遠東宏信有限公司
FAR EAST HORIZON LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 3360)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

The board of directors (the "Board") of Far East Horizon Limited (the "Company") hereby announces the financial results and financial conditions of the Company and its subsidiaries (the "Group") for the year ended and as of December 31, 2011, together with the comparative figures for the year ended and as of December 31, 2010.

I. OVERVIEW

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.

The Group faced an increasingly complicated and evolving business environment in 2011. Notwithstanding this, by adhering to our established business strategy of providing industry-focused integrated services and taking specific measures to further streamline our marketing structure, increase customer coverage, strengthen market expansion, enhance brand profile, reinforce product and business innovation, increase comprehensive service capabilities oriented toward various types of industries, and expand new markets and niche markets of existing markets, we have continuously enhanced our competitive edge in differentiation. As for risk management, the Group adopted more prudent and proactive risk management policies to deal with the complex external environment, thereby strengthening the review of customer qualifications, expanding the base of our mid and high-end customers, optimizing our customer mix, refining and enhancing credit management, solidifying control over the differences in industry risks, achieving more intensive rental management and enlarging the scope of control measures. During the year, the Group was successfully listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and smoothly issued offshore RMB bonds in Hong Kong, hence achieving diversification in financing. Overall, the Group has achieved all the objectives of its strategies during the year.

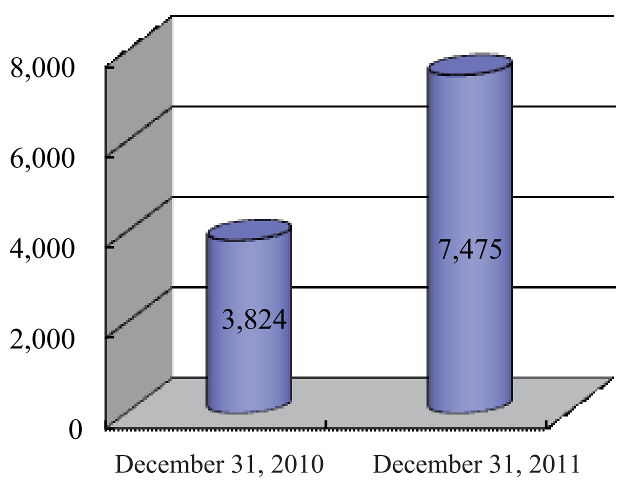
I. OVERVIEW (CONTINUED)

As at December 31, 2011, all of the Group's performance indicators were healthy and stable and the key financial data are set out as below:

Asset Growth

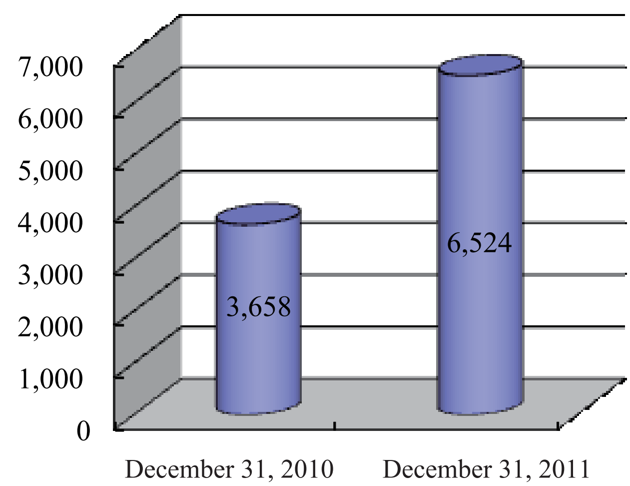
Total assets

US$ million



Net lease receivables

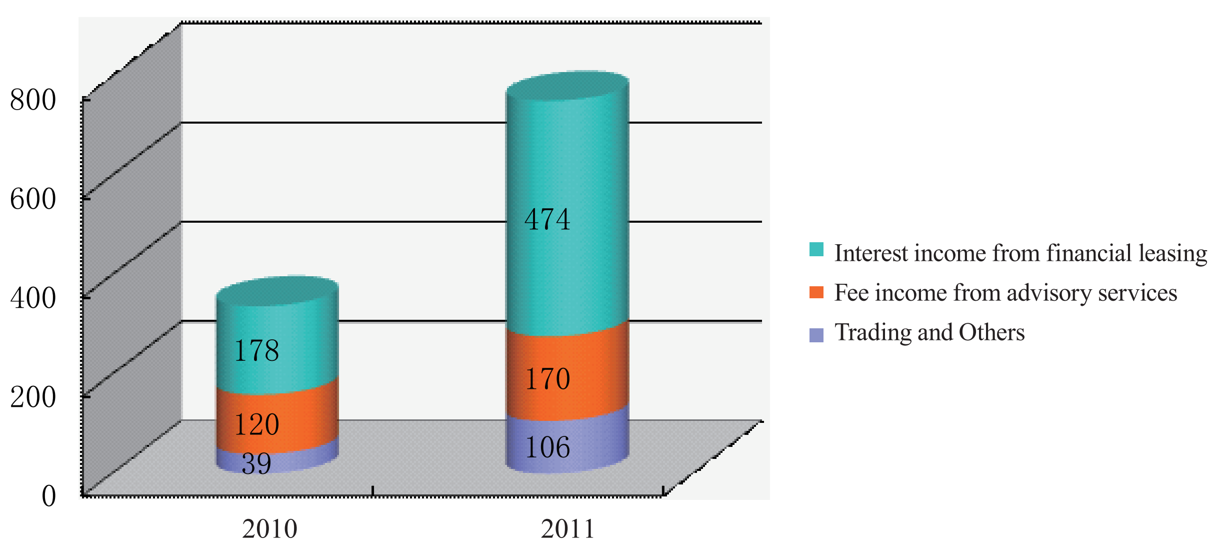
US$ million



Income Structure

Revenue

US$ million, before business taxes and surcharges

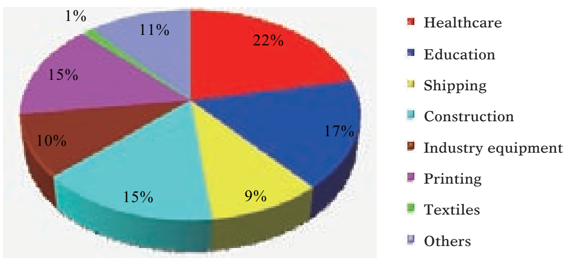


I. OVERVIEW (CONTINUED)

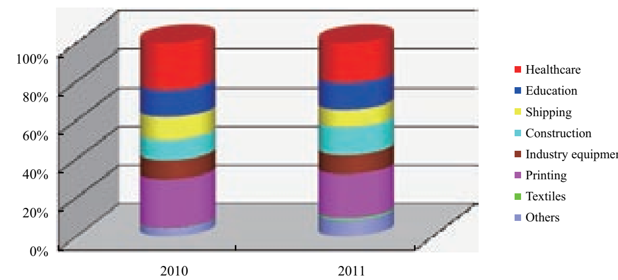
Industry Distribution

Net lease receivables by industries

As at December 31, 2011



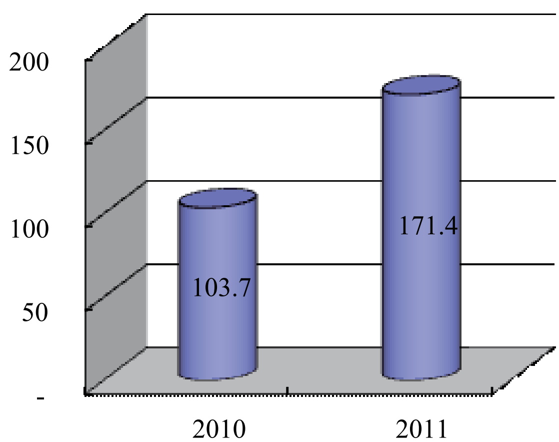
Revenue by industries



Business Profitability

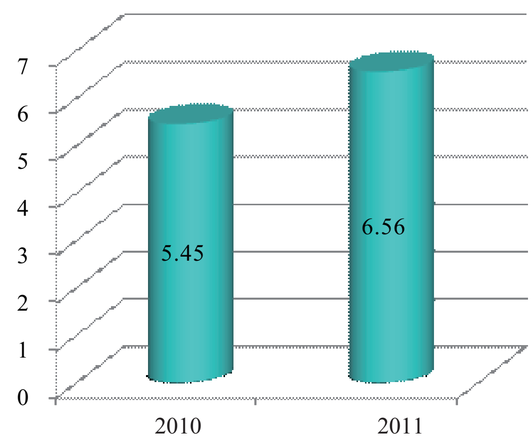
Profit for the year attributable to the equity holders of the parent

US$ million



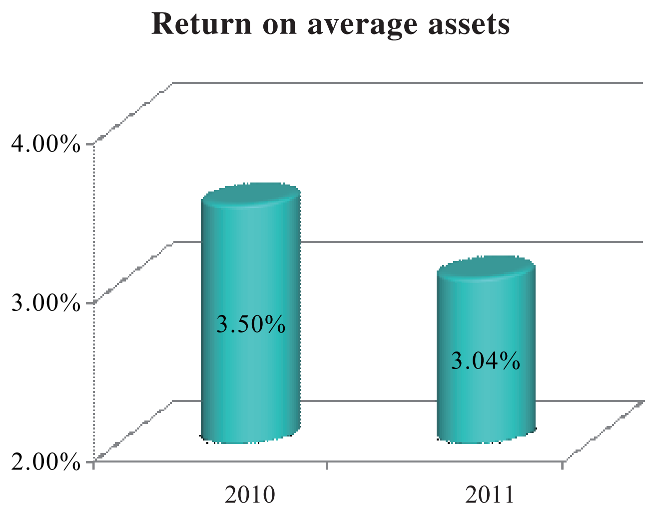
Basic and diluted earnings per share

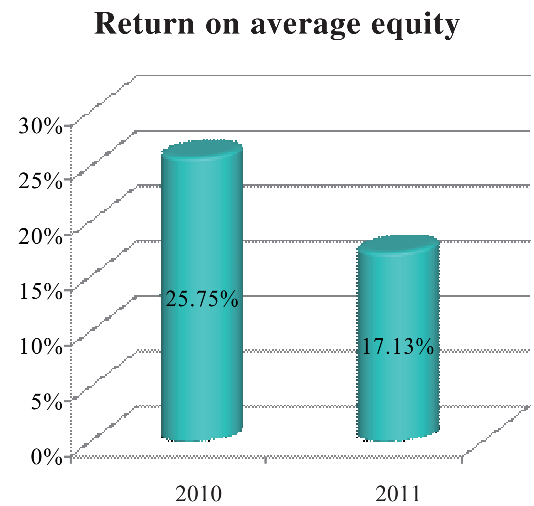
US cents

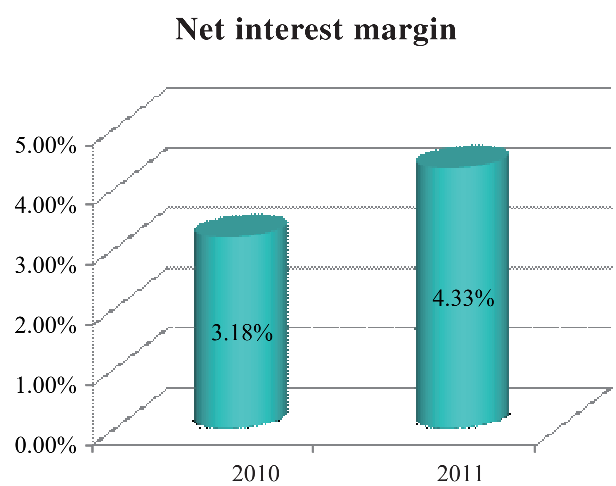


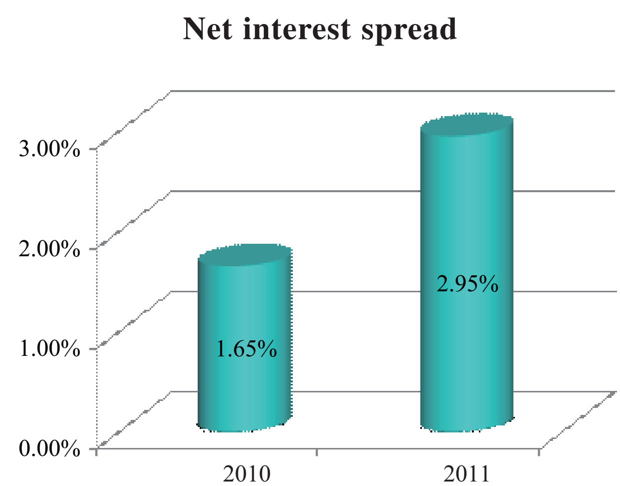
I. OVERVIEW (CONTINUED)

Business Profitability (continued)





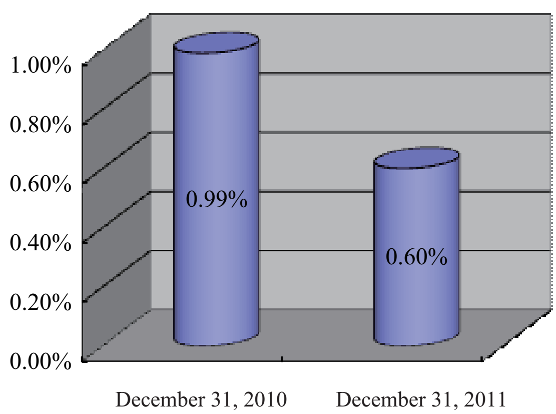




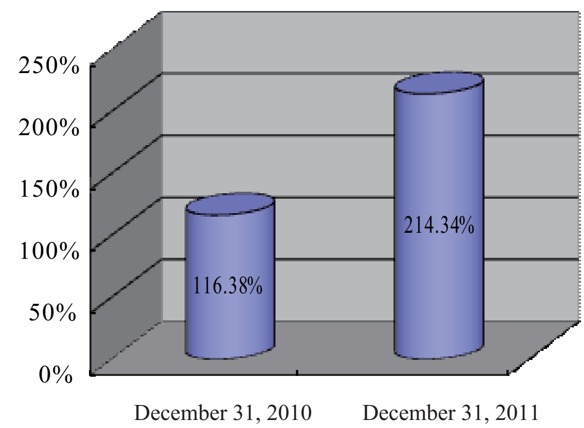
I. OVERVIEW (CONTINUED)

Assets Quality

Non performing assets ratio

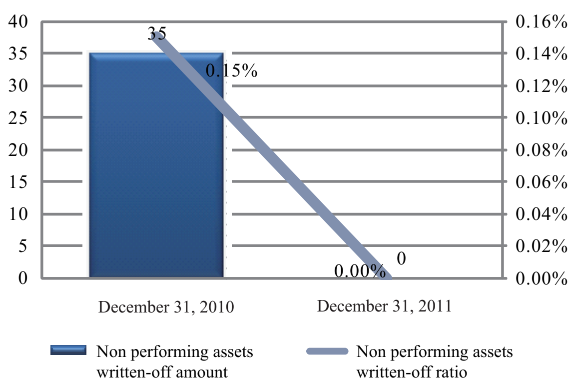


Provision coverage

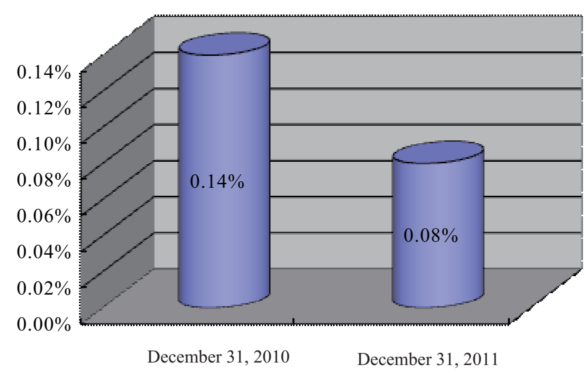


Write–off of non–performing assets

US$'000, excluding ratios



Overdue lease receivables (over 30 days) ratio

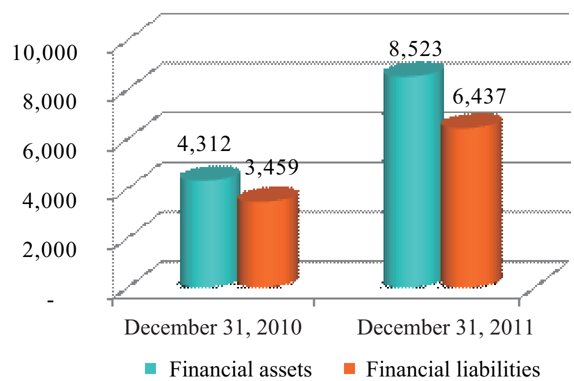


I. OVERVIEW (CONTINUED)

Asset-liability Duration Matching

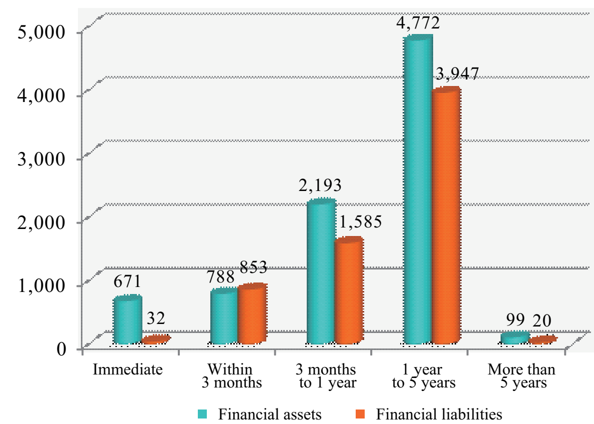
As at the end of 2010 and 2011
Financial assets and liabilities

US$ million, on a contractual undiscounted basis



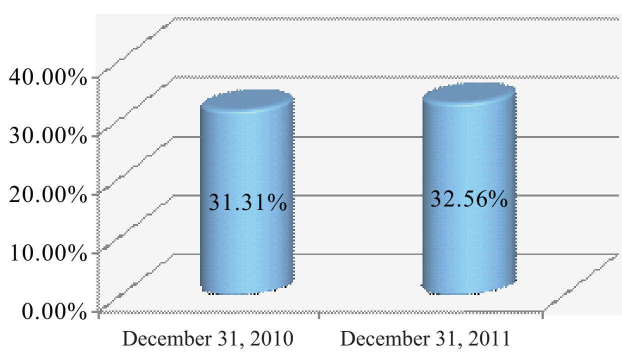
December 31, 2011
Financial assets and liabilities

US$ million, on a contractual undiscounted basis

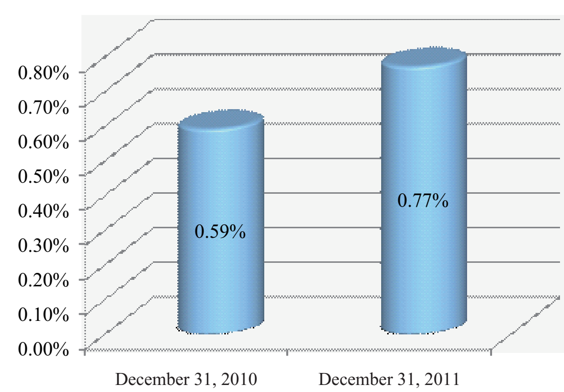


Cost Control

Rate of operating cost



Cost of credit



Rate of operating cost = (cost of sales and distribution + administrative expense – provisions for loans and receivables)/gross profit

Cost of credit = provisions for loans and receivables/average balance of interest-earning assets through the year

II. FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2011

	Notes	**2011**	2010
		US$'000	*US$'000*
CONTINUING OPERATIONS			
REVENUE	*4-4*	**729,895**	326,909
Cost of sales		**(342,641)**	(117,864)
Gross profit		**387,254**	209,045
Other income and gains	*4-5*	**11,627**	9,930
Selling and distribution costs		**(69,531)**	(37,614)
Administrative expenses		**(96,647)**	(44,589)
Other expenses		**(3,849)**	(3,444)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*4-6*	**228,854**	133,328
Income tax expense	*4-7*	**(57,251)**	(29,910)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**171,603**	103,418
Attributable to:			
Owners of the parent		**171,412**	103,749
Non-controlling interests		**191**	(331)
		171,603	103,418
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*4-9*	***US cents***	*US cents*
Basic and diluted – earnings per share		**6.56**	5.45

Details of the dividends payable and proposed for the year are disclosed in Note 4-8 to the financial statements.

II. FINANCIAL STATEMENTS (CONTINUED)

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2011

	2011	2010
	US$'000	*US$'000*
PROFIT FOR THE YEAR	**171,603**	103,418
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Gain on disposal	**–**	(4,276)
Exchange differences	**–**	53
Income tax effect	**–**	940
	–	(3,283)
Exchange differences on translation of financial statements of entities in Mainland China	**47,985**	13,859
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**47,985**	10,576
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**219,588**	113,994
Attributable to:		
Owners of the parent	**219,370**	114,308
Non-controlling interests	**218**	(314)
	219,588	113,994

II. FINANCIAL STATEMENTS (CONTINUED)

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2011

	Notes	**December 31, 2011 US$'000**	December 31, 2010 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**17,009**	4,002
Other assets		**5,439**	3,316
Deferred tax assets		**20,103**	9,263
Loans and accounts receivable	*4-10*	**4,262,017**	2,429,303
Prepayments, deposits and other receivables		**4,680**	–
Restricted deposits		**15,871**	–
Derivative financial instruments	*4-11*	**760**	–
Total non-current assets		**4,325,879**	2,445,884
CURRENT ASSETS			
Inventories		**1,140**	495
Construction contracts		**4,780**	–
Loans and accounts receivable	*4-10*	**2,296,065**	1,271,026
Prepayments, deposits and other receivables		**17,718**	28,870
Restricted deposits		**167,755**	24,527
Cash and cash equivalents		**661,365**	53,362
Total current assets		**3,148,823**	1,378,280
CURRENT LIABILITIES			
Trade and bills payables	*4-12*	**357,354**	160,539
Other payables and accruals		**190,487**	113,804
Interest-bearing bank and other borrowings		**1,918,048**	910,000
Tax payable		**34,940**	25,425
Total current liabilities		**2,500,829**	1,209,768
NET CURRENT ASSETS		**647,994**	168,512

II. FINANCIAL STATEMENTS (CONTINUED)

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

December 31, 2011

	December 31, 2011	December 31, 2010
	US$'000	*US$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,973,873**	2,614,396
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,787,540**	1,659,939
Deferred tax liabilities	**12,267**	5,287
Other payables and accruals	**695,699**	418,670
Deferred revenue	**2,107**	3,168
Total non-current liabilities	**3,497,613**	2,087,064
Net assets	**1,476,260**	527,332
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**3,647**	2
Reserves	**1,471,975**	526,910
	1,475,622	526,912
Non-controlling interests	**638**	420
Total equity	**1,476,260**	527,332

II. FINANCIAL STATEMENTS (CONTINUED)

4. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an available-for-sale financial investment, which has been measured at fair value. These 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 OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES

4-2-1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments Improvements to HKFRSs 2010* Amendments to a number of HKFRSs issued in May 2010

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

4-2-2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Currently, the Group expects to adopt them when they become effective.

HKFRS 1 Amendments	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	*Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of financial Assets*[1]
HKFRS 7 Amendments	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]

II. FINANCIAL STATEMENTS (CONTINUED)

4. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4-2 OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4-2-2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKAS 12 Amendments	*Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	*Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after July 1, 2011
2 Effective for annual periods beginning on or after January 1, 2012
3 Effective for annual periods beginning on or after July 1, 2012
4 Effective for annual periods beginning on or after January 1, 2013
5 Effective for annual periods beginning on or after January 1, 2014
6 Effective for annual periods beginning on or after January 1, 2015

4-3 OPERATING SEGMENT INFORMATION

As at December 31, 2011 and for the year then ended	**Leasing and advisory** *US$'000*	**Trading and others** *US$'000*	**Intersegment** *US$'000*	**Total** *US$'000*
Revenue	**624,158**	**105,819**	**(82)**	**729,895**
Cost of sales	**(250,160)**	**(92,634)**	**153**	**(342,641)**
Selling and distribution costs/ administrative expenses	**(160,083)**	**(6,095)**	**–**	**(166,178)**
Profit before tax	**223,697**	**5,157**	**–**	**228,854**
Profit after tax	**166,791**	**4,812**	**–**	**171,603**
Segment assets	**7,463,515**	**42,831**	**(31,644)**	**7,474,702**
Segment liabilities	**5,993,914**	**18,498**	**(13,970)**	**5,998,442**

4. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4-3 OPERATING SEGMENT INFORMATION (CONTINUED)

As at December 31, 2010 and for the year then ended	Leasing and advisory *US$'000*	Trading and others *US$'000*	Intersegment *US$'000*	Total *US$'000*
Revenue	288,276	38,633	–	326,909
Cost of sales	(87,656)	(30,208)	–	(117,864)
Selling and distribution costs/ administrative expenses	(78,385)	(3,818)	–	(82,203)
Profit before tax	130,327	4,926	(1,925)	133,328
Profit after tax	100,754	4,589	(1,925)	103,418
Segment assets	3,819,106	14,685	(9,627)	3,824,164
Segment liabilities	3,291,800	11,444	(6,412)	3,296,832

Geographical information

(a) Revenue from external customers

	2011 *US$'000*	2010 *US$'000*
Mainland China	**715,247**	321,898
Hong Kong	**9,533**	4,740
Other countries or regions	**5,115**	271
	729,895	326,909

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

(b) Non-current assets

	2011 *US$'000*	2010 *US$'000*
Mainland China	**22,448**	7,318

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

II. FINANCIAL STATEMENTS (CONTINUED)

4. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4-4 REVENUE

	2011	2010
	US$'000	*US$'000*
Revenue		
Finance lease income	**474,028**	178,361
Service fee income	**170,199**	119,768
Sale of goods	**79,105**	31,782
Brokage income	**16,287**	6,633
Construction contract revenue	**10,134**	371
Operating lease income	**652**	–
Business tax and surcharges	**(20,510)**	(10,006)
	729,895	326,909

4-5 OTHER INCOME AND GAINS

	2011	2010
	US$'000	*US$'000*
Other income and gains		
Bank interest income	**4,702**	1,569
Foreign exchange gain	**4,987**	1,281
Derivative financial instruments –		
transaction not qualifying hedge:		
Unrealised fair value gains,net	**760**	–
Realised fair value gains,net	**320**	–
Gain on disposal of an available-for-sale investment	**–**	4,276
Government grants	**778**	2,230
Others	**80**	574
	11,627	9,930

II. FINANCIAL STATEMENTS (CONTINUED)

4. NOTES TO 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:

	2011	2010
	US$'000	*US$'000*
Cost of borrowings included in cost of sales	**250,007**	87,656
Cost of inventories sold	**76,693**	29,945
Cost of construction contracts	**7,039**	263
Cost of transportation	**8,902**	–
Depreciation	**2,019**	902
Amortisation of intangible assets and other assets	**2,435**	862
Rental expenses	**5,470**	3,701
Auditors' remuneration	**511**	639
Employee benefit expense (including directors' remuneration):		
– Wages and salaries	**57,833**	23,651
– Pension scheme contributions	**4,258**	3,010
– Other employee benefits	**14,216**	8,435
Impairment of loans and accounts receivable	**40,096**	16,754
Entertainment fee	**5,138**	3,689
Business travelling expenses	**14,711**	9,371
Consultancy fees	**2,976**	1,525
Office expenses	**5,170**	2,397
Advertising and promotion expenses	**496**	304
Transportation expenses	**406**	263
Communication expenses	**1,459**	1,085
Other miscellaneous expenses	**9,005**	5,615
Loss on disposal of property, plant and equipment	**23**	216
Donation	**310**	15
Bank commission expenses	**3,495**	3,213

4. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4-7 INCOME TAX

	2011	2010
	US$'000	*US$'000*
Current – Hong Kong		
Charge for the year	**963**	613
Underprovision in prior years	**46**	61
Current – Mainland China		
Charge for the year	**60,618**	33,460
Overprovision in prior years	**(759)**	–
Deferred tax	**(3,617)**	(4,224)
Total tax charge for the year	**57,251**	29,910

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010:16.5%) on the estimated assessable profits arising in Hong Kong for the year.

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%.

4. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4-8 DIVIDENDS PAID AND PROPOSED

	2011	2010
	US$'000	*US$'000*
Dividends before listing	**1,124**	78,912
Proposed final dividend – HK$0.10 (2010: Nil) per ordinary share	**36,572**	–

The dividends paid to the Company's shareholders during 2010 were based on the dividends received from its subsidiaries in Mainland China for profits appropriation in respect of the years 2008 and 2009.

The dividends paid to the Company's shareholders during the year were dividends distributed to Fortune Ally ("Fortune Ally"), the original parent company of the Company, on March 7, 2011, prior to the Company's listing.

A final dividend for the year 2011 of HK$0.10 per share was proposed at the meeting of Board of Directors held on March 21, 2012. Based on the total number of outstanding ordinary shares of 2,842,400,000, the proposed dividends amounted to approximately HK$284,240,000 (equivalent to US$36,572,000). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the financial statements.

4-9 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended December 31, 2010 is based on the consolidated profit for the year attributable to ordinary equity holders of the parent and on 1,904,000,000 ordinary shares in issue prior to the Global Offering, as though the shares had been issued on January 1, 2010.

The calculation of basic earnings per share for the year ended December 31, 2011 is based on the consolidated profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue for the year. 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 an exercise of an 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.

II. FINANCIAL STATEMENTS (CONTINUED)

4. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4-9 EARNINGS PER SHARE (CONTINUED)

The calculation of basic earnings per share is based on:

Earnings

	2011	2010
	US$'000	*US$'000*
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**171,412**	103,749

Shares

	Number of shares	
	2011	2010
Weighted average number of ordinary shares in issue during the year, used in the basic earning per share calculation	**2,611,237,260**	1,904,000,000

There was no potential dilutive ordinary shares in issue during the year.

4-10 LOANS AND ACCOUNTS RECEIVABLE

	2011	2010
	US$'000	*US$'000*
Loans and accounts receivable due within 1 year	**2,296,065**	1,271,026
Loans and accounts receivable due after 1 year	**4,262,017**	2,429,303
	6,558,082	3,700,329

II. FINANCIAL STATEMENTS (CONTINUED)

4. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4-11 DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	**2011** **US$'000**	2010 *US$'000*
Cross-currency interest rate swaps	*(a)*	**601**	–
Call options	*(b)*	**159**	–
		760	–

(a) As at December 31, 2011, to manage the exchange rate exposure and interest rate exposure arising from the borrowings from Standard Chartered Bank by Far Eastern Leasing amounting to US$100,000,000 with floating interest rates determined with reference to LIBOR and measured at amortised cost, the Company accordingly entered into 2 (2010: Nil) non-deliverable cross currency swap contracts with Standard Chartered Bank with a nominal amount of US$100,000,000. Changes in the fair value of the financial derivatives amounting to US$601,000 (2010: Nil) were charged to the income statement during the year.

(b) As at October 31, 2011, Bright Time (China) limited ("Bright"), the subsidiary of the Company, entered into a call option agreement (the "Agreement") with one company located in Cayman Island (the "Cayman company"). According to the Agreement, Bright shall have the right at any time between the date of signing the Agreement and the expiration of the exercise period, that is, 3 years or 5 years upon fulfillment of certain extension criteria, to subscribe by cash the newly issued common stock of the Cayman company representing 25% of the fully-diluted, as converted common stock of the Cayman company. Thus the changes in the fair value of the financial derivative amounting to US$159,000 (2010: Nil) were charged to the income statement during the year.

4-12 TRADE AND BILLS PAYABLES

	2011 **US$'000**	2010 *US$'000*
Bills payable	**196,113**	80,939
Trade payables	**161,241**	79,600
	357,354	160,539

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

	2011 **US$'000**	2010 *US$'000*
Within 1 year	**342,360**	140,284
1 to 2 year	**11,589**	18,985
2 to 3 year	**2,532**	497
3 years and beyond	**873**	773
	357,354	160,539

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

III. MANAGEMENT DISCUSSION AND ANALYSIS

1. Economic Environment

Looking back into 2011, on the back of the deceleration of the global economic recovery and the intensifying and spreading sovereign debt crisis, the economy faced significant downside risk. The US economy resumed its growth momentum to a certain extent, showing slight improvements in inflation and employment and achieving an increase in GDP growth in the fourth quarter. In the Euro Zone, there was an increase in fiscal and financial risks in turn and the driver for economic recovery weakened, hence further differentiating the growth by country. Japan, being severely hit by earthquakes and tsunamis, saw the deterioration in trade and debts while recording an economic growth which first declined and then increased. Given the impact of the continuously tightening domestic policies, the cyclical economic downturn, the decline in external demand and other factors, key emerging economies generally experienced a deceleration in growth and were confronted with challenges of stabilizing growth, capping inflation and avoiding sharp fluctuations in short-term cross-border capital flows. The International Monetary Fund (IMF) has revised down its world economic growth forecast to 0.2% in its World Economic Outlook for January 2012. Its estimate for world economic growth in 2011 was 3.8%, of which the economic growth for the US, Euro Zone, Japan and the emerging and developing economies were 1.8%, 1.6%, -0.9% and 6.2% respectively, lower by 1.2%, 0.3%, 5.3% and 1.1% over 2010, respectively.

From the domestic economic perspective, in 2011 China's economy shifted from policy-stimulated growth to autonomous growth and the national economy continued to develop in good shape along the expected direction of macroeconomic regulation and control. China's GDP for the year amounted to RMB47.2 trillion, representing growth of 9.2% over the previous year in terms of comparable price. Fixed asset investments (excluding rural households) for the year were RMB30.2 trillion, an increase of 16.1% over the previous year (excluding price factors). The excessive increase in prices was being initially contained. The year-on-year increase in CPI continued to drop since July and the CPI through 2011 grew 5.4% year-on-year.[1]

From the financial environment perspective, in 2011 the central government implemented prudent monetary policies which were fine-tuned in a timely and appropriate manner. In the first three quarters of 2011, in the face of constantly increasing inflationary pressure, the People's Bank of China raised the deposit reserve ratio by a total of 3% over six increases and the deposit and lending benchmark interest rates by a total of 0.75% over three increases. From October onwards, with a focus on evolving situations including the spread of the European sovereign debt crisis, the deceleration of domestic economic growth and the end in price hikes, the central government increased the relevance, flexibility and effectiveness of its polices, carried out fine-tuning in a timely and appropriate manner, suspended the issuance of three-year central bank bills, revised down the deposit reserve ratio by 0.5% and, adjusted and optimised relevant parameters of the dynamic adjustment mechanism for differential reserve ratios. Overall, the effects of the implementation of prudent monetary policies have gradually become apparent.

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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 – 2011 China Financial Leasing Industry Report*

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Economic Environment (continued)

From the perspective of money supply, M2, the broad measure of money supply, amounted to RMB85.2 trillion as at the end of 2011, representing a year-on-year growth of 13.6%. The balance of RMB-denominated loans grew by 15.8% year-on-year. The size of social financing was RMB12.83 trillion. Lending rates of financial institutions inched up on the whole and the weighted average interest rates for non-financial institutions and other sectors was 8.01% in December, an increase of 1.82% over the beginning of the year. The central parity rate of the RMB against the US dollar was RMB6.3009 as at the end of the year, representing an appreciation of 5.11% compared with the end of the previous year.[2]

In respect of the financial leasing industry, the industry maintained steady growth in China in 2011. As at the end of 2011, China had approximately 286 registered financial leasing companies in operation with the balance of financial leasing contracts amounting to approximately RMB930 billion, representing year-on-year growth of 32.9%.[3]

As for the six basic industries which the Group is primarily engaged in, namely healthcare, education, construction, industrial equipment, printing and shipping, all of them showed a healthy and steady development trend in 2011. Meanwhile, the demand for financial leasing and related value-added services from the six major industries was on the increase, hence laying a solid foundation for the sustainable business development of the Group. Furthermore, the Group officially established a Textile Systems Division in November 2011 aiming to provide customers in the domestic textile industry, being our target market, with financial leasing and other related value-added services.

2. Analysis of Profit and Loss

2-1 Overview of Profit and Loss

	For the year ended December 31,		
	2011	2010	**Change %**
	US$'000	*US$'000*	
Revenue	**729,895**	326,909	**123.27%**
Cost of sales	**(342,641)**	(117,864)	**190.71%**
Gross profit	**387,254**	209,045	**85.25%**
Other income and gains	**11,627**	9,930	**17.09%**
Selling and distribution costs/ Administrative expenses	**(166,178)**	(82,203)	**102.16%**
Other expenses	**(3,849)**	(3,444)	**11.76%**
Profit before tax from continuing operations	**228,854**	133,328	**71.65%**
Income tax expense	**(57,251)**	(29,910)	**91.41%**
Profit for the year from continuing operations	**171,603**	103,418	**65.93%**

In 2011, the Group again achieved record-breaking results. Profit before tax was US$228.85 million, representing an increase of 71.65% compared to the previous year; and net profit was US$171.60 million, representing an increase of 65.93% compared to the previous year.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Analysis of Profit and Loss (continued)

2-2 Revenue

	For the year ended December 31,		
	2011	2010	**Change %**
	US$'000	*US$'000*	
Leasing and advisory segment	**644,227**	298,129	**116.09%**
Financial leasing (interest income)	**474,028**	178,361	**165.77%**
Advisory services (fee income)	**170,199**	119,768	**42.11%**
Trading and others segment	**106,178**	38,786	**173.75%**
Business taxes and surcharges	**(20,510)**	(10,006)	**104.98%**
Revenue (after business taxes and surcharges)	**729,895**	326,909	**123.27%**

In 2011, the Group's revenue amounted to US$729,895,000, representing an increase of 123.27% over US$326,909,000 in the previous year, mainly attributable to the increase in revenue from the leasing and advisory segment. In 2011, revenue from the leasing and advisory segment (before business taxes and surcharges) was US$644,227,000, accounted for 85.85% of the total revenue (before business taxes and surcharges). Revenue from the trading and others segment (before business taxes and surcharges) was US$106,178,000, growing at a faster rate than the leasing and advisory segment. Accordingly, such revenue as a percentage of total revenue (before business taxes and surcharges) increased from 11.51% in the previous year to 14.15% as our revenue segments became diversified.

(1) Revenue from the leasing and advisory segment of the Group increased by 116.09%. The scale of leasing assets significantly increased by 78.38% during the year. At the same time, benefiting from the three upward adjustments of the benchmark interest rate for RMB loans and deposits of financial institutions by the People's Bank of China in 2011, the Group's leasing interest income grew by 165.77%. In 2011, the average rate of return of the Group was 9.15%, representing an increase of 2.90% over 6.25% in 2010.

(2) At the same time, with the increasing advisory services capabilities of the Group, revenue from advisory services grew rapidly by 42.11%.

(3) With the ongoing focus on the operating strategy of industry and integrated services, the revenue from the trading and others segment of the Group grew quickly by 173.75% over that in the previous year, primarily as a result of the development of the printing, industrial equipment, and healthcare industries, as well as the trading, shipping and brokerage businesses.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Analysis of Profit and Loss (continued)

2-3 Cost of Sales

	For the year ended December 31, 2011 *US$'000*	2010 *US$'000*	Change %
Cost from leasing and advisory segment	**(250,007)**	(87,656)	**185.21%**
Cost from trading and others segment	**(92,634)**	(30,208)	**206.65%**
Cost of sales	**(342,641)**	(117,864)	**190.71%**

In 2011, the Group's cost of sales was US$342,641,000, representing an increase of 190.71% compared to US$117,864,000 in the previous year, mainly due to the increase in the cost of the leasing and advisory segment and trading and others segment. In particular, the cost of the leasing and advisory segment was US$250,007,000, accounting for 72.96% of the total costs. The cost of the trading and others segment was US$92,634,000, accounting for 27.04% of the total costs.

(1) The cost of the leasing and advisory segment arose mainly from financing costs. As the scale of loans of the Group increased significantly by 83.10% and the People's Bank of China raised the benchmark interest rate for RMB loans and deposits of financial institutions three times in 2011, total financing costs rose by 185.21% as compared to the previous year. In 2011, the average cost rate of the Group was 6.20%, representing an increase of 1.61 percentage points over 4.59% in 2010.

(2) The cost of the trading and others segment increased by 206.65%, which was mainly attributable to the increase in purchase costs resulting from the rapid increase in trading income.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Analysis of Profit and Loss (continued)

2-4 Analysis of Other Income and Gains

	For the year ended December 31,		
	2011	2010	**Change %**
	US$'000	*US$'000*	
Bank interest income	**4,702**	1,569	**199.68%**
Foreign exchange gain	**4,987**	1,281	**289.31%**
Derivatives financial instruments – transactions not qualified as hedges:			
Unrealised fair value gains, net	**760**	–	**–**
Realised fair value gains, net	**320**	–	**–**
Gain on disposal of an available-for-sale investment	**–**	4,276	**-100.00%**
Government grants	**778**	2,230	**-65.11%**
Others	**80**	574	**-86.06%**
Total	**11,627**	9,930	**17.09%**

In 2011, the Group's other income and gains amounted to US$11,627,000, increased by US$1,697,000 from the previous year, representing an increase of 17.09% compared to the previous year.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Analysis of Profit and Loss (continued)

2-5 Selling and Distribution Costs/Administration Expenses

In 2011, the marketing expenses and administration expenses of the Group increased by US$83,975,000 from the previous year to US$166,178,000, representing an increase of 102.16%, which was mainly attributable to the increase in employee remuneration benefits, business travelling expenses and provisions for the impairment of loans and accounts receivable.

(1) To support our business expansion, the Group has continuously increased its marketing and promotion efforts, and employed additional staff for sales and marketing and middle and back office support. As at December 31, 2011, the Group had 1,353 full-time employees, up by 479 full-time employees or 54.81% compared to 874 full-time employees as at the end of 2010. This has resulted in an increase in employee remuneration benefits by US$41,211,000 or 117.42% to US$76,307,000 as compared with last year. The increase of headcount and the higher frequency of marketing activities undertaken have resulted in the growth of business travelling 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 by 77.23%. According to the standards of five asset classifications, the Group has cautiously increased the provisions for the impairment of loans and accounts receivable. The provision for the impairment increased by US$23,342,000 from the previous year to US$40,096,000, representing an increase of 139.32%.

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

	As at December, 31 2011		As at December 31, 2010	
	US$'000	***% of total***	*US$'000*	*% of total*
Impairment of loans and accounts receivable:				
Individual assessment	**2,995**	**7.47%**	639	3.81%
Collective assessment	**37,101**	**92.53%**	16,115	96.19%
Total	**40,096**	**100.00%**	16,754	100.00%

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Analysis of Financial Position

3-1 Assets

	As at December 31, 2011		As at December 31, 2010		Change %
	US$'000	*% of total*	*US$'000*	*% of total*	
Loans and accounts receivable	**6,558,082**	**87.74%**	3,700,329	96.76%	**77.23%**
Including: Net lease receivables	**6,524,480**		3,657,678		**78.38%**
Cash and cash equivalents	**661,365**	**8.85%**	53,362	1.40%	**1139.39%**
Restricted deposits	**183,626**	**2.45%**	24,527	0.64%	**648.67%**
Prepayments and other receivables	**22,398**	**0.30%**	28,870	0.76%	**(22.42%)**
Deferred tax assets	**20,103**	**0.27%**	9,263	0.24%	**117.02%**
Property, plant and equipment	**17,009**	**0.23%**	4,002	0.10%	**325.01%**
Derivative financial instruments	**760**	**0.01%**	–	0.00%	**–**
Inventories	**1,140**	**0.02%**	495	0.01%	**130.30%**
Construction contracts	**4,780**	**0.06%**	–	0.00%	**–**
Other assets	**5,439**	**0.07%**	3,316	0.09%	**64.02%**
Total assets	**7,474,702**	**100%**	3,824,164	100%	**95.46%**

The total assets of the Group increased by US$3.651 billion or 95.46% from the end of last year to US$7.475 billion as at December 31, 2011. Loans and accounts receivable are the key components of the total assets of the Group, accounting for 87.74%, representing a decrease of 9.02 percentage points as compared with the end of last year. Loans and accounts receivables increased by US$2.858 billion, or 77.23% from last year to US$6.558 billion. Net lease receivables are the key component of loans and accounts receivables, accounting for 99.49%. Net lease receivables increased by US$2.867 billion, or 78.38% from last year to US$6.524 billion.

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

As at December 31, 2011, the Group had cash and cash equivalents of US$661 million. Mainly as a result of the tightening credit conditions in China, the Group retained a relatively sufficient cash position to cope with business expansion and to secure the Group's liquidity.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Analysis of Financial Position (continued)

3-1 Assets (continued)

As at December 31, 2011, the Group had restricted deposits of US$183 million, mainly consisting of restricted security deposits and term deposits of above 3 months' with the banks.

3-1-1 Asset Quality

	December 31, 2011		December 31, 2010	
	US$'000	***% of total***	*US$'000*	*% of total*
Pass	**5,454,713**	**83.61%**	3,019,352	82.55%
Special mention	**1,030,317**	**15.79%**	602,064	16.46%
Substandard	**30,211**	**0.46%**	29,750	0.81%
Doubtful	**8,762**	**0.13%**	5,856	0.16%
Loss	**477**	**0.01%**	656	0.02%
Net lease receivables	**6,524,480**	**100.00%**	3,657,678	100.00%

The Group has established prudent asset quality control and adhered to a stringent and conservative asset classification policy. As at December 31, 2011, the Group's assets under special mention accounted for 15.79% of its total amount, representing a decrease compared to 16.46% as at the end of last year. In particular, assets under special mention in other industries accounted for the largest portion, i.e. 31.11%, 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 for the construction industry accounted for the second largest portion, i.e. 20.31%. Despite that, the low default rate of construction related assets, nevertheless 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. In addition, lease receivables over 30 days overdue were also included in assets under special mention. As a result of the Group's stringent risk management and asset quality control, the percentage of the Group's lease receivables over 30 days overdue in 2011 was 0.08%, a decrease of 0.06 percentage point compared to 0.14% as at the end of last year.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Analysis of Financial Position (continued)

3-1 Assets (continued)

3-1-1 Asset Quality (continued)

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

	December 31, 2011		December 31, 2010	
	US$'000	***% of total***	*US$'000*	*% of total*
Healthcare	**63,842**	**6.20%**	60,763	10.09%
Education	**170,640**	**16.56%**	150,264	24.96%
Construction	**209,227**	**20.31%**	102,099	16.96%
Shipping	**120,558**	**11.70%**	65,965	10.96%
Printing	**53,396**	**5.18%**	32,884	5.46%
Industrial equipment	**87,697**	**8.51%**	25,711	4.27%
Textiles	**4,418**	**0.43%**	–	–
Others	**320,539**	**31.11%**	164,378	27.30%
Total	**1,030,317**	**100.00%**	602,064	100.00%

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.

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

	Pass	**Special mention**	**Substandard**	**Doubtful**	**Loss and write-off**
		As at December 31, 2011 (unaudited)			
Special mention	**16.41%**	**49.24%**	**1.26%**	**0.44%**	**0.00%**
		As at December 31, 2010 (unaudited)			
Special mention	32.87%	32.18%	1.43%	0.84%	0.00%

The Group's asset quality remained stable. The non-performing asset ratio decreased from 0.99% from the end of last year to 0.60% as at December 31, 2011. The Group's write-off amount of non-performing asset decreased from US$35,000 in the previous year to US$0. The write-off ratio also decreased from 0.15% in the previous year to 0.00%.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Analysis of Financial Position (continued)

3-1 Assets (continued)

3-1-1 Asset Quality (continued)

The ratio of non-performing assets for the shipping industry to total non-performing assets was 38.03%, mainly due to the fact that the shipping industry is easily affected by changing international economic environment. Ratio of non-performing assets for the construction industry to total non-performing assets was 24.65%, primarily because of the ongoing tightening policy under the macro environment and industry risks, which made the recoverability of the accounts receivable more difficult.

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

	December 31, 2011		**December 31, 2010**	
	US$'000	***% of total***	*US$'000*	*% of total*
Healthcare	**1,561**	**5.17%**	1,604	5.39%
Education	**1,332**	**4.41%**	1,055	3.55%
Construction	**8,465**	**28.02%**	3,621	12.17%
Shipping	**15,002**	**49.66%**	18,733	62.97%
Printing	**2,989**	**9.89%**	4,737	15.92%
Industrial equipment	**863**	**2.85%**	–	–
Textiles	**–**	**–**	–	–
Others	**–**	**–**	–	–
Total	**30,212**	**100.00%**	29,750	100.00%

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Analysis of Financial Position (continued)

3-1 Assets (continued)

3-1-1 Asset Quality (continued)

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

	December 31, 2011		**December 31, 2010**	
	US$'000	***% of total***	*US$'000*	*% of total*
Healthcare	**–**	**–**	820	14.00%
Education	**1,613**	**18.41%**	–	–
Construction	**1,262**	**14.40%**	–	–
Shipping	**–**	**–**	–	–
Printing	**3,851**	**43.95%**	5,036	86.00%
Industrial equipment	**2,036**	**23.24%**	–	–
Textiles	**–**	**–**	–	–
Others	**–**	**–**	–	–
Total	**8,762**	**100.00%**	5,856	100.00%

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

	December 31, 2011		December 31, 2010	
	US$'000	***% of total***	*US$'000*	*% of total*
Healthcare	**–**	**–**	**200**	30.49%
Education	**–**	**–**	**–**	–
Construction	**–**	**–**	**–**	–
Shipping	**–**	**–**	**–**	–
Printing	**477**	**100.00%**	**456**	69.51%
Industrial equipment	**–**	**–**	**–**	–
Textiles	**–**	**–**	**–**	–
Others	**–**	**–**	**–**	–
Total	**477**	**100.00%**	**656**	100.00%

3. Analysis of Financial Position (continued)

3-1 Assets (continued)

3-1-1 Asset Quality (continued)

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

	Amount	NPA ratio
	US$'000	*%*
December 31, 2010	36,262	0.99%
Downgrades[1]	19,133	
Upgrades	(1,942)	
Recoveries	(14,003)	
Write-offs	–	
December 31, 2011	39,450	0.60%

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 year to non-performing categories.

As at December 31, 2011, 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 and increased the provision for asset impairment. Accordingly, the provision coverage ratio of the Group rose to 214.34% as at December 31, 2011.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Analysis of Financial Position (continued)

3-2 Liabilities

	December 31, 2011 *US$'000*	December 31, 2010 *US$'000*	**Change %**
Interest-bearing bank and other borrowings	**4,705,588**	2,569,939	**83.10%**
Other payables and accruals	**886,186**	532,474	**66.43%**
Trade and bills payables	**357,354**	160,539	**122.60%**
Tax payable	**34,940**	25,425	**37.42%**
Deferred tax liability	**12,267**	5,287	**132.02%**
Deferred revenue	**2,107**	3,168	**(33.49%)**
Total Liabilities	**5,998,442**	3,296,832	**81.95%**

The total liabilities of the Group increased by US$2.702 billion, or 81.95% from the end of last year to US$5.998 billion as at December 31, 2011, and the Group's gearing ratio was 80.25%, representing a decrease of 5.96 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 78.45% of total liabilities, representing an increase of 0.50 percentage point as compared with the end of last year. Interest-bearing bank and other borrowings increased by US$2.136 billion from the end of last year or 83.10% to US$4.706 billion as at December 31, 2011, primarily due to the increase in bank borrowings in support of the continuous business expansion of the Group.

	December 31, 2011 *US$'000*	December 31, 2010 *US$'000*	**Change %**
Within one year or on demand	**1,918,048**	910,000	**110.77%**
In the second year	**1,476,766**	502,223	**194.05%**
In the third to fifth year (both years inclusive)	**1,310,774**	1,157,716	**13.22%**
Interest-bearing bank and other borrowings	**4,705,588**	2,569,939	**83.10%**

As at December 31, 2011, the Group's interest-bearing bank and other borrowings repayable in the third to fifth year amounted to US$1,310,774,000, accounting for 27.86% of its total. Such bank and other borrowings increased by US$153,058,000 or 13.22% from the end of last year. The composition of interest-bearing bank and other borrowings were more balanced, mainly due to the prudent financing strategy adopted by the Company.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Analysis of Financial Position (continued)

3-3 Shareholders' equity

	December 31, 2011 *US$'000*	December 31, 2010 *US$'000*	**Change %**
Issued capital	**3,647**	2	**182250.00%**
Reserves	**1,471,975**	526,910	**179.36%**
Non-controlling interests	**638**	420	**51.90%**
Total Equity	**1,476,260**	527,332	**179.95%**

As at December 31, 2011, the total equity of the Group increased by US$949 million, or 179.95% from last year to US$1.476 billion.

On March 30, 2011, in connection with the Company's initial public offering of shares, 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 approximately US$658,566,000).

On March 31, 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 April 6, 2011 at a price of HK$6.29 per share with gross proceeds of HK$769,896,000 (equivalent to approximately US$99,054,000).

3. Analysis of Financial Position (continued)

3-4 Gearing ratio

The Group monitors its capital by gearing ratio.

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

	As at December 31,	
	2011	2010
	US$'000	*US$'000*
Total assets	**7,474,702**	3,824,164
Total liabilities	**5,998,442**	3,296,832
Total equity	**1,476,260**	527,332
Gearing ratio	**80.25%**	86.21%

In 2011, the Group made full use of capital leverage for its operations to keep the Group's gearing ratio relatively high while at the same time closely managing the Group's gearing ratio to avoid potential liquidity risk. As at December 31, 2011, the Group's gearing ratio, which was maintained at a reasonable level, was 80.25%.

3-5 Risk management

3-5-1 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 modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such risk measures to mitigate such risk.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Analysis of Financial Position (continued)

3-5 Risk management (continued)

3-5-1 Interest rate risk (continued)

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

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

	Increase/(decrease) in profit before tax of the Group As at December 31,	
	2011	2010
	US$'000	*US$'000*
Change in basis points		
+100 basis points	**28,163**	10,077
-100 basis points	**(28,163)**	(10,077)

3-5-2 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 minimising its net foreign currency position.

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

The table below indicates a sensitivity analysis of exchange rate change 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 at 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.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Analysis of Financial Position (continued)

3-5 Risk management (continued)

3-5-2 Currency risk (continued)

Currency	Change in currency rate	Increase/(decrease) in profit before tax of the Group As at December 31, 2011	2010
		US$'000	*US$'000*
US dollar	-1%	**1,089**	592

Since the net position is comparatively small, the Group has not adopted any financial instruments to hedge against currency risk.

3-5-3 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 in liquidity of the Group, maintaining an efficient internal fund transfer mechanism.

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

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	US$000	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*
			As at December 31, 2011			
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**
			As at December 31, 2010			
Total financial assets	55,462	377,212	1,169,476	2,636,859	72,789	4,311,798
Total financial liabilities	10,741	373,606	824,359	2,235,787	14,918	3,459,411
Net liquidity gap	44,721	3,606	345,117	401,072	57,871	852,387

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Outlook

Looking into 2012, the global economy is likely to slow down moderately and is subject to certain risks of downturn. According to the estimates of International Monetary Fund, the growth of the global economy will slow down to 3.3% in 2012. In particular, economic growth in the US will be 1.8%, which is similar to that in 2011, whereas economic growth in the Euro Zone will slow down by 0.5%. In Japan, as various industries begin to recover after the earthquake, its economic growth will see a turnaround of 1.7%. On the contrary, economy of the emerging economies will be down to 5.4%. At the same time, the global economy will continue to face many challenges including the possibility of an extension of the sovereign debt crisis in the Euro Zone; uncertainties in the US employment rate and real estate market casting a gloomy shadow over its future economic growth; the severe "de-leveraging" of the global banking system creating an adverse impact over the real economy; the possible slowdown of economic growth in emerging economies; the risks of inflation and reverse cashflow; as well as the possible rise of global trade protection.

From the perspective of the macro economy in China in 2012, the economy of China will continue its healthy development and is expected to continue its autonomous growth with systematic changes. At present, the economy and social development of China are exposed to strategically important opportunities and the fast and yet steady economy development offers many favourable conditions. With the drive of urbanisation, industrialisation and regional balanced development, coupled with the expanding consumption and tremendous potential in the service sector, the fundamental factors for long-term economic growth will remain the same. Since the second half of 2011, small corrections have been made to the state's macro policies in a timely manner according to the changes in market conditions. GDP growth in the fourth quarter was 8.9% on a year-on-year basis and the major economic indicators rose slightly over the last quarter, driven by the economy's organic growth.

In 2012, the PRC government will, on the one hand, firmly focus on scientific development and accelerate the change of the means of economic growth, and on the other hand, maintain steady economic growth, adjust the economic structure and manage inflation forecasts to facilitate the steady growth of economy and the stability of commodities in general. In 2012, the PRC government will push ahead with the adoption of proactive fiscal policies and sound monetary policies; maintain the continuity and stability of policies; strengthen the relevance, flexibility and forward-looking element of austerity measures; and make corrections in advance or small corrections in a timely and moderate manner. In addition to maintaining the reasonable growth of the society's financing scale, regulating various borrowing activities and providing guidelines on the healthy financing among private enterprises, the PRC government will strive to increase the financial services' real economy, effectively monitor the systematic financial risks and maintain the stability of the financial system. While the PRC government aims to control the growth of investment at a steady level and continue to expand domestic demand, particularly consumption demand, structural tax reduction measures will be implemented and various tax preferential policies will also be implemented and optimised to support the small-size and mini-size enterprises. In 2012, the PRC government has the following major estimated targets for economic growth: 7.5% growth in GDP growth, 16% growth in fixed asset investment, 14% growth in total sales of social consumables; around 4% overall growth maintained for CPI; 10% growth in total imports and exports; and 14% growth in M2. At the same time, it is worth noting that, under the macro environment of a moderate slowdown in the overall economy, certain industries in China are likely to experience a slowdown, which may have considerable impacts on the Group's growth of new business demand from these industries and stability of asset quality.

III. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Outlook (continued)

As a whole, in the face of the continuous and healthy development of China's economy, the gradual shift to sound monetary policies, further optimised economic structure, and the progress of urbanisation and industrialisation, the seven major industries that the Group is engaged in will grow steadily, and the relative infancy of the leasing segment and strong demand from small to medium enterprise ("SME") financial services will jointly build a sound external environment for the Group's sustainable and steady business development.

IV. OTHER INFORMATION

Final Dividend

The Board recommends the payment of a final dividend of HK$0.1 per share in respect of the year ended December 31, 2011 to shareholders whose names appear on the register of members of the Company on Thursday, June 21, 2012.

Closure of Share Register

The Annual General Meeting ("AGM") of the Company is scheduled on Wednesday, June 13, 2012. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, June 11, 2012 to Wednesday, June 13, 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all completed transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, June 8, 2012.

The final dividend is subject to the approval of the shareholders of the Company at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, June 19, 2012 to Thursday, June 21, 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, June 18, 2012.

Purchase, Sale or Redemption of the Company's Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended December 31, 2011.

IV. OTHER INFORMATION (CONTINUED)

The Code on Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended December 31, 2011, except for deviation from the code provision E.1.2.

Code provision E.1.2 of the CG 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.

At the annual general meeting of the Company held on June 17, 2011 (the "2011 AGM"), Mr. Liu Deshu (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 due to other important business engagements. In order to ensure smooth holding of the 2011 AGM, Mr. Kong Fanxing, an executive director and Chief Executive Officer of the Company, chaired the 2011 AGM. Besides, Mr. Kong Fanxing (as a member of the Strategy and Investment Committee), Ms. Shi Dai (a non-executive director of the Company and a 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 also 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 throughout the year ended December 31, 2011.

Audit Committee

The Audit Committee consists of three members, namely Mr. Yip Wai Ming (Chairman), Mr. Han Xiaojing and Ms. Sun Xiaoning, of which Mr. Yip Wai Ming and Mr. Han Xiaojing 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 financial results of the Group for the year ended December 31, 2011.

The consolidated financial statements of the Group for the year ended December 31, 2011 have been audited by Ernst & Young, auditor of the Company, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

IV. OTHER INFORMATION (CONTINUED)

Publication of Financial Results and Annual Report

The financial results and the annual report for the year ended December 31, 2011 that contain 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 the order of the board
Far East Horizon Limited
Chairman
Liu Deshu

Hong Kong, March 21, 2012

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. CAI Cunqiang, Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming.