

**ZHENG HE GLOBAL CAPITAL LIMITED (ASX CODE: ZHE)**  
**ACN 128 246 042**

**APPENDIX 4E**

**PRELIMINARY FINAL REPORT FOR THE YEAR ENDED  
31 DECEMBER 2010**

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

<b>Revenue</b> from ordinary activities	Up	<b>\$789,158</b>	<b>196.46%</b>
<b>Loss</b> from ordinary activities after tax attributable to members	Up	<b>\$597,990</b>	<b>1,042.65%</b>
<b>Net Loss</b> for the year attributable to members	Up	<b>\$597,990</b>	<b>1,042.65%</b>

### Dividends/Distributions

No interim dividend was paid during the year and it is not proposed to pay a final dividend for the year. A dividend policy will be established when the Company achieves a regular profitable operation.

### 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 office to commence operations in Australia.

### Brief Explanation of the above figures

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 Evergrowing 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.

The significant increase in the loss of 1,042.65% for the year is attributable to the following factors:

1. An increase of approximately \$620K in the professional fees, legal fees, consultant's fees, secretary fee, auditors' fees and corporate advisory in connection with the IPO and due diligence exercise.
2. An increase of approximately \$200K in the operating expenses of the Australia's operation. This is due to the setting up of the Melbourne office.
3. An increase of approximately \$324K in employment benefits primarily due to the appointment of the Managing Director in April 2010 and directors and other Australian employees throughout the period.
4. Further, there was an increase in the number of employees because of the expansion of the business in Fujian, China. With the expansion of the business, the Company has rented a bigger office space and this has led to an increase in occupancy expenses.
5. Increase in travel and accommodation expenses of the directors to Hong Kong, Singapore, Malaysia, China and Indonesia for business purpose.

### **Business Overview and Issue of Securities**

On 16<sup>th</sup> June 2010, Zheng He acquired 100% 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 the 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 8<sup>th</sup> November 2010);

- Zheng He Securities Pty Ltd (incorporated on 8<sup>th</sup> 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 joint ventures and newly incorporated entities had not executed any transactions as at 31 December 2010.

#### **After Balance Date Events**

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).

#### **Future Developments and Trends**

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.

In Australia, the Company has applied for, and is still awaiting approval of the Australian Financial Services Licence. Recent contact with the Australian Securities Investment Commission (ASIC) suggests there are no major barriers confronting this application, which we hope will be finalised before the end of the March quarter. This timing is suitable to accommodate various consulting and fund raising opportunities timed for later in the year.

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 Australian 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 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.

#### **Company Secretary Appointment**

Following the retirement of the previous Company Secretary, Miss Sophie Karzis was appointed to the position with effect from 1 May 2010.

#### **Accounts and Audit**

There were no changes in accounting policies during the year and this report is based on accounts which are in the process of being audited.



**Kit Foo Chye**  
**Managing Director**

**Dated: 28 February 2011**

ZHENG HE GLOBAL CAPITAL LTD AND CONTROLLED ENTITIES  
ACN: 128 246 042  
PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 \$	2009 \$
<b>Continuing Operations</b>			
Revenue		1,140,638	400,199
Other Income		50,216	1,497
	2	<u>1,190,854</u>	401,696
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		(12,085)	(15,831)
Occupancy Expenses		(20,578)	(13,799)
Write off of Financial Assets		(89,609)	-
<b>Profit / (Loss) before income tax</b>		<u>(418,890)</u>	78,049
Income Tax Expense	5	(121,747)	(20,696)
<b>Profit / (Loss) for the year</b>		<u>(540,637)</u>	57,353
<b>Other comprehensive income</b>			
Foreign currency translation differences for foreign operations		(2,938,926)	(154,179)
<b>Total comprehensive income for the year</b>		<u>(3,479,563)</u>	(96,826)
<b>Profit / (Loss) from continuing operations attributable to:</b>			
Members of the Company		(540,637)	57,353
Non-controlling Interest		-	-
<b>Profit / (Loss) from continuing operations</b>		<u>(540,637)</u>	57,353
<b>Profit / (Loss) attributable to :</b>			
Members of the Company		(540,637)	57,353
Minority Equity Interest		-	-
<b>Profit / (Loss) for the period after tax</b>		<u>(540,637)</u>	57,353

ZHENG HE GLOBAL CAPITAL LTD AND CONTROLLED ENTITIES  
ACN: 128 246 042  
PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010

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	Note	2010 \$	2009 \$
<b>Total comprehensive income attributable to :</b>			
Members of the Company		(3,479,563)	(96,826)
Minority Equity Interest		-	-
<b>Total comprehensive income for the period</b>		<u>(3,479,563)</u>	<u>(96,826)</u>
<b>Earnings per share</b>			
	14		
<b>From continuing and discontinued operations</b>			
-Basic earnings per share (cents per share)		(0.2803)	0.7169
-Diluted earnings per share (cents per share)		(0.2803)	0.7169
<b>From continuing operations</b>			
-Basic earnings per share (cents per share)		(0.2803)	0.7169
-Diluted earnings per share (cents per share)		(0.2803)	0.7169

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ZHENG HE GLOBAL CAPITAL LTD AND CONTROLLED ENTITIES  
ACN: 128 246 042  
PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010

	Note	2010 \$	2009 \$
<b>Current Assets</b>			
Cash and cash equivalents	3	19,465,797	403,270
Loan receivables	4	3,993,642	3,141,131
Trade and other receivables	4	140,520	7,386
<b>Total Current Assets</b>		<b>23,599,959</b>	<b>3,551,787</b>
<b>Non-Current Assets</b>			
Plant and equipment		172,443	116,461
Intangibles	8(b)	299,328	-
<b>Total Non-Current Assets</b>		<b>471,771</b>	<b>116,461</b>
<b>Total Assets</b>		<b>24,071,730</b>	<b>3,668,248</b>
<b>Current Liabilities</b>			
Trade and other payables		252,058	19,938
Provisions		18,412	-
Current tax liability		140,706	28,738
<b>Total Current Liabilities</b>		<b>411,176</b>	<b>48,676</b>
<b>Total Liabilities</b>		<b>411,176</b>	<b>48,676</b>
<b>Net Assets</b>		<b>23,660,554</b>	<b>3,619,572</b>
<b>Equity</b>			
Issued capital		27,139,238	3,473,282
Foreign Currency Translation Reserve		(3,020,087)	146,290
Statutory Reserve	15	481,746	-
Retained Earnings		(940,343)	-
Parent interest		23,660,554	3,619,572
Non-controlling interest		-	-
<b>Total Equity</b>		<b>23,660,554</b>	<b>3,619,572</b>

ZHENG HE GLOBAL CAPITAL LTD AND CONTROLLED ENTITIES  
ACN 128 246 042  
PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2010

	<b>Issued Share Capital</b>	<b>Retained Earnings</b>	<b>Foreign Currency Translation Reserve</b>	<b>Statutory Reserve</b>	<b>Total Equity</b>
	\$	\$	\$	\$	\$
<b>Balance at 1.1.2009</b>	<b>1</b>	<b>24,687</b>	<b>73,018</b>	<b>-</b>	<b>97,706</b>
Shares issued during the period	3,618,692	-	-	-	<b>3,618,692</b>
Total comprehensive income for the period	-	57,353	(154,179)	-	<b>(96,826)</b>
<b>Balance at 31.12.2009</b>	<b>3,618,693</b>	<b>82,040</b>	<b>(81,161)</b>	<b>-</b>	<b>3,619,572</b>
<b>Balance at 1.1.2010</b>	<b>3,618,693</b>	<b>82,040</b>	<b>(81,161)</b>	<b>-</b>	<b>3,619,572</b>
Shares issued during the period	19,844,877	-	-	-	<b>19,844,877</b>
Cost of Capital	(305,099)	-	-	-	<b>(305,099)</b>
Shares issued on reverse acquisition	565,767	-	-	-	<b>565,767</b>
Shares issued on IPO	3,415,000	-	-	-	<b>3,415,000</b>
Total comprehensive income for the period	-	(540,637)	(2,938,926)	-	<b>(3,479,563)</b>
Transfers	-	(481,746)	-	481,746	-
<b>Balance at 31.12.2010</b>	<b>27,139,238</b>	<b>(940,343)</b>	<b>(3,020,087)</b>	<b>481,746</b>	<b>23,660,554</b>

The accompanying notes form part of these financial statements

ZHENG HE GLOBAL CAPITAL LTD AND CONTROLLED ENTITIES  
ACN: 128 246 042  
PRELIMINARY CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 \$	2009 \$
<b>Cash Flows from operating activities</b>			
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)
<b>Net cash outflow from operating activities</b>	<b>6</b>	<b>(1,668,631)</b>	<b>(2,047,202)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment		(166,617)	(1,802)
Cash on Acquisition of Zheng He		249,782	-
<b>Net Cash Outflow from Investing Activities</b>		<b>83,165</b>	<b>(1,802)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issues of ordinary shares		21,735,440	2,048,389
Loan to other parties		(2,000)	-
<b>Net Cash inflow from financing activities</b>		<b>21,733,440</b>	<b>2,048,389</b>
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)
<b>Cash at the End of the Financial Year</b>	<b>3</b>	<b>19,465,797</b>	<b>403,270</b>
<b>Non-Cash Financing and Investing Activities</b>			
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	-

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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*.

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

#### 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 8 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.

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.

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.

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:

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

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.

*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.

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.

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 9.

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.

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.

### **Transactions and balances**

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.

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.

### **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*

Guarantee fees are recognised upon loan approved by the financial institutions to its approved borrowers

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

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 are 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.

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**2. Revenue from Ordinary Activities**

	2010	2009
	\$	\$
<b>Revenue from continuing operations</b>		
Guarantee fees	522,957	-
Interest income	344,584	399,230
Consultation fee	273,097	969
<b>Total</b>	<b>1,140,638</b>	<b>400,199</b>
<b>Other Income</b>		
Bank interest	50,141	-
Other income	75	1497
<b>Total</b>	<b>50,216</b>	<b>1,497</b>
<b>Revenue from continuing operations (excluding share of Equity accounted net losses of associates)</b>	<b>1,190,854</b>	<b>401,696</b>

**3. Reconciliation of Cash**

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

**4. Financial Assets**

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

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**5. Income Tax Expense**

	2010	2009
	\$	\$
<b>(a) The Components of Tax Expense comprises of:</b>		
- Current Tax	121,747	20,696
- Deferred Tax	317,851	-
- Deferred tax asset not recognised	(317,851)	-
	121,747	20,696
<b>(b) The Prima Facie Tax on Profit / (Loss) from Operations before Income Tax is reconciled to the Income Tax as follows:</b>		
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)
<b>Add/(less) tax effect of permanent differences</b>		
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
<b>(c) Deferred tax asset not brought to account</b>		
Reconciliation		
Opening balance	-	-
Add/(less)		
- Exchange variations	-	-
- Tax losses utilised during the period	-	-
- Tax effect of current period losses	317,851	-
<b>Closing balance as at 31 December 2010</b>	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

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**6. Reconciliation of Loss After Income Tax to Net Cash Flows from Continuing Operations**

	2010	2009
	\$	\$
<b>Operating Loss after income tax</b>	<b>(540,637)</b>	57,353
<b>Non-cash flows in loss:</b>		
Depreciation	12,085	16,036
Write Off of Financial Assets	89,609	-
Operating (Loss)/profit before working capital changes	<u>(438,943)</u>	73,389
<b>Changes in operating assets and liabilities:</b>		
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	<u>(1,605,005)</u>	(2,013,558)
Effect of exchange difference	(63,626)	(33,644)
Net cash outflow from operating activities	<u>(1,668,631)</u>	(2,047,202)

**7. Legal 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 Zheng He as at 31 December 2010 and has been prepared in accordance with the Accounting Standards:

**Statement of Financial Position**

	2010
	\$
<b><u>ASSETS</u></b>	
Current Assets	2,398,427
Total Assets	<u>70,560,856</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities	227,499
Total Liabilities	<u>227,499</u>
<b><u>EQUITY</u></b>	
Issued Capital	70,546,246
Reserves	(212,889)
<b>TOTAL EQUITY</b>	<u>70,333,357</u>

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**8. Controlled Entities:**

**(a) Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)*	
		2010	2009
<b>Parent Entity:</b>			
Zheng He Global Capital Limited	Australia	-	-
<b>Subsidiaries of Zheng He Global Capital Corporation:</b>			
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.

**(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:

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

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**Consolidated**  
**\$**

Cash consideration paid for acquisition for BVI	-
Cash acquired on acquisition of Zheng He	<b>249,782</b>
Cash (outflow)/inflow on acquisition	<b>249,782</b>

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).

**9. 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	-

**10. Events Occurring After Reporting Date**

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

**11. Issued and Listed Securities**

The Company had 356,731,223 fully paid ordinary shares and 30,000,000 options on issue at 31 December 2010, (2009: 8,000,002 shares and Nil options) all of which were listed.

No other securities have been issued.

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## 12. NTA Backing

	2010	2009
	\$	\$
Net tangible asset backing per ordinary share	0.1211	0.4524

## 13. 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

- 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.

- Australian operation

The Australian segment serves the Chinese division on financial, administrative and legal matters and also holds and manages portfolio of investments and interests held or acquired.

### 13. Operating segments (continued)

#### 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 FZHG, 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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13. Operating segments (continued)

Segment information

Segment Performance

31 December 2010

	China \$	Australia \$	Total \$
<b>Revenue</b>			
External sales	1,135,638	5,000	1,140,638
Interest Income	11,848	38,293	50,141
Others	75	-	75
<b>Total Segment Revenue</b>	<b>1,147,561</b>	<b>43,293</b>	<b>1,190,854</b>
<b>Total Group Revenue</b>			<b>1,190,854</b>

Segment Net Profit / (Loss) before Tax

736,377	(656,803)	79,574
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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)
- 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)
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31 December 2009

	China \$	Australia \$	Total \$
<b>Revenue</b>			
External sales	400,199	-	400,199
Interest Income	-	-	-
Others	1,497	-	1,497
<b>Total Segment Revenue</b>	<b>401,696</b>	<b>-</b>	<b>401,696</b>
<b>Total Group Revenue</b>			<b>401,696</b>

Segment Net Profit / (Loss) before Tax

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	(15,831)	-	(15,831)
- Write down of Financial Assets	-	-	-
- IPO costs	-	-	-

*Net profit/ (Loss) before tax from continuing operations*

57,353	-	57,353
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13. Operating segments (continued)

Segment Assets  
31 December 2010

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

Segment asset increases for the period

- Capital expenditure	13,402	153,236	166,638
- Acquisition of legal subsidiary	-	68,015,131	68,015,131
Included in segment assets are			
- Equity accounted associates	-	-	-
- Goodwill	-	299,328	299,328

31 December 2009

	China \$	Australia \$	Total \$
Segment Assets	3,668,248	-	3,668,248
<i>Reconciliation of segment assets to group assets</i>			
Inter-segment eliminations	-	-	-
<i>Segment Assets after inter-segment eliminations</i>	3,668,248	-	3,668,248
<b>Total Group Assets</b>			<b>3,668,248</b>

Segment asset increases for the period

- Capital expenditure	1,779	-	1,779
- Acquisition of legal subsidiary	-	-	-
Included in segment assets are			
- Equity accounted associates	-	-	-
- Goodwill	-	-	-

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13. Operating segments (continued)

Segment Liabilities  
31 December 2010

	China \$	Australia \$	Total \$
<b>Segment Liabilities</b>	183,671	228,895	412,566
<i>Reconciliation of segment liabilities to group liabilities</i>			
Inter-segment eliminations	-	(1,390)	(1,390)
<b>Segment Liabilities after inter-segment eliminations</b>	183,671	227,505	411,176
<b>Total Group Liabilities</b>			<u>411,176</u>

Included in segment liabilities are

- Current tax liabilities	140,706	-	140,706
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31 December 2009

	China \$	Australia \$	Total \$
<b>Segment Liabilities</b>	48,676	-	48,676
<i>Reconciliation of segment liabilities to group liabilities</i>			
Inter-segment eliminations	-	-	-
<b>Segment Liabilities after inter-segment eliminations</b>	48,676	-	48,676
<b>Total Group Liabilities</b>			<u>48,676</u>

Included in segment liabilities are

- Current tax liabilities	28,738	-	28,738
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**13. Operating segments (continued)**

<b>Revenue by service</b>	<b>2010</b>	<b>2009</b>
	\$	\$
Revenue attributable to external customers is disclosed below, based on the type of service to the external customer		
Credit Guarantee	917,757	400,727
Corporate Finance	273,097	969
<b>Total Revenue</b>	<b>1,190,854</b>	<b>401,696</b>

<b>Assets by service</b>	<b>2010</b>	<b>2009</b>
	\$	\$
<b>The allocation of segment assets by service is disclosed below:</b>		
Corporate Finance	-	-
Credit Guarantee	24,071,730	3,668,248
<b>Total Assets</b>	<b>24,071,730</b>	<b>3,668,248</b>

**14. 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.

	<b>2010</b>	<b>2009</b>
	\$	\$
Net (loss)/profit attributable to members	<u>(540,637)</u>	<u>57,353</u>
Weighted average number of ordinary shares for basic earnings per share	<u>192,917,692</u>	<u>8,000,002</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>192,917,692</u>	<u>8,000,002</u>

30,000,000 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.

### 15. 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.

### 16. Contingent Liability

As of the balance sheet date, outstanding guarantees issued are as follows:

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