



ZHENG HE GLOBAL CAPITAL LIMITED
ACN 128 246 042

ANNUAL REPORT
31 DECEMBER 2010

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CORPORATE INFORMATION

ZHENG HE GLOBAL CAPITAL LIMITED
ABN 51 128 246 042

DIRECTORS

Dato' Dr. Tan Tiong Hong (Chairman)
Mr. Kit Foo Chye (Managing Director)
Mr. Cheng Ngee Lee (Non-Executive Director)
Mr. Andrew Smith (Executive Director)
Ms. Caroline Tan (Executive Director)
Mr. Rong Cheng Wei (Non-Executive Director)
Mr. Ooi Jin Woon (Non-Executive Director)

Ms. Vivian Mei Hsuan Tan (Alternate Director for Dato' Dr. Tan Tiong Hong)

COMPANY SECRETARY

Ms. Sophie Karzis

REGISTERED OFFICE

Level 9, 468 St Kilda Road Melbourne Victoria 3004
T + 613 9988 5888

SOLICITORS

Minter Ellison
Level 23, South Rialto Towers, 525 Collins Street Melbourne Victoria 3000
T: +61 3 8608 2000

SHARE REGISTER

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Local call: 1300 850 505
International call: + 613 9415 4000

AUDITOR

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T: +61 3 9258 6700

WEBSITE ADDRESS

www.zhenghe.com.au

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CHAIRMAN'S REPORT

Dear Shareholders

The Year in Review

Transitional Financial Year

As you will be aware, the Company has recently changed its financial year end from 30 June to 31 December.

The Company sought to change its financial year end in order to allow for alignment with the financial year ends of its subsidiaries, Zheng He Global Capital Corporation (British Virgin Islands) and Fujian Zhong Hong (People's Republic of China), which are at 31 December.

The Company modified its financial year end by changing its financial year starting 1 July 2010 and ending 30 June 2011, into a transitional financial year of 6 months from 1 July 2010 to 31 December 2010 (**Transitional Financial Year 2010**), with each financial year thereafter being 12 months to 31 December.

The Company's six month transitional financial year which commenced on 1 July 2010, has ended on 31 December 2010.

This Annual Report has therefore been prepared in relation to the Transitional Financial Year 2010.

Initial Public Offer

In June 2010, the Directors resolved to raise working capital for the Company for the purposes of expanding its business activities and appropriately funding its future growth strategy. The Directors decided that the optimum method of raising sufficient capital would be by way of an initial public offering ("IPO"), through which an invitation would be made to the public to subscribe for fully paid shares in the Company.

On 6 August 2010, the Company released a prospectus to the market, under which an offer was made to the public to apply for ordinary shares in the Company. Pursuant to the offer, 17,075,000 ordinary shares each fully paid at an issue price of \$0.20 per share were allotted to investors, and a total of \$3.415 million was raised.

The Company was admitted to the Official List of the Australian Securities Exchange ("**ASX**") on 23 September 2010, and official quotation of its securities on the ASX commenced on 24 September 2010.

The Company's listing on the ASX has enabled the Company to enhance its reputation and standing with its Partner Banks and customers in China and Australia, gain access to listed equity markets and growth flexibility. Further, as a listed entity, the Company is now able to tap into a wide pool of public market investors who have been, and will continue to provide it with the required capital for future growth.

Business Operations in China

Zheng He's Chinese subsidiary Fujian Zhong Hong Financial Guarantee Co Ltd ("**Fujian Zhong Hong**") has been actively pursuing and successfully sustaining strong relationships with large Partner Banks in China.

In addition, Fujian Zhong Hong has been successful in expanding the scope of services which it is able to conduct under its current business licence. As a result, Fujian Zhong Hong is now able to offer financial services, in addition to its current Credit Guarantee services. This has enabled Fujian Zhong Hong to offer financial advisory services and other intermediary services, whilst being able to lend its own funds directly to customers, in addition to its core business of providing credit guarantees to Partner Banks.

CHAIRMAN'S REPORT

Expansion of the Company's Australian Business Operations

The Company has broadened its corporate strategy in financial services by extending the scope of the Company's business operations into Australia and in particular into corporate finance and funds management activities.

In order to further this aim, and to accommodate the expansion of its management team, the Company has leased office premises on St Kilda Road, Melbourne.

Zheng He Securities and Australian Financial Services Licence

In November, the Company incorporated Zheng He Securities Pty Ltd ("Zheng He Securities"), a wholly owned subsidiary of the Company. It was decided that the Company would conduct its financial and corporate activities in Australia through Zheng He Securities.

Zheng He Securities was granted an Australian Financial Services Licences ("AFSL") by the Australian Securities and Investment Commission ("ASIC") on 23 March 2011 (AFSL Number 392360).

The procurement of an AFSL has placed the Company in the unique position of holding financial services licences concurrently in both China and Australia.

The AFSL will enable the Company to operate its corporate finance activities in Australia with a particular focus on cross border opportunities between Asia and Australia, whilst allowing the Company to build a funds management and wealth management business in support of the corporate finance activities.

The Company is now able to pursue its full potential by offering a wide range of corporate finance services in Australia.

Joint Ventures

In October 2010, the Company acquired a joint venture of 50% of the shareholding in ZH Energy Co Ltd HK. The principal activity of the joint venture is the provision of credit guarantee services to the commodity trading sector.

In December 2010, the Company acquired a 50% interest in Bamboo Capital Pty Limited to establish an Enhanced Fixed Income Fund and market this and similar structured credit products in the Australian market.

In January 2011, the Company acquired a 51% interest in Z Trade Global Pty Ltd to market the Saxo Bank online trading platform in Asia.

Recruiting key personnel

In reflection of its commitment to developing the financial services arm of its business operations, since it's listing on the ASX, Zheng He has been recruiting experienced personnel to assist its endeavours.

In particular, Mr. Andrew Smith, previously a Non-Executive Director of the Company, has moved into the role of Executive Director. Mr. Smith boasts a robust background in financial services in the Asia Pacific region, which has and will continue to aid the Company in its preparations to expand Zheng He's Australian business operations into the financial services industry, and in particular the field of cross-border corporate finance.

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CHAIRMAN'S REPORT

Further investment opportunities

The Company is committed to increasing the earnings for China and Australia through organic growth. In addition, the Company intends to make strategic acquisitions and enter into appropriate joint ventures, with the aim of increasing its market capitalisation and asset base of the Company.

In furtherance of this goal, the Company has a dedicated project management team which actively pursues strategic investment opportunities and keenly markets its business plans to potential clients.



Dato' Dr. Tan Tiong Hong
Chairman
30 March 2011



Mr. Kit Foo Chye
Managing Director
30 March 2011

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CORPORATE GOVERNANCE STATEMENT

This statement sets out the corporate governance practices for Zheng He Global Capital Limited and its controlled entities ("the Group") and includes a summary of how the Group complies with the revised ASX Corporate Governance Principles and Recommendations. The various charters and policies are all available on the Company's web site: www.zhenghe.com.au.

Principle 1: Lay solid foundation for management oversight

Formalise and disclose the functions reserved to the board and those delegated to management.

Complying.

The Board has adopted a charter which establishes the role of the Board and its relationship with management. The primary role of the Board is the protection and enhancement of long term shareholder value. Its responsibilities include the overall strategic direction of the Group, establishing goals for management and monitoring the achievement of these goals. The functions and responsibilities of the Board and management are consistent with ASX Principle 1. A copy of the Board Charter is posted on the Group's website.

Each director is given a letter upon his or her appointment which outlines the director's duties. The Group has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness. The Nomination & Remuneration Committee has responsibility for evaluating the Board's performance and intends to evaluate the Group's key executives annually.

Principle 2: Structure the Board to add value

A majority of the board members should be independent.

Status: Complying

The Board comprises five directors, two of whom are non executive and independent. The directors considered by the Board to constitute independent directors are Mr. R. Wei and Mr O. J. Woon. Mr A. L. Smith was appointed executive director 1 February 2011, and was previously an independent director. The test to determine independence which is used by the Company is whether a director is independent of management and any business or other relationship with the Group that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.

The chairman should be an independent director.

Status: Non- Complying

The Chairman, Dr. Dato Tiong Hong Tan has been Chairman of the Company since April 2009 and is a founding majority shareholder. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functions.

The roles of the chairman and the Chief Executive Officer should not be exercised by the same individual.

Status: Complying

The positions of Chairman and Managing Director are held by separate persons. The Managing Director and Chief Executive Officer of the Company is Mr Kit Foo Chye.

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CORPORATE GOVERNANCE STATEMENT

The board should establish a nomination committee.

Status: Complying

The Board has a formal Nomination & Remuneration Committee comprising of all of the independent non executive directors. The Committee's functions and powers are formalised in a Charter.

The following information will be set out in the Company's annual report:

- The skills and experience of directors.
- The directors considered by the Board to constitute independent directors.
- A statement regarding directors' ability to take independent professional advice at the expense of the Company.
- The term of office held by each director in office at the date of the report.
- The names of members of the Company's committees and their attendance at committee meetings.

Principle 3: Promote ethical and responsible decision making

Establish a code of conduct and disclose the code as to:

- The practices necessary to maintain confidence in the Company's integrity.
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Status: Complying

The Company has formulated a Code of Conduct which can be viewed on its website. The Code of Conduct has the commitment of the Directors and senior management to ensure practices are operating that are necessary to maintain confidence in the Company's integrity, and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has adopted a Share Trading Policy which can be viewed on its website.

The Company has a policy concerning the trading in the Company's securities by Directors, senior managers and employees. In summary, Directors, senior managers and employees must not deal in the Company's securities when they are in possession of insider information. Directors and senior managers must not trade during the "trading blackout" beginning at the end of the Half Year and Full Year reporting period until the release to the ASX of the Financial Results for the relevant period. Details of the Company's trading policy are posted on its website.

CORPORATE GOVERNANCE STATEMENT

Principle 4: Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting. The board should establish an audit committee. The audit committee should be structured so that it:

- Consists only of non executive directors.
- Consists of a majority of independent directors.
- Is chaired by an independent chair, who is not chair of the board.
- Has at least three members.

The audit committee should have a formal charter. Companies should provide the information indicated in the Guide.

Status: Complying

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. The Board will review the Group's half yearly and annual financial statements and will require that the Managing Director and the Chief Financial Officer state in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

The Board has an Audit Committee that reports to the Board. The Company's Audit Committee comprises only non executive independent directors; and a chairman who is not chairman of the Board. The members of the Audit Committee during the year and their attendance at meetings of the Committee will be disclosed in the Directors' Report in the Annual Report.

The Audit Committee has a formal charter that is posted on the Company's website.

Principle 5: Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company. Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. Companies should provide the information indicated in the Guide.

Status: Complying

The Company has a documented policy which has established procedures designed to ensure compliance with Australian Securities Exchange Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The focus of these procedures is on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities and improving access to information for all investors. The policy on continuous disclosure is posted on the Company's website.

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CORPORATE GOVERNANCE STATEMENT

Principle 6: Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights. Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Status: Complying

The Board will inform shareholders of all major developments affecting the Group's state of affairs. The Company has adopted a communications policy which is available on its website.

Principle 7: Recognise and manage risk

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Status: Complying

The Board has responsibility for monitoring risk oversight and ensures that the Managing Director and the Chief Financial Officer or equivalent report on the status of business risks through risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. In addition the Board is responsible for reviewing the risk management framework and policies of the Group.

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Status: Complying

The Company's auditors review the Group's accounting controls and processes which impact the preparation of the annual financial report on an annual basis. This review is reported to the Board via the audit management letter and the Board takes the action it believes necessary to ensure that the processes in place to identify the Group's material business risks are appropriate and that these risks are being effectively managed. A description of the Group's risk management policy and internal compliance and control systems is available on the Company's website.

The board should disclose whether it has received assurance from the Managing Director (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Status: Complying

The Managing Director and Chief Financial Officer will be required to state to the Board in writing that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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CORPORATE GOVERNANCE STATEMENT

Principle 8: Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Status: Complying

The Group has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness.

The board should establish a remuneration committee.

Status: Complying

The Board has established a Nomination & Remuneration Committee. The role of the Committee is to review and make recommendations to the Board on remuneration packages and practices applicable to the Managing Director, senior executives and Directors themselves. This role also includes responsibility for share option schemes incentive performance packages and retirement and termination entitlements.

Companies should clearly distinguish the structure of non executive directors' remuneration from that of executive directors and senior executives.

Status: Complying

The structure of Non Executive Directors' remuneration is distinct from that of executives. Equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. In addition, the Company has issued equity based remuneration to both executive and senior management which has been approved by shareholders at a general meeting.

Status: Complying

A charter setting out the responsibilities of the Nomination and Remuneration Committee has been adopted and a copy of this charter is posted on the Company's website.

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DIRECTORS' REPORT

The directors of Zheng He Global Capital Limited submit herewith the annual financial report of the Company for the financial year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors and Senior Management

The Directors in office at any time during or since the end of the year to the date of this report are:

DATO' DR. TAN TIONG HONG

Chairman and Non-Executive Director since 22 April 2009

KIT FOO CHYE

Managing Director/
Executive Director since 21 April 2010, Non-Executive Director since 30 October 2007

ANDREW SMITH

Executive Director since 1 February 2011, Non-Executive Director since 2 June 2010

CAROLINE TAN

Executive Director since 14 January 2011

RONG CHENG WEI

Non – Executive Director since 2 June 2010

OOI JIN WOON

Chairman and Non-Executive Director since 7 December 2007

CHENG NGEE LEE

Non- Executive Director since 8 March 2011, Alternate Director since 12 October 2010

VIVIAN MEI HSUAN TAN

Alternate Director since 8 March 2011

DATO' DR. TAN TIONG HONG, MBBS, MD.

Chairman and Non-Executive Director appointed on 22 April 2009

Dato' Tan is currently the Executive Chairman of Amplefield Limited, a company listed on the Main Board of the Singapore Stock Exchange. He has held this position since 1998.

Dato' Tan is also currently an economic adviser to the Jilin Provincial Government, People's Republic of China and is the Chairman of the Association of Business Executives (ABE) in the United Kingdom, and has held this post since 2000. He is also the founding Chairman of the International Society of Business Administrators (ISBA) in the United Kingdom.

Dato' Tan was a Research Fellow at REHIED Singapore and was a member of the Higher Education Council in Malaysia. Dato' Tan then served as a Member of the Malaysian Parliament from 1978 to 1986. During this period of time, he held the posts of Deputy Minister of Education, Deputy Minister of Finance and Deputy Minister in the Malaysian Prime Minister's Office. He spent his next six years in the capacity of Senior Associate Member at St Antony's College, Oxford University. Dato' Tan holds a medical degree from the University of Sydney.

From 1993 to 1997, Dato' Tan was the Group Managing Director for Guoco China Investment Limited.

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KIT FOO CHYE, B.Com, CPA

Non-Executive Director appointed 30 October 2007, and Managing Director/ Executive Director since 21 April 2010

Mr Chye is an accountant by profession with more than 15 years experience in the management and administration of publicly listed companies in Malaysia and Australia. Mr Chye is a director of the following companies that are listed on ASX: Allmine Group Limited, Rocklands Richfield Limited, Voltage IP Limited and Hudson Resources Limited. Mr Chye specialises in advising both public and private companies on acquisitions, mergers, capital raisings and balance sheet restructurings. He has managed a significant number of initial public offerings and secondary market capital raisings for public and private companies. His expertise lies in the restructuring and financing of entities, including the preparation of prospectuses and other requirements for listings on the Bursa Malaysia (formerly called the Kuala Lumpur Stock Exchange) as well as on ASX.

ANDREW SMITH, B.Eco.

Executive Director

Appointed as Non-Executive Director on 2 June 2010, and Executive Director since 1 February 2011

Mr Smith has spent his working career in financial services in the Asia Pacific region. Prior to joining the Company, Mr Smith was Executive Director of Phillip Asset Management Ltd, the funds management arm of the Intersuisse Group. He was formerly the Managing Director of Intersuisse Limited from 2000 to 2008 and prior to that, he was Chairman of the Sedgwick Group in the Asia Pacific and Australia from 1990 to 1999.

The Intersuisse Group comprises three businesses: a stock broking business, focussing on both retail investment advisory services and institutional broking; an investment banking and corporate advisory business, with an emphasis in the small to mid cap ASX listed companies; and a funds management business with managed funds in resources, life sciences and private equity.

Intersuisse has close international connections through its significant shareholder, Phillip Capital in Singapore and through its association with Bioscience Managers in the UK.

Mr Smith's career at Sedgwick and Intersuisse has involved the strategic development of financial services in the Asia Pacific, and working closely with companies preparing themselves for ASX listing, and public companies wishing to raise funds for future development. His role at Sedgwick involved regular visits to China where he was involved in securing the first Insurance Broking licence to be awarded to a wholly owned foreign enterprise by the People's Bank of China.

Mr Smith also sits on the Board of Transfer Asset Group Pty Ltd and the Board of Advice of Aon Corporation in Australia and Deasil Pty Ltd.

RONG CHENG WEI

Appointed as Non-Executive Director on 2 June 2010

Mr Wei Rong Cheng is from the Fujian Province, China. He entered into business after graduating from the Academy of Economics, and currently serves as the deputy Chairman of Fujian Zhong Hong as well as Chairman of Shanghai Jian Shi Industrial Company, which conducts a building materials trading business.

Mr Wei Rong Cheng played a part in financing Zhouning County's public welfare system. In recognition of this, he has been consistently awarded "Advanced Entrepreneur" and "Excellent Enterprise Member" from 2001- 2006. In addition, he was in receipt of the "Excellent Entrepreneur" award from Zhouning County's police force from 2003 to 2006.

Mr Wei Rong Cheng has a Diploma of Economics.

OOI JIN WOON, B.Sc.

Appointed as Non-Executive Director on 7 December 2007

Mr Woon has been a chartered accountant in Malaysia since 1989 and has held positions as a financial controller with international firms for more than 10 years. Mr Woon has been the financial controller for Amplefield Limited, a publicly listed company on the Singapore Stock Exchange, since 1999. He was later appointed as a director of Amplefield Limited in 2010.

Mr Woon has previously held a number of managerial and financial positions. From 1990 to 1991, Mr Woon served as Regional Accountant and Branch Manager of Hong Leong Finance Berhad. He was then appointed Finance Manager of Textile Corporation Malaysia Sdn Bhd, a major Malaysian textile manufacturer, from 1992 to 1993. From 1994, he held the post of Group Finance Manager and subsequently Financial Controller for CAM Precision Components (Johor) Sdn Bhd.

CHENG NGEE LEE, BEng (Hons)**Non-Executive Director****Appointed as Alternate Director to Dato' Dr. Tan Tiong Hong from 12 October 2010 to 8 March 2011 and appointed as, Non-Executive Director since 8 March 2011**

Mr Lee, an established entrepreneur, graduated from Loughborough University of Technology, United Kingdom in 1985 with an honours degree in Production Engineering and Management. He proceeded to set up Pan-Merchant Industries Sdn Bhd ("Pan-Merchant") in 1986, which has since developed into a successful manufacturing company with operations based in Malaysia. Mr Lee currently sits on the Board of Pan-Merchant and its subsidiaries, including Pan-Merchant Industries Technology Sdn Bhd.

More recently, Mr Lee has been appointed Chief Executive Officer of ZH Energy Co. Ltd., a company registered in Hong Kong. Mr Lee further holds directorships in other companies such as Zirrus Corporation (British Virgin Islands).

VIVIAN MEI HSUAN TAN, LLB (Hons)**Alternate Director to Dato' Dr. Tan Tiong Hong (appointed 8 March 2011)**

Ms Tan is a practising lawyer and is based in Singapore. Her areas of legal practice include Project Finance and Mergers and Acquisitions. She holds an LL.B (Hons) from the University of Leeds and is admitted to the Supreme Court of Singapore and the High Court of Malaya.

Company Secretary**SOPHIE KARZIS, B.Juris. LLB.**

Sophie Karzis was appointed as Company Secretary on 1 May 2010. She is a practising lawyer who holds roles at a number of public and private companies.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director while they were a Director or committee member.

Directors	Directors' Meetings		Nomination & Remuneration Committee Meetings *		Audit Committee Meetings **	
	No of meetings eligible to attend	Attended	No of meetings eligible to attend	Attended	No of meetings eligible to attend	Attended
Dato' Dr. Tan Tiong Hong	4	4	-	-	-	-
Kit Foo Chye	4	4	-	-	-	-
Andrew Smith	4	4	-	-	-	-
Rong Cheng Wei	4	1	-	-	-	-
Ooi Jin Woon	4	1	-	-	-	-
Caroline Tan	-	-	-	-	-	-
Cheng Ngee Lee	-	-	-	-	-	-
Vivian Mei Hsuan Tan	-	-	-	-	-	-

* In light of the fact that the Company has only been listed since September 2010, the Board's Nomination & Remuneration Committee had not held any meetings to 31 December 2010. The Committee is scheduled to meet prior to June 2011.

** In light of the fact that the Company has only been listed since September 2010, the Board's Audit Committee had not held any meetings to 31 December 2010. The Committee is scheduled to meet prior to 30 June 2011. To date, the Board as a whole has carried out the functions of the Audit Committee.

Directors' Shareholdings

The following table sets out each Director's relevant interest in shares and options in shares of the Company as at the date of this report.

Directors	Fully Paid Ordinary Shares	Options
Dato' Dr. Tan Tiong Hong	197,176,230	-
Kit Foo Chye	120,002	5,000,000
Andrew Smith	55,000	1,000,000
Rong Cheng Wei	51,645,000	-
Ooi Jin Woon	550,000	1,000,000
Caroline Tan	3,628,002	-
Cheng Ngee Lee	51,740,000	-
Vivian Mei Hsuan Tan	10,000	-

Options

Details of unissued shares or interests under option as at the date of this report are

Grant date	Expiry date	Exercise price	Number under option
16 June 2010	16 June 2015	\$0.25	8,000,000
16 June 2010	16 June 2015	\$0.25	1,000,000
18 June 2010	18 June 2015	\$0.25	30,000,000
			39,000,000

The 8,000,000 options granted to key management personnel on 16 June 2010 (refer to note 6 Key Management Personnel) were granted subject to the Company successfully listing on ASX prior to 31 December 2010, exercisable at \$0.25 between 30 June 2013 and 16 June 2015, and to be held in escrow until 24 September 2012.

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since reporting date. For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

No ordinary shares were issued on the exercise of options granted during the year.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Principal Activities

Zheng He Global Capital Ltd ("Zheng He" or the "Company") is principally involved through its subsidiary in China, Fujian Zhong Hong Financial Guarantee Co Ltd ("FZHG") in the provision of short term bridging loans to individuals and small and medium enterprises ("SMEs") and providing guarantees to individuals and SMEs to obtain credit facilities from financial institutions mainly in Fuzhou province in China.

In late 2010, Zheng He established an offer to commence operations in Australia.

Operating Results

	2010 \$	2009 \$			
Revenue from ordinary activities	1,190,854	401,696	Up	\$789,158	196.46%
Loss from ordinary activities after tax attributable to members	(540,637)	57,353	Up	\$597,990	1,042.65%
Net Loss for the year attributable to members	(540,637)	57,353	Up	\$597,990	1,042.65%

The tremendous increase in revenue of 196% was due to the increase in the credit guarantee business in the Fujian Province and larger loans that were arranged during 2010, using the company's own funds from issuance of ordinary shares.

Total Credit Lines now amount to approximately \$90 million (RMB 600 million), of which approximately \$30 million (RMB 200 million) are approved and awaiting signed agreements. In 2010, the FZHG issued guarantees amounting to approximately \$37.78 million (RMB 238 million) and corporate loans of approximately \$8.2 million (RMB 52.1 million).

In 2010, FZHG has continued to gain credibility and prominence amongst partner banks, the government and its customers. FZJH has passed the 2009 annual review, completed in 2010 and subsequently FZHG was admitted to join Fujian Provincial SMEs re-guarantee System. Partner banks include China Construction Bank, China Merchants Bank, Xiamen International Bank, bank of China, China Ever growing Bank and China CITIC.

After approvals from 7 government departments, the Company expanded its licence as a finance company and changed its name in China to Fujian Zhong Hong Financial Guarantee Co., Ltd.

Zheng He sought and gained a listing on the Australian Securities Exchange in September 2010, and coinciding with this listing established business operations in Australia.

Review of Operations

On 16th June 2010, Zheng He acquired 100% of the share capital of Zheng He Global Capital Corporation ("BVI") and its wholly owned subsidiary Fuzhou Zhong Hong Guarantee Company Ltd (FZHG) (acquired on 1/4/10) via a share for share exchange. The acquisition was effected by way of the issue of 331,656,221 shares and 30,000,000 options to BVI Shareholders.

The total purchase consideration for the above acquisition amounted to \$68,015,131. The value of the purchase consideration is calculated as below:

- | | |
|---|--------------|
| • The fair value of 331,656,221 shares on the date of issue | \$66,331,244 |
| • The fair value of 30,000,000 options issued | \$1,683,887 |

The issues of shares by Zheng He to BVI shareholders on acquisition resulted in BVI shareholders controlling 97.64% of the extended share capital of Zheng He. In accordance with the applicable accounting standards, the acquisition is therefore treated as a reverse acquisition for accounting purposes. Accordingly, BVI has been treated as the acquirer and accounting parent for consolidation purposes.

Due to the application of reverse acquisition accounting principles, the consolidated accounts represent a continuation of the accounts of BVI rather than that of Zheng He. It is important to note this principal because the comparative numbers are related to BVI operations and not of Zheng He. As a result, these comparatives will not compare to the financial results of Zheng He published in prior financial reporting periods.

In summary, the consolidated financial statement includes the financial information of the BVI operations for the 12 months and Zheng He in Australia from the date of acquisition to December 2010.

The consolidated loss after taxation of \$540,637 represents twelve months operating performance for BVI and six months of operating performance for Zheng He since acquisition date.

Zheng He is incorporated and domiciled in Australia and was listed on the Australian Securities Exchange on 24 September 2010. Zheng He issued 17,075,000 shares @ 0.20 each and raised \$3,415,000 upon listing.

On listing, Zheng He changed its financial year end from 30 June to 31 December.

Since listing, the Company incorporated the following subsidiaries:

- Zheng He Australia Pty Ltd (incorporated on 8th November 2010);
- Zheng He Securities Pty Ltd (incorporated on 8th November 2010).

The Company also entered into the following Joint Ventures during the year:

- a) In December 2010, the Company acquired a 50% interest in Bamboo Capital Pty Limited ("Bamboo") to facilitate the establishment of structured credit products in the Australian market, and has helped in the development of the Enhanced Fixed Income Fund. The Company currently holds 50% of the total issued share capital in Bamboo.
- b) In October 2010, the Company acquired another joint venture of 50% of the shareholding in ZH Energy Co Ltd HK (ZHE) and the principal activity of the Company is the provision of credit guarantee services to the commodity trading sector.

The above JV's and newly incorporated entities had not executed any transactions as at 31 December 2010.

Financial Position

The net assets of the consolidated entity have increased by \$20,040,982 from \$3,619,572 as at 31 December 2009 to \$23,660,554 as at 31 December 2010. This increase has resulted primarily from proceeds of share issues raising \$21,735,440.

Significant Changes in State of Affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows and have been disclosed under "Review of Operations":

- Acquisition of 100% of the share capital of Zheng He Global Capital Corporation ("BVI") and its wholly owned subsidiary Fuzhou Zhong Hong Guarantee Company Ltd (FZHG) (acquired on 1/4/10) via a share for share exchange.
- Formation of Joint Ventures.
- Incorporation of new subsidiaries
- The Company was listed on the Australian Securities Exchange on 24 September 2010.

Events Subsequent to Balance Date

In February 2011, the company entered into a third joint venture with Global Electronic Trading Pty Ltd and GET Pacific Ltd (see below for detail).

In Australia, the Company's 100% owned subsidiary Zheng He Securities Pty Ltd applied for, and was granted AFSL Licence No 392360 on 23 March 2011. The licence authorises Zheng He Securities to:

- a) provide general financial product advice to retail and wholesale clients in relation to deposit and payment products, managed investment schemes and securities;
- b) provide personal financial product advice to wholesale clients for deposit and payment products, managed investment schemes and securities;
- c) deal in financial products and underwrite interests in managed investment schemes and issues of securities; and
- d) provide custodial and depository services

This places the Group in the unique position of holding financial services licences concurrently in both China and Australia. The AFSL enables Zheng He Securities, to operate its corporate finance activities in Australia with particular focus on cross border opportunities between Asia and Australia. This is anticipated to provide significant growth in business for the Company.

The AFSL also enables the Company to build a funds management and wealth management business in support of the corporate finance activities through its subsidiary company.

The Group's Chinese subsidiary, Fujian Zhong Hong Financial Guarantee Co Ltd, has also been successful in expanding its licence in China from one that allows it to provide credit guarantee services to a licence that allows it to

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offer both financial services as well as credit guarantee services. This expansion enables the Company to now offer financial advisory services and other intermediary services, and to lend its own funds directly to customers. These new services are in addition to its core business of providing credit guarantees to partner banks.

Likely Developments

FZHG will continue to focus on financing guarantees for SME's, and performance guarantees for construction programs, finance leases and personal guarantees.

As reported, the Company's Credit Guarantee business in China continues to expand, which has necessitated an expansion into neighbouring office premises. Additional employment will increase our capacity to evaluate loan applications and process guarantees.

Playing to our strength in cross border transactions is attracting considerable interest with Australian companies wishing to access capital or expand into Asia, and Asian companies wishing to expand in the Australian market. This will be a focus of attention for the Company in the future.

Participating in the Hong Kong Mines and Money Conference in March 2011 should reinforce this position with prospective clients.

The Company's joint venture with Dinimus Pty Ltd to form Bamboo Capital Pty Ltd, as Manager of an Enhanced Fixed Income Fund with an AA-S&P Credit rating, continues to attract interest from potential investors. We are seeking investors in Asia, EU and USA to seed this fund.

A third joint venture was completed in January 2011 with Global Electronic Trading Pty Ltd and GET Pacific Ltd to form Z Trade Global Pty Ltd. This Joint Venture is responsible for marketing a Global Online Trading Platform into Asia. This platform can access 28 Global Exchanges, 150 currency crosses and reputable research complimented by live news feeds. The first clients have signed up and we are confident of future growth.

The Company aims to continue with two main strategies:

1. to increase the earnings from China and Australia through organic growth, and
2. to make strategic acquisitions and joint ventures to increase the market capitalisation and asset base of the company.

There were no other factors which have affected the results in the period or which are likely to affect results in the future.

Environmental Regulation and Performance

The economic entity's operations are not subject to any significant environmental regulations under the Commonwealth or State legislation. However, the Directors believe that the economic entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the economic entity.

Dividends

No dividend has been declared by the Directors for this financial year.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

Auditor Independence and Non-Audit Services

The auditor's independence declaration is included on page 26 of this Annual Report.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 7 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 7 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Proceedings on Behalf of the Company

No person has applied for leave of a Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

REMUNERATION REPORT

This remuneration report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the parent company, and includes the five Executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the Parent and the Group.

Director and senior management details

Details of key management personnel (including the five highest paid executives of the Company and the Group) during the financial year ended 30 June 2010, are:

Directors:

Dato' Dr. Tan Tiong Hong	Non-Executive Director, Chairman
Kit Foo Chye	Executive Director, Managing Director
Andrew Smith	Executive Director (appointed 1 February 2011), Non-Executive Director since 2 June 2010
Rong Cheng Wei	Non-Executive Director (appointed 2 June 2010)
Ooi Jin Woon	Non-Executive Director

Cheng Ngee Lee Alternate Non-Executive Director (appointed 12 October 2010), Non-Executive Director
(8 March 2011)

Other Key Management Personnel:

Chai Xiang Yang General Manager (Fujian Zhong Hong Guarantee Co., Ltd)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Nomination and Remuneration Committee

The Board has established a Nomination Remuneration Committee, which is responsible for determining and reviewing remuneration arrangements for the Directors and the executive officers. The Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of an experienced and high quality Board and executive team. As at the date of this report, the Committee has not established any formal link between the Company's performance and the Directors' emoluments, other than by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of an experienced and high quality Board and executive team.

The Board carries out the function of the Nomination & Remuneration Committee which has been suspended until such time as a further Non-Executive independent director is appointed to the Board.

Remuneration Philosophy

The performance of Zheng He depends upon the quality of its Directors and Executive Officers. To prosper, Zheng He must attract, motivate and retain highly skilled personnel.

To this end, the Board:

- Works to attract the appropriate staff by providing a competitive remuneration structure and a productive working environment;
- Reviews and determines the levels of remuneration for;
 - Directors of the Group of companies;
 - The Managing Director;
 - Executive and senior management; and
- Ensures that all compliance, governance, accounting, legal approvals and disclosure requirements associated with Zheng He employment practices are satisfied.

It is the Board's policy that employment letters are issued to Directors and executives. These letters contain their responsibilities and remuneration paid.

Remuneration Structure

In accordance with corporate governance principles and recommendations, the Company substantially complies with the guidelines for executive remuneration packages and Non-Executive Director remuneration.

Non-Executive Directors remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time-to-time by a general meeting. The latest determination was at the time of issuing the prospectus dated 6 August 2010 when shareholders approved an aggregate remuneration of \$220,000 per annum to be apportioned amongst Non-Executive Directors.

- The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

On appointment, Non-Executive Directors were advised of their Directors duties and responsibilities and the remuneration fee to be paid to that Director in carrying out his duties. This fee covers both the Board and any committee position where the Non-Executive Director is a member.

- The Non-Executive Directors do not receive retirement benefits, nor do they participate in any incentive programmes.
- The remuneration of Non-Executive Directors for the period ending 31 December 2010 is detailed in the tables that follow.

Executive remuneration

Zheng He aims to reward its executives with a level of remuneration commensurate with their position and responsibilities within the Company, so as to reward executives for meeting or exceeding targets set by reference to appropriate benchmarks; align the interests of executives with those of shareholders; and ensure remuneration is competitive by market standards.

It is the Company's policy that employment contracts must be entered into with the Managing Director and senior executives. Remuneration consists of fixed remuneration only and does not include a variable remuneration component such as the issue of shares and/or options.

- The Company has entered into a contract of employment with the Executive Director/Managing Director and a standard contract with other executives.
- Remuneration consists of base salary, superannuation and non-monetary benefits.

Fixed Remuneration

Objective

- Fixed remuneration is reviewed at the end of each contract term by the Board. The process consists of a review of Company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Structure

- Executives receive their fixed remuneration in the form of cash payments to their nominated accounts with appropriate PAYG tax deducted (where applicable), and superannuation funds (where applicable).

Variable Remuneration – Short-term Incentive

Objective

- The objective of a short-term incentive programme is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets.
- At the date of this report, there is no short-term incentive programme for Executive Directors; although the Company is considering the adoption of executive share option scheme and the issue of such securities under the scheme to Executive Directors will be determined by the Board.
- The total potential short-term incentive available will be set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

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Employment Contracts

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board as part of an assessment on that executive's performance. The Board has access to external independent advice if necessary. There are no fixed term contracts.

Changes in Directors and Executives Subsequent to Year-end

On 14 January 2011, Caroline Tan commenced as an Executive Director.

On 1 February 2011, Andrew Smith commenced as an Executive Director. Prior to this, Andrew acted as a Non-Executive Director.

On 8 March 2011, Cheng Ngee Lee commenced as a Non-Executive Director. Prior to this, Cheng acted as an Alternate Director.

On 8 March 2011, Vivian Mei Hsuan Tan commenced as an Alternate Director.

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Remuneration of Senior Management and Executive Directors

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated group:

Group Key Management Personnel	Short term employee benefits				Post employment benefits	Long term benefits	Share-based payment	Total
	Consulting, Salary and Director Fees	Bonus	Non-monetary benefits	Other	Super-annuation	Other \$	Options & Rights	
2010	\$	\$	\$	\$	\$	\$	\$	\$
<i>Executive Directors</i>								
Kit Foo Chye	107,500	-	-	-	9,675	-	-	117,175
<i>Non-Executive Directors</i>								
Dato' Dr. Tan Tiong Hong	60,000	-	-	-	-	-	-	60,000
Andrew Smith	15,000	-	-	-	-	-	-	15,000
Rong Cheng Wei	20,000	-	-	-	-	-	-	20,000
Ooi Jin Woon	15,000	-	-	-	-	-	-	15,000
Cheng Ngee Lee	-	-	-	-	-	-	-	-
<i>Other key Management Personnel</i>								
Chai Xiang Yang	34,152	-	-	5,869	6,147	-	-	46,168
Total Remuneration	251,652	-	-	5,869	15,822	-	-	273,343

Group Key Management Personnel	Short term employee benefits				Post employment benefits	Long term benefits	Share-based payment	Total
	Consulting, Salary and Director Fees	Bonus	Non-monetary benefits	Other	Super-annuation	Other \$	Options & Rights	
2009	\$	\$	\$	\$	\$	\$	\$	\$
<i>Executive Directors</i>								
Kit Foo Chye	30,000	-	-	-	2,700	-	280,500	313,200
<i>Non-Executive Directors</i>								
Dato' Dr. Tan Tiong Hong	10,000	-	-	-	-	-	-	10,000
Andrew Smith	2,500	-	-	-	-	-	56,100	58,600
Rong Cheng Wei	3,333	-	-	-	-	-	-	3,333
Ooi Jin Woon	2,500	-	-	-	-	-	56,100	58,600
Cheng Ngee Lee	-	-	-	-	-	-	-	-
<i>Other key Management Personnel</i>								
Chai Xiang Yang	39,903	-	-	6,182	6,470	-	56,100	108,655
Total Remuneration	88,236	-	-	6,182	9,170	-	448,800	552,388

Securities Received that are not Performance Related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

	Remuneration type	Grant date	Grant value	Reason for grant (Note 1)	Percentage vested/paid during year %	Percentage forfeited during year %	Percentage remaining as unvested %	Expiry date for vesting or payment
<i>Group Key Management Personnel</i>								
	Options	16 June 2010	280,500	1(a)	-	-	100	16 June 2015
	Options	16 June 2010	56,100	1(a)	-	-	100	16 June 2015
	Options	16 June 2010	56,100	1(a)	-	-	100	16 June 2015
	Options	16 June 2010	56,100	1(a)	-	-	100	16 June 2015

Note 1(a) The options have been granted subject to the Company successfully listing on ASX prior to 31 December 2010, exercisable at \$0.25 between 30 June 2013 and 16 June 2015, and to be held in escrow until 24 September 2012.

There have not been any alterations to the terms or conditions of any grants since grant date.

Options and Rights Granted

	Grant details			For the financial year ended 30 June 2010					Overall		
	Date	No.	Value \$	Exercised no.	Exercised \$	Lapsed no.	Lapsed \$	Vested no.	Vested %	Unvested %	Lapsed %
<i>Group Key Management Personnel</i>											
	16 June 2010	5,000,000	280,500	-	-	-	-	-	-	-	-
	16 June 2010	1,000,000	56,100	-	-	-	-	-	-	-	-
	16 June 2010	1,000,000	56,100	-	-	-	-	-	-	-	-
	16 June 2010	1,000,000	56,100	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-

Note 1 The value of options granted as remuneration and as shown in the above table has been determined in accordance with applicable accounting standards.

Description of Options/Rights Issued as Remuneration

Details of the options granted as remuneration to those key management personnel and executives listed in the previous table are as follows:

Grant date	Issuer	Entitlement on exercise	Dates exercisable	Exercise price \$	Value per option at grant date \$	Amount paid/ payable by recipient \$
16 June 2010	Zheng He Global Capital Ltd	1:1 Ordinary shares in Zheng He	From 30 June 2013 to 16 June 2015 (expiry)	\$0.25	\$0.0561	-

Option values at grant date were determined using the Black-Scholes method.

Details relating to service and performance criteria required for vesting have been provided in the previous table.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Dato' Dr. Tan Tiong Hong
Chairman
30 March 2011



Mr. Kit Foo Chye
Managing Director
30 March 2011

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Auditor's Independence Declaration Under S 307C of the Corporations Act 2001 to the Directors of Zheng He Global Capital Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2010, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

WHK HORWATH MELBOURNE



Peter Sexton
Partner
Melbourne Victoria 3000
30 March 2010

Independent Auditor's Report to the Members of Zheng He Global Capital Limited and Controlled Entities

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Zheng He Global Capital Limited (the company) and Zheng He Global Capital Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

THE RESPONSIBILITY OF THE DIRECTORS FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial statements, comprising the financial statements and notes, complies with IFRS.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditors Independence Declaration, a copy of which is attached to the Financial Report.

AUDITOR'S OPINION

In our opinion:

- a. the financial report of Zheng He Global Capital Limited and Zheng He Global Capital Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company and consolidated entity's financial position as at 31 December 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 20 to 26 of the report of the directors for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

AUDITOR'S OPINION

In our opinion the Remuneration Report of Zheng He Global Capital Limited for the year ended 31 December 2010 complies with s 300A of the *Corporations Act 2001*.

WHK HORWATH MELBOURNE



Peter Sexton
Partner
Melbourne Victoria 3000
30 March 2010

DIRECTORS' DECLARATION

The Directors declare that:

1. The financial statements and notes, as set out on pages 31 to 75 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards; and
 - b. give a true and fair view of the financial position as at 31 December 2010 and of the performance for the year ended on that date of the Company and consolidated group;
2. The Managing Director and Chief Finance Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors



Dato' Dr. Tan Tiong Hong
Chairman
30 March 2011



Mr. Kit Foo Chye
Managing Director
30 March 2011

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010 \$	2009 \$
Continuing Operations			
Revenue	3	1,140,638	400,199
Other Income		50,216	1,497
	3	<u>1,190,854</u>	<u>401,696</u>
Administrative and Operating Expenses		(266,206)	(65,565)
Employee Benefits Expenses		(514,579)	(190,608)
Travelling, Marketing & Distribution Expenses		(92,861)	(25,935)
IPO Expenses		(396,770)	-
Professional Fees		(217,056)	(11,909)
Depreciation expense	4	(12,085)	(15,831)
Occupancy Expenses	4	(20,578)	(13,799)
Write off of Financial Assets		(89,609)	-
Profit / (Loss) before income tax		<u>(418,890)</u>	<u>78,049</u>
Income Tax Expense	5	(121,747)	(20,696)
Profit / (Loss) for the year	4	<u>(540,637)</u>	<u>57,353</u>
Other comprehensive income			
Foreign currency translation differences for foreign operations		(2,938,926)	(154,179)
Total comprehensive income for the year		<u>(3,479,563)</u>	<u>(96,826)</u>
Profit / (Loss) from continuing operations attributable to:			
Members of the Company		(540,637)	57,353
Non-controlling Interest		-	-
Profit / (Loss) from continuing operations		<u>(540,637)</u>	<u>57,353</u>
Profit / (Loss) attributable to :			
Members of the Company		(540,637)	57,353
Non-controlling Interest		-	-
Profit / (Loss) for the period after tax		<u>(540,637)</u>	<u>57,353</u>
Total comprehensive income attributable to :			
Members of the Company		(3,479,563)	(96,826)
Non-controlling Interest		-	-
Total comprehensive income for the period		<u>(3,479,563)</u>	<u>(96,826)</u>

Earnings per share**From continuing and discontinued operations**

-Basic earnings per share (cents per share)	8	(0.2803)	0.7169
-Diluted earnings per share (cents per share)	8	(0.2803)	0.7169

From continuing operations

-Basic earnings per share (cents per share)	8	(0.2803)	0.7169
-Diluted earnings per share (cents per share)	8	(0.2803)	0.7169

The accompanying notes form part of these financial statements

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STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	9	19,465,797	403,270
Loan receivables	10	3,993,642	3,141,131
Trade and other receivables	10	140,520	7,386
Total Current Assets		23,599,959	3,551,787
Non-Current Assets			
Plant and equipment	13	172,443	116,461
Intangibles	14	299,328	-
Total Non-Current Assets		471,771	116,461
Total Assets		24,071,730	3,668,248
Current Liabilities			
Trade and other payables	15	252,058	19,938
Provisions	16	18,412	-
Current tax liability		140,706	28,738
Total Current Liabilities		411,176	48,676
Total Liabilities		411,176	48,676
Net Assets		23,660,554	3,619,572
Equity			
Issued capital	17	27,139,238	3,618,693
Reserves	26	(2,538,341)	(81,161)
Retained Earnings		(940,343)	82,040
Parent interest		23,660,554	3,619,572
Non-controlling interest		-	-
Total Equity		23,660,554	3,619,572

The accompanying notes form part of these financial statements

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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Issued Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Statutory Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1.1.2009	1	24,687	73,018	-	97,706
Profit attributable to members of the company	-	57,353	-	-	57,353
Total other comprehensive income for the period	-	-	(154,179)	-	(154,179)
Shares issued during the period	3,618,692	-	-	-	3,618,692
Balance at 31.12.2009	3,618,693	82,040	(81,161)	-	3,619,572
Balance at 1.1.2010	3,618,693	82,040	(81,161)	-	3,619,572
Profit attributable to members of the company	-	(540,637)	-	-	(540,637)
Total other comprehensive income for the period	-	-	(2,938,926)	-	(2,938,926)
Shares issued during the period	19,844,877	-	-	-	19,844,877
Cost of Capital	(305,099)	-	-	-	(305,099)
Shares issued on reverse acquisition	565,767	-	-	-	565,767
Shares issued on IPO	3,415,000	-	-	-	3,415,000
Transfers	-	(481,746)	-	481,746	3,619,572
Balance at 31.12.2010	27,139,238	(940,343)	(3,020,087)	481,746	23,660,554

The accompanying notes form part of these financial statements

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Note	2010 \$	2009 \$
Cash Flows from operating activities			
Receipts of interest income and service fees		1,130,728	456,809
Payment of operating expenditures		(1,589,106)	(336,433)
Loans disbursed to borrowers, net of repayment		(1,210,253)	(2,167,578)
Net cash inflow / (outflow) from operating activities	21	(1,668,631)	(2,047,202)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(166,617)	(1,802)
Cash on Acquisition of Zheng He		249,782	-
Net Cash inflow / (outflow) from Investing Activities		83,165	(1,802)
Cash Flows from Financing Activities			
Proceeds from issues of ordinary shares		21,735,440	2,048,389
Loan to other parties		(2,000)	-
Net Cash inflow / (outflow) from financing activities		21,733,440	2,048,389
Net Increase / (Decrease) in Cash held		20,147,974	(615)
Cash at the Beginning of the Financial Year		403,270	418,096
Effect of exchange rates on cash holding in foreign currencies		(1,085,447)	(14,211)
Cash at the End of the Financial Year	9	19,465,797	403,270
Non-Cash Financing and Investing Activities			
In June 2010, the Company issued 331,656,221 fully paid ordinary shares and 30,000,000 options to the shareholders of BVI co as consideration for acquisition.		68,015,131	-

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*

The separate financial statements of the parent entity have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001 effective as at 28 June 2010.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

Basis of Preparation of the Financial Report

a. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Zheng He at the end of the reporting period. A controlled entity is any entity over which Zheng He has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Zheng He acquired 100% of China based company BVI and its wholly owned subsidiary FZHG on June 2010. The acquisition was implemented by way of issuing shares of Zheng He to BVI shareholders. The issue of shares resulted in BVI shareholders holding a majority shareholding in Zheng He. Thus, this transaction has been accounted for as a reverse acquisition in accordance with AASB 3: Business Combinations and the consolidated accounts represent a continuation of the accounts of BVI rather than that of Zheng He.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It is important to note that because these accounts represent a continuation of the accounts of BVI, the consolidated comparative numbers are also related to BVI operations and not of the Company's operations. As a result, these comparatives will not compare to the financial results of Zheng He published in prior financial reporting periods.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

BVI shareholders obtained 97.64% of the expanded share capital of Zheng He Limited after the acquisition transaction. This is described as a reverse acquisition. Consequently, this financial report discloses the consolidated financial statements of the Group as if BVI is the acquirer for accounting purposes, and Zheng He is the acquiree for accounting purposes. The consolidated financial statements are presented as 'an extension' of the financial statements of BVI, the legal subsidiary.

For other purposes, including entitlement to dividends, Zheng He remains the parent company of the combined Group. Reverse acquisition accounting applies only to the business combination transactions at the acquisition date and does not apply to transactions after the reverse acquisition date.

Reverse acquisition accounting applies only to the consolidated financial statements. The parent entity financial information are those of Zheng He.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Because the consolidated financial statements represent a continuation of the financial statements of BVI:

- fair value adjustments arising at acquisition were made to Zheng He's assets, not those of BVI.
- the cost of the acquisition is based on the notional amount of shares that BVI would need to issue to acquire the 2.36% of Zheng He's shares that BVI's shareholders did not own after the acquisition, times the fair value of BVI shares at the acquisition date.
- retained earnings and other equity balances in the consolidated financial statements at the date of acquisition are the retained earnings and other equity balances of BVI immediately before the acquisition.
- the amount recognized as issued equity instruments in the consolidated financial statements has been determined by adding the cost of the acquisition to the issued equity of BVI immediately before the business combination.
- the equity structure in the consolidated financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of Zheng He, including the equity instruments issued by Zheng He to effect the acquisition.
- the results for the year ended 31 December 2010 comprise the results of BVI (the acquirer for accounting purposes) and its controlled entities prior to the acquisition, and, the results of Zheng He (the acquiree for accounting purposes) and its controlled entities after the acquisition date.
- the results and the cash flow for the financial period ended 31 December 2009, comprise those of BVI (the acquirer for accounting purposes) and its controlled entities prior to the acquisition
- the balance sheets presented for 31 December 2009 comprise the balance sheet of BVI and its controlled entities prior to the acquisition.

b. Income Tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities are therefore measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

Zheng He Global Capital Limited and its wholly owned Australian subsidiaries have not formed an income tax consolidated group under tax consolidation legislation.

c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Computers	20 - 33%
Office equipment	20 - 33%
Furniture and fittings	20%
Renovation	50%

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

v. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

f. Impairment of Assets

At each the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

g. Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of jointly controlled assets has been included in the appropriate line items of the consolidated financial statements. Details of the consolidated group's interests are shown at Note 11.

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account at cost.

h. Intangibles

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest; and
- (iii) the acquisition date fair value of any previously held equity interest,

over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value (*full goodwill method*) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (*proportionate interest method*). The Group determines which method to adopt for each acquisition.

Under the *full goodwill method*, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

i. Foreign Currency Transactions and Balances

Functional and presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Functional and presentation Currency

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

j. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

Share-based compensation benefits are provided to employees, directors, officers and consultants via the Zheng He Global Capital Limited Option Plan. Information relating to these schemes is set out in note 22: Share-based payments.

The fair value of options granted under the Zheng He Global Capital Limited Option Plan is recognised as a stock benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees, directors and officers become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The stock benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

k. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

m. Revenue Recognition

- (i) *Service Fee*
Service fees are recognised when loans are released by the Group to its approved borrowers.
- (ii) *Interest Income*
Interest income is recognised in the income statement for all interest bearing assets on an accrual basis.
- (iii) *Guarantee Fee*
Revenue relating to guarantee fee income is detailed in note 1(e) Financial Instruments under the heading Financial Guarantee.

All revenue is stated net of the amount of goods and services tax (GST)

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

p. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. As noted in Note 1a) Business Combination, due to reverse acquisition accounting the comparative amounts presented for 31 December 2009 is of BVI and its controlled entities prior to the acquisition.

q. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the director and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(i) *Impairment of Non-Financial Assets*

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(ii) *Impairment of Loans and Receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded in the income statement. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Zheng He Global Capital Limited.

AASB 3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009. The following is an overview of the key changes and the impact on the Group's financial statements in relation to the acquisition of an additional ownership interest in Zhen He Global Corporation (BVI).

Recognition and measurement impact

Recognition of acquisition costs — The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination. There was no cost associated with the acquisition.

Measurement of contingent considerations — The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill. There were no contingent considerations on acquisition.

Measurement of non-controlling interest — For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at the fair value of the non-controlling interest (*the full goodwill method*) or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous version of AASB 3 only the latter option was permitted. There are no non-controlling equity interests.

Disclosure impact

The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
 - a. the objective of the entity's business model for managing the financial assets; and
 - b. the characteristics of the contractual cash flows.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- AASB 2010-3: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] (applicable for annual reporting periods commencing on or after 1 July 2010)

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- Requiring that recognition and/or adjustment of contingent consideration for acquisitions proceeding 1 July 2009 be recognized against the cost of acquisition.

- AASB 2010-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- Clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- Adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- Amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- Adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- Making sundry editorial amendments to various Standard and Interpretations. This Standard is not expected to impact the Group.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate early adoption of any of the above Australian Accounting Standard or Interpretations.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 2: PARENT INFORMATION

Due to the application of reverse acquisition accounting principles the consolidated accounts represent a continuation of the accounts of BVI rather than that of Zheng He. The following information has been extracted from the books and accounts of the legal parent, Zheng He Global Capital Limited as at 31 December 2010 and has been prepared in accordance with the Accounting Standards:

Statement of Financial Position

	2010
	\$
ASSETS	
Current Assets	2,398,427
Total Assets	<u>70,560,856</u>
LIABILITIES	
Current Liabilities	227,499
Total Liabilities	<u>227,499</u>
EQUITY	
Issued Capital	70,241,147
Retained Earnings	(2,096,843)
Option Reserve	2,189,053
TOTAL EQUITY	<u>70,333,357</u>
STATEMENT OF COMPREHENSIVE INCOME	
Total profit	(1,058,121)
Total comprehensive income	<u>(1,058,121)</u>

Guarantees

Zheng He Global Capital Ltd has not entered into any guarantees, in the current or previous financial year, in relation to the debts of subsidiaries.

Contingent liabilities

At 31 December 2010, Zheng He Global Capital Ltd has no contingent liabilities.

Contractual commitments

At 31 December 2010, Zheng He Global Capital Ltd has not entered into any contractual commitments for the acquisition of property, plant and equipment (2009: Nil).

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 3: REVENUE

The following is an analysis of the Groups revenue for the year from continuing operations.

	2010	2009
	\$	\$
a. Revenue from continuing operations		
Guarantee fees	522,957	-
Interest income	344,584	399,230
Consultation fee	273,097	969
Total	1,140,638	400,199
Other Income		
Bank interest	50,141	-
Other income	75	1,497
Total	50,216	1,497
Total Revenue	1,190,854	401,696
b. Total revenue and other income from continuing operations		
Attributable to members of the parent entity	1,190,854	401,696
Attributable to non-controlling interests	-	-
	1,190,854	401,696

NOTE 4: PROFIT

	2010	2009
	\$	\$
Expenses		
- Plant and equipment depreciation	(12,085)	(15,831)
Total depreciation	(12,085)	(15,831)
Net gain/(loss) from movement in provisions		
- Movement in employee provisions	18,412	-
Total net gain/(loss) from movements in provisions	18,412	-
Rental expense on operating leases		
- Minimum lease payments	(20,578)	(13,799)
Employee benefits		
- Employee wages and salaries	325,548	156,265
- Other employee expenses	189,031	23,343
Total employee benefits	514,579	190,608

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 5: INCOME TAX

	2010	2009
	\$	\$
a. The Components of Tax Expense comprises of:		
- Current Tax	121,747	20,696
- Deferred Tax	317,851	-
- Deferred tax asset not recognised	(317,851)	-
	121,747	20,696
b. The Prima Facie Tax on Profit / (Loss) from Operations before Income Tax is reconciled to the Income Tax as follows:		
Profit / (Loss) from Operations	(418,890)	78,049
Prima Facie Tax Payable on Profit / (Loss) from Operations before Income Tax at 30% (2009:30%)	(125,667)	23,415
Less adjustment for foreign subsidiaries with differential tax rates	(32,031)	(3,902)
Add/(less) tax effect of permanent differences		
Non Taxable Income	(38,406)	-
Non Deductible expenses	-	1,183
Tax losses not recognised as deferred tax assets	317,851	-
	247,414	(2,719)
Income tax expense attributable to Profit / (Loss) after income tax	121,747	20,696
c. Deferred tax asset not brought to account		
Reconciliation		
Opening balance	-	-
Add/(less)		
- Exchange variations	-	-
- Tax losses utilised during the period	-	-
- Tax effect of current period losses	317,851	-
	317,851	-
Closing balance	317,851	-

Deferred tax asset mainly comprises income tax losses brought forward. The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- i. Assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised
- ii. Conditions of deductibility imposed by the law are complied with and:
- iii. No changes in tax legislation adversely affects the realisation of the benefit

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 6: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Group and the Company.

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 December 2010.

The totals of remuneration paid to KMP of the Group during the year is as follows:

	2010	2009
	\$	\$
Short term employment benefits	257,521	94,418
Post employment benefits	15,822	9,170
Termination benefits	-	-
Share based payments	-	448,800
	273,343	552,388

KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

2010	Balance 1 Jan 2010	Granted as Remuneration	Exercised during the year	Net Change Other*	Balance 31 Dec 2010	Total Vested 31 Dec 2010	Total Vested & Exercisable 31 Dec 2010	Total Vested & Unexerci- sable 31 Dec 2010
Dato' Dr. Tan Tiong Hong	-	-	-	-	-	-	-	-
Kit Foo Chye	-	5,000,000	-	-	5,000,000	-	-	-
Andrew Smith	-	1,000,000	-	-	1,000,000	-	-	-
Rong Cheng Wei	-	-	-	-	-	-	-	-
Ooi Jin Woon	-	1,000,000	-	-	1,000,000	-	-	-
Cheng Ngee Lee	-	-	-	-	-	-	-	-
Chai Xiang Yang	-	1,000,000	-	-	1,000,000	-	-	-
	-	8,000,000	-	-	8,000,000	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 6: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (CONTINUED)

KMP Shareholdings

The number of ordinary shares in Zheng He Global Capital Limited held by each KMP of the Group during the financial year is as follows:

2010	Balance 1 January 2010	Granted as Remuneration	Options Exercised	Net Change Other*	Balance 31 December 2010
Dato' Dr. Tan Tiong Hong	-	-	-	197,176,230	197,176,230
Kit Foo Chye	-	-	-	120,002	120,002
Andrew Smith	-	-	-	55,000	55,000
Rong Cheng Wei	-	-	-	51,645,000	51,645,000
Ooi Jin Woon	-	-	-	550,000	550,000
Cheng Ngee Lee	-	-	-	51,675,000	51,675,000
Chai Xiang Yang	-	-	-	5,499,995	5,499,995
	-	-	-	306,691,227	306,691,227

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer to Note 24: Related Party Transactions.

NOTE 7: AUDITORS REMUNERATION

	2010 \$	2009 \$
During the year the following fees were paid or payable for services provided by the auditor.		
Crowe Horwath Kuala Lumpur:		
- Auditing or reviewing the financial report of Overseas Entities	30,160	41,500
- Tax and other services	-	39,600
	<u>30,160</u>	<u>81,100</u>
WHK Horwath Melbourne:		
- Auditing or reviewing the financial report of Australian Entities	22,000	-
- Other services	-	-
	<u>52,160</u>	<u>81,100</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 8: EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and warrants).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	2010	2009
	\$	\$
a. Reconciliation of earnings to profit or loss:		
Net profit / (loss) for the year	(540,637)	57,353
(Profit) / loss attributable to non-controlling equity interest	-	-
Earnings used to calculate basic EPS & dilutive EPS	<u>(540,637)</u>	<u>57,353</u>
b. Reconciliation of earnings to profit or loss from continuing operations:		
Net profit / (loss) from continuing operations	(540,637)	57,353
(Profit) / loss attributable to non-controlling equity interest	-	-
Earnings used to calculate basic EPS & dilutive EPS	<u>(540,637)</u>	<u>57,353</u>
	Number	Number
c. Weighted average number of ordinary shares for the purposes of basic EPS	<u>192,917,692</u>	<u>8,000,002</u>
d. Weighted average number of ordinary shares used in the calculation of diluted EPS	<u>192,917,692</u>	<u>8,000,002</u>

39,000,000 options do not have a dilutive effect since the average market price of ordinary shares during the period did not exceed the exercise price of options and warrants.

NOTE 9: CASH & CASH EQUIVALENTS

	2010	2009
	\$	\$
Cash at bank and on hand	612,743	403,270
Short term deposits	18,772,736	-
Bank guarantee	80,318	-
	<u>19,465,797</u>	<u>403,270</u>

At the balance sheet date, \$80,318 was held as a bank guarantee, and part of short term deposits of \$16,972,736 are pledged with the bank as security deposits allowing the Company to act as guarantor for loan borrowers of those banks.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 10: TRADE AND OTHER RECEIVABLES

	2010	2009
	\$	\$
Current Financial Assets		
Trade Receivables	140,520	7,386
	<u>140,520</u>	<u>7,386</u>
Secured Loans		
Loan receivables	3,993,642	3,141,131
	<u>3,993,642</u>	<u>3,141,131</u>
Total	<u>4,134,162</u>	<u>3,148,517</u>

The outstanding loans receivable balance is pledged with the bank as security deposits allowing the Company to act as guarantor for loan borrowers of those banks.

Loan receivables that are less than three months past due are not considered impaired. As of 31 December 2010, none of the loan receivables are past due.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts, if any.

The ageing analysis of receivables is as follows:

	Gross amount \$	Past due and impaired \$	Past due but not impaired (days overdue)		Within initial repayment terms \$
			< 90 \$	> 90 \$	
2010					
Trade receivables	140,520	-	-	-	140,520
Loan receivables	3,993,642	-	-	-	3,993,642
Total	4,134,162	-	-	-	4,134,162
2009					
Trade receivables	7,386	-	-	-	7,386
Loan receivables	3,141,131	-	221,403	2,584,511	335,217
Total	3,148,517	-	221,403	2,584,511	342,603

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 11: JOINT VENTURE ENTITY

Name	Ownership interest		Aggregate share of profits/(losses), where material		Carrying amount of Investments	
	2010 %	2009 %	2010 \$	2009 \$	2010 \$	2009 \$
Shares in ZH Energy(HK) Ltd	50	-	-	-	50	-
Shares in Bamboo Pty Ltd	50	-	-	-	50	-

During the year, the Company entered into the following Joint Ventures:

- In December 2010, the Company acquired a 50% interest in Bamboo Capital Pty Limited ("Bamboo") to facilitate the establishment of structured credit products in the Australian market, and has helped in the development of the Enhanced Fixed Income Fund. The Company currently holds 50% of the total issued share capital in Bamboo.
- In October 2010, the Company acquired another joint venture of 50% of the shareholding in ZH Energy Co Ltd HK (ZHE) and the principal activity of the company is the provision of credit guarantee services to the commodity trading sector.

The above JV's had not executed any transactions as at 31 December 2010.

NOTE 12: CONTROLLED ENTITIES

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2010	2009
Parent Entity:			
Zheng He Global Capital Limited	Australia	-	-
Subsidiaries of Zheng He Global Capital Corporation:			
Zheng He Global Corporation	(b)(i) British Virgin Islands	100	-
Fujian Zhong Hong Guarantee Company Ltd	China	100	-
Zheng He Australia Pty Ltd	Australia	100	-
Zheng He Securities Pty Ltd	Australia	100	-

*Percentage of voting power is in proportion to ownership.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 12: CONTROLLED ENTITIES (CONTINUED)

(b) Acquisition of Controlled Entities

(i) Acquisition of Zheng He Global Corporation

On 16 June 2010, shareholders approved the acquisition of all issued share capital in Zheng He Global Corporation (BVI), and its 100% subsidiary Fujian Zhong Hong Guarantee Company Ltd for consideration of \$68,015,131 settled by the issue of 331,656,221 ordinary shares at 20 cents per share and 30,000,000 options, with a 25 cent strike price.

Due to the material nature of the acquisition, the acquisition of BVI was deemed a reverse acquisition for accounting purposes. Therefore the following represents the net assets of Zheng He at acquisition date and the consideration paid by BVI.

The major classes of assets and liabilities comprising the acquisition of the companies as at the date of acquisition are as follows:

	2010
	\$
Cash and cash equivalents	249,782
Other Assets	308,121
Trade creditors	(291,464)
Net assets acquired	<u>266,439</u>
Consideration paid	
- Ordinary Shares (484,848 issued to acquire Zheng HE)	<u>565,767</u>
Total consideration	<u>565,767</u>
Goodwill on acquisition of Zheng He	<u>299,328</u>
	Consolidated
	\$
Cash consideration paid for acquisition for BVI	-
Cash acquired on acquisition of Zheng He	<u>249,782</u>
Cash (outflow)/inflow on acquisition	<u>249,782</u>

(ii) The Company incorporated the following subsidiaries with share capital of \$2 each during the year:

- Zheng He Australia Pty Ltd (incorporated on 8th November 2010);
- Zheng He Securities Pty Ltd (incorporated on 8th November 2010).

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 13: PROPERTY, PLANT & EQUIPMENT

	2010	2009
	\$	\$
PLANT AND EQUIPMENT		
Motor vehicles:		
At cost	10,194	-
Accumulated depreciation	(1,076)	-
	9,118	-
Office equipment, Furniture and fittings		
At cost	117,490	124,727
Accumulated depreciation	(15,955)	(8,266)
	101,535	116,461
Leasehold improvements		
At cost	83,612	21,587
Accumulated amortisation	(21,822)	(21,587)
	61,790	-
Total Property, Plant and Equipment	172,443	116,461

a. Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Office Equipment, Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$
Consolidated Group:				
Balance at 1 January 2009	154,320	-	13,922	168,242
Additions	1,802	-	-	1,802
Depreciation expense	(5,068)	-	(10,967)	(16,035)
Foreign exchange rate variations	(34,593)	-	(2,955)	(37,548)
Balance at 31 December 2009	116,461	-	-	116,461
Additions	91,799	10,830	63,995	166,624
Depreciation expense	(8,737)	(1,143)	(2,205)	(12,085)
Write-off of assets	(89,609)	-	-	(89,609)
Foreign exchange rate variations	(8,379)	(569)	-	(8,948)
Balance at 31 December 2010	101,535	9,118	61,790	172,443

No impairment losses were recognised in respect to property, plant and equipment (2009: Nil).

The useful lives used in the calculation of depreciation are disclosed in note 1(c).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 14: INTANGIBLE ASSETS

	2010	2009
	\$	\$
Goodwill		
Cost	299,328	-
Accumulated impairment losses	-	-
Net carrying values	<u>299,328</u>	-
Total intangibles	<u>299,328</u>	-

Goodwill

Consolidated group:

Year ended 31 December 2010

Balance at beginning of the financial year	-
Additional amounts recognised from business combinations occurring during the period	299,328
Balance at end of the financial year	<u>299,328</u>

Impairment disclosures

Goodwill is allocated to cash-generating units which are based on the Groups reporting segments:

	2010	2009
	\$	\$
Australian segment	299,328	-
	<u>299,328</u>	-

Goodwill arises from the acquisition of BVI Co. by Zheng He. As the acquisition of BVI Co. by Zheng He is considered a reverse acquisition, goodwill on consolidation arises from the consideration paid by BVI Co. being in excess of the value of the assets of Zheng He. As Zheng He is a listed entity, the goodwill is related to the value and advantages that flow from being a listed public company. The directors believe this value is in excess of \$299,328, hence no impairment is deemed necessary.

NOTE 15: TRADE AND OTHER PAYABLES

	2010	2009
	\$	\$
Current		
Unsecured liabilities		
Trade creditors	145,852	-
Sundry creditors and accruals	106,206	19,938
	<u>252,058</u>	<u>19,938</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 16: PROVISIONS

	2010	2009
	\$	\$
Current		
Employee entitlements (1)	18,412	-
Total current provisions	<u>18,412</u>	<u>-</u>
Non current		
Employee entitlements	-	-
Total non-current provisions	<u>-</u>	<u>-</u>
	<u>18,412</u>	<u>-</u>

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

NOTE 17: ISSUED CAPITAL

a. Fully paid ordinary shares

	2010	2009
	\$	\$
356,731,223 (2009: 8,000,002) fully paid ordinary shares	<u>27,139,238</u>	<u>3,618,693</u>

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 17: ISSUED CAPITAL (CONTINUED)

b. Movement in Ordinary Share Capital

Date		Number of Shares	Issue Price	Amount \$
1 January 2009	Opening Balance	8,000,002		3,618,693
31 December 2009	Closing Balance	8,000,002		3,618,693
1 January 2010	Opening Balance	8,000,002		3,618,693
29 April 2010	Issue of BVI shares			19,844,877
29 April 2010	Cost of Capital Raising			(305,099)
16 June 2010	Reverse acquisition of all issued share capital in Zheng He Global Corporation (BVI), and its 100% subsidiary Fujian Zhong Hong Guarantee Company Ltd for consideration of \$68,015,131, settled by the issue of 331,656,221 ordinary shares at 20 cents per share	331,656,221		565,767
15 September 2010	Shares issued on IPO	17,075,000	\$0.20	3,415,000
31 December 2010	Closing Balance	356,731,223		27,139,238

The number of shares issued under the consolidated entity represents the number of shares issued in Zheng He Global Capital Limited. The number of shares issued for the prior comparative period represents the number of ordinary shares issued by the legal parent to the owners of the legal subsidiary in the reverse acquisition.

On 15 September 2010 the Company issued 17,075,000 ordinary shares at 20 cent each pursuant to a prospectus dated 6 August 2010.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At a shareholders meeting of Zheng He Global Capital Limited, the listed entity, each ordinary share is entitled to one vote when poll is called, otherwise each shareholder has one vote on a show of hands.

c. Movement in Options

- (i) As part of consideration for the acquisition of BVI on 16 June 2010, the Company issued 30,000,000 options, with a 25 cent strike price expiring 16 June 2015
- (ii) For information relating to share options issued to key management personnel during the financial year, refer to note 6.

d. Escrow arrangements

ASX Restricted Securities

- (i) 316,506,241 ordinary shares classified by ASX as restricted securities and to be held in escrow until 24 September 2012.
- (ii) 7,000,000 options issued pursuant to the Company's employee share option plan, exercisable at \$0.25 between 30 June 2013 and 16 June 2015, classified by ASX as restricted securities and to be held in escrow until 24 September 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 17: ISSUED CAPITAL (CONTINUED)

- (iii) 17,159,980 ordinary shares classified by ASX as restricted securities and to be held in escrow until 16 June 2011.
- (iv) 1,500,000 ordinary shares classified by ASX as restricted securities and to be held in escrow until 7 July 2011.
- (v) 30,000,000 advisory options, exercisable at \$0.25 between 18 June 2010 and 18 June 2015, classified by ASX as restricted securities and to be held in escrow until 18 June 2011.
- (vi) 1,000,000 advisory options, exercisable at \$0.25 between 16 June 2010 and 16 June 2015, classified by ASX as restricted securities and to be held in escrow until 24 September 2012.

Voluntarily Restricted Securities

- (vii) 630,000 ordinary shares classified by ASX as restricted securities and to be held in escrow until 24 September 2012.

Securities Not Quoted

- (viii) 1,000,000 options issued pursuant to the Company's employee share option plan, exercisable at \$0.25 between 30 June 2013 and 16 June 2015.

e. Capital management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

NOTE 18: CAPITAL AND LEASING COMMITMENTS

	2010	2009
	\$	\$
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
- not later than 12 months	19,635	-
- between 12 months and 5 years	282,358	-
	301,993	-

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 4% per annum. An option exists to renew the lease at the end of the five-year term for an additional term of three years.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 19: CONTINGENT LIABILITIES

As of the balance sheet date, the Group has potential exposure to guarantees that it has issued to third parties with respect to the banking facilities. The outstanding guarantees issued are as follows:

	2010
	\$
Corporate loan guarantees	16,771,831
Car loan guarantees	1,250,819
Total	<u>18,022,650</u>

NOTE 20: OPERATING SEGMENTS

Segment information

Identification of reportable segments

After acquisition of BVI and FZHG's business segment of the Group and FZHG's business being the current focus of the Group, the Group has identified its operating segments on that basis. Operating segments are based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of geographical segments as the diversification of the Group's operations inherently has different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The services provided by the segment;
- The type or class of customer for the products or services;
- The distribution method; and
- Any external regulatory requirements.

The business segments of the consolidated entity during the period were two business geographical divisions namely:

- China
- Australia

Types of services by segment

- (i) Chinese operation
The Chinese segment provides credit guarantee and corporate finance services. It is principally involved in the provision of short-term bridging loans to individuals and small and medium enterprises ("SMEs"), and providing guarantees to individuals and SMEs to obtain credit facilities from financial institutions within the People's Republic of China.
- (ii) Australian operation
The Australian segment serves the Chinese division on financial, administrative and legal matters and also holds and manages the portfolio of investments and interests held or acquired.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 20: SEGMENT REPORTING (CONT'D)

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

There are no material inter-segment transactions.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables.

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment.

- Non-recurring items of revenue or expense
- Goodwill on acquisition

Comparative information

This is the first reporting period in which AASB 8 has been adopted. Due to change in structure of the entity's internal organisation resulting from Zheng He merger in June 2010 with its now wholly owned subsidiary Fujian Zong Hong, the above reportable segments have been identified for the first time and consequently comparative information for the corresponding period of 6 months to December 2010 has been restated to conform to the requirements of the Standard.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 20: SEGMENT REPORTING (CONT'D)

Segment information

Segment Performance 31 December

	2010			2009		
	China	Australia	Total	China	Australia	Total
	\$	\$	\$	\$	\$	\$
Revenue						
External sales	1,135,638	5,000	1,140,638	400,199	-	400,199
Interest Income	11,848	32,293	50,141	-	-	-
Others	75	-	75	1,497	-	1,497
Total Segment Revenue	1,147,561	43,293	1,190,854	401,696	-	401,696
Total Group Revenue			1,190,854			401,696

Segment Net Profit/(Loss) before Tax	736,377	(656,803)	79,574	73,184	-	73,184
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Reconciliation of segment result to group net loss before tax

Amount not included in segment result but reviewed by Board:

-Depreciation & Amortisation	(6,147)	(5,938)	(12,085)	(15,831)	-	(15,831)
-Write down of Financial Assets	(89,609)	-	(89,609)	-	-	-
-IPO costs	-	(396,770)	(396,770)	-	-	-
Net Profit/(Loss) before tax from continuing operations	640,621	(1,059,511)	(418,890)	57,353	-	57,353

Segment Assets 31 December

	2010			2009		
	China	Australia	Total	China	Australia	Total
	\$	\$	\$	\$	\$	\$
Segment Assets	21,228,067	70,560,858	91,788,925	3,668,248	-	3,668,248
<i>Reconciliation of segment assets to group assets</i>						
Inter-segment eliminations	-	(67,717,195)	(67,717,195)	-	-	-
Segment Assets after inter-segment eliminations	21,228,067	2,843,663	24,071,730	3,668,248	-	3,668,248
Total Group Assets			24,071,730			3,668,248

Segment asset increases for the period

-capital expenditure	13,402	153,236	166,638	1,779	-	1,779
-Acquisition of legal subsidiary	-	68,015,131	68,015,131	-	-	-
Included in segment assets are						
-Goodwill	-	299,328	299,328	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 20: SEGMENT REPORTING (CONT'D)

Segment Liabilities 31 December

	2010			2009		
	China	Australia	Total	China	Australia	Total
	\$	\$	\$	\$	\$	\$
Segment Liabilities	183,671	228,895	412,556	48,676	-	48,676
<i>Reconciliation of segment assets to group assets</i>						
Inter-segment eliminations	-	(1,390)	(1,390)	-	-	-
Segment Liabilities after inter-segment eliminations	183,671	227,505	411,176	48,676	-	48,676
Total Group Liabilities			411,176			48,676
Included in segment liabilities are						
-Current tax liabilities	140,706	-	140,706	28,738	-	28,738

Revenue and Assets by service

	Revenue by service		Assets by service	
	Revenue attributable to external customers is disclosed below, based on the type of service to the external customer		The allocation of segment assets by service is disclosed below:	
	2010	2009	2010	2009
	\$	\$	\$	\$
Credit Guarantee	917,757	400,727	-	-
Corporate Finance	273,097	969	24,071,730	3,668,248
Total Revenue	1,190,854	401,696	24,071,730	3,668,248

* Non-current assets excluding deferred tax assets and other financial assets.

Major customers

The Group has a number of customers to whom it provides credit guarantee for which there is no single significant customer. From the Group's lending activities, 83% of the loan receivable balance is due from three customers within the Chinese segment. Individually, these account for 45% (2009: Nil%), 19% (2009: Nil) and 19% (2009: Nil) of the total loans receivable balance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 21: CASH FLOW INFORMATION

	2010	2009
	\$	\$
a. Reconciliation of cash flow from operations with profit		
Operating Loss after income tax	(540,637)	57,353
Non-cash flows in loss:		
Depreciation	12,085	16,036
Write Off of Financial Assets	86,609	-
Operating (Loss)/profit before working capital changes	(438,943)	73,389
Changes in operating assets and liabilities:		
Increase in loan receivables	(1,139,110)	(2,084,060)
(Increase)/decrease in other receivables	(128,786)	1,521
Decrease in other payables	(31,168)	(24,775)
Increase in provisions	18,412	-
Increase in tax payables	114,590	20,367
Net cash outflow from operating activities	(1,605,005)	(2,013,558)
Effect of exchange difference	(63,626)	(33,644)
Net cash outflow from operating activities	(1,668,631)	(2,047,202)

b. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the equity fund available.

The capital structure of the Group consists of cash and bank balances and equity attributable to equity holders of the parent, comprising issued capital, share premium, reserve and retained earnings.

The Group's policy is to maintain a strong capital base by having low gearing.

The gearing ratios for the year ended 31 December 2010 and 31 December 2009 are as follows:

	Note	2010	2009
		\$	\$
Total borrowings	15	252,058	19,938
Total equity		23,660,554	3,619,572
Gearing ratio		1.07%	0.55%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 22: SHARE-BASED PAYMENTS

- i. On 16 June 2010, 8,000,000 share options were granted to employees subject to the Company successfully listing on the ASX prior to 31 December 2010 under the Zheng He Global Capital Limited Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.25 each. The options are exercisable between 30 June 2013 and 16 June 2015 and to be held in escrow until 30 June 2013. The options hold no voting or dividend rights and are not transferable.
- ii. On 18 June 2010, 30,000,000 Options granted by way of purchase consideration for acquisition of BVI to an unrelated party.
- iii. On 16 June 2010, 1,000,000 Options were issued to a related party (Intersuisse Limited) for corporate advisory services in relation to the Company's listing on the ASX and the Offer. Andrew Smith, an Executive Director of the Company is also a Director of Asset Management Limited, an associated entity of Intersuisse Limited.

Options granted to key management personnel are as follows:

Grant Date	Number
16 June 2010	8,000,000

A summary of the movements of all company options issues is as follows:

	Number	Weighted average exercise price
Options outstanding as at 1 January 2010	-	-
Granted	39,000,000	\$0.25
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2010	39,000,000	\$0.25
Options exercisable as at 31 December 2010:	31,000,000	\$0.25

As at the date of exercise, the weighted average share price of options exercised during the year was \$0.25.

The weighted average remaining contractual life of options outstanding at year end was 4.5 years. The exercise price of outstanding shares at the end of the reporting period was \$0.25.

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was \$0.0561. These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	\$0.25
Weighted average life of the option:	4.5 years
Expected share price volatility:	30%
Risk-free interest rate:	5.5%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 22: SHARE-BASED PAYMENTS (CONTINUED)

iv. Shares granted to key management personnel as share-based payments are as follows:

Grant Date	Number
16 June 2010	8,000,000

The weighted average fair value of those equity instruments, determined by reference to market price, was \$0.0561.

These shares were issued as compensation to key management of the Group. Further details are provided in the Directors' Report.

Included under employee benefits expense in the statement of comprehensive income is \$Nil which relates to equity-settled share-based payment transactions.

NOTE 23: EVENTS AFTER THE REPORTING PERIOD

In February 2011, the Company entered into a third joint venture with Global Electronic Trading Pty Ltd and GET Pacific Ltd.

Zheng He Securities was granted AFSL Licence No 392360 on 23 March 2011. The licence authorises Zheng He Securities to:

- a) provide general financial product advice to retail and wholesale clients in relation to deposit and payment products, managed investment schemes and securities;
- b) provide personal financial product advice to wholesale clients for deposit and payment products, managed investment schemes and securities;
- c) deal in financial products and underwrite interests in managed investment schemes and issues of securities; and
- d) provide custodial and depository services.

NOTE 24: RELATED PARTY TRANSACTIONS

a. The group's main related parties are as follows:

i. Key management personnel:

Any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details relating to key management personnel, refer to note 6: Interests of Key Management Personnel (KMP).

ii. Entities exercising control over the Group:

The ultimate parent entity, which exercises control over the Group, is Zheng He Global Capital Corporation (BVI) which is incorporated in the British Virgin Islands.

b. Transactions with related parties

There were no material transactions with related parties during the year.

In the prior year, 1,000,000 Options were issued to Intersuisse Limited. For details relating to this transaction refer to note 22: Share Based Payments.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 25: FINANCIAL INSTRUMENT RISK MANAGEMENT

The group is exposed to a variety of financial risks through its use of financial instruments. The Group's principal financial instruments during the financial year comprised short term and long term debt, cash and short-term deposits. The Group has various other financial assets and liabilities such as accounts receivable and trade payables, which arise from its operations.

This note discloses the Group's objectives, policies and processes for managing and measuring these risks.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

Zheng He Global Capital Ltd and controlled entities do not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risk to which the Group is exposed to are described below:

- a. Market risk
 - i. Interest rate risk
 - ii. Foreign Currency Risk
 - iii. Price risk
- b. Credit risk
- c. Liquidity risk

The principal categories of financial instrument used by Zheng He Global Capital Ltd and Controlled entities are:

	2010	2009
	\$	\$
Financial assets		
-Cash at bank	19,465,797	403,270
- Loans receivables	3,993,642	3,141,131
-Trade and other receivables	140,520	7,386
	<u>23,599,959</u>	<u>3,551,787</u>
Financial Liabilities		
-Trade and other payables	252,058	19,938
	<u>252,058</u>	<u>19,938</u>

Objectives, policies and processes

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1.

Risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which following the objectives and policies.

The Board receives monthly reports which provide details of the effectiveness of the processes and policies in place. Specific information regarding the mitigation of each financial risk to which Zheng He Global Capital Ltd and controlled entities is exposed is provided below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 25: FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Cash flow interest rate sensitivity

Exposure to interest rate risk arises on financial assets and financial liabilities recognized at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

- A portion of the Group's and Parents' financial instruments are exposed to interest rate variations. The other instruments either do not attract/bear interest, or have a fixed rate of interest.
- Interest bearing assets and liabilities comprise cash deposits made in RMB to Chinese financial institutions and short term loans. Examples of the non-interest bearing instruments are accounts receivable and trade payables.

The instruments which are exposed to interest rate risk are given below:

	2010	2009
	\$	\$
Financial assets		
- Cash at bank	19,465,797	403,270
- Loans receivables	3,993,642	3,141,131
	23,459,439	3,544,401
Financial Liabilities	-	-

The group's borrowings and term deposit are within one year, and hence are subject to minimal fair value changes. The Group substantial amount of the cash is on deposit in Australia and in China. The Group also holds surplus funds in interest earning deposits accounts in RMB, which attract interest at commercial rates.

Interest rate risk – Sensitivity Analysis

The following table shows the effect of interest rate risk exposure at the balance sheet date:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2010	2009	2010	2009
	\$	\$	\$	\$
Consolidated				
+/-1% (100 basis points)	+/-234,594	+/-35,444	+/-234,594	+/-35,444

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 25: FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(ii) Foreign Currency Risk

As a result of significant operations in China, the Group's financial position can be affected significantly by movements in the AUD/RMB exchange rate. The Group seeks to mitigate the effect of its foreign currency exposure by borrowing in RMB and HKD. The Group also had minimal transactional currency exposures due to all income and expenses made by the Chinese subsidiary are denominated in RMB

At balance date, the Group had the following financial assets and liabilities exposed to foreign exchange risk:

	2010	2009
	\$	\$
Financial assets		
-Cash at bank	17,157,129	403,270
- Loans receivables	3,993,642	3,141,131
-Trade and other receivables	52,151	7,386
	21,202,922	3,544,401
Financial Liabilities		
-Trade and other payables	42,965	19,938
	42,965	19,938

The key foreign exchange risks of the Group is the translation effect of assets and liabilities denominated in foreign currency at the balance sheet date. The Group has not taken out derivative instruments to hedge the foreign exchange exposure. A movement in the exchange rate will effect the carrying value of the financial assets and liabilities, and hence the liability of the Group.

Currency Risk – Sensitivity Analysis

The following table shows the effect of a foreign currency exposure at the balance sheet date:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2010	2009	2010	2009
	\$	\$	\$	\$
Consolidated				
+/-10% in AUD/RMB	+/-2,115,996	+/-353,185	+/-2,115,996	+/-353,185

(iii) Price Risk

The group does not have any quoted investments and hence is not exposed to price risk.

(b) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk for the Group arises from its financial assets, being cash and cash equivalents, deposits with banks and financial institutions, and loan receivables from its lending activities. In addition, credit risk also arises from issuing financial guarantees.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. The Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due, if any.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 25: FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

At the balance sheet date, \$80,318 was held as a bank guarantee, and part of short term deposits of \$16,972,736 are pledged with the bank as security deposits allowing the Company to act as guarantor for loan borrowers of those banks.

The Group has significant credit exposure from its lending activities as 83% of the loan receivable balance is due from three customers. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group has adopted a policy of only dealing with creditworthy counterparties as means of mitigating the risk of financial loss from defaults. The utilisation of credit limits by customers is regularly monitored by line management. For significant transactions, customers are required to make sufficient prepayment in order to reduce the credit risk to an acceptable level.

The Group has potential exposure to guarantees that it has issued to third parties with respect to the banking facilities. Further details relating to these guarantees have been provided in note 19 Contingent liabilities.

The Company has internal risk management assessment criteria to manage the risk arising from the issuance of financial guarantees. The Company will not guarantee an amount greater than 50% of the value of the security, as valued by the lending bank and/ or by an independent and accredited valuer appointed by the Company.

(c) Liquidity risk management

The Group's exposure to liquidity risk arises from the matching of cash inflows and outflows arising from the business, and having access to suitable external financing arrangements to meet any short term funding requirements.

Liquidity risk is the risk arising from the Group not being able to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business.

The date used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. The Group maintains cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

At 31 December 2010, the Group's financial liabilities have the following maturities:

Liquidity Profile	Balance as at 31 December 2010	< 6 months	6-12 months	1 – 5 years	Total
Consolidated Financial Assets					
Cash and cash equivalents	19,465,797	19,465,797	-	-	19,465,797
Loan receivables	3,993,642	-	3,993,642	-	3,993,642
Other receivables	140,520	140,520	-	-	140,520
Total	23,599,959	19,606,317	3,993,642	-	23,599,959
Financial Liabilities					
Trade payables	(252,058)	(252,058)	-	-	(252,058)
Total	23,347,901	19,354,259	3,993,642	-	23,347,901

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

NOTE 25: FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments

The carrying amounts of receivables, payables and notes payable are assumed to approximate their fair value due to their short term nature as at 31 December 2010.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTE 26: RESERVES

a. Statutory Reserve

In accordance with Article 31 of Interim Measures for the Administration of Financing Guarantee Corporation in China, a financing guarantee company shall draw the amount equal to 50% of its guarantee income of the year as its undue liability reserve and the amount no less than 1% of the balance of the year-end guarantee liability in the same year as the guarantee compensation reserve. If the accumulated guarantee compensation reserve reaches 10% of the balance of the guarantee liability of the year, the difference shall be recognized as a provision.

b. Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 27: COMPANY DETAILS

The registered office of the Company is:

Zheng He Global Capital Limited
Level 9, 468 St Kilda Road Melbourne Victoria 3004

The principal places of business are:

- Zheng He Global Capital Limited
Level 9, 468 St Kilda Road Melbourne Victoria 3004
- Fujian Zhong Hong Financial Guarantee Co. Ltd
Level 17, Block A, Zhongshan Building
No. 154, Hudong Road, Gulou District, Fuzhou, China, 350003

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Number of Holdings of Equity Securities as at 17 March 2011

437 holders

Distribution of Holders of Equity Securities as at 28 February 2011

Range	Total holders	Units	% Issued capital
1 – 1,000	1	2	0.00
1,001 – 5,000	10	25,362	0.01
5,001 – 10,000	243	2,430,000	0.68
10,001 – 100,000	140	6,169,306	1.73
100,001 – 9,999,999,999	47	348,106,553	97.58
Rounding			0.00
Total	441	356,731,223	100.00
Unmarketable Parcels	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$0.2250 per unit	2223	6	10158

Substantial Shareholders as at 17 March 2011

Shareholder	No.	%
1. DATO' DR TIONG HONG TAN	1	55.27
2. RONGCHENG WEI	2	14.48
3. ZIRRUS CORPORATION	3	14.48

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Twenty Largest Holders of Quoted Equity Securities

Rank	Shareholder	Units	% of issued capital
1.	DATO' DR TIONG HONG TAN	197,176,230	55.27
2.	RONGCHENG WEI	51,645,000	14.48
3.	ZIRRUS CORPORATION	51,645,000	14.48
4.	DATIN CHENG HOON YEAP	10,524,007	2.95
5.	XIANGYANG CAI	5,499,995	1.54
6.	RONGBIN LIU	5,499,995	1.54
7.	SAKURA CAPITAL LIMITED	4,125,000	1.16
8.	CAROLINE MEI-LING TAN	3,628,002	1.02
9.	KENG CHUEN THAM	2,500,000	0.70
10.	ANTHAMAS HOLDINGS SDN BHD	2,000,000	0.56
11.	GERALDINE MEI-LI TAN	1,674,001	0.47
12.	TRICIA MEI-MEI TAN	1,674,001	0.47
13.	MING TECK YAU	1,375,000	0.39
14.	MS LAI YOONG LIM	650,000	0.18
15.	MAY KUM LAI	550,000	0.15
16.	OOI JIN WOON	550,000	0.15
17.	WONG SIN FAN, WONG KON LOONG	500,000	0.14
18.	GAN WAI CHING	500,000	0.14
19.	KENG CHUEN THAM	500,000	0.14
20.	SAKURA CAPITAL LTD	447,222	0.13
TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AT 18 MARCH 2011		342,633,731	96.05

Other Information

The name of the Company Secretary is Ms Sophie Karzis. The address of the principal registered office in Australia, and the principal administrative office is Level 9, 468 St Kilda Road Melbourne Victoria 3004, telephone is (613) 9988 5888. The Company is listed on the Australian Securities Exchange. The home exchange is Melbourne. Registers of securities are held by Computershare Investor Services Pty Ltd, Yarra Falls, 452 Johnson Street, Abbotsford, 3067, Victoria, 3067, local call is 1300 850 505, international call is + 613 9415 4000.