred tax liabilities at 30 June 2012	6,343	13,074	19,417

	Lease deposits US$'000 (Audited)	Withholding tax US$'000 (Audited)	Total US$'000 (Audited)
Gross deferred tax liabilities at 1 January 2011	–	5,287	5,287
Charged to the income statement during the year	4,120	6,543	10,663
Exchange differences	105	437	542
Gross deferred tax liabilities at 31 December 2011	4,225	12,267	16,492

Notes to Interim Condensed Consolidated Financial Statements

16. DEFERRED TAX (continued)

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:

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Net deferred tax assets recognised in the consolidated statements of financial position	27,170	20,103
Net deferred tax liabilities recognised in the consolidated statements of financial position	13,074	12,267

During the period, the Group has tax losses arising in Hong Kong of US$1,898,000 (2011: US$115,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and the Group has recognised deferred tax assets in respect of the tax losses.

During the period, the Group did not recognise deferred tax assets arising in the Mainland China and Hong Kong in respect of unutilised tax losses of US$1,399,000 (2011: US$1,000) and US$8,558,000 (2011: US$116,000), respectively, due to uncertainty in their recoverability.

Pursuant to the resolution of the Company, part of PRC subsidiaries' profits generated from 2012 onwards will be retained by PRC subsidiaries for use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed will not reverse in the foreseeable future. The aggregate amount of unrecognised deferred tax liabilities (i.e. withholding taxes relating to such temporary differences) was approximately US$4,544,000 (2011: Nil).

17. ISSUED CAPITAL

	Number of shares	Amounts HK$
Authorised ordinary shares:		
At 31 December 2011 (HK$0.01 each)	10,000,000,000	100,000,000
At 30 June 2012 (HK$0.01 each)	10,000,000,000	100,000,000
Issued and fully paid ordinary shares of HK$1.00 each:		
At 31 December 2011 (HK$0.01 each) (Audited)	2,842,400,000	28,424,000
At 30 June 2012 (HK$0.01 each) (Unaudited)	3,292,400,000	32,924,000

Notes to Interim Condensed Consolidated Financial Statements

17. ISSUED CAPITAL (continued)

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

				Equivalent		
	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Issued capital US$'000	Share premium account US$'000	Total US$'000
At 1 January 2011 (Audited)	18,496	18	–	2	–	2
Issuance and sub-division of shares in connection with pre-IPO restructuring	1,903,981,504	19,022	–	2,441	–	2,441
Issuance of new shares	816,000,000	8,160	5,124,480	1,047	657,519	658,566
Over-allotment	122,400,000	1,224	768,672	157	98,897	99,054
	2,842,400,000	28,424	5,893,152	3,647	756,416	760,063
Share issue expenses				–	(27,156)	(27,156)
At 1 January 2012 (Audited)				3,647	729,260	732,907
Issuance of new shares	450,000,000	4,500	2,875,500	580	370,329	370,909
Share issue expenses				–	(7,560)	(7,560)
As at 30 June 2012 (Unaudited)				4,227	1,092,029	1,096,256

On 2 April 2012, 450,000,000 new ordinary shares of the Company of HK$0.01 each were issued at a price of HK$6.40 per share with gross proceeds of HK$2,880,000,000 (equivalent to US$370,909,000).

18. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the interim condensed consolidated statement of changes in equity on page 53 to 54 of the financial statements.

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

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as are required to transfer no less than 10% of their profits after taxation, as determined under PRC Company Law, to the statutory reserve fund until the balance reaches 50% of the registered capital. The transfer to this statutory reserve fund must be made before the distribution of dividend to shareholders.

Notes to Interim Condensed Consolidated Financial Statements

19. CONTINGENT LIABILITIES

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

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Claimed amounts	–	158

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

20. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in Notes 10, 13 and 15 to the financial statements.

21. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its equipment, tools and moulds under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Within one year	7,808	1,964
In the second to fifth years, inclusive	51	–

(b) As lessee

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

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

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Within one year	10,153	8,021
In the second to fifth years, inclusive	15,077	14,457
	25,230	22,478

Notes to Interim Condensed Consolidated Financial Statements

22. COMMITMENTS

(a) In addition to the operating lease commitments detailed in Note 21 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	**1,944**	2,071

(b) **Credit commitments**

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

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Irrevocable credit commitment:	**830,038**	605,542

At any given time, the Group also has outstanding commitments to extend credit, which are included in irrevocable credit commitment. These commitments are in the form of approved lease contracts, which have yet to be provided as at the end of each reporting period.

23. RELATED PARTY TRANSACTIONS

Relationship between the Group and its related parties:

Ultimate holding company of a shareholder with significant influence

Sinochem Group

A shareholder with significant influence

Greatpart Limited

Subsidiaries of the ultimate holding company of a shareholder with significant influence

Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong")
Sinochem Finance Co., Ltd.
China Jin Mao Group Co., Ltd.
Beijing Chemsunny Property Co., Ltd.
Shanghai Jin Mao Imtech Facility Services Co., Ltd.
Sinochem Jinmao Property Management (Beijing) Co., Ltd
Sinochem Corporation
Sinochem Growth Enterprises Vision Co., Ltd
Sinochem International (Overseas) Pte. Ltd.

Notes to Interim Condensed Consolidated Financial Statements

23. RELATED PARTY TRANSACTIONS (continued)

a. In addition to the balances in Notes 13 and 15 to the financial statements, at the end of the reporting period, the Group has the following balances with its related parties:

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

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Due from related parties		
China Jin Mao Group Co., Ltd.	1,912	1,078
Beijing Chemsunny Property Co., Ltd.	59	54
Sinochem Hong Kong	–	39
Sinochem Growth Enterprises Vision Co., Ltd	–	57
	1,971	1,228

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

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

	30 June 2012 (Unaudited) US$'000	31 December 2011 (Audited) US$'000
Due to related parties		
Sinochem Finance Co., Ltd.	428	711
Sinochem Corporation	112	112
	540	823

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

Notes to Interim Condensed Consolidated Financial Statements

23. RELATED PARTY TRANSACTIONS (continued)

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

(i) ***Interest income from cash in bank***

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Sinochem Finance Co., Ltd.	**442**	168

The interest income were charged at rates ranging from 0.4% to 1.31% per annum.

(ii) ***Interest expense on borrowings***

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Sinochem Hong Kong	**–**	271
Sinochem Finance Co., Ltd	**10,709**	10,196

The interest expenses were charged at rates ranging from 6.40% to 6.65% per annum.

(iii) ***Rental expenses***

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
China Jin Mao Group Co., Ltd	**2,898**	2,044
Beijing Chemsunny Property Co., Ltd.	**160**	94
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	**20**	22
Shanghai Jin Mao Imtech Facility Services Co., Ltd.	**116**	82
Sinochem Hong Kong	**73**	51

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

Notes to Interim Condensed Consolidated Financial Statements

23. RELATED PARTY TRANSACTIONS (continued)

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

(iv) Commission fee:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Sinochem Finance Co., Ltd.	**193**	159

(v) Non-cancellable operating leases:

At 30 June 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June	31 December
	2012	2011
	(Unaudited)	(Audited)
	US$'000	US$'000
China Jin Mao Group Co., Ltd.	**13,873**	16,637
Beijing Chemsunny Property Co., Ltd.	**539**	712
Sinochem Hong Kong	**104**	182

c. Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Short-term employee benefits	**617**	692

24. FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, the current portion of restricted deposits, loans and accounts receivable and financial assets included in prepayments, deposits and other receivables, trade and bills payable, the current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of restricted deposits, loans and accounts receivable and financial assets included in prepayments, deposits and other receivables, the non-current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair value of the bonds is estimated using an equivalent market interest rate for a similar bond.

The Group entered into two derivative financial instruments with two counterparties: one is non-deliverable cross-currency swap measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The other is a call option measured using valuation techniques including the Binomial Lattice model. The model incorporates various inputs including the value of the underlying equity interest. The carrying amounts of the derivatives aforementioned are the same as their fair values.

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 all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

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

Notes to Interim Condensed Consolidated Financial Statements

24. FAIR VALUE HIERARCHY (continued)

Fair value hierarchy: (continued)

Assets measured at fair value:

As at 30 June 2012

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Derivative financial instruments	–	439	158	597

As at 31 December 2011

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Derivative financial instruments	–	601	159	760

The movements in fair value measurements in Level 3 during the period were as follow (see Note 11 for further details):

	US$'000
Derivative financial instruments:	
At 31 December 2011 and 1 January 2012	159
Addition	–
Exchange difference	(1)
At 30 June 2012	158

During the period, there were no transfers at fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2011: Nil).

25. POST BALANCE SHEET EVENTS

The Group does not have significant post balance sheet events.

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 22 August 2012.

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