中国信贷
CREDIT CHINA

Credit China Holdings Limited
中國信貸控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8207

Annual Report 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Credit China Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Shi Zhi Jun *(Chairman)*
Mr. Ji Zu Guang
Ms. Shen Li *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Neo Poh Kiat
Dr. Lau Reimer Mary Jean
Mr. Lee Sze Wai

COMPANY SECRETARY

Ms. So Ka Man

COMPLIANCE OFFICER

Ms. Shen Li

AUTHORIZED REPRESENTATIVES

Ms. Shen Li
Ms. So Ka Man

AUDIT COMMITTEE

Mr. Lee Sze Wai *(Chairperson)*
Mr. Neo Poh Kiat
Dr. Lau Reimer Mary Jean

REMUNERATION COMMITTEE

Mr. Neo Poh Kiat *(Chairperson)*
Mr. Lee Sze Wai
Dr. Lau Reimer Mary Jean

NOMINATION COMMITTEE

Dr. Lau Reimer Mary Jean *(Chairperson)*
Mr. Lee Sze Wai
Mr. Neo Poh Kiat

PRINCIPAL BANKERS

China Merchants Bank
21/F Bank of America Tower
12 Harcourt Road
Central, Hong Kong

China Construction Bank Corporation
(Shanghai Nanjing West Road Sub-branch)
No. 585, Nanjing West Road
Shanghai, The PRC

COMPLIANCE ADVISOR

China Everbright Capital Limited
40/F, Far East Finance Centre
16 Harcourt Road
Central, Hong Kong

AUDITORS

SHINEWING (HK) CPA Limited
Certified Public Accountants
43/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units C&D, 17th Floor
China Overseas Building
139 Hennessy Road
Wanchai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

Level 35, Lucky Target Square
No. 500 Chengdu Road North, Huangpu District
Shanghai, the PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.creditchina.hk

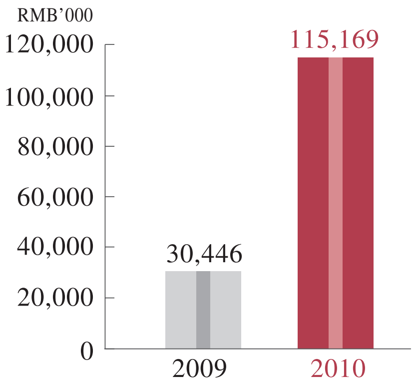
STOCK CODE

08207

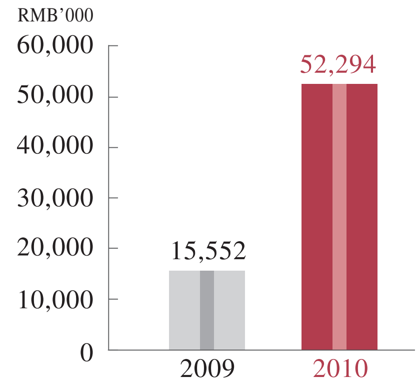
Financial Highlights

	2010 **RMB'000**	2009 RMB'000	**Changes**
OPERATING RESULTS			
Turnover	**115,169**	30,446	278.3%
Profit for the year attributable to owners of the Company	**52,294**	15,552	236.3%
Basic earnings per share	**RMB4.18 cents**	RMB1.31 cents	219.1%
Dividend for the year per share	**HK1.87 cents**	Nil	N/A
FINANCIAL POSITION			
Total assets	**615,377**	181,837	238.4%
Bank balances and cash	**303,828**	43,499	598.5%
Net assets	**390,741**	29,499	1,224.6%

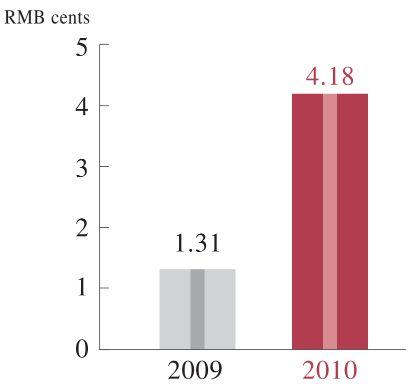
Turnover



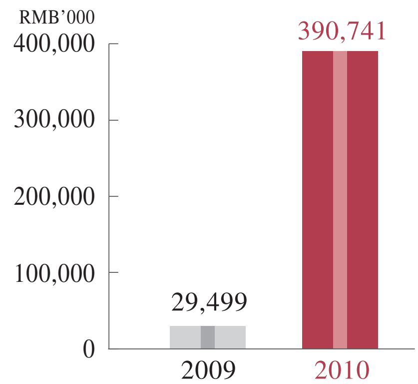
Profit for the year attributable to owners of the Company



Basic earnings per share



Net assets



Chairman's Statement

On behalf of the board of Directors (the "Board") of Credit China Holdings Limited (the "Company"), I am pleased to present to you the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010.

The successfully listing of the Company on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM") on 19 November 2010 was a major landmark for the development of the Group. The encouraging results of the placing indicated the capital market's attention to the Company and the investors' confidence in our business. The listing has strengthened the financial position of the Group which enables us to seize more business opportunities and to implement the business plans as stated in the Company's prospectus dated 15 November 2010 (the "Prospectus").

We are fully committed to our goal of becoming one of the leading short-term secured financing and related consultancy service providers in Shanghai, Zhejiang and Jiangsu Provinces as well as other regions of the People's Republic of China ("PRC"). With the rapid economic growth in the PRC, many SMEs in the PRC including Shanghai have expanded rapidly and the demand for financing is on the rise. On the other hand, China is shifting its monetary policy to more prudent and it is expected the Central Bank will closely monitor the bank lending in 2011. In January 2011, the Shanghai Bureau of the China Banking Regulatory Commission said that banks in Shanghai would strictly control new loans to the real estate industry to curb prices. We believe it would present more business opportunities to the Group as there will be growing demand for short-term funding that cannot be satisfied by traditional banking system.

In order to further enhance our business foundation, we are actively seeking for other financing service opportunities. In view of the increasing demand for finance leases in Shanghai and the adjacent regions, Rongtong Finance Lease (Shanghai) Company Limited, an indirectly wholly-owned subsidiary of the Company was incorporated on 17 January 2011 to tap into this blooming market. We are also exploring merger and acquisition opportunities within the industry for further expansion of our business and long-term development of the Group. We continue to seek targets that have the potential to complement our existing sales network or our business model to maximise return to the Company's shareholders.

Finally, I would like to express my greatest gratitude to the Board, management and staff for their strenuous contribution towards the Group. Furthermore, I would also like to take this opportunity to sincerely thank our business partners and shareholders for their continuous support and trust. I believe all members of the Group will dedicate their best effort to drive business growth and to deliver enhanced returns to shareholders.

Shi Zhi Jun
Chairman and Executive Director

Hong Kong, 1 March 2011

The Group offers a wide range of short-term financing services to accommodate the varying needs of its customers. The Group's turnover is mainly derived from the provision of real estate pawn loans service, entrusted loans service and financial consultancy service. The Group also offers short-term personal property pawn loans to individuals with personal property as collateral. Since founded in 2003, the Group has established good records and standing in Shanghai, through its quality services. By providing more flexible and quicker means of accessing to financing services than traditional banking, the Group mostly attracts and serves customers who are SMEs, proprietors of SMEs or individuals. Building on its success, the Company was listed on GEM on 19 November 2010, with the support from its shareholders and staff.

BUSINESS REVIEW

In order to maintain its competitive advantages against other participants in the financing service market, the Group's main focus during the year was to establish its reputation and presence in the market, and enhance public awareness of the Group's services through advertising and marketing activities. The Group also placed much emphasis on networking and collaborating with banks to enhance its profile. With an aim to sustain continuous business growth, the Group began to expand its sales force which is expected to provide the Group with a more effective and systematic way of sourcing and conducting business.

To follow through on its business objectives, the Group had completed feasibility studies on finance lease market in Shanghai and adjacent regions. The Group had formulated execution plans to capture the immense business opportunities as suggested by the studies.

The Group has obtained the money lenders licence to commence money lending business in Hong Kong and has also obtained the necessary licences to establish a loan guarantee business in Jiangsu Province.

FINANCIAL REVIEW

Revenue

For the year under review, the Group continued to emphasize on revenue generation and the Group's performance was satisfactory. Revenue increased by approximately 278.3% from approximately RMB30.4 million for the corresponding period last year to RMB115.2 million for the year ended 31 December 2010. Such increase was mainly attributable from the commencement of entrusted loans service in the late 2009 and the significant increase in the financial consultancy service.

Real estate pawn loans service income

For the year ended 31 December 2010, the Group recorded a total revenue of approximately RMB9.0 million from provision of real estate pawn loans service, representing a decrease of 69.3% as compared to the revenue of approximately RMB29.3 million for the previous year. The reduction was mainly because the Group has processed loan applications greater than RMB10 million through entrusted loan arrangements since late 2009, and thus the interest income from real estate pawn loans service decreased by approximately 86.6% from approximately RMB10.0 million to approximately RMB1.3 million and the administration fee income decreased by approximately 60.3% from approximately RMB19.3 million to RMB7.7 million.

Entrusted loans service income

For the year ended 31 December 2010, the Group's revenue from provision of entrusted loans service increased from RMB0.17 million for the corresponding period last year to approximately RMB36.2 million which included interest income and administration fee income of RMB29.5 million and RMB6.7 million respectively. The increase was underpinned by the commencement of the Group's entrusted loans service in late 2009.

Personal property pawn loans service income

For the year ended 31 December 2010, the Group's revenue from personal property pawn loans service decreased slightly by approximately 17.6% from approximately RMB0.18 million for the corresponding period last year to approximately RMB0.15 million. The decrease was mainly due to our increased focus in our real estate secured loans business.

Financial consultancy service income

For the year ended 31 December 2010, the Group's revenue from financial consultancy service increased substantially by approximately 8,267.6% from approximately RMB0.8 million for the corresponding period last year to approximately RMB69.8 million. With gained reputation in the local market, 峻岭物業顧問(上海)有限公司 (Lucky Target Property Consultants (Shanghai) Company Limited ("Lucky Consultants")), an indirectly wholly-owned subsidiary of the Company, expanded its financial consultancy business by referring loan services to other independent third parties for a consultancy fee. The significant increase in the financial consultancy service revenue was attributed to the expansion and positioning of Lucky Consultants. In late 2009, Lucky Consultants began referring customers to Shanghai Yintong for entrusted loan. Shanghai Yintong is engaged in pawn loans business and is managed by Lucky Consultants through structure contracts as stated in the Prospectus. As the size of entrusted loans are substantially larger than pawn loans, the Group's income generated from entrusted loans had also increased substantially.

In addition, Lucky Consultants had also began referring customers to other independent third parties lenders from 2010 and had received approximately RMB23.6 million of financial consultancy service income in this regard.

The loan receivables from customers were also increased from RMB131.7 million as at 31 December 2009 to RMB303.8 million as at 31 December 2010.

Interest expenses

The Group's total turnover was partially offset by the interest expenses incurred from borrowings. The Group's interest expenses increased by approximately 12.4% from approximately RMB3.2 million for the corresponding period last year to approximately RMB3.6 million for the year ended 31 December 2010. Such increase in interest expenses was mainly driven by the RMB40 million new loan obtained by the Group in June 2009 but the amount had been fully repaid before 31 December 2010.

Other income

The Group's other income primarily comprises government grants, sub-leased rental income, net gain of disposal of other assets and bank interest income. The Group's other income for the years ended 31 December 2009 and 2010 were approximately RMB1.8 million and RMB2.6 million respectively. The increase of 40.1% was mainly attributable to the government grants to Shanghai Yintong in respect of the encouragement of expansion of enterprise which was recognized in June 2010.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprise of salaries and staff welfare, rental expenses, marketing and advertising expenses. The Group's administrative and other operating expenses for the years ended 31 December 2009 and 2010 were approximately RMB8.6 million and RMB31.2 million respectively. The increase of approximately 262.3% year on year was mainly attributed to the legal and professional fees incurred for the preparation of listing of the Company, increase of Directors' emoluments, auditor's remuneration, sales commission and total staff costs, and other operating costs which was increased in line with the business growth.

Profit for the year

The profit attributable to owners of the Company for the year ended 31 December 2010 was approximately RMB52.3 million representing 236.3% increase as compared to approximately RMB15.6 million for year ended 31 December 2009.

OUTLOOK

In view of the robust economic growth of the PRC and the anticipation that the PRC government will impose more austerity measures on bank lending in the coming year, the Directors consider there are increasing business opportunities. To ensure that the Group is well-equipped to tap into the market with enormous demand for short-term financing services by SMEs, the Directors are searching for opportunities including merger and acquisition to accelerate the Group's penetration into the market and to increase the regional coverage. The Directors will also consider to enter into collaborative arrangements with strategic partners in order to expand its business coverage and connections. The Directors believe through these activities, the services provided by the Group will be widespread over different regions within the PRC, and concurrently, enhanced the Group's leading status in the provision of short-term financing services.

FINAL DIVIDEND

In view of the Group's favorable operating results for the year ended 31 December 2010 and having taken into consideration its long-term development, the Board recommends payment of a final dividend of HK1.87 cents (or equivalent to RMB1.58 cents) per ordinary share of the Company for the financial year ended 31 December 2010, subject to the approval by the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 19 April 2011 and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

Subject to the approval of the aforesaid proposed final dividend, the dividend will be payable on or about 4 May 2011 to shareholders whose names appear on the register of members of the Company on 19 April 2011 and the dividend payout ratio for the year under review will be 50.2%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2010, the Group had bank balances and cash of approximately RMB303.8 million (2009: approximately RMB43.5 million) and did not have bank and other loans (2009: approximately RMB40 million). During the year under review, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowings to the total assets of the Group, was nil as at 31 December 2010 (2009: 0.32).

SIGNIFICANT INVESTMENT

As at 31 December 2010, there was no significant investment held by the Group (2009: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Other than in connection with the Group's reorganization in preparation for the listing of the Company's shares on the GEM on 19 November 2010, there was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2010.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

Save as disclosed under "Events after the Reporting Period" and "Comparison of Business Objectives with Actual Business Progress" in this annual report, there was no specific plan for material investments or capital assets as at 31 December 2010.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group has no significant contingent liabilities (2009: Nil).

CAPITAL COMMITMENTS

As at 31 December 2010, the Group had no capital expenditure contracted for but not provided in the financial statements (2009: Nil).

EVENTS AFTER THE REPORTING PERIOD

On 17 January 2011, Rongtong Finance Lease (Shanghai) Company Limited ("Rongtong"), a wholly owned subsidiary of the Group which principally engaged in finance leases in Shanghai and the adjacent regions, was established. The registered capital of Rongtong is HK$200 million, of which 15% (HK$30 million) has been contributed and the remaining 85% (HK$170 million) shall be contributed within two years from the date of issue of the business licence, respectively.

FOREIGN EXCHANGE EXPOSURE

The Group is mainly exposed to the fluctuation of Hong Kong dollar ("HK$") against RMB as its certain bank balances are denominated in HK$ which is not the functional currency of the Group. The Group has not made other arrangement to hedge against the exchange rate risk. However, the Directors and management will continue to monitor the foreign exchange exposure and will consider utilizing applicable derivatives to hedge out the exchange risk when necessary.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its customers. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

EMPLOYEES AND REMUNERATION POLICIES

At at 31 December 2010, the Group had a total of 40 staff (2009: 26). Total staff costs (including Directors' emoluments) were approximately RMB14.2 million for the year ended 31 December 2010 (2009: RMB2.8 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and share option scheme.

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from 9 November 2010, being the latest practicable date as defined in the Prospectus (the "LPD") to 31 December 2010 is set out below:

Business objectives for the period from the LPD to 31 December 2010 as stated in the Prospectus	Actual business progress up to 31 December 2010

1. Expand our secured financing sales network and develop our businesses in Shanghai, Zhejiang and Jiangsu Provinces and Hong Kong

– Complete feasibility studies on the markets in Zhejiang and Jiangsu Provinces and other financing service opportunity	– The Group had completed feasibility studies on finance lease markets in Shanghai and adjacent regions.
– Identify target locations to establish secured financing companies and seek for possible merger and acquisition opportunities	– Following the feasibility studies, the Group started to establish Rongtong, which principally will engage in provision of finance lease service in Shanghai and adjacent regions.

2. Fulfil share capital requirement of Bao Kang Investment and Guarantee (Suzhou) Limited ("Baokang Guarantee") and to support the Group's short-term financing business

– Establish public awareness through advertising and marketing activities	– The Group has arranged regular advertising campaigns to promote the Group's business in the PRC.
– Continue staff recruitment	– The Group has established two more sales teams to improve its efficiency, capacity and service quality. The Group is in the progress of recruiting more staff to accommodate the anticipated increase in the needs of short-term financing services.
– Set up the cooperation relationship with banks and potential customers	– The Group has established cooperation relationship with banks and SME communities in the PRC.

Business objectives for the period from the LPD to 31 December 2010 as stated in the Prospectus	Actual business progress up to 31 December 2010
– Apply HK$115 million to fulfil share capital requirement of Baokang Guarantee, and afterwards arrange a RMB80 million entrusted loan be made to Shanghai Jinhan Investment Development Limited and Xinrong Asset Management Limited ("Xinrong Asset") for them to inject into Shanghai Yintong Dian Dang Company Limited ("Shanghai Yintong") as registered capital	– The Group has postponed the capital injection to Baokang Guarantee, as the Group is reviewing and reassessing loan guarantee business, and evaluating different alternatives and more effective way to inject fund into Shanghai Yintong as registered capital.
– Baokang Guarantee commences its guarantee business	– See above.
– Increase the entrusted loan advanced to customers by the Group's companies other than Shanghai Yintong	– Entrusted loans have been advanced to customers by Lucky Consultants.

3. Repay the RMB29 million entrusted loan to Xinrong Asset

– Repay the RMB29 million entrusted loan to Xinrong Asset	– The Group had repaid the RMB29 million entrusted loan to Xinrong Asset.

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from the listing date on 19 November 2010 (the "Listing Date") to 31 December 2010, the net proceeds from issuance of new shares of the Company had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from the Listing Date to 31 December 2010	Actual use of proceeds from the Listing Date to 31 December 2010
	HK$	HK$
Expand our secured financing sales network and develop our business in Shanghai, Zhejiang and Jiangsu Provinces and Hong Kong	**30,000,000**	100,000
Fulfil share capital requirement of Baokang Guarantee and to support the Group's short-term financing business	**115,000,000**	–
Repay the RMB29 million loan to Xinrong Asset	**33,300,000**	33,300,000
Net proceeds reserved for general working capital for the Group	**27,000,000**	10,181,000
Total net proceeds	**205,300,000**	43,581,000

Actual application of the net proceeds was lower as compared to the planned application due to the reasons as explained under "Comparison of Business Objectives with Actual Business Progress" section in this annual report. The Directors expect that some of the business objectives stated in the Prospectus for the period from the LPD to 31 December 2010 will be revisited in the first half of 2011. However, the Directors will constantly evaluate the Group's business objectives and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

DIRECTORS

Executive Directors

Mr. Shi Zhi Jun (石志軍), aged 54, is one of the founders of the Group and the Chairman of the Company. He was appointed as an executive Director on 4 January 2010 and is also a director of various companies in the Group. Besides, he is a director and owner of Kaiser Capital Holdings Limited, the controlling shareholder of the Company. Mr. Shi was trained in the Senior Doctor-in-charge Advanced Studies in Shanghai TV University (上海電視大學) and Shanghai Jiao Tong University (上海交通大學) (formerly known as Shanghai No. 2 Medicine University (上海第二醫科大學)). In 2007, Mr. Shi received his Master's degree in Advanced Business Management from the Nanyang Technological University of Singapore. Mr. Shi became a surgeon when he was at the age of 20 and practised as a surgeon until 1998. In 1998, in order to achieve a better income, he pursued his career in property financing and provided combined financing consultancy and property agency services where he gained over 11 years of experience in the industry. In 2003, Mr. Shi established Shanghai Yintong and was appointed as its chairman in July 2004. Under the leadership of the management team of Shanghai Yintong with Mr. Shi as the core member, Shanghai Yintong extended its business and became a provider of unique short-term financing services targeting the Zhejiang and Jiangsu Provinces with a focus in Shanghai, the PRC. From 1992 to 1996, Mr. Shi was accredited as "Shanghai Outstanding Young Doctor" (上海市優秀青年醫師獎), "Top Ten in Science" (十佳科技獎) and "Spiritual Civilization Model (精神文明標兵獎) "Top Ten Young Person in Science" (十佳科技青年) for two years consecutively by Xuhui District, Shanghai, the PRC.

Mr. Ji Zu Guang (計祖光), aged 53, is one of the founders of the Group. He was appointed as an executive Director on 4 January 2010 and is also a director of various companies in the Group. Mr. Ji is currently responsible for human resources management and legal compliance aspects of the Group. Mr. Ji participated in the establishment of Jinhan Investment (through which the Group was formed in 2003) in 2000. Mr. Ji graduated from the Party School of the Central Committee of C.P.C (中共中央黨校) in 1992 majoring in Economic Management. In 2006, Mr. Ji received his Master's degree in Advanced Business Management from the Nanyang Technological University of Singapore. From 1992 to 2000, he served as secretary and engineer of the Shanghai Postal, Telephone and Communication Bureau (上海市郵電管理局) respectively. Since 2000, Mr. Ji served as the Deputy General Manager of LT International Holdings Ltd. (峻岭國際集團有限公司) where he was mainly responsible for the overall operation of property development projects and gained over 3 years of experience in the property development industry. In 2003, he participated in the establishment of Shanghai Yintong and has since gained around 6 years of experience in the secured financing industry.

Ms. Shen Li (沈勵), aged 37, was appointed as an executive Director on 4 January 2010. Ms. Shen is the Chief Executive Officer of the Company and a director of various companies in the Group. Ms. Shen is responsible for the operation and management of the Group. She joined the Group in January 2009 as our Deputy General Manager. Ms. Shen obtained her Bachelor's degree in Computer and Finance from International Business School of Shanghai University (上海大學國際商學院) in 1995. She possessed the qualification of registered accountant of the PRC and is a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). Ms. Shen had worked at Price Waterhouse Da Hua CPAs, General Motors (China) Investment Co. Ltd. and had been the controller of Asia Operation of Chrysler Asia Operations. She has about 15 years of experience in finance.

Independent Non-executive Directors

Mr. Neo Poh Kiat (梁宝吉), aged 60, was appointed as an independent non-executive Director on 4 November 2010. He is also the chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee of the Company. Mr. Neo obtained a Bachelor of Commerce (Honours) degree from Nanyang University, Singapore in 1973. Mr. Neo has extensive experience in the banking and finance industry for over 30 years. He is currently a managing director of Octagon Advisors Pte. Ltd., a financial advisory firm in Singapore. Between 1976 and 1994, Mr. Neo took up various positions in DBS Bank Group including executive director of DBS Securities Hong Kong Limited and director of DBS Securities Holding Pte Ltd. During 1994 to 1996, he took up the position of general manager (Leasing and Corporate Services) in Sino Land Company Limited. During 1996 to 2001, he returned to DBS Bank Group and held senior management positions including managing director at DBS Asia Capital Limited, and general manager at DBS Hong Kong Branch. During 2001 to 2004, Mr. Neo served as the Country Officer, China and Head, Corporate Banking, Greater China in United Overseas Bank. Since 2005, he has also held the office of an independent director of China Yuchai International Limited, common stocks of which are listed on the New York Stock Exchange.

Dr. Lau Reimer Mary Jean (劉翁靜晶), aged 46, was appointed as an independent non-executive Director on 4 November 2010. She is also the chairman of the Nomination Committee and a member of both the Audit Committee and Remuneration Committee of the Company. Dr. Lau received her Master of Laws from the University of Hong Kong in 2001 and her Doctorate degree in Civil and Commercial Law from The China University of Political Science and Law in 2006. Dr. Lau is admitted as solicitor in Hong Kong and England and Wales and has over 8 years of post-qualification legal experience. She is currently a partner of Reimer & Partners. Dr. Lau is the Honourable Treasurer of The University of Hong Kong SPACE Alumni Association, committee member of Youth Criminal Study Trust and legal adviser of a number of organizations and associations.

Mr. Lee Sze Wai (李思衛), aged 42, was appointed as an independent non-executive Director on 4 November 2010. He is also the chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of the Company. Mr. Lee received his Bachelor of Commence degree from University of Wollongong majoring in Accountancy in Australia in 1992. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia, and has more than 18 years of experience in accounting and finance. Mr. Lee worked at Ernst & Young from 1992 to 2000 specializing in assurance and business advisory services and was the chief financial officer of various companies from 2000 to 2006. Since 2006 he has been the director of a CPA firm specializing in assurance and business advisory services. In 2010, Mr. Lee joined a company which is a knitwear manufacturer as chief financial officer and is responsible for finance management, taxation and compliance.

SENIOR MANAGEMENT

Ms. Kuo Kwan Belinda (郭群), aged 40, our Chief Financial Officer, is responsible for the overall accounting and finance functions of the Group. Ms. Kuo joined the Group in December 2010. She holds a Bachelor's Degree in Commerce from the University of Melbourne. Prior to joining the Group, she worked for various listed companies in Hong Kong and an international accounting firm. She is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Sun Zhen Dong (孫振東), aged 43, our Chief Legal Counsel, is responsible for legal work of the Group. Mr. Sun received his Bachelor of Arts degree from Liaocheng Education College (聊城師範學院) in 1989 and Master's degree in law from East China University of Political Science and Law (華東政法大學) in 1992. Mr. Sun is a qualified PRC legal professional, who joined the Group in June 2003 as a chief legal counsel and has been with us for over six years.

Mr. Ding Lu (丁璐), aged 38, is a director of Shanghai Yintong and a member of its loan approval committee. Mr. Ding is responsible for the government related affairs, including coordination among various government authorities, and the assessment and approval of loans of Shanghai Yintong. Mr. Ding graduated from the Beijing University of Aeronautics and Astronautics (北京航空航天大学) with a major in management engineering in 1995. From 1995 to 2000, he worked as an assistant to chairman at the Shanghai International Art Centre Co., Ltd. (上海國際藝術中心有限公司) where he was mainly responsible for its daily operations. From 2001 to 2003, he was employed by Jinhan Investment as an assistant to director. Mr. Ding joined the Group in 2003 as a director of Shanghai Yintong and has since gained over 6 years of experience in the secured financing industry.

COMPANY SECRETARY

Ms. So Ka Man (蘇嘉敏), aged 37, was appointed as the company secretary of the Company on 9 February 2010. She is a manager of corporate services at Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. So does not work for the Company on a full-time basis. Ms. So is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in United Kingdom. She has extensive experience in a diversified range of corporate services and has been providing professional secretarial services to many listed companies for about 10 years.

The Board of Directors (the "Board") hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles and code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarized below.

A. THE BOARD

A.1 RESPONSIBILITIES AND DELEGATION

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in creating value and overseeing the Company's financial performance on behalf of the shareholders. All directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the senior management, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making reasonable request to the Board.

The Board has delegated a schedule of responsibilities to the Chief Executive Officer and senior management of the Company. These responsibilities include implementing decisions of the Board and directing and co-ordinating day-to-day operation and management of the Company.

The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the foregoing officers and senior management.

A.2 BOARD COMPOSITION

The Board currently comprises the following directors:-

Executive directors:-

Mr. Shi Zhi Jun	*(Chairman of the Board)*
Mr. Ji Zu Guang	
Ms. Shen Li	*(Chief Executive Officer)*

Independent non-executive directors:-

Mr. Neo Poh Kiat	*(Chairperson of the Remuneration Committee and member of both the Audit Committee and Nomination Committee)*
Dr. Lau Reimer Mary Jean	*(Chairperson of the Nomination Committee and member of both the Audit Committee and Remuneration Committee)*
Mr. Lee Sze Wai	*(Chairperson of the Audit Committee and member of both the Nomination Committee and Remuneration Committee)*

The list of all directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company. The biographical details of the directors of the Company are set out under the section headed "Biographical Details of Directors and Senior Management" in this annual report. None of the members of the Board is related to one another.

During the period from 19 November 2010 (the listing date) to 31 December 2010, the Board has at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the GEM Listing Rules. The Company has also adopted the recommended best practice under the CG Code for having at least one-third of its Board members being independent non-executive directors.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. Each executive director supervises specific areas of the Group's business in accordance with his/her expertise. The independent non-executive directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and/or serving on Board committees, the independent non-executive directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The Company has received a written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

A.3 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals.

The Chairman of the Board is Mr. Shi Zhi Jun, who provides leadership for the Board and ensures its effectiveness in all aspects. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at the Board meetings.

The Chief Executive Officer is Ms. Shen Li, who is in charge of the Company's day-to-day management and operations and focuses on implementing objectives, policies and strategies approved and delegated by the Board.

A.4 APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive directors of the Company is engaged on a service agreement with the Company for a term of three years. The Company has also issued a letter of appointment to each of the independent non-executive directors for a term of one year.

In accordance with the Company's Articles of Association, all the directors are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company. Any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting and any new director appointed by the Board as an addition to the existing Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting.

Pursuant to the aforesaid provisions of the Articles of Association, all directors of the Company shall retire at the forthcoming 2011 annual general meeting of the Company and, being eligible, will offer themselves for re-election at the meeting. The Company's circular, sent together with this annual report, contains detailed information of all retiring directors pursuant to the GEM Listing Rules.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Company has established a Nomination Committee, which is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. Details of the Nomination Committee and its work performed are set out in the "Board Committees" section below.

A.5 TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

All directors of the Company received induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for directors will be arranged where necessary.

A.6 BOARD MEETINGS

A.6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given for a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to provide them with materials relating to the transactions to be discussed in the meeting in order to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman, the Chief Executive Officer and other relevant senior management normally attend regular Board meetings and, where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board and committee meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

A.6.2 Directors' Attendance Records

The Board meets regularly for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

Up to the date of this annual report, one Board meeting was held with the presence of Mr. Shi Zhi Jun, Mr. Ji Zu Guang, Ms. Shen Li, Mr. Neo Poh Kiat, Dr. Lau Reimer Mary Jean and Mr. Lee Sze Wai.

A.7 REQUIRED STANDARD OF DEALINGS

The Company has adopted its securities dealing code (the "Own Code") regarding directors' dealings in the Company's securities by the directors, senior personnel and certain employees of the Group (who are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). Specific enquiry has been made of the Company's directors and all of them have confirmed that they have complied with the required standards set out in the Required Standard of Dealings and the Own Code throughout the period from 19 November 2010 (the listing date) to 31 December 2010.

No incident of non-compliance of the Required Standard of Dealings and the Own Code by the directors and relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

B. BOARD COMMITTEES

The Board has established four Board committees, namely, the Executive Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are available to shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in A.6.1 above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B.1 EXECUTIVE COMMITTEE

The Executive Committee comprises all the executive directors of the Company with Mr. Shi Zhi Jun acting as the chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

B.2 REMUNERATION COMMITTEE

The Remuneration Committee comprises a total of three members, namely, Mr. Neo Poh Kiat (Chairperson), Dr. Lau Reimer Mary Jean and Mr. Lee Sze Wai, all of whom are independent non-executive directors of the Company.

The principal duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) make recommendations on the remuneration packages of executive directors and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Details of the remuneration of each director of the Company for the year ended 31 December 2010 are set out in note 13 to the financial statements contained in this annual report.

Up to the date of this annual report, the Remuneration Committee met once with the presence of Mr. Neo Poh Kiat, Dr. Lau Reimer Mary Jean and Mr. Lee Sze Wai and performed the following major tasks:

– To review and make recommendation on the payment of a year-end bonus and special bonus to the employees of the Group; and

– To review and make recommendation on the current remuneration package of directors and senior management of the Group.

B.3 AUDIT COMMITTEE

The Audit Committee comprises a total of three members, namely, Mr. Lee Sze Wai (Chairperson), Mr. Neo Poh Kiat and Dr. Lau Reimer Mary Jean, all of whom are independent non-executive directors of the Company. The Chairman of the Audit Committee also possesses the appropriate accounting and financial management expertise as required under Rule 5.28 of the GEM Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The principal duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors before submission to the Board; (ii) review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

Up to the date of this annual report, the Audit Committee met once with the presence of Mr. Lee Sze Wai, Mr. Neo Poh Kiat and Dr. Lau Reimer Mary Jean together with the external auditor and the senior management of the Company and performed the following major tasks:

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2010, the related accounting principles and practices adopted by the Group and the relevant audit findings;

– Review and discussion of the internal control system of the Group;

– Discussion and recommendation of the re-appointment of external auditor; and

– Review of the Company's continuing connected transactions for the year ended 31 December 2010 pursuant to the GEM Listing Rules.

There is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

B.4 NOMINATION COMMITTEE

Pursuant to the recommended best practice of the CG Code, the Company has established the Nomination Committee. The Nomination Committee comprises a total of three members, namely, Dr. Lau Reimer Mary Jean (Chairperson), Mr. Neo Poh Kiat and Mr. Lee Sze Wai, all of whom are independent non-executive directors of the Company.

The principal duties of the Nomination Committee are to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of independent non-executive directors.

Up to the date of this annual report, the Nomination Committee met once with the presence of Dr. Lau Reimer Mary Jean, Mr. Neo Poh Kiat and Mr. Lee Sze Wai and performed the following major tasks:

– Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Assessment of the independence of the existing independent non-executive directors; and

– Recommendation on the re-appointment of retiring directors at the 2011 annual general meeting of the Company pursuant to the Articles of Association.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2010.

The Board is responsible for presenting a balanced, clear and understandable assessment of quarterly, interim and annual reports, price sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of the Company's shareholders and the Group's assets and, with the support of the Audit Committee, for reviewing the effectiveness of such system on an annual basis.

The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 December 2010. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities for the Group's financial statements for the year ended 31 December 2010 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to SHINEWING (HK) CPA Limited, the Company's auditor, in respect of audit services and non-audit services for the year ended 31 December 2010 are analyzed below:-

Type of services provided by the external auditor	**Fees paid/payable**
Audit services	HK$350,000
Non-audit services (including the professional services for the listing on the Stock Exchange)	HK$1,925,000
TOTAL:	HK$2,275,000

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that a transparent and timely disclosure of the Group's information will enable shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.creditchina.hk" as a communication platform with shareholders and investors, where the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may also write directly to the Company's principal place of business in Hong Kong at Units C&D, 17th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong or via email to "info@creditchina.hk" for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board considers that general meetings of the Company provide an important channel for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Board committees will endeavor to be available at the meetings to answer any questions raised by shareholders.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

G. SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, various rights of shareholders, including the right to propose resolutions, are contained in the Articles of Association.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website "www.hkgem.com" and the Company's website "www.creditchina.hk" after the relevant shareholders' meetings.

The Board of Directors (the "Board") is pleased to present the first annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

REORGANISATION

The Company was incorporated in the Cayman Islands on 4 January 2010. Pursuant to a group reorganization and structure contracts (the "Reorganization") of the Company, Shanghai Yintong Dian Dang Company Limited ("Shanghai Yintong") and its subsidiaries (collectively referred to as the "Group") which was completed on 25 February 2010 to rationalize the Group's structure in preparation for the listing (as defined in the Prospectus) of the Company's shares on the Growth Enterprises Market ("GEM") of The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group and the pawn loans business of Shanghai Yintong had been transferred to the companies now comprising the Group. Details of the Reorganization are set out in the Prospectus.

The Company's shares have been listed on the GEM of the Stock Exchange since 19 November 2010 (the "Listing Date").

PRINCIPAL ACTIVITIES

The principal activities of the Group are provision of pawn loans, entrusted loan and financing consultancy services.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 47 to 107.

The Board recommends payment of a final dividend of HK1.87 cents (or equivalent to RMB1.58 cents) per ordinary share of the Company for the financial year ended 31 December 2010, subject to the approval by the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 19 April 2011 and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend proposed to be distributed for the year 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15 April 2011 to Tuesday, 19 April 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for entitlement to the proposed final dividend and for attending and voting at the forthcoming annual general meeting, unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 14 April 2011.

USE OF PROCEEDS FROM THE COMPANY'S PLACING

The proceeds from the Company's issue of 400,000,000 new shares at the time of its listing on GEM of the Stock Exchange on 19 November 2010 and over-allotment option of 60,000,000 new shares on 29 November 2010, after deduction of related issuance expenses, amounted to approximately HK$327.9 million.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past three years is set out in the financial summary on page 108 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

RESERVE

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution to equity holders comprising share premium account less accumulated losses, amounted to approximately RMB144 million.

MAJOR CUSTOMERS

For the year ended 31 December 2010, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue	
– The largest customer	17.1%
– The total of five largest customers	47.4%

As far as the Directors aware, neither the Directors nor their associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers of the Group.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Shi Zhi Jun *(Chairman)*	*(appointed on 4 January 2010)*
Mr. Ji Zu Guang	*(appointed on 4 January 2010)*
Ms. Shen Li *(Chief Executive Officer)*	*(appointed on 4 January 2010)*

Independent Non-executive Directors

Mr. Neo Poh Kiat	*(appointed on 4 November 2010)*
Dr. Lau Reimer Mary Jean	*(appointed on 4 November 2010)*
Mr. Lee Sze Wai	*(appointed on 4 November 2010)*

In accordance with Article 83(3) of the Company's Articles of Association, all the existing Directors shall retire from office and being eligible, offer themselves for re-election, at the forthcoming annual general meeting of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 14 to 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date unless and until (i) terminated by either party thereto giving not less than three months' prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the executive Director not being re-elected as a Director or being removed by shareholders at general meeting of the Company in accordance with the Articles of Association of the Company.

Each of the independent non-executive Directors ("INEDs") is appointed for a fixed term of one year commencing from the Listing Date subject to retirement, re-election and removal in accordance with the Articles of Association of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure of all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in notes 13 and 14 to the consolidated financial statements, respectively.

COMPETING INTEREST

Shanghai Xinhua Publishing Group Limited, a substantial shareholder of the Company and Xinrong Asset Management Limited ("Xinrong Asset"), a shareholder of Shanghai Yintong, whose principal business is not providing financing services, had made use of their respective idle cash to advance loans to third parties through entrusted loan arrangements during the year, as the interest income derived therefrom could allow them to have a relatively higher return for their respective idle fund. Save and except for the foregoing and for interests in the Group, none of the controlling shareholders nor their respective associates had interests in any other companies which may, directly or indirectly, compete with the Group's business.

In addition, the controlling shareholder of the Company had made an annual declaration on compliance with the non-competition undertaking in favour of the Company. The INEDs have reviewed and confirmed the compliance and enforcement of the non-competition undertaking of the controlling shareholder of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Company

Name of Director	Capacity	Number of ordinary shares	Number of underlying shares subject to the Pre-IPO Share Option Scheme	Approximate percentage of the Company's issued share capital*
Mr. Shi Zhi Jun	Interest in a controlled corporation	594,000,000 (L)(2)	–	35.78%
	Beneficial owner	–	16,000,000 (L)(3)	0.96%
Mr. Ji Zu Guang	Beneficial owner	–	16,000,000 (L)(3)	0.96%
Ms. Shen Li	Beneficial owner	–	16,000,000 (L)(3)	0.96%

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(i) Interests in the Company (continued)

Notes:

(1) The letter "L" denotes the entity/person's long position in the securities.

(2) These shares were held by Kaiser Capital Holdings Limited, the entire issued share capital of which was owned by Mr. Shi Zhi Jun.

(3) These represent shares to be issued and alloted by the Company upon exercise of options granted by the Company under the Pre-IPO Share Option Scheme. Details of the above share options as required by GEM Listing Rules have been disclosed in the section headed "Share Option Scheme" and note 32 to the consolidated financial statements.

* The percentage represents the number of shares / underlying shares interested divided by the number of the Company's issued shares as at 31 December 2010.

(ii) Interests in the associated corporation – Shanghai Yintong

Name of Director	Capacity	Equity interests in Shanghai Yintong	Approximate percentage of Shanghai Yintong's issued share capital *
Mr. Shi Zhi Jun	Interest in a controlled corporation	RMB22 million (L)(2)	55%

Notes:

(1) The letter "L" denotes the entity/person's long position in the securities.

(2) These equity interests were held by Shanghai Jinhan Investment Development Limited ("Jinhan Investment"), the entire issued share capital of which was owned by Mr. Shi Zhi Jun.

* The percentage represents the amount of equity interests interested divided by the number of Shanghai Yintong's issued shares as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interests in the Company

Name of substantial shareholder	Capacity	Number of ordinary shares	Approximate percentage of the Company's issued share capital*
Kaiser Capital Holdings Limited ("Kaiser Capital")	Beneficial owner	594,000,000 (L)[2]	35.78%
Jiefang Media (UK) Co. Limited ("Jiefang Media")	Beneficial owner	486,000,000 (L)[3]	29.28%
Shanghai Xinhua Publishing Group Limited ("Xinhua Publishing")	Interest in a controlled corporation	486,000,000 (L)[3]	29.28%
Jiefang Daily Group ("Jiefang Group")	Interest in controlled corporations	486,000,000 (L)[3]	29.28%
Shanghai Greenland Group Limited ("Greenland Group")	Interest in controlled corporations	486,000,000 (L)[3]	29.28%
Integrated Asset Management (Asia) Limited ("Integrated Asset")	Beneficial owner	120,000,000 (L)[4]	7.23%
Mr. Yam Tak Cheung	Interest in a controlled corporation	120,000,000 (L)[4]	7.23%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

(1) The letter "L" denotes the entity/person's long position in the securities.

(2) The interests of Kaiser Capital were also disclosed as the interests of Mr. Shi Zhi Jun in the above section headed "Directors' and chief executive's interest and short position in the shares, underlying shares and debentures".

(3) These shares were held by Jiefang Media. Jiefang Media is wholly-owned by Xinhua Publishing, which is in turn owned by Jiefang Group and its associates as to approximately 50.8% and Greenland Group as to approximately 39%. Therefore, under the SFO, Xinhua Publishing is deemed to be interested in all the Shares held by Jiefang Media, and each of Jiefang Group and Greenland Group is deemed to be interested in all the Shares held by Jiefang Media through Xinhua Publishing.

(4) These shares were held by Integrated Asset, the entire issued share capital of which was held by Mr. Yam Tak Cheung.

* The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

SHARE OPTION SCHEME

(a) Pre-IPO Share Option Scheme

Pursuant to the written resolution of the shareholders of the Company on 4 November 2010, the Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") for the purpose of recognising the contribution of certain executive directors and employees of the Group to the growth of the Group and/or to the listing of the Company's shares on the Stock Exchange.

The Board confirmed that no further options will be granted under the Pre-IPO Scheme. The Pre-IPO Scheme was expired on 9 November 2010.

SHARE OPTION SCHEME (continued)

(a) Pre-IPO Share Option Scheme (continued)

Details of movements of the share options granted under the Pre-IPO Scheme during the year under review were as follows:

				Number of share options			
Category	Date of grant	Exercise period	Exercise price per share	As at 1 January 2010	Granted during the year	Exercised/ Cancelled/ Lapsed during the year	As at 31 December 2010
Director							
Mr. Shi Zhi Jun	4 November 2010	4 May 2011 to 18 November 2015	HK$0.3125	–	5,600,000	–	5,600,000
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.3125	–	5,600,000	–	5,600,000
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.3125	–	4,800,000	–	4,800,000
				–	16,000,000	–	16,000,000
Mr. Ji Zu Guang	4 November 2010	4 May 2011 to 18 November 2015	HK$0.3125	–	5,600,000	–	5,600,000
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.3125	–	5,600,000	–	5,600,000
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.3125	–	4,800,000	–	4,800,000
				–	16,000,000	–	16,000,000
Ms. Shen Li	4 November 2010	4 May 2011 to 18 November 2015	HK$0.3125	–	5,600,000	–	5,600,000
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.3125	–	5,600,000	–	5,600,000
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.3125	–	4,800,000	–	4,800,000
				–	16,000,000	–	16,000,000
Employee							
Mr. Ding Lu	4 November 2010	4 May 2011 to 18 November 2015	HK$0.3125	–	5,600,000	–	5,600,000
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.3125	–	5,600,000	–	5,600,000
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.3125	–	4,800,000	–	4,800,000
				–	16,000,000	–	16,000,000
Total				–	64,000,000	–	64,000,000

SHARE OPTION SCHEME (continued)

(a) Pre-IPO Share Option Scheme (continued)

Notes:

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Further details of the Pre-IPO Scheme are set out in note 32 to the consolidated financial statements.

(b) Share Option Scheme

The Company has also adopted a Share Option Scheme (the "Share Option Scheme") pursuant to the written resolution of the shareholders on 4 November 2010 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants of the Share Option Scheme include the Directors, including INEDs, employees of the Group, customers of the Group, consultants, advisers, managers, officers or entity that provides research, development or other technological support to the Group.

No share option has been granted under the Share Option Scheme during the year.

Further details of the Share Option Scheme are set out in note 32 to the consolidated financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year, the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and in the Prospectus, at no time during the year was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval under Chapter 20 of the GEM Listing Rules.

1. **Structure Contracts**

Shanghai Yintong has entered into the Structure Contracts with Lucky Consultants and its equity holders, namely, Jinhan Investment and Xinrong Asset, pursuant to which all the business activities of Shanghai Yintong are managed by Lucky Consultants and all economic benefits and risks arising from the business of Shanghai Yintong are transferred to Lucky Consultants.

Jinhan Investment was wholly beneficially owned by Mr. Shi Zhi Jun (the controlling shareholder of the Company) and Xinrong Asset was wholly-owned by Xinhua Publishing (a substantial shareholder of the Company). As Jinhan Investment and Xinrong Asset are connected persons of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the Structure Contracts are continuing connected transactions of the Company under the GEM Listing Rules.

The following is a summary of the principal terms of the Structure Contracts:

(1) Management Agreement

On 25 February 2010, Jinhan Investment, Xinrong Asset, Shanghai Yintong and Lucky Consultants entered into the Management Agreement, pursuant to which Lucky Consultants agreed to manage and operate the secured financing business of Shanghai Yintong. Under the Management Agreement, Lucky Consultants is responsible for the management and operation of Shanghai Yintong.

Under the Management Agreement, Lucky Consultants shall assume all economic benefits and risks arising from the business of Shanghai Yintong. The revenue of Shanghai Yintong, after deducting all relevant costs and expenses (including taxes) shall be paid to Lucky Consultants after the accounts of Shanghai Yintong have been audited.

The term of the Management Agreement is 10 years commencing on 25 February 2010, and renewable at the request of Lucky Consultants.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

1. Structure Contracts (continued)

(2) Pledge Agreement

On 25 February 2010, Jinhan Investment, Xinrong Asset, Shanghai Yintong and Lucky Consultants entered into the Pledge Agreement, pursuant to which Jinhan Investment and Xinrong Asset granted to Lucky Consultants a continuing first priority security interest over their respective equity interests in the registered capital of Shanghai Yintong (the "Pledged Securities"). The Pledged Securities represent the entire equity interests in the registered capital of Shanghai Yintong, and the entering into of the Pledge Agreement secures due performance of the contractual obligations by Jinhan Investment, Xinrong Asset and Shanghai Yintong under the Structure Contracts.

The Pledge Agreement is for a term commencing on 25 February 2010 and ending on the date of termination of the Management Agreement.

2. Cooperation Framework Agreement

Shanghai Yintong and Xinrong Asset have entered into the Cooperation Framework Agreement, pursuant to which each of Shanghai Yintong, as lender of pawn loans, and other members of the Group, as lenders of entrusted loans (the "Relevant Lender") may, at its sole discretion upon it agreeing to grant a loan of not less than RMB5 million to a customer, request Xinrong Asset to pay an amount equal to or less than the principal amount of the loan to be advanced to the customer as deposit (the "Deposit"). Payment of the Deposit entitles Xinrong Asset a priority right to purchase all or part of the relevant creditor's rights over collateral pledged or mortgaged to the Relevant Lender (the "Forfeited Collateral") if the customer is in default of repayment of the loan. The term of the Cooperation Framework Agreement is three years commencing from 1 January 2010 to 31 December 2012.

Xinrong Asset was wholly-owned by Xinhua Publishing and a connected person of the Company within the meaning of the GEM Listing Rules. Any sale and purchase of the creditor's rights over the Forfeited Collateral under the Cooperation Framework Agreement constitutes continuing connected transactions for the Company under the GEM Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

2. **Cooperation Framework Agreement** (continued)

The interest incurred by the Group to Xinrong Asset during the year ended 31 December 2010 in respect of the Deposit paid amounted to RMB212,749.

For the year ended 31 December 2010, no Forfeited Collateral was purchased by Xinrong Asset.

3. **Entrusted Loan Agreement**

Pursuant to an entrusted loan agreement dated 19 June 2009 and a supplemental agreement dated 18 June 2010 (collectively, the **"Entrusted Loan Agreement"**) among Shanghai Yintong, Xinrong Asset and the Shanghai City branch of the China Construction Bank Corporation (中國建設銀行股份有限公司), Xinrong Asset has advanced an entrusted loan of RMB40 million to Shanghai Yintong for its working capital. The term of the Entrusted Loan Agreement is two years commencing from 19 June 2009 to 18 June 2011.

As Xinrong Asset is a connected person of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the Entrusted Loan Agreement will constitute continuing connected transactions for the Company under the GEM Listing Rules.

For the year ended 31 December 2010, interest incurred by Shanghai Yintong to Xinrong Asset under the Entrusted Loan Agreement amounted to RMB3,383,000.

As at 31 December 2010, the Group had fully repaid the RMB40 million entrusted loan owed to Xinrong Asset under the Entrusted Loan Agreement, of which RMB29 million was repaid by using the proceeds from the placing of the Company's shares.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

The INEDs have reviewed the above continuing connected transactions and confirmed that:

i) in respect of the Structure Contracts, a) the transactions carried out from the date entered into the Structure Contracts to 31 December 2010 have been entered into in accordance with the relevant provisions of the Structure Contracts and have been operated so that all revenue generated by Shanghai Yintong has been retained as management and operation fee by Lucky Consultants; b) no dividends or other distributions have been made by Shanghai Yintong to its equity interest holders; and c) any new contracts or renewed contracts have been entered into on the same terms as the existing Structure Contracts and are fair and reasonable so far as the Group is concerned and in the interest of the Shareholders as a whole.

ii) in respect of the Cooperation Framework Agreement and Entrusted Loan Agreement, the transactions carried out from dates entered into the relevant agreements to 31 December 2010 have been entered into a) in the ordinary and usual course of business of the Group; b) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The INEDs have further confirmed that the values of continuing connected transactions entered into between the Group and its connected persons which are subject to annual caps had not exceeded their respective amounts as stated in the Prospectus.

With respect to the Structure Contracts, the INEDs do not have any present intention to exercise the option to acquire any or all of the equity interests in and/or assets of Shanghai Yintong from Jinhan Investment and/or Xinrong Asset.

The auditor of the Company have performed procedures on the continuing connected transactions and issued a letter to the Board to confirm that:

i) the disclosed continuing connected transactions have been approved by the Company's board of directors;

ii) for transactions involving the provisions of goods or services by the Group, they have not found that the transactions were not in accordance with the pricing policies of the Company;

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

iii) they have not found that the transactions were not entered into in accordance with the relevant agreements governing such transactions; and

iv) with respect to the aggregate amount of each of the continuing connected transactions, they have not found that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus.

RELATED PARTY TRANSACTIONS

Save for the transactions disclosed under "Non-exempt Continuing Connected Transactions", details of the related party transactions entered into by the Group are set out in note 31 to the consolidated financial statements which do not constitute notifiable connected transactions under the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 31 December 2010.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the INEDs to be independent.

INTEREST OF COMPLIANCE ADVISER

As notified by China Everbright Capital Limited ("China Everbright"), the Company's compliance adviser, neither China Everbright nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2010.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 28 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2010 have been audited by SHINEWING (HK) CPA Limited, who will retire and a resolution to re-appoint SHINEWING (HK) CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Shi Zhi Jun
Chairman

Hong Kong, 1 March 2011

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CREDIT CHINA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Credit China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 107, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
1 March 2011

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	7	**115,169**	30,446
Interest income	7	**45,383**	29,612
Interest expenses	10	**(3,641)**	(3,238)
Net interest income		**41,742**	26,374
Financial consultancy fee income	7	**69,786**	834
		111,528	27,208
Other income	9	**2,563**	1,829
Administrative and other operating expenses		**(31,178)**	(8,605)
Share-based payment expenses		**(4,820)**	–
Profit before tax	11	**78,093**	20,432
Income tax	12	**(25,799)**	(4,880)
Profit for the year attributable to owners of the Company		**52,294**	15,552
Other comprehensive income:			
Exchange differences on translating foreign operations		**290**	67
Total comprehensive income for the year attributable to owners of the Company		**52,584**	15,619
		RMB	*RMB*
Earnings per share	16		
Basic		**4.18 cents**	1.31 cents
Diluted		**4.15 cents**	1.31 cents

Consolidated Statement of Financial Position

As At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current asset			
Plant and equipment	17	**875**	609
Current assets			
Other assets	18	**139**	138
Loan receivables	19	**303,845**	131,693
Prepayments and other receivables	19	**3,694**	2,902
Property held for sale	20	**2,996**	2,996
Bank balances and cash	21	**303,828**	43,499
		614,502	181,228
Current liabilities			
Accruals and other payables	22	**11,632**	11,983
Deposits received	23	**193,500**	77,000
Amount due to a controlling shareholder	24	**–**	18,546
Borrowings	25	**–**	40,000
Income tax payables		**17,993**	4,809
		223,125	152,338
Net current assets		**391,377**	28,890
Total assets less current liabilities		**392,252**	29,499
Non-current liability			
Deferred tax liabilities	26	**1,511**	–
Net assets		**390,741**	29,499
Capital and reserves			
Share capital	27	**142,363**	40,000
Reserves		**248,378**	(10,501)
Total equity		**390,741**	29,499

The consolidated financial statements on pages 47 to 107 were approved and authorised for issue by the board of directors on 1 March 2011 and are signed on its behalf by:

Mr. Shi Zhi Jun	**Ms. Shen Li**
Director	*Director*

	Attributable to owners of the Company										
	Share capital RMB '000	Share premium RMB '000	Statutory reserve RMB '000 (Note (a))	(Accumulated losses)/ retained profits RMB '000	Exchange reserve RMB '000	Share–based payment reserve RMB '000	Capital reserve RMB '000	Special reserve RMB '000 (Note (b))	Total equity RMB '000	Non–controlling interests RMB '000	Total RMB '000
At 1 January 2009	28,500	–	650	(19,280)	1,371	–	(3,034)	–	8,207	5,673	13,880
Total comprehensive income for the year	–	–	–	15,552	67	–	–	–	15,619	–	15,619
Purchase of remaining interest in a subsidiary	11,500	–	–	–	–	–	(5,827)	–	5,673	(5,673)	–
Appropriation to statutory reserve funds	–	–	960	(960)	–	–	–	–	–	–	–
At 31 December 2009	40,000	–	1,610	(4,688)	1,438	–	(8,861)	–	29,499	–	29,499
At 1 January 2010	40,000	–	1,610	(4,688)	1,438	–	(8,861)	–	29,499	–	29,499
Total comprehensive income for the year	–	–	–	52,294	290	–	–	–	52,584	–	52,584
Arising on the Reorganisation	(40,000)	–	–	–	–	–	–	40,000	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	4,820	–	–	4,820	–	4,820
Issue of subscribed shares to a new shareholder, net of share issue expenses *(Note 27(e))*	–	22,762	–	–	–		–	–	22,762	–	22,762
Capitalisation issue *(Note 27(f))*	102,936	(102,936)	–	–	–	–	–	–	–	–	–
Issue of shares by placing Note *27(g))*	34,272	210,074	–	–	–	–	–	–	244,346	–	244,346
Issue of shares under the over-allotment option related to the placing *(Note 27(h))*	5,155	31,575	–	–	–	–	–	–	36,730	–	36,730
Appropriation to statutory reserve funds	–	–	6,884	(6,884)	–	–	–	–	–	–	–
At 31 December 2010	142,363	161,475	8,494	40,722	1,728	4,820	(8,861)	40,000	390,741	–	390,741

(a) Statutory reserve

In accordance with the relevant regulations applicable in the People's Republic of China (the "PRC"), companies established in the PRC are required to transfer at least 10% of their statutory annual profits after tax in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of directors of the respective PRC companies.

(b) Special reserve

The amount represents the difference between the aggregate amount of paid-in capital of Ever Step Holdings Limited ("Ever Step") and 上海銀通典當有限公司 ("Shanghai Yintong") and the amount of share capital of the Company issued to Kaiser Capital Holdings Limited ("Kaiser Capital") and Jiefang Media (UK) Co. Limited ("Jiefang Media"), which are 100% owned by the controlling shareholders, in 2010 in exchange for the entire equity interests in the above companies as part of the reorganisation as further details in note 1 to the consolidated financial statements.

	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**78,093**	20,432
Adjustments for:		
Depreciation	**408**	281
Interest expenses	**3,641**	3,238
Bank interest income	**(284)**	(117)
Share-based payment expense	**4,820**	–
Written off of plant and equipment	**26**	–
Operating cash inflows before movements in working capital	**86,704**	23,834
(Increase)/decrease in other assets	**(1)**	311
Increase in loan receivables	**(172,152)**	(100,809)
Increase in prepayments and other receivables	**(792)**	(1,590)
(Decrease)/increase in accruals and other payables	**(351)**	9,278
Increase in deposits received	**116,500**	74,098
Cash generated from operations	**29,908**	5,122
Income tax paid	**(11,104)**	(1,518)
NET CASH FROM OPERATING ACTIVITIES	**18,804**	3,604

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2010

	2010 RMB'000	2009 RMB'000
INVESTING ACTIVITIES		
Purchase of plant and equipment	**(700)**	(247)
Bank interest income received	**284**	117
Purchase of property held for sale	**–**	(2,996)
NET CASH USED IN INVESTING ACTIVITIES	**(416)**	(3,126)
FINANCING ACTIVITIES		
Proceeds from issue of shares by placing	**244,346**	–
Proceeds from issue of shares under the over-allotment option related to the placing	**36,730**	–
Proceeds from issue of shares, net of share issue expenses	**22,762**	–
Repayment of borrowings	**(40,000)**	(13,000)
(Repayment to)/advance from a controlling shareholder	**(18,546)**	11,519
New borrowings raised	**–**	40,000
Interest paid	**(3,641)**	(3,238)
Repayment to a related party	**–**	(5,000)
Dividends paid	**–**	(2,589)
NET CASH FROM FINANCING ACTIVITIES	**241,651**	27,692
NET INCREASE IN CASH AND CASH EQUIVALENTS	**260,039**	28,170
Effect of foreign exchange rate changes	**290**	–
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**43,499**	15,329
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**303,828**	43,499

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 4 January 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company.

Pursuant to a group reorganisation and structure contracts (the "Reorganisation") of the Company, Shanghai Yintong and its subsidiaries (collectively referred to as the "Group") which was completed on 25 February 2010 to rationalise the Group's structure in preparation for the listing (as defined in the prospectus of the Company dated 15 November 2010 (the "Prospectus")) of the Company's shares on the Growth Enterprises Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group and the pawn loans business of Shanghai Yintong had been transferred to the companies now comprising the Group. Details of the Reorganisation are set out in the Prospectus. The Company's shares have been listed on the GEM of the Stock Exchange since 19 November 2010.

Since all entities which took part in the Reorganisation were under common control of a group of ultimate equity shareholders, the Group is regarded as a continuing entity resulting from the reorganisation of entities under common control. These financial statements have been prepared on the basis that the current group structure had been in existence at the beginning of the earliest year presented. Accordingly, the consolidated results of the Group for the years ended 31 December 2009 and 2010 include the results of the Company and its subsidiaries with effect from 1 January 2009 or, if later, since their respective dates of incorporation, as if the current group structure had been in existence throughout the two years presented. The consolidated statement of financial position of the Group as at 31 December 2009 has been prepared as if the current group structure had been in existence as at that date. All material intra-group transactions and balances have been eliminated on consolidation.

The Company's ultimate holding company is Kaiser Capital Holdings Limited, a company incorporated in the British Virgin Islands ("BVI").

The Company's principal activity during the year was investment holding. The principal activities of the subsidiaries are set out in note 33(a).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2010 and 2009, the Group has consistently adopted all the HKFRSs, issued by the Hong Kong Institute of Certified Public Accountants which are effective for the Group's financial year beginning on 1 January 2010.

The Group applied HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As part of the Reorganisation, the Group acquired Lucky Target Property Agency Limited ("Lucky Target"), 峻岭物業顧問（上海）有限公司 ("Lucky Consultants"), Vigo Hong Kong Investment Limited ("Vigo Investment") and Wyndsfield Resources Limited ("Wyndsfield Resources") in 2010 in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, however, as the consolidated financial statements present the consolidated results and financial position of the Group as if the current group structure had been in existence throughout the year ended 31 December 2010 and as if the pawn loans business was transferred to the Group at the beginning of the earliest period presented, HKFRS 3 (Revised) and HKAS 27 (Revised) were not adopted. Except for the above acquisitions, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

The Group has not early applied any new and revised standard, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues[2]
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Fundings Requirement[4]
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

– HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at fair value at the end of subsequent accounting periods.

– The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC)-Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Business combinations under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling shareholders.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations under common control (continued)

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amount in the consolidated financial statements are presented as if the entities or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are reported as 'Other assets'.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, other receivables and bank balance and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, where the carrying amount is reduced through the use of an allowance account. When a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities, including accruals and other payables, deposits received, amount due to a controlling shareholder and borrowings, are subsequently measured at the amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Properties held for sale

Properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the properties are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Properties held for sale are measured at the lower of cost and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to the PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probably that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of business net of sale related taxes.

Financing consultancy service fee income is recognised when the services are rendered.

Rental income is recognised in accordance with the Group's accounting policy for operating leases.

Interest income from financing service and a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from financing service and a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation are translated into presentation currency of the Group (i.e. Renminbi) at the rate of exchange prevailing at the end of the reporting period, and their income and expense are translated at the average rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (under the heading of exchange reserve).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have significant effect on the amounts recognised in consolidated financial statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment losses on loan receivables

The provisioning policy for impairment of loan receivables of the Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgements. A considerable amount of judgement is required in assessing the ultimate realisation of loan receivables from these customers, if applicable, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required. No impairment loss had been provided for the year ended 31 December 2010 (2009: Nil).

Loan receivables mainly include financing advances provided to customers which are secured by real estate. Apart from assessing the financial positions of customers, the management further reviews value of the pledged real estate by reference to recent market transactions in comparable properties. If the market value of secured real estate is deteriorated and is below the carrying amount of the corresponding financing advances, provision on impairment may be required.

5. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

5. CAPITAL RISK MANAGEMENT (continued)

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, net debt is defined as all borrowings, less bank balance and cash and capital comprises all components of equity.

	2010 RMB'000	2009 RMB'000
Interest-bearing borrowings	–	40,000
Less: Bank balance and cash	(303,828)	(43,499)
Net debt	**N/A**	N/A
Total equity	**390,741**	29,499
Net debt-to-capital ratio	**N/A**	N/A

The directors of the Company review the capital structure regularly. As part of the review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the raising of new debts, the repayment of existing debts, payment of dividend and issuance of new shares. The Group's overall strategy remains unchanged from prior year.

6. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2010 RMB'000	2009 RMB'000
Financial assets		
Loans and receivables (including bank balance and cash)	**610,973**	178,094
Financial liabilities		
Amortised costs	**200,910**	137,110

The Group's major financial instruments include loan receivables, other receivables, bank balance and cash, accruals and other payables, deposits received, amount due to a controlling shareholder and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (including interest risk and foreign currency risk). The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

b) Credit risk

The Group's credit risk is primarily attributable to loan receivables. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis.

In respect of loan receivables, representing financing advances to customers under the Group's pawn loans business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

6. FINANCIAL INSTRUMENTS (continued)

b) Credit risk (continued)

99% (31 December 2009: 99%) of all financing advances given out as at 31 December 2010 are backed by real estate situated in Shanghai, the PRC, as security. The Group also focuses on identifying legal ownership and the valuation of the real estate collaterals. An advance given out is based on the value of collaterals and is in general approximately 40% – 60% of the estimated value of the collaterals. The Group closely monitors the ownership and value of the collaterals throughout the loan period. Advances to customers are due as by the date as specified on the corresponding loan agreement.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 25% (31 December 2009: 28%) of the total loan receivables as at 31 December 2010 was due from the Group's largest customer and 77% (31 December 2009: 84%) of the total loan receivables as at 31 December 2010 was due from the Group's five largest customers for the Group's pawn loans business.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total loan receivables as at 31 December 2010 and 2009.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with high credit ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk without taking account of the collateral held is represented by the carrying amount of loan receivables as at the end of the reporting period. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan receivables is set out in note 19.

6. FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial instruments, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group will be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity risk tables

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	Total undiscounted cash flow RMB'000	Carrying Amount RMB'000
As at 31 December 2010					
Accruals and other payables	–	7,410	–	7,410	7,410
Deposits received	0.29%	193,776	–	193,776	193,500
		201,186	–	201,186	200,910

6. FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk (continued)

Liquidity risk tables (continued)

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	Total undiscounted cash flow RMB'000	Carrying Amount RMB'000
As at 31 December 2009					
Accruals and other payables	–	1,564	–	1,564	1,564
Deposit received	–	77,000	–	77,000	77,000
Amount due to a controlling shareholder	–	18,546	–	18,546	18,546
Borrowings	5.94% – 12.00%	42,176	–	42,176	40,000
		139,286	–	139,286	137,110

d) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its loan receivables, bank balances, deposits received and borrowings. Bank balances, deposits received and borrowings at variable rates expose the Group to cash flow interest-rate risk, while loan receivable at fixed rates expose the Group to fair value interest-rate risk.

6. FINANCIAL INSTRUMENTS (continued)

d) Interest rate risk (continued)

The Group's loan receivables, bank balances, deposits received, borrowings and interest rates as at 31 December 2010 and 2009 are set as below:

	Interest rate	**2010** **RMB'000**	2009 RMB'000
Fixed rate loan receivables	3.00% – 5.00% per month	**303,845**	131,693
Fixed rate borrowings	12.00% p.a.	**–**	29,000
Variable rate bank balances	0.01% – 0.72% p.a.	**303,828**	43,499
Variable rate deposits received	0.29% p.a.	**193,500**	–
Variable rate borrowings	5.94% – 7.43% p.a.	**–**	11,000

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and borrowings, the analysis is prepared assuming the bank balances were netted to borrowings at the end of each reporting period and net balance was outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

50 basis points have been used for variable rate bank balances and variable rate deposits received while 100 basis points have been used for variable-rate borrowings.

For variable-rate bank balances, if the interest rates had been 50 basis points (2009: 50 basis points) higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would increase/decrease by approximately RMB1,017,000 (2009: RMB217,000).

6. FINANCIAL INSTRUMENTS (continued)

d) Interest rate risk (continued)

For variable-rate deposits received, if the interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would decrease/increase by approximately RMB648,000 as of 31 December 2010. There was no variable-rate deposits received as at 31 December 2009.

For variable-rate borrowings, if the interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would decrease/increase by approximately RMB110,000 as of 31 December 2009. There were no variable-rate borrowings outstanding as at 31 December 2010.

This sensitivity analysis has been determined assuming that the change in interest rates had occurred at 31 December 2010 and 2009 and had been applied to the exposure to interest risk for financial investments in existence at those dates. The analysis has been performed on the same basis throughout the two years ended 31 December 2010.

e) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

Certain bank balances are denominated in HKD which are currencies other than the functional currency of the relevant group entities.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS (continued)

e) Foreign currency risk (continued)

Sensitivity analysis

The group entities are mainly exposed to the fluctuation of HKD against RMB.

If a 50 basis points increase/decrease in HKD against the RMB and all other variables were held constant, the Group's profit after tax for the year would increase/decrease by approximately RMB945,000. 50 basis points is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The sensitivity analysis includes cash and cash equivalents where the denomination is HKD other than the functional currency.

In the opinion of the directors of the Company, since the currency risk is minimal as at 31 December 2009, no sensitivity analysis is presented.

Fair value

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values due to their short-term maturities.

The directors of the company consider the fair values of the other non-current liabilities approximate their carrying amounts as the impact of discounting is not significant.

7. TURNOVER

The principal activities of the Group are provision of pawn loans services and financing consultancy services.

Turnover represents interest income (either from real estate pawn loans, entrusted loans or personal property pawn loans) and financial consultancy service income, net of corresponding sales related taxes. The amount of each significant category of revenue recognised in turnover for the year is as follows:

	For the year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Interest income		
Real estate pawn loans service income		
– Administration fee income (Note a)	**7,650**	19,282
– Interest income	**1,337**	9,983
Entrusted loans service income		
– Administration fee income (Note b)	**6,728**	58
– Interest income	**29,518**	107
Personal property pawn loans service income		
– Administration fee income (Note c)	**137**	164
– Interest income	**13**	18
	45,383	29,612
Financial consultancy service income	**69,786**	834
Turnover	**115,169**	30,446

Note a: The balance represents administration fee income received in relation to the real estate backed loans services provided.

Note b: The balance represents administration fee income received in relation to the entrusted loans services provided.

Note c: The balance represents administration fee income received in relation to the personal property pawn loans services provided.

8. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's chief operation decision makers, who are the most senior executive management, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the provision of financing services in the PRC. The Group did not operate in any other geographical locations during the year.

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the year is as follows:

	For the year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Customer A	**19,693**	*
Customer B	*****	6,750
Customer C	*****	4,499
Customer D	**N/A**	3,592
Customer E	*****	3,262

* Less than 10%

9. OTHER INCOME

	For the year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Government grants (Note)	**630**	360
Sub-leased rental income	**1,594**	1,195
Net gain on disposal of other assets	**55**	157
Bank interest income	**284**	117
	2,563	1,829

Note: Government grants in respect of encouragement of expansion of enterprise were recognised at the time the Group fulfilled the relevant granting criteria.

10. INTEREST EXPENSES

	For the year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Interest on borrowings wholly repayable within five years	**3,429**	3,238
Interest on deposits received	**212**	–
	3,641	3,238

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the year ended 31 December	
	2010	2009
	RMB'000	RMB'000
(a) Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**9,127**	2,703
Contribution to defined contribution retirement benefits scheme *(Note 29)*	**258**	135
Share-based payment expenses	**4,820**	–
	14,205	2,838
(b) Other items		
Auditors' remuneration	**1,689**	13
Depreciation	**408**	281
Exchange loss	**2,890**	–
Operating lease charges in respect of properties	**3,142**	2,095
Written off of plant and equipment	**26**	–

12. INCOME TAX

(a) Taxation in the consolidated statement of comprehensive income represented:

	For the year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Current tax:		
Provision for PRC income tax	**24,288**	4,880
Deferred tax *(Note 26)*	**1,511**	–
	25,799	4,880

(i) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) No provision for Hong Kong Profits Tax has been made for subsidiaries established in Hong Kong as these subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during both years.

(iii) Profits of the subsidiaries established in the PRC are subject to PRC income tax.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

12. INCOME TAX (continued)

(b) The tax charge for the year can be reconciled to profit per the consolidated statement of comprehensive income is as follows:

	For the year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit before tax	**78,093**	20,432
Notional tax on profit before taxation, calculated at the rates applicable to profits on the tax jurisdictions concerned	**21,206**	4,892
Tax effect of expenses not deductible for tax purpose	**3,082**	20
Utilisation of tax losses previously not recognised	**–**	(32)
Tax effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**1,511**	–
Income tax expense for the year	**25,799**	4,880

13. DIRECTORS' REMUNERATION

	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contribution to retirement benefits scheme RMB'000	Discretionary bonuses RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Year ended 31 December 2010						
Executive directors:						
Mr. Shi Zhijun	–	506	9	1,274	1,205	2,994
Mr. Ji Zuguang	–	513	32	160	1,205	1,910
Mr. Shen Li (appointed on 4 January 2010)	–	1,041	50	1,593	1,205	3,889
Independent non-executive directors:						
Mr. Neo Poh Kiat	17	–	–	–	–	17
Dr. Lau Reimer Mary Jean	17	–	–	–	–	17
Mr. Le Sze Wai	17	–	–	–	–	17
Total	51	2,060	91	3,027	3,615	8,844
Year ended 31 December 2009						
Executive directors:						
Mr. Shi Zhijun	–	123	–	10	–	133
Mr. Ji Zuguang	–	113	36	12	–	161
Total	–	236	36	22	–	294

13. DIRECTORS' REMUNERATION (continued)

Mr. Neo Poh Kiat, Dr. Lau Reimer Mary Jean and Mr. Lee Sze Wai were appointed as independent non-executive directors of the Company on 19 November 2010.

The discretionary bonuses are determined with reference to the operating results and individual performance.

During both years ended 31 December 2010 and 2009, no directors of the Company waived any emoluments.

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group include three directors (2009: two), whose remuneration are set out in note 13. Details of remuneration paid to the remaining two (2009: three) highest paid individuals of the Group, which are individually below RMB1,000,000 are as follows:

	2010 **RMB'000**	2009 RMB'000
Salaries, allowance, and other benefits	**1,898**	1,225
Contribution to defined contribution retirement scheme	**16**	35
Discretionary bonuses	**354**	68
Share-based payment expenses	**1,205**	–
	3,473	1,328

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2010 and 2009.

15. DIVIDENDS

The final dividend of HK1.87 cents (or equivalent to RMB1.58 cents) per ordinary share in respect of the year ended 31 December 2010 has been proposed by the Board and is subject to approval by the shareholders at the forthcoming annual general meeting.

16. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the profit attributable to owners of the Company of RMB52,294,000 (2009: RMB15,552,000) and the weighted average of 1,251,890,411 ordinary shares (2009: 1,184,876,712 ordinary shares after adjusting for the capitalisation issue in 2010) in issue during the year.

The weighted average number of shares in issue during the year ended 31 December 2009 represents the 1,200,000,000 shares in issue before the listing of shares of the Company on the GEM of the Stock Exchange, as if such shares had been outstanding during the entire year of 2009.

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2010 is based on the profit attributable to owners of the Company of RMB52,294,000 and the weighted average of 1,259,439,037 ordinary shares in issue during the year, calculated as follows:

	2010
Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,251,890,411**
Effect of dilutive potential ordinary shares:	
Share options issued by the Company	**7,548,626**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,259,439,037**

The diluted earnings per share for the year ended 31 December 2009 is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the year ended 31 December 2009.

17. PLANT AND EQUIPMENT

	Office equipments RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
COST:				
At 1 January 2009	1,038	1,035	411	2,484
Additions	62	185	–	247
At 31 December 2009 and 1 January 2010	1,100	1,220	411	2,731
Additions	349	351	–	700
Written off	(88)	–	(411)	(499)
At 31 December 2010	1,361	1,571	–	2,931
ACCUMULATED DEPRECIATION:				
At 1 January 2009	764	707	370	1,841
Charge for the year	73	189	19	281
At 31 December 2009 and 1 January 2010	837	896	389	2,122
Charge for the year	81	327	–	408
Eliminated on written off	(84)	–	(389)	(473)
At 31 December 2010	834	1,223	–	2,057
NET BOOK VALUE:				
At 31 December 2010	527	348	–	875
At 31 December 2009	263	324	22	609

17. PLANT AND EQUIPMENT (continued)

Depreciation is recognised so as to write off the cost of plant and equipment less their residual value, if any, using the straight line method over their estimated useful lives as follows:

Office equipments	5 – 10 years
Leasehold improvements	over the lease term
Motor vehicles	5 years

18. OTHER ASSETS

	2010 RMB'000	2009 RMB'000
Reprocessed assets	**139**	138

Reprocessed assets represent collaterals – personal property, being forfeited by the Groups' pawn loans services customers, which are carried at the lower of cost and net realisable value.

19. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2010 **RMB'000**	2009 RMB'000
Loan receivables:		
Pawn loans to customers	**33,238**	31,043
Entrusted loans to customers	**270,880**	101,000
Less: Impairment loss *(Note 19(b))*	**(273)**	(350)
	303,845	131,693
Prepayments and other receivables:		
Non-trade nature prepayments and other receivables	**3,694**	2,902
	307,539	134,595

19. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

The pawn loans to customers arising under the Group's pawn loans business had an average loan period of 90 days. The loans provided to customers bore fixed interest rate ranging from 2% to 6.8% per month (2009: 2.5% to 6% per month) and were repayable according to the loan agreements. Included in the gross balances are loans of approximately RMB303,804,000 (2009: RMB131,700,000) secured by real estate in the PRC and RMB314,000 (2009: RMB343,000) secured by personal properties.

Included in the loan receivables were balances of approximately RMB270,880,000 (2009: RMB101,000,000) which represented entrusted loans to customers through China Construction Bank Shanghai Branch and Bank of Ningbo Shanghai Branch.

As at 31 December 2010, approximately RMB136,618,000 (2009: RMB29,700,000) represented loan receivables attributable to loans renewals.

As at 31 December 2010, the Group held collateral with value of approximately RMB1,617,965,000 (2009: RMB580,610,000) in total over the financing advances to customers.

(a) Ageing analysis

All loan receivables (net of impairment loss) were aged within 3 months as at 31 December 2010 and 2009.

The Group's financing advances to customers included in the loan receivables are due as of the due date specified in respective loan agreements. Further details on the Group's credit policy are set out in Note 6.

19. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

(b) Impairment of loan receivables

The movement of impairment loss of loan receivables during the year is as follows:

	RMB'000
At 1 January 2009, and 31 December 2009 and 1 January 2010	350
Amounts written off as uncollectible	(77)
At 31 December 2010	273

Included in the impairment of loan receivables are individually impaired loan receivable with an amount of RMB273,000 (2009: RMB350,000). The individually impaired receivables related to a deceased customer and management assessed that the entire receivable is expected to be non-recoverable.

(c) Loan receivables that are not impaired

All loan receivables as at 31 December 2010 and 2009 were neither past due nor impaired.

Loan receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

The Group holds collateral amounting to approximately RMB1,617,965,000 (31 December 2009: RMB580,610,000) in respect of loan receivables as at 31 December 2010.

20. PROPERTY HELD FOR SALE

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Property held for sale, at cost	**2,996**	2,996

The property held for sale represents office premises situated in Shanghai, the PRC.

21. BANK BALANCE AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less and carry interest at market rates range from 0.01% to 0.36% (2009: 0.01% to 0.36%) per annum.

The Group's bank balance and cash denominated in currencies other than functional currency of the relevant group entities are set out as follows:

	2010 RMB'000	2009 RMB'000
HKD	**282,219**	–

22. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2010 **RMB'000**	2009 RMB'000
Other payables and accrued expenses	**7,410**	1,564
Financing services income receipts in advance	**4,222**	7,891
Consultancy income receipts in advance	**–**	2,528
	11,632	11,983

Financing services income receipts in advance represents the deferred income arouse from the difference between loan receivables and the actual fund transferred to the customers at the inception of loan granted in accordance with the respective loan agreement and the deferred income will be recognised as interest income over the loan period.

Consultancy income receipts in advance represents service income received in advance in accordance with the respective agreement and will be recognised as income over the period of service.

23. DEPOSITS RECEIVED

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Xinrong Asset Management Limited 新融資產管理有限公司 ("Xinrong Asset")	**193,500**	77,000

The balance represented the deposits received for acquisition of real estate situated in Shanghai, the PRC, on behalf of Xinrong Asset, the equity holder of Shanghai Yintong.

As at 31 December 2009, the deposits would be the down payment for the acquisition of real estate which may be subsequently acquired by Xinrong Asset. If Xinrong Asset is not to acquire the real estate, the Group otherwise has to refund the entire amount of deposits to Xinrong Asset within 3 business days.

On 1 November 2010, Shanghai Yintong, a subsidiary of the Group, entered into an amended and restated cooperation framework agreement with Xinrong Asset for the effective period from 1 January 2010 to 31 December 2012, pursuant to which the deposits would be the payment for a priority right to purchase Shanghai Yintong's right over forfeited collateral. If Xinrong Asset is deemed to have renounced its right to purchase the relevant forfeited collateral, the Group otherwise has to refund the entire amount of deposits to Xinrong Asset together with interest calculated at a rate equal to 80% of the interest rate for RMB saving accounts prescribed by the People's Bank of China during the year.

24. AMOUNT DUE TO A CONTROLLING SHAREHOLDER

The amount due to a controlling shareholder, Mr. Shi Zhi Jun, was unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2010.

25. BORROWINGS

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Unsecured bank loans *(Note 31(iii))*	**–**	11,000
Entrusted loans *(Note 31(iii))*	**–**	29,000
	–	40,000

The loans were repayable as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
On demand or within one year	**–**	40,000
More than one year, but not exceeding two years	**–**	–
	–	40,000
Less: Amount due within one year, included as current liabilities	**–**	(40,000)
	–	–

The Group's borrowings are all denominated in RMB.

Further details on the interest rate of the Group's borrowings are set out in Note 6.

26. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Withholding tax on undistributed profit of subsidiaries in PRC RMB'000
At 1 January 2010	–
Charge to profit or loss	1,511
At 31 December 2010	1,511

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiary from 1 January 2008 onwards.

At 31 December 2010 and 31 December 2009, there are no unused tax losses and unrecognised deductible temporary differences.

27. SHARE CAPITAL

The share capital of the Group at 1 January 2009 represented the aggregate amount of paid-in capital of Lucky Target, Wyndsfield Resources and Shanghai Yintong contributed by their equity holder which is the same as the owner of the Company.

The share capital of the Group at 31 December 2009 represented the aggregate amount of paid-in capital of Lucky Target, Vigo Investment, Wyndsfield Resources and Shanghai Yintong contributed by their equity holder which is the same as the owner of the Company.

27. SHARE CAPITAL (continued)

The share capital of the Group at 31 December 2010 represented the issued and fully paid capital of the Company.

	Number of shares	Share capital
Authorised		
Ordinary shares of US$1.00 each as at 4 January 2010	50,000	US$50,000
Cancellation in the year *(Note (a))*	(50,000)	(US$50,000)
Increase in the year *(Note (b))*	3,900,000	HK$390,000
Increase in the year *(Note (f))*	19,996,100,000	HK$1,999,610,000
Ordinary shares of HK$0.1 each as at 31 December 2010	20,000,000,000	HK$2,000,000,000
Issued and fully paid		
Ordinary shares of US$1.00 each at date of incorporation *(Note (c))*	1	US$1
Repurchase of share *(Note (d))*	(1)	(US$1)
Issue of new shares on 25 February 2010 *(Note (e))*	200	HK$20
Capitalisation issue *(Note (f))*	1,199,999,800	HK$119,999,980
Issue of shares by placing *(Note (g))*	400,000,000	HK$40,000,000
Issue of shares under the over-allotment option related to the placement *(Note (h))*	60,000,000	HK$6,000,000
Ordinary shares of HK$0.1 each as at 31 December 2010	1,660,000,000	HK$166,000,000

	RMB'000
Presented as RMB	
Ordinary shares of HK$0.1 each as at 31 December 2010	142,363

27. SHARE CAPITAL (continued)

Notes:

(a) Pursuant to an ordinary resolution passed in the meeting on 25 February 2010, the authorised share capital of the Company was decreased from US$50,000 to Nil by the diminution of 50,000 ordinary shares of US$1.00 each.

(b) Pursuant to an ordinary resolution passed in the meeting on 25 February 2010, the authorised share capital of the Company was increased from Nil to HK$390,000 by the creation of an additional 3,900,000 ordinary shares of HK$0.1 each which rank pari passu with the existing shares in all respects.

(c) Upon incorporation, the authorised share capital of the Company was US$50,000 divided into 50,000 ordinary shares of US$1 each, of which one subscriber share was allotted and issued at par to Codan Trust Company (Cayman) Limited as the sole subscriber. On 4 January 2010, one share was transferred from Codan Trust Company (Cayman) Limited to Mr. Shi Zhi Jun.

(d) On 25 February 2010, the Company repurchased one of its own ordinary shares for a consideration of US$1 from Mr. Shi Zhi Jun.

(e) On 25 February 2010, 99 and 81 shares of the Company of HK$0.1 each were allotted and issued to Kaiser Capital and Jiefang Media at par for cash, respectively.

On 25 February 2010, the Company allotted and issued 20 shares of the Company of HK$0.1 each to Integrated Asset Management Limited ("Integrated Asset"), a limited liability company incorporated in the BVI and independent party not connected or related to the Group, for a consideration of HK$1,600,000 per share which was mutually agreed by the Group and Integrated Asset, resulting in an aggregate amount of HK$32,000,000 (equivalent to approximately RMB27,990,000). The net proceeds after share issue expenses were approximately HK$26,023,000 (equivalent to approximately RMB22,762,000). The new shares rank pari passu with the existing shares in all respects.

(f) Pursuant to a written resolution passed on 4 November 2010, the authorised share capital of the Company was increased from HK$390,000 to HK$2,000,000,000 by the creation of an additional 19,996,100,000 ordinary shares of HK$0.10 each which rank pari passu with the existing shares in al respects.

Subject to the share premium account of the Company being credited as a result of the placing of 400,000,000 ordinary shares on 18 November 2010, the directors of the Company were authorised to capitalise HK$119,999,980 (equivalent to approximately RMB102,936,000) standing to the credit of the share premium account of the company by applying such sum in paying up in full at par allot and issue a total of 1,199,999,800 ordinary shares for allotment and issue to the shareholders of the Company on the register of the members of the Company at the close of business on 4 November 2010 in proportion to their then respective existing shareholdings in the Company and the director allotted and issued such shares as aforesaid and gave effect to the capitalisation.

(g) On 18 November 2010, 400,000,000 ordinary shares of HK$0.10 each were issued at a price of HK$0.75 per share under the placing. The proceeds of HK$40,000,000 (equivalent to approximately RMB34,272,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$245,184,000 (equivalent to approximately RMB210,074,000), after the issuing expenses, were credited to the share premium account. The new shares rank pari passu with the existing shares in all respects.

27. SHARE CAPITAL (continued)

Notes: (continued)

(h) On 2 December 2010, the underwriters of the placing exercised the over-allotment option for the issuance of 60,000,000 ordinary shares of HK$0.10 each at HK$0.75 per share. The proceeds of HK$6,000,000 (equivalent to approximately RMB5,155,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$36,750,000 (equivalent to approximately RMB31,575,000), after the issuing expenses, were credited to the share premium account. The new shares rank pari passu with the existing shares in all respects.

28. COMMITMENT

Operating lease arrangement

As at 31 December 2010 and 31 December 2009, the Group was both the lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating lease are set out as follow:

(i) Lessee

The Group leases certain of its premises and offices under operating lease arrangements. The leases typically run for an initial period of three months to two years. Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2010 **RMB'000**	2009 RMB'000
Within 1 year	**2,813**	2,027
In the second to fifth years inclusive	**242**	–
	3,055	2,027

28. COMMITMENT (continued)

Operating lease arrangement (continued)

(ii) Lessor

The Group sub-leases certain of its premises and offices under operating lease arrangements. The leases typically run for an initial period of two to three months. Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2010	2009
	RMB'000	RMB'000
Within 1 year	**263**	315

29. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

Employees of the subsidiaries in the PRC are members of the state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the required contributions.

29. RETIREMENT BENEFITS SCHEMES (continued)

There were no forfeited contributions utilised to offset employers' contributions for the year. The employers' contributions which have been dealt with in the consolidated statements of comprehensive income were as follows:

	2010	2009
	RMB'000	RMB'000
Employers' contributions charged to the consolidated statements of comprehensive income	**258**	135

At 31 December 2010 and 31 December 2009, there was no forfeited contribution available to reduce the contributions payable in the future years.

30. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2009, an amount of RMB 3,500,000 included in prepayments and other receivables in relation to receivable due from an independent third party was assigned by Shanghai Yintong to 豪景物業管理(上海)有限公司("豪景") to set off against the deposit received from 豪景.

31. RELATED PARTIES TRANSACTIONS

Significant related party transactions

(i) The Group paid rental expenses to 上海錦翰投資發展有限公司 (Shanghai Jinhan Investment Development Limited) ("Jinhan Investment") as follows:

	2010	2009
	RMB'000	RMB'000
Jinhan Investment	**770**	570

Mr. Shi Zhi Jun, a director of the Company has beneficial interest in Jinhan Investment.

31. RELATED PARTIES TRANSACTIONS (continued)

Significant related party transactions (continued)

(ii) The Group paid interest expense to Xinrong Asset as follows:

	2010 RMB'000	2009 RMB'000
Interest expense on entrusted loan from Xinrong Asset	**3,383**	2,284
Interest expense on deposits received	**213**	–
	3,596	2,284

(iii) Non-recurring transactions:

On 21 December 2009, Shanghai Yintong entered into a sale and purchase agreement with Xinrong Asset, to dispose of loan receivables in respect of financing advances provided to a customer being secured by real estate at consideration of RMB 8,500,000, which had carrying value of RMB 7,700,000 as of the date of disposal. The difference of RMB 800,000 has been reported as the accrued interest on the loan receivables and recognised as turnover in the year ended 31 December 2009 accordingly.

The borrowings as at 31 December 2009 amounting to RMB11,000,000 was secured by the pledge of plant and equipment owned by Jinhan Investment. The bank borrowing of RMB11,000,000 was subsequently repaid in January 2010, and the related pledge of plant and equipment of Jinhan Investment was released accordingly.

The borrowings as at 31 December 2009 included an entrusted loan of RMB29,000,000 borrowed by Shanghai Yintong from Xinrong Asset through China Construction Bank Shanghai Branch. The entrusted loan borrowing was subsequently repaid in December 2010.

The directors of the Company are of the opinions based on the legal advice that the entrusted loan from Xinrong Asset was legal, valid and enforceable.

31. RELATED PARTIES TRANSACTIONS (continued)

Key management personnel remuneration

	2010 RMB'000	2009 RMB'000
Basic salaries, allowances and other benefits	**4,009**	1,461
Contribution to retirement benefit scheme	**107**	71
Discretionary bonuses	**3,381**	90
Share-based payment expenses	**4,820**	–
	12,317	1,622

32. SHARE-BASED PAYMENT TRANSACTION

(a) Pre-IPO Share Option Scheme

Pursuant to the written resolution of the shareholders of the Company on 4 November 2010, the Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") whereby four executive director of the Group were granted the rights to subscribe for shares of the Company.

The total number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Scheme is 64,000,000 shares which were granted on 4 November 2010 with subscription price of HK$0.3125 per share.

32. SHARE-BASED PAYMENT TRANSACTION (continued)

The options granted under the Pre-IPO Scheme have a vesting period ranging from six to eighteen months commencing from 4 November 2010, being the grant date of the options and the options are exercisable for a period of 5 years. The Company has no legal or contractual obligation to repurchase or settle the options in cash.

Option type	Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
2010	4 November 2010	4 November 2010 to 3 May 2011	4 May 2011 to 3 November 2015	HK$0.3125	HK$28,056,000
		4 November 2010 to 3 November 2011	4 November 2011 to 3 November 2015		
		4 November 2010 to 3 May 2012	4 May 2012 to 3 November 2015		

The following table discloses movements of the Company's share options held by employees and directors during the year.

Option type	Outstanding at 1/1/2010	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/2010
2010	**–**	**64,000,000**	**–**	**–**	**–**	**64,000,000**
Exercisable at the end of the year						**–**
Weighted average exercise price	**N/A**	**HK$0.3125**	**N/A**	**N/A**	**N/A**	**HK$0.3125**

32. SHARE-BASED PAYMENT TRANSACTION (continued)

(a) Pre-IPO Share Option Scheme (continued)

No share options were outstanding in prior year.

No share options granted under the Pre-IPO Scheme were exercised in the current year.

The estimated fair values of the options granted is HK$28,056,000 in aggregate at the date of grant.

These fair values were calculated using the Binominal model. The inputs into the model were as follows:

Inputs into the model

Exercise price	HK$0.3125
Expected volatility	49.30%
Expected life	5 years
Expected dividend yield	2.34%
Risk-free rate	1.12%

Expected volatility was determined by using the historical volatility of the share price of comparable companies over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expenses of RMB4,820,000 for the year ended 31 December 2010 in relation to share options granted by the Company.

32. SHARE-BASED PAYMENT TRANSACTION (continued)

(b) Share Option Scheme

The Company has also adopted a Share Option Scheme (the "Share Option Scheme") pursuant to the written resolution of the shareholders on 4 November 2010. The Share Option Scheme will remain in force for a period of 10 years, commencing on 19 November 2010.

The maximum number of shares that may be allotted and issued upon exercise of all options which then has been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the shares in issue from time to time. Unless approved by the shareholders, no option shall be granted to any person which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such person (including exercised and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of shares in issue as at the date of such new grant.

Share options granted to the Directors, chief executive or substantial shareholders or any of their respective associates is subject to the approval of the INEDs. In addition, any grant of share options to a substantial shareholder or an INED or any of their respective associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the approval of the shareholders of the Company in a general meeting.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 160,000,000, representing approximately 9.6% of the Company's issued share capital.

The exercise price of the share options is determined by the Board, but shall not be less than whichever is the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's share.

The offer of a grant of share options under the Share Option Scheme may be accepted within a period as specified in the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The Board may at its discretion determine the minimum period for which the option has to be held or other restrictions before the option can be exercised.

An option under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the board of directors of the Company, which must not be more than 10 years from the date of the grant.

No share option has been granted since the adoption of the Share Option Scheme.

33. STATEMENT OF FINANCIAL POSITION INFORMATION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2010 RMB'000
Non-current asset		
Investment in a subsidiary	a	–
Current assets		
Prepayments and other receivables		2,219
Amount due from a subsidiary		53,275
Bank balance and cash		238,636
		294,130
Current liability		
Accruals		2,816
Net current assets		291,314
Net assets		291,314
Capital and reserve		
Share capital		142,363
Reserves	b	148,951
Total equity		291,314

(a) Investments in subsidiaries

	2010
Unlisted investments, at cost	RMB 7

33. STATEMENT OF FINANCIAL POSITION INFORMATION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

Particulars of the Group's principal subsidiaries as at 31 December 2010 are as follows:

Name of Company	Note	Place and date of incorporation or establishment/operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Ever Step		BVI 7 December 2009	USD1/USD50,000	100%	–	Investment holding
Easy Value Investments Limited		BVI 4 December 2009	USD1/USD50,000	–	100%	Investment holding
Lucky Target		Hong Kong 2 March 1993	HKD100/ HKD10,000	–	100%	Investment holding
Measure Up International Limited		BVI 25 September 2009	USD1/USD50,000	–	100%	Investment holding
Vigo Investment		Hong Kong 2 September 2008	HKD1/HKD10,000	–	100%	Money lending business
Wyndsfield Resources		Hong Kong 30 July 2004	HKD100/HKD10,000	–	100%	Investment holding
Lucky Consultants	(i)	The PRC 5 May 1998	USD900,000/ USD900,000	–	100%	Financial consulting services
Shanghai Yintong	(ii)	The PRC 11 June 2003	RMB40,000,000/ RMB40,000,000	–	100%	Pawn loans business
寶康投資擔保(蘇州)有限公司 ("Baokang Guarantee")	(iii)	The PRC 12 May 2010	–/RMB100,000,000	–	100%	Loan guarantee services

33. STATEMENT OF FINANCIAL POSITION INFORMATION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

Note:

(i) Lucky Consultants was established in the PRC as a wholly foreign-owned enterprise.

(ii) Shanghai Yintong was established in the PRC as a domestic company.

(iii) Baokang Guarantee was established in the PRC as a domestic company.

None of the subsidiaries had any debt securities issued subsisting at the end of the year or any time during the year.

(b) Reserves of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Share-based payment reserve RMB'000	Total RMB'000
Total comprehensive expenses for the period	–	(17,344)	–	(17,344)
Issue of subscribed shares to a new shareholder, net of share issue expenses *(Note 27(e))*	22,762	–	–	22,762
Recognition of equity-settled share based payments	–	–	4,820	4,820
Capitalisation issue *(Note 27(f))*	(102,936)	–	–	(102,936)
Issuance of shares by placing *(Note 27(g))*	210,074	–	–	210,074
Issuance of shares under the over-allotment option related to the placing *(Note 27(h))*	31,575	–	–	31,575
At 31 December 2010	161,475	(17,344)	4,820	148,951

34. EVENTS AFTER THE REPORTING PERIOD

On 17 January 2011, Rongtong Finance Lease (Shanghai) Company Limited ("Rongtong"), a wholly owned subsidiary for the Group which principally engaged in finance leases in Shanghai and the adjacent regions was established. The registered capital of Rongtong is HK$200 million, of which 15% shall be contributed within three months and the remaining 85% shall be contributed within two years from the date of issue of the business licence.

Financial Summary

A summary of the Group's results for the last three financial years and the assets and liabilities of the Group as at 31 December 2010, 2009 and 2008, as extracted from the published audited financial statements for the year ended 31 December 2010 or the prospectus of the Company dated 15 November 2010, is set out below. The amounts set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

	2010 **RMB'000**	2009 RMB'000	2008 RMB'000
RESULTS			
Turnover	**115,169**	30,446	12,385
Net interest income	**41,742**	26,374	10,522
Financial consultancy fee income	**69,786**	834	1,098
	111,528	27,208	11,620
Other income	**2,563**	1,829	1,544
Administrative and other operating expenses	**(31,178)**	(8,605)	(5,033)
Share-based payment expenses	**(4,820)**	–	–
Profit before tax	**78,093**	20,432	8,131
Income tax	**(25,799)**	(4,880)	(1,930)
Profit for the year	**52,294**	15,552	6,201
Attributable to:			
Owners of the Company	**52,294**	15,552	6,201
ASSETS AND LIABILITIES			
Total assets	**615,377**	181,837	52,117
Total liabilities	**(224,636)**	(152,338)	(38,237)
Net assets	**390,741**	29,499	13,880