遠東宏信有限公司
FAR EAST HORIZON LIMITED

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2011

The board of directors (the "Board") of Far East Horizon Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2011, together with the comparative figures for the six months ended June 30, 2010.

1. OVERVIEW

The Group is a leading and innovative financial services company in the PRC, specializing in providing customized financing solutions through financial leasing to customers in target industries in China. The Group also provides value-added services, including advisory, trading and brokerage, etc, to these customers.

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

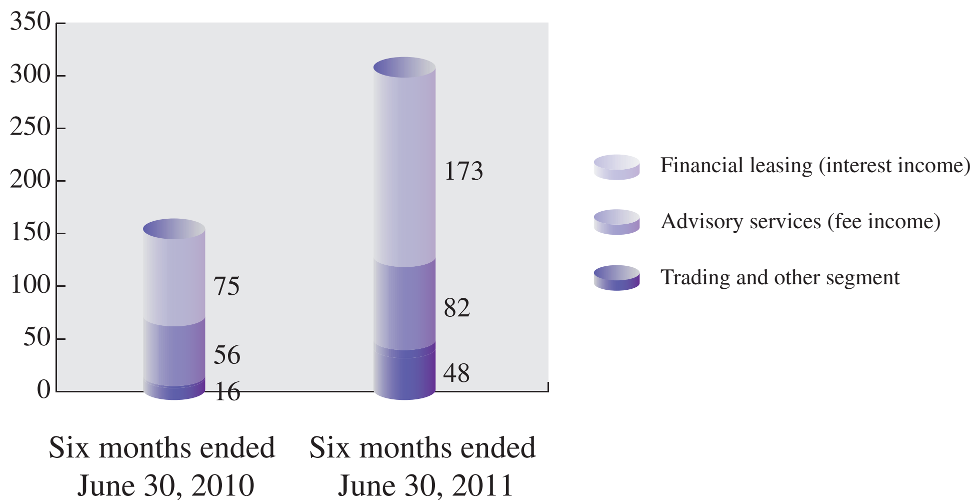
1. OVERVIEW (CONTINUED)

As at June 30, 2011, the Group has achieved healthy and stable financial performance across all indicators. Key financial data are as follows:

Revenue Mix

Revenue

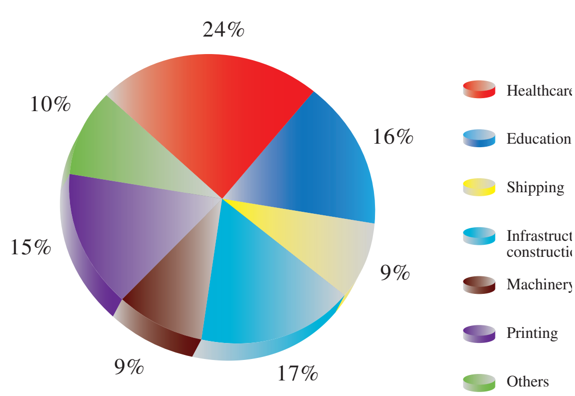
US$ M, before business taxes and surcharges



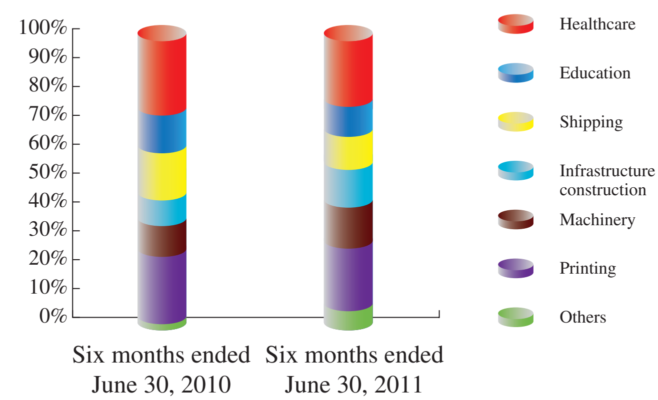
Industry Distribution

Net Lease Receivables by Industries

As at June 30, 2011

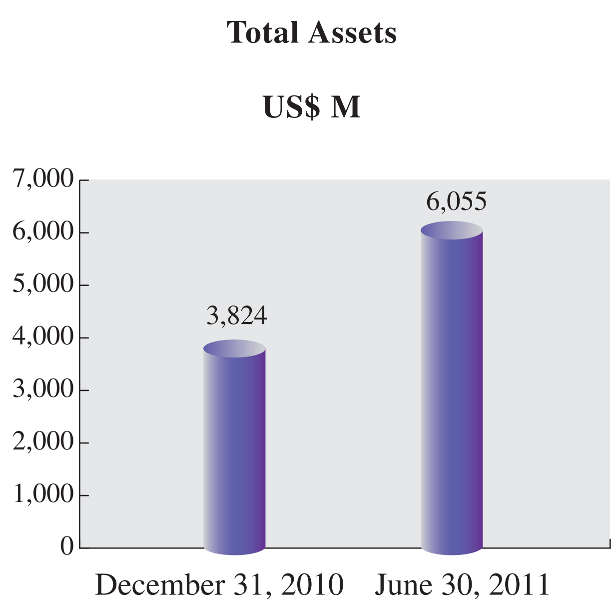


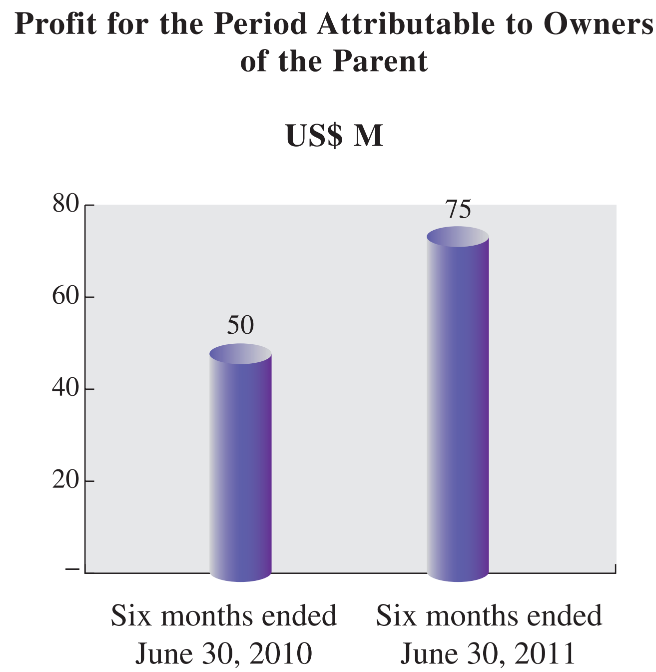
Revenue by Industries

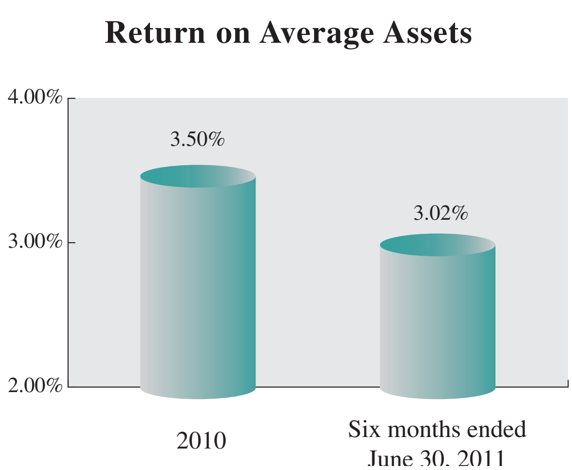


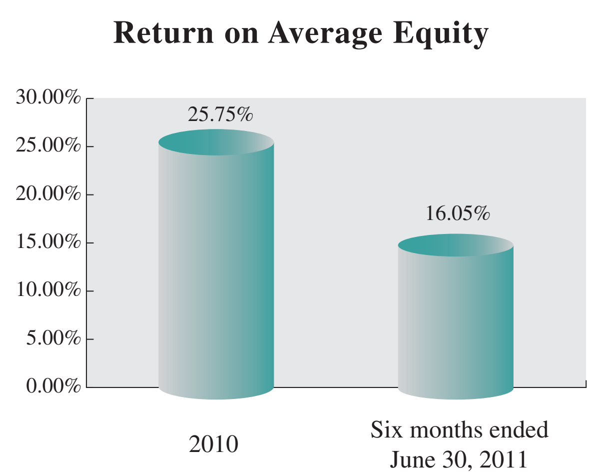
1. OVERVIEW (CONTINUED)

Business Growth and Profitability

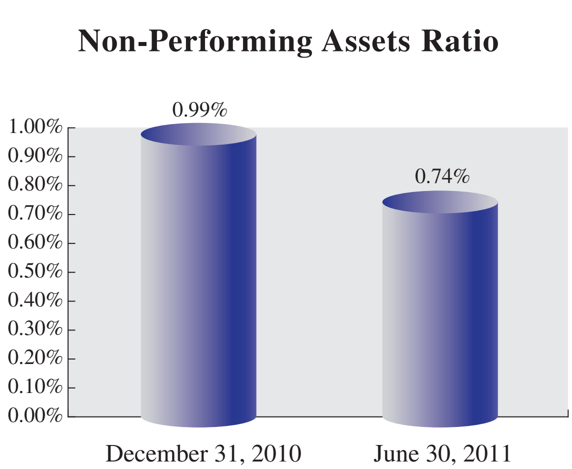


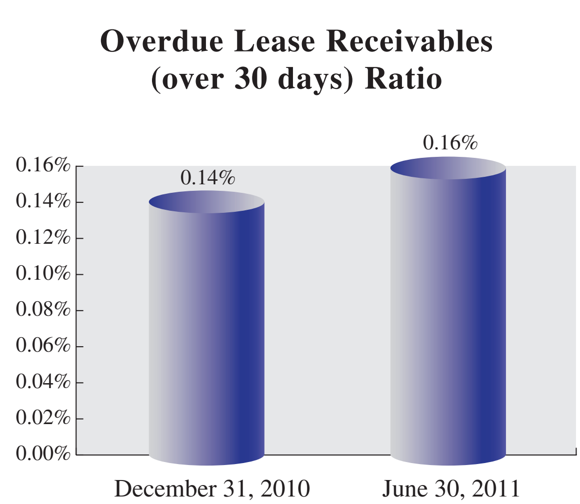






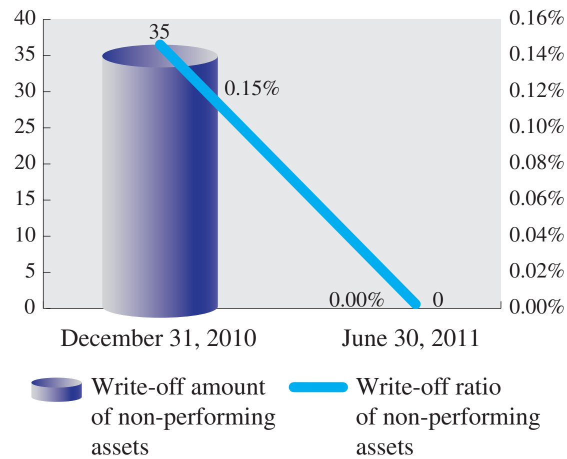
Asset Quality





Write-off of Non-performing Assets

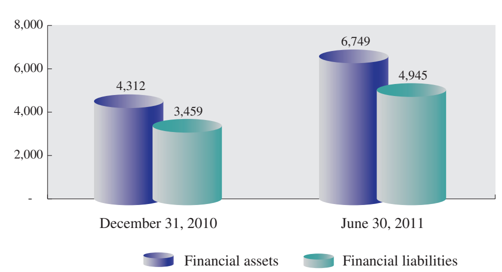
US$'000, except for ratios



Duration Matching of Assets and Liabilities

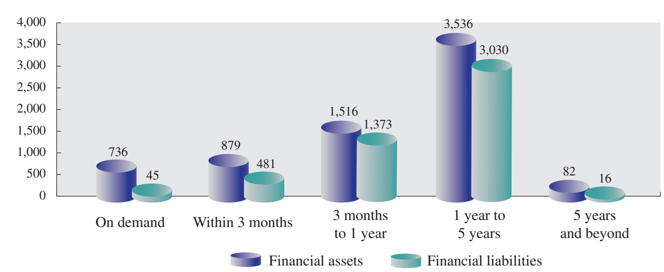
Financial Assets and Financial Liabilities as at December 31, 2010 and June 30, 2011

US$ M, Contractual Undiscounted



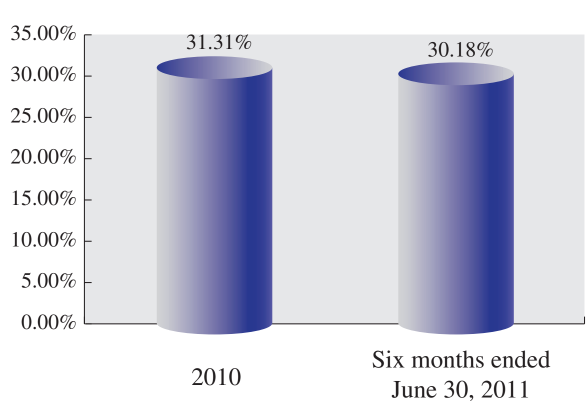
Financial Assets and Financial Liabilities as at June 30, 2011

US$ M, Contractual Undiscounted



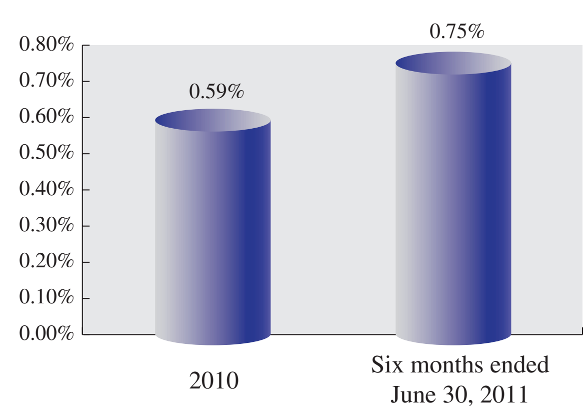
Cost Control

Cost to Income Ratio



Cost to income ratio is calculated by dividing selling and distribution costs and administrative expenses less impairment loss of loans and accounts receivable by gross profit for the period.

Credit Cost



Credit cost is calculated by dividing impairment loss of loans and accounts receivable by average of period-beginning balance and period-ending balance of total interest bearing assets.

2. FINANCIAL STATEMENTS

1) Interim Condensed Consolidated Income Statement

For the six months ended June 30, 2011

	Notes	For the six months ended June 30, 2011 (Unaudited) *US$'000*	2010 (Unaudited) *US$'000*
CONTINUING OPERATIONS			
REVENUE	*4-4*	**294,321**	142,865
Cost of sales		**(132,027)**	(48,538)
Gross profit		**162,294**	94,327
Other income and gains	*4-5*	**4,889**	4,929
Selling and distribution costs		**(27,715)**	(17,103)
Administrative expenses		**(37,635)**	(17,489)
Other expenses		**(3,202)**	(632)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*4-6*	**98,631**	64,032
Income tax expense	*4-7*	**(23,922)**	(13,704)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**74,709**	50,328
Attributable to:			
Owners of the parent		**74,697**	50,448
Non-controlling interests		**12**	(120)
		74,709	50,328
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**US cents**	US cents
Basic and Diluted			
– For profit for the period	*4-9*	**3.14**	2.65

Details of the dividends payable and proposed for the period are disclosed in Note 4-8 to the interim condensed consolidated financial statements.

2. FINANCIAL STATEMENTS (CONTINUED)

2) Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2011

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

2. FINANCIAL STATEMENTS (CONTINUED)

3) Interim Condensed Consolidated Statement of Financial Position

At June 30, 2011

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

2. FINANCIAL STATEMENTS (CONTINUED)

3) Interim Condensed Consolidated Statement of Financial Position (Continued)

At June 30, 2011

	Notes	**June 30, 2011 (Unaudited)** *US$'000*	December 31, 2010 (Audited) *US$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,323,706**	1,659,939
Other payables and accruals		**540,687**	418,670
Deferred revenue		**2,612**	3,168
Deferred tax liabilities		**8,628**	5,287
Other liabilities	*4-12*	**608**	–
Total non-current liabilities		**2,876,241**	2,087,064
Net assets		**1,334,790**	527,332
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**3,647**	2
Reserves		**1,330,701**	526,910
		1,334,348	526,912
Non-controlling interests		**442**	420
Total equity		**1,334,790**	527,332

2. FINANCIAL STATEMENTS (CONTINUED)

4) Notes to Interim Condensed Consolidated Financial Statements

4-1 Basis of preparation

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

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

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

4-2 Significant accounting policies

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

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

4-3 Operating segment information

For the six months ended June 30, 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**

2. FINANCIAL STATEMENTS (CONTINUED)

4) Notes to Interim Condensed Consolidated Financial Statements (Continued)

4-3 Operating segment information (Continued)

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

2. FINANCIAL STATEMENTS (CONTINUED)

4) Notes to Interim Condensed Consolidated Financial Statements (Continued)

4-3 Operating segment information (Continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

2. FINANCIAL STATEMENTS (CONTINUED)

4) Notes to Interim Condensed Consolidated Financial Statements (Continued)

4-4 Revenue

	For the six months ended June 30,	
	2011	2010
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Leasing income	**173,002**	74,766
Service fee income	**88,664**	59,273
Sale of goods	**38,009**	13,074
Construction contract revenue	**3,575**	–
Business tax and surcharges	**(8,929)**	(4,248)
	294,321	142,865

4-5 Other income and gains

	For the six months ended June 30,	
	2011	2010
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Bank interest income	**1,596**	468
Foreign exchange gain	**3,265**	125
Gain from disposal of available-for-sale investment	**–**	4,223
Others	**28**	113
	4,889	4,929

2. FINANCIAL STATEMENTS (CONTINUED)

4) Notes to Interim Condensed Consolidated Financial Statements (Continued)

4-6 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 June 30,	
	2011	2010
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Cost of borrowings included in cost of sales	**89,936**	36,194
Cost of inventories sold	**36,571**	12,344
Cost of construction contract	**2,557**	–
Cost of transportation	**2,963**	–
Depreciation	**611**	378
Amortisation of intangible assets and other long term assets	**901**	173
Rental expenses	**2,608**	1,669
Auditors' remuneration	**216**	90
Employee benefit expense (including directors' remuneration)		
– Wages and salaries	**19,311**	14,761
– Pension scheme contributions	**1,655**	1,334
– Other employee benefits	**8,561**	2,666
Impairment of loans and accounts receivable	**16,367**	5,434
Entertainment fee	**1,740**	1,332
Business travelling expenses	**5,392**	3,339
Consultancy fees	**1,212**	631
Office expenses	**1,346**	725
Advertising and promotion expenses	**468**	17
Transportation expenses	**175**	58
Communication expenses	**514**	429
Other miscellaneous expenses	**4,273**	1,556
Loss on disposal of property plant and equipment	**–**	185
Donation	**306**	–
Commission expense	**2,288**	447
Changes in fair value of derivative financial instruments	**608**	–

2. FINANCIAL STATEMENTS (CONTINUED)

4) Notes to Interim Condensed Consolidated Financial Statements (Continued)

4-7 Income tax

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

Hong Kong profits tax

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

Corporate Income Tax ("CIT")

Pursuant to relevant recognition by the local tax authorities, International Far Eastern Leasing Co., Ltd. ("Far Eastern Leasing") and Shanghai Donghong Co., Ltd. are entitled to transitional CIT rate of 24% in 2011 and other subsidiaries of the Group operated in Mainland China are subject to CIT at the statutory rate of 25%.

2. FINANCIAL STATEMENTS (CONTINUED)

4) Notes to Interim Condensed Consolidated Financial Statements (Continued)

4-8 Dividends

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

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

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 June 30, 2011.

4-9 Earnings per share

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

The calculation of basic earnings per share for the six months ended June 30, 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 March 18, 2011 (the "Prospectus"), in addition to the aforesaid 1,904,000,000 ordinary shares.

The calculation of basic earnings per share is based on:

Earnings

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

2. FINANCIAL STATEMENTS (CONTINUED)

4) Notes to Interim Condensed Consolidated Financial Statements (Continued)

4-9 Earnings per share (Continued)

Shares

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

There were no potential dilutive ordinary shares during the period.

4-10 Loans and accounts receivable

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

4-11 Trade and bills payables

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

2. FINANCIAL STATEMENTS (CONTINUED)

4) Notes to Interim Condensed Consolidated Financial Statements (Continued)

4-11 Trade and bills payables (Continued)

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

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

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

4-12 Other Liabilities

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

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

1) Economic Environment

In the first half of 2011, global economies continued their recovery trends, but at different paces. Impacted by high unemployment rate and sluggish consumption, the US economy showed weak recovery, with a growth rate slightly slower than that in the second half of the previous year, and sustained loose policies. Due to the sovereign debt crisis and reduction in government spending, the Euro-zone exhibited restrained economic recovery, but at a growth rate slightly faster than that in the second half of the previous year, with loose policies. Struck by the earthquake, Japan's economy indicated a contraction but its policies remained loose. Emerging economies exhibited an overall sound recovery with slower growth rate, which eased concerns about overheating, but the ever increasing inflation since this year led to intensified policy control, in particular, countries like India, Brazil and China raised their interest rates for several times.

There remained favorable momentum behind the domestic economic development in the PRC in the first half of 2011. Growth rate was lower than that in the second half of the previous year. Nominal GDP amounted to approximately RMB20.4 trillion, representing an increase of 9.6% compared with the corresponding period of the previous year. Total investment in fixed assets (excluding farmers) amounted to RMB12.4 trillion, representing a growth of 25.6% as compared with the corresponding period of the previous year, and CPI grew 5.4% on a year-on-year basis.[1]

As for the financial environment, in the first half of 2011, the domestic monetary policy in the PRC became moderate tight. The People's Bank of China raised the benchmark interest rates for RMB deposits and loans of financial institutions two times, resulting in the one year benchmark RMB deposit rate rising from 2.75% to 3.25% and the one year benchmark RMB lending rate rising from 5.81% to 6.31%.[2]

The financial leasing industry in China maintained steady growth in the first half of 2011. The balance of financial leasing contract in the first half of the year increased approximately RMB100 billion or 14.3% to approximately RMB800 billion, as compared to RMB700 billion in the beginning of the year. The number of financial leasing companies in the industry increased to approximately 210.[3]

The Group's six target fundamental industries, the healthcare, education, infrastructure construction, machinery, printing and shipping industries maintained healthy and steady development in the first half of 2011. In the meanwhile, the demand for financial leasing services and various other value-added services in these industries has been increasing, providing a solid foundation for the sustainable growth of our business.

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1. Source: National Bureau of Statistics of China
2. Source: People's Bank of China
3. Source: China Leasing Blue Book – China Financial Leasing Industry Report, January to June of 2011

3. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Analysis of Condensed Consolidated Income Statement

2-1 Overview of Profit and Loss

	For the six months ended June 30,		
	2011	2010	**Change**
	US$' 000	*US$' 000*	**%**
	(unaudited)	(unaudited)	
Revenue	**294,321**	142,865	**106.01%**
Cost of sales	**(132,027)**	(48,538)	**172.01%**
Gross profit	**162,294**	94,327	**72.05%**
Other income and gains	**4,889**	4,929	**-0.81%**
Selling and distribution costs/ Administrative expenses	**(65,350)**	(34,592)	**88.92%**
Other expenses	**(3,202)**	(632)	**406.65%**
Profit before tax	**98,631**	64,032	**54.03%**
Income tax expense	**(23,922)**	(13,704)	**74.56%**
Profit for the period	**74,709**	50,328	**48.44%**

In the first half of 2011, the Group's results attained record high. Our profit before tax was US$98.63 million, representing an increase of 54.03% as compared with the corresponding period of the previous year; and net profit was US$74.71 million, representing an increase of 48.44% as compared with the corresponding period of the previous year.

3. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Analysis of Condensed Consolidated Income Statement (Continued)

2-2 Revenue

	For the six months ended June 30, 2011 US$' 000 (unaudited)	2010 US$' 000 (unaudited)	Change %
Leasing and advisory segment	**254,760**	130,914	**94.60%**
Financial leasing (interest income)	**173,002**	74,766	**131.39%**
Advisory services (fee income)	**81,758**	56,148	**45.61%**
Trading and others segment	**48,490**	16,199	**199.34%**
Business taxes and surcharges	**(8,929)**	(4,248)	**110.19%**
Revenue (after business taxes and surcharges)	**294,321**	142,865	**106.01%**

(1) The revenue of the leasing and advisory services business of the Group realized a growth of 94.60%. The scale of leasing assets has significantly increased during the year as compared with the corresponding period of the previous year, and continuously benefited from the two rises in the benchmark interest rates for RMB deposits and loans of financial institutions by the People's Bank of China in the first half of 2011, the financial leasing interest income of the Group increased by 131.39%. In the meanwhile, with our capability to accommodate our clients' need on advisory services continuously enhanced, the corresponding income also keeps growing rapidly, recording a growth of 45.61%.

(2) The Group's trading and other income increased significantly by 199.34% as compared with the corresponding period of the previous year, driven by our continuous efforts on carrying forward our industry-focused and integrated services strategy. This was mainly attributable to the development of the trading business and the shipping business in the printing, machinery, and healthcare industries.

3. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Analysis of Condensed Consolidated Income Statement (Continued)

2-3 Cost of Sales

	For the six months ended June 30,		
	2011	2010	**Change**
	US$' 000	*US$' 000*	**%**
	(unaudited)	(unaudited)	
Cost from leasing and advisory segment	**(89,936)**	(36,194)	**148.48%**
Cost from trading and others segment	**(42,091)**	(12,344)	**240.98%**
Cost of sales	**(132,027)**	(48,538)	**172.01%**

(1) Cost from leasing and advisory segment arose mainly from financing cost. As the scale of loans of the Group increased significantly, and the People's Bank of China raised the benchmark interest rates for RMB deposits and loans of financial institutions twice in the first half of 2011, our total financing cost rose by 148.48% as compared with the corresponding period of the previous year.

(2) Cost from trading and others segment increased by 240.98%, which was mainly attributable to the increase in purchase costs resulting from the rapid increase in trading income.

2-4 Analysis of Other Income and Gains

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

In the first half of 2011, the other income and gains of the Group amounted to US$4,889,000, remained at about the same level as compared with the corresponding period of the previous year.

3. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Analysis of Condensed Consolidated Income Statement (Continued)

2-5 Selling and Distribution Costs and Administration Expenses

In the first half of 2011, the marketing expenses and administration expenses of the Group increased by US$30,758,000 from the previous year to US$65,350,000, representing an increase of 88.92%, which was mainly attributable to the increase in employee remuneration benefits, business traveling expenses and provisions for the impairment of loans and accounts receivable.

(1) To support our business expansion, the Group has continuously increased its effort in marketing and promotion, and employed additional staff for sales and middle and back office support, and this has resulted in an increase in the employee remuneration benefits by US$10,766,000 or 57.39% to US$29,527,000 as compared with last year. The increase of headcount and the higher frequency of marketing activities undertaken have resulted in the growth of business traveling expenses, and the growth of staff expenses was in line with the growth of income.

(2) With the expansion of the leasing business, the loans and accounts receivable of the Group increased significantly (see Analysis of Consolidated Statement of Financial Position). The Group has cautiously increased the provisions for the impairment of loans and accounts receivable. The provision for the impairment increased by US$10,933,000 from the previous year to US$16,367,000, representing an increase of 201.20%.

3. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3) Analysis of Condensed Consolidated Statement of Financial Position

3-1 Assets

	June 30, 2011		December 31, 2010		
	US$' 000 **(unaudited)**	**% of total**	*US$' 000* (audited)	% of total	**Change %**
Loans and accounts receivable	**4,939,156**	**81.57%**	3,700,329	96.76%	**33.48%**
Including: Net lease receivables	**4,893,189**		3,657,678		
Cash and cash equivalents	**979,521**	**16.18%**	53,362	1.40%	**1735.62%**
Time and pledge deposits	**92,306**	**1.52%**	24,527	0.64%	**276.34%**
Prepayments and other receivables	**19,679**	**0.32%**	28,870	0.75%	**-31.84%**
Deferred tax assets	**13,388**	**0.22%**	9,263	0.24%	**44.53%**
Property, plant and equipment	**5,228**	**0.09%**	4,002	0.10%	**30.63%**
Inventories	**299**	**0.00%**	495	0.02%	**-39.60%**
Construction contracts	**1,510**	**0.03%**	–	0.00%	**–**
Other assets	**4,194**	**0.07%**	3,316	0.09%	**26.48%**
Total assets	**6,055,281**	**100%**	3,824,164	100%	**58.34%**

As at June 30, 2011, the total assets of the Group increased by US$2.231 billion or 58.34%, from the end of last year to US$6.055 billion. Loans and accounts receivable are the key components of the total assets of the Group, accounting for 81.57%, representing a decrease of 15.19 percentage points as compared with the end of last year. Loans and accounts receivable increased by US$1.239 billion, or 33.48% from last year to US$4.939 billion. Net lease receivables are the key components of loans and accounts receivable, accounting for 99.07%. Net lease receivables increased by US$1.236 billion, or 33.78% from last year to US$4.893 billion.

As at June 30, 2011, the Group had sufficient cash and cash equivalents of US$980 million.

In the first half of 2011, by leveraging on its effective risk management, the Group continued to expand its financial leasing business with an increasing amount of sales and marketing staff, resulting in a significant increase of the customers and leasing contracts of the Group, and in turn, a significant increase in net lease receivables.

3. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3) Analysis of Condensed Consolidated Statement of Financial Position (Continued)

3-1 Assets (Continued)

3-1-1 Asset Quality

	June 30, 2011		December 31, 2010	
	US$' 000	**% of total**	*US$' 000*	% of total
	(unaudited)		(unaudited)	
Pass	**3,966,799**	**81.07%**	3,019,352	82.55%
Special mention	**890,068**	**18.19%**	602,064	16.46%
Substandard	**28,877**	**0.59%**	29,750	0.81%
Doubtful	**6,776**	**0.14%**	5,856	0.16%
Loss	**669**	**0.01%**	656	0.02%
Net lease receivables	**4,893,189**	**100.00%**	3,657,678	100.00%

The Group has established prudent asset quality control and adhered to stringent and conservative asset classification policy. "Special Mention" category increased as a result of both the tightening domestic monetary policy and the changing global economic environment. As at June 30, 2011, our assets under special mention accounted for 18.19% of our total amount, and non-performing assets increased by US$60,000 to US$36,322,000 as compare to the end of last year.

However, our asset quality still remains stable. As at June 30, 2011, our nonperforming asset ratio decreased from 0.99% to 0.74%, our Overdue Lease Receivables (over 30 days) Ratio was 0.16%, increasing by 0.02 percentage points from 0.14% at the end of last year. The total write-off amount decreased from US$35,000 to US$0 as compared to the end of last year. Our write-off ratio also decreased from 0.15% as of last year to 0.00%.

3. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3) Analysis of Condensed Consolidated Statement of Financial Position (Continued)

3-2 Liabilities

	June 30, 2011 *US$' 000* **(unaudited)**	December 31, 2010 *US$' 000* (audited)	**Change %**
Interest-bearing bank and other borrowings	**3,778,603**	2,569,939	**47.03%**
Other payables and accruals	**703,805**	532,474	**32.18%**
Trade and bills payables	**210,563**	160,539	**31.16%**
Tax payable	**15,672**	25,425	**-38.36%**
Deferred tax liability	**8,628**	5,287	**63.19%**
Deferred revenue	**2,612**	3,168	**-17.55%**
Other liabilities	**608**	–	
Total Liabilities	**4,720,491**	3,296,832	**43.18%**

As at June 30, 2011, the total liabilities of the Group increased by US$1.424 billion, or 43.18% from the end of last year to US$4.720 billion, and our gearing ratio remained at 77.96%, representing a decrease of 8.25 percentage points as compared with the end of last year.

Interest-bearing bank and other borrowings are key components of the total liabilities of the Group, accounting for 80.05% of total liabilities, representing an increase of 2.10 percentage points as compared with the end of last year. As at June 30, 2011, interest-bearing bank and other borrowings increased by US$1.209 billion from the end of last year or 47.03% to US$3.779 billion, primarily due to the increase in bank borrowings in support of the continuous business expansion of the Group.

3. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3) Analysis of Condensed Consolidated Statement of Financial Position (Continued)

3-3 Shareholders' equity

	June 30, 2011 ***US$' 000*** **(unaudited)**	December 31, 2010 *US$' 000* (audited)	Change %
Issued capital	**3,647**	2	**182250.00%**
Reserves	**1,330,701**	526,910	**152.55%**
Non-controlling interests	**442**	420	**5.24%**
Total Equity	**1,334,790**	527,332	**153.12%**

As at June 30, 2011, the total equity of the Group increased by US$807 million, or 153.12% from last year to US$1.335 billion.

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

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

3. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4) Outlook

Looking forward to the second half of 2011, momentum behind the global economy's recovery is expected to continue, but the outlook is not optimistic because there are yet various uncertainties. Developed economies will experience weak economic growth, whereas financial market fluctuations and sovereign debt crisis in some countries remain as risks behind. It is projected that the major developed economies shall maintain their loose monetary policies in the second half, which are seen to relief the recent problems like weak economic recovery, concerns about sovereign debt crisis, and financial market fluctuations. Affected by the slowdown in global economies, it is anticipated that increase in international commodity price will become stable, and inflation in emerging economies will be mitigated to certain extent. However, international trade protectionism may rise, which, coupled with weak consumption in developed economies and increasing pressure on export of emerging economies, is likely to result in moderate slowdown in economic growth. On the whole, the impact of sovereign debt crisis over macro-economies should not be underestimated and special attention will be paid to these uncertainties during the course of the global economy's recovery.

As for the domestic macro-economy, in the second half of 2011, the economy in China is expected to develop in a more sustainable and more healthy manner, shifting towards independent growth in an orderly manner. In the second half, China's economic growth is likely experience a steady fall but will remain within a normal range in general.

In the second half of 2011, the proactive fiscal policies and prudent monetary policies imposed by the Chinese government are seen to prolong, while the basic direction of macro-economic control shall remain unchanged, i.e., continuing to pose stabilizing price level as the primary task of macro-economic control. The PRC government will, with enhanced observation and analysis on domestic and overseas economic conditions, control the strength and progress of policies implementing, while improving their relevancy, flexibility and effectiveness. So as to balance the stable rapid economic growth and economic structure adjustment with inflation expectation management. Meanwhile, it should be noted that, under the macro environment where the liquidity continuously shrinks and the overall growing speed of the economy is appropriately slowed, the developing pace of certain domestic industries will be accordingly slowed, which will affect the growing speed of our new business in such industries and the stability of our asset quality in a certain extent.

Generally speaking, the sustainable development of the economy in China, the stable monetary policies, the further optimization of the economic structure, the rapid progress of the urbanization and industrialization, and the stable development of the six industries that the Group operated in, the financial leasing industry that is currently far from mature, and the strong demand for financial services of small and middle enterprises will together provide an excellent external environment for the stable development of the Group's businesses.

4. OTHER INFORMATION

Interim Dividends

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

Purchase, Sale or Redemption of our Shares

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 June 30, 2011.

The Code on Corporate Governance Practices

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

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

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

Model Code for Securities Transactions

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

Audit Committee

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

4. OTHER INFORMATION (CONTINUED)

Ernst & Young, independent auditor of the Company, also reviewed the unaudited condensed consolidated interim financial information of the period, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Use of Proceeds from the Global Offering

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

Publication of Interim Results and Interim Report

The interim report for the six months ended June 30, 2011 of the Company that contains all the information as required in the Listing Rules will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.fehorizon.com in due course.

By Order of the Board
Far East Horizon Limited
Chairman
Liu Deshu

Hong Kong, August 24, 2011

As at the date of this announcement, the executive directors of the Company are Mr. KONG Fanxing and Mr. WANG Mingzhe, the non-executive directors of the Company are Mr. LIU Deshu (Chairman), Mr. YANG Lin, Ms. SHI Dai, Mr. LIU Haifeng David and Ms. SUN Xiaoning, and the independent non-executive directors of the Company are Mr. HAN Xiaojing, Mr. LIU Jialin, Mr. CAI Cunqiang and Mr. YIP Wai Ming.