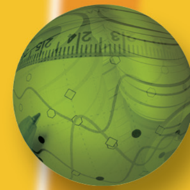
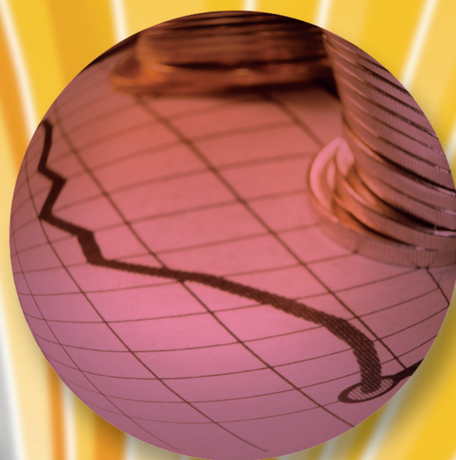


ANNUAL REPORT | **2011**



FIRST CREDIT HOLDINGS LIMITED
第一信用控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8215

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Growth Enterprise Market ("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 of Hong Kong Limited ("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 of the Stock Exchange 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 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 of First Credit Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose 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. Sin Kwok Lam *(Chairman)*
Mr. Tsang Yan Kwong *(Chief Executive Officer)*
Mr. Leung Wai Hung
Ms. Ho Siu Man

Non-executive Director

Mr. Tai Kwok Leung Alexander

Independent Non-executive Directors

Mr. Chan Hoi Wan
Mr. Chan Tung Tak Alain
Mr. Li Kit Chee
Mr. Yang Pao An

AUTHORISED REPRESENTATIVES

Mr. Tsang Yan Kwong
Mr. Leung Wai Hung

AUDIT COMMITTEE MEMBERS

Mr. Yang Pao An *(Chairman)*
Mr. Chan Hoi Wan
Mr. Chan Tung Tak Alain
Mr. Li Kit Chee

NOMINATION COMMITTEE MEMBERS

Mr. Sin Kwok Lam *(Chairman)*
Mr. Chan Hoi Wan
Mr. Chan Tung Tak Alain
Mr. Li Kit Chee
Mr. Yang Pao An

REMUNERATION COMMITTEE MEMBERS

Mr. Chan Tung Tak Alain *(Chairman)*
Mr. Chan Hoi Wan
Mr. Li Kit Chee
Mr. Sin Kwok Lam
Mr. Yang Pao An

COMPLIANCE OFFICER

Ms. Ho Siu Man

COMPANY SECRETARY

Mr. Chui Chi Yun Robert, FCPA

AUDITORS

Ernst & Young
Certified Public Accountants

COMPLIANCE ADVISOR

Altus Capital Limited
8/F., Hong Kong Diamond Exchange Building
8 Duddell Street
Central
Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 909–911, 9/F.,
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Wing Hang Bank Limited

STOCK CODE

8215

WEBSITE OF THE COMPANY

www.firstcredit.com.hk

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board") of First Credit Holdings Limited (the "Company"), I am pleased to present to you the first annual report of the Company and its subsidiaries (collectively the "Group") after our Listing on the GEM of the Stock Exchange on 13 December 2011 (the "Listing").

The successful Listing was an important milestone for the Group. The encouraging results of the placing demonstrate the capital market's appreciation of the Company as well as investors' confidence in our business. The successful Listing has allowed us to strengthen the financial position of the Group which enhances our ability to implement the business plans as stated in the Company's prospectus dated 30 November 2011 (the "Prospectus") and provides us a platform to seize more business opportunities.

During the financial year, the Group's revenue recorded a 13.9% growth to approximately HK$46.1 million for the year ended 31 December 2011. Such growth was mainly attributable to the expansion of our loan portfolio which recorded an average loan balance of HK$186.1 million during the year ended 31 December 2011. On the other hand, our profit has been affected by the expenses incurred in relation to the Listing as well as the necessity to recognise impairment in the value of our stock investment portfolio. Nevertheless, the listing expenses are non-recurring costs in nature while the Board will maintain close monitoring of our stock investment portfolio.

In 2011, confronted by the global economic instability owing to, amongst other things, the threat of double dip recession in the United States and the looming of the Eurozone sovereign debt crisis, the Hong Kong economy, in particular, the financial sector in the second half of the year, experienced a slowdown in market activities. The Board anticipates the cautious investor sentiment resulting from such events will continue into 2012 and may adversely affect the performance of the Hong Kong economy. In view of the above, the Company will adopt a more cautious approach during its assessment and approval of loans in order to contain the risk of default. We also plan to counteract such adversity with prudent expansion of our loan portfolio by ways of increasing the number of our existing loan products' accounts, broadening our customer and revenue bases according to the prevailing market conditions and observing our customers' needs. Further, we plan to raise customer awareness of our products by establishing a marketing department.

In the meantime, we have noted potential opportunities in our business segment where: (i) we believe there exists an opportunity in the securities margin financing business and that this is a potential channel for our Group to increase our revenue; and (ii) with growth impetus in China's economy remaining strong together with closer economic interaction and cooperation between Hong Kong and China, we perceive a business opportunity in expanding our business in the PRC. We may proceed to explore such opportunities in the coming year.

On behalf of the Board, I would like to extend our sincere gratitude to the Group's shareholders, bankers, customers and business partners for their continuous support and to our management and staff members for their diligence, dedication and contribution. In the coming year, we shall continue to explore new business opportunities and strive for business growth to bring the highest returns to our shareholders.

Sin Kwok Lam
Chairman and Executive Director

Hong Kong, 23 March 2012

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in money lending business which provides customers with a wide range of loan products and services to meet their financial needs. During the year ended 31 December 2011, the Group continued to focus on conducting money lending business solely in Hong Kong through the provision of both secured and unsecured loans to our customers, including individuals, corporations and foreign domestic workers. Save for the disclosure in the Prospectus, there has been no other occurrence of material events affecting the Group since 31 December 2010.

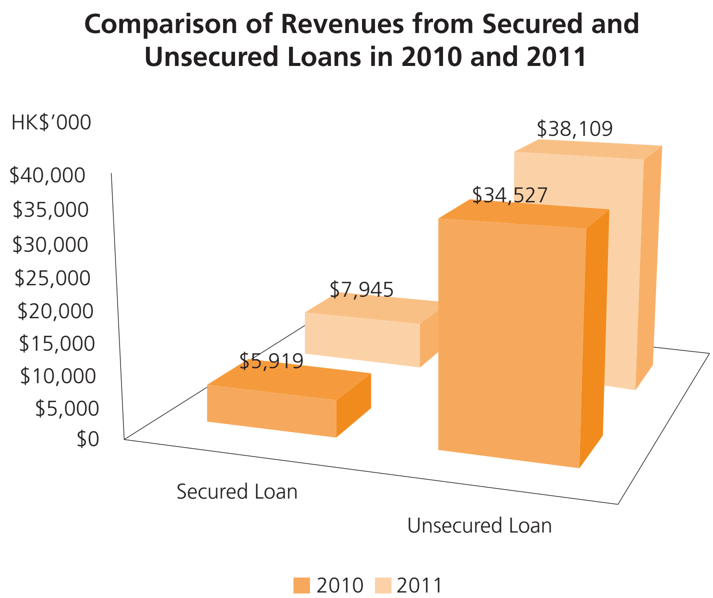
In order to accelerate the Group's penetration into the market, the Group intends to broaden customer base by establishing a marketing department. The Group will also strengthen its brand name and raise our customer awareness by planning to conduct various marketing campaigns and place advertisements in mass media. In the near future, the Group shall endeavor to expand its loan portfolio by increasing the number of existing loan products' accounts, broadening customer and revenue bases according to the prevailing market conditions and observing our customers' needs.

Looking ahead, the Group is considering other opportunities in relation to money lending in the Mainland China and securities margin financing business which may bring about favorable return to the Group. In this regards, the Group will continue to step up efforts in researching the possibility in such plans in the coming year.

FINANCIAL REVIEW

Revenue

We derived our revenue from interest received from provision of loans in the course of our money lending business. During the year ended 31 December 2011, our revenue increased by about 13.9% from approximately HK$40.4 million in the prior year to approximately HK$46.1 million. Revenue received from both secured and unsecured loans have increased in the year of 2011 and such increase was mainly attributable to the growth in our average loan balance during the period. The Group's average loan balance increased approximately HK$186.1 million during the year ended 31 December 2011 as compared to approximately HK$167.1 million for the corresponding period in 2010. Meanwhile, the average interest rate of 24.7% per annum for the year ended 31 December 2011 was comparable to that of 24.2% per annum for the year ended 31 December 2010.



Revenue Breakdown

	2011 **HK$'000**	2010 HK$'000
Unsecured loans		
Personal loans	**18,691**	17,497
Merchant-linked loans	**13**	51
Corporate loans	**3,773**	3,497
Foreign domestic workers loans	**15,632**	13,482
Sub-total	**38,109**	34,527
Secured loans		
First property mortgage loans	**4,151**	3,583
Subordinated property mortgage loans	**3,794**	2,336
Sub-total	**7,945**	5,919
Total	**46,054**	40,446

Net Interest Margin

Both secured and unsecured loans have a relatively stable net interest margin. For the unsecured loans, the net interest margin has slightly decreased from 30.4% for the year ended 31 December 2010 to 28.8% for the year ended 31 December 2011. Meanwhile, the net interest margin of secured loans has increased from 10.4% for the year ended 31 December 2010 to 13.0% for the year ended 31 December 2011. Such offsetting changes in the net interest margin have brought about a slight increase in our overall net interest margin of approximately 0.1%.

Net Interest Margin

	2011	2010
Unsecured loans		
Individuals	**24.8%**	25.5%
Foreign domestic workers	**46.9%**	47.3%
Corporations	**15.8%**	21.8%
Secured loans		
Individuals	**10.2%**	9.3%
Corporations	**28.3%**	30.2%
All loans	**23.8%**	23.7%
Unsecured loans	**28.8%**	30.4%
Secured loans	**13.0%**	10.4%

Other income

Other income includes income from fees received incidental to our money lending business, interest income earned from our bank deposits, rental income from the leasing of our property at Units 905–908, 9th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, dividend income from our available-for-sale investments and listing costs reimbursement from selling shareholders.

Other income (excluding fair value gains on investment properties and realised gains on disposal of available-for-sale investments) increased from approximately HK$2.3 million for the year ended 31 December 2010 to approximately HK$4.6 million for the year ended 31 December 2011 mainly due to listing costs reimbursement from selling shareholders which amounted to HK$3.24 million and accounted for 70.9% of other income.

Administrative expenses

Our administrative expenses comprise mainly employees' expenses and office and branches occupancy costs. Employees' expenses include directors' remuneration, salaries and bonuses, mandatory and voluntary provident fund contributions, employees' insurance, directors' and officers' insurance and etc. Occupancy costs include rental and management fees, government rent and rates and utilities. Administrative expenses also include repair and maintenance, general insurance expenses, depreciation charges and etc.

During the year ended 31 December 2011, employees' expenses were higher than the corresponding period of the previous year. This was attributed mainly to the introduction of bonus shares expense for one of the directors and the increases in salaries and discretionary bonus of employees in recognition of their effort on the Listing. Such expenses contribute about 21.4% or HK$2.35 million to the overall administrative expense.

Administrative expenses

	2011	2010
	HK$'000	HK$'000
Employees' expenses	**13,338**	10,987
Occupancy costs	**1,602**	1,596
Depreciation charges	**902**	1,011
Repair and maintenance and others	**292**	309
Insurance	**109**	92
Total	**16,243**	13,995

Other operating expenses

Other operating expenses comprise mainly impairment allowances on loan receivables, advertising and promotion expenses, other general expenses and expenses relating to the Listing.

Other operating expenses had increased during the year ended 31 December 2011 to approximately HK$26.0 million as compared to approximately HK$16.4 million for the corresponding period in 2010 mainly due to (a) the increase in the legal and professional fees incurred for the preparation of the Listing by an approximate of HK$1.3 million as compared to such fees incurred in 2010, and (b) the increase in provision for impairment allowances on loan receivables to approximately HK$7.2 million for the year ended 31 December 2011 as compared to approximately HK$2.6 million for the corresponding period in 2010. The increase in provision was made mainly for foreign domestic workers' loans. In addition, an impairment loss on available-for-sale investments of approximately HK$4.3 million was recognised this year as one of the expenses in other operating expenses. This was due to significant decline in the market value of one of the listed entity investments as at 31 December 2011 (2010: HK$NIL).

Other operating expenses

	2011	2010
	HK$'000	HK$'000
Impairment allowances on loan receivables on individual assessment	**7,478**	3,391
Impairment allowances on loan receivables on collective assessments	**(275)**	(799)
Advertising and promotion expenses	**2,645**	3,237
Impairment loss on available-for-sale Investments	**4,296**	—
Legal and professional fees	**1,327**	229
Other general expenses	**2,991**	3,088
Expenses relating to the Listing	**7,527**	7,301
Total	**25,989**	16,447

Finance costs

Our finance costs comprise interest payments for (i) loans from Independent Third Party lenders; (ii) loans from our Shareholders; and (iii) mortgage loans for our buildings and investment properties. Finance costs as compared to the year of 2010 had increased from HK$1.1 million in 2010 to HK$2.1 million in 2011. The 87% increase is in line with the increase in our Group's borrowings.

Finance costs

	2011	2010
	HK$'000	HK$'000
Finance costs for:		
Loans from Independent Third Party Lenders	**1,811**	582
Loans from our shareholders	**—**	262
Mortgage loans	**269**	269
Total	**2,080**	1,113

Profit for the year

Profit after tax for the year ended 31 December 2011 decreased to approximately HK$5.7 million compared with last year due mainly to higher administrative and operating expenses as described in previous sections. The corresponding net profit margin decreased from 24.6% for the year ended 31 December 2010 to 12.5% for the year ended 31 December 2011. During the year, the positive impact of revenue and other income and gains increase of approximately HK$8.5 million were offset by expenses relating to the Listing of approximately HK$7.5 million.

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from 23 November 2011 to 31 December 2011 is set out below:

Business objectives for the year ended 31 December 2011 as stated in the Prospectus	**Actual business progress up to 31 December 2011**
Expand our loan portfolio and broaden our customer base by granting more existing loan types	
• We will grow our loan portfolio by increasing the number of loan accounts of our existing loan products if we identify the right target group of customers with reasonable risk.	• We have expanded our loan portfolio where gross loan receivable increased by 3.7% as at 31 December 2011 comparing to the month end prior to the Listing. This was in line with the increase in the number of loan accounts.
Improve customer awareness of our brand and range of loan products	
• We will focus on promotion of our existing loan products by implementing marketing campaign, for example, placing advertisements in newspaper, radio, and/or television channels.	• We have launched advertisements in newspapers and radio to promote our loan products and our brand name.

Develop our website to improve customer coverage	
• We will improve our Company website aiming to provide comprehensive service information and allow our customer to initiate contact with us via the website.	• Our website has been enhanced with updated Listing and corporate information to allow more convenient access by, and efficient communication with customers.
Maintain our internal control and risk management capabilities	
• We will upgrade our information systems to support our operations, management, and decision-making, as well as to enhance data security.	• Our loan system has undergone an enhancement process to provide more automated functions and features which aim to reduce routine manual operations and to improve working efficiency.

USE OF PROCEEDS FROM THE LISTING

The business objectives and planned use of proceeds from the Listing 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 13 December 2011 (the "Listing Date") to 31 December 2011, the net proceeds from the Listing had been applied as follows:

	Total use of proceeds (HK$ million)	**Planned use of proceeds as stated in the Prospectus during the year ended 31 December 2011** (HK$ million)	**Actual use of proceeds during the year ended 31 December 2011** (HK$ million)	**Remaining proceeds for future use** (HK$ million)
Expand our loan portfolio and broaden our customer base by granting more existing loan types	36.7	—	11.55	25.15
Improve customer awareness of our brand and range of loan products	2.00	0.20	0.20	1.8
Expand our branch network and loan officer team to improve customer coverage	0.05	0.05	0.05	0
Continue to strengthen our internal control and risk management capabilities	0.05	0.05	0.00	0.05
Total:	38.8	0.30	11.80	27

Actual application of the net proceeds from the Listing was higher compared to the planned application due to the strong demand for the Group's loan products after the Listing. The Directors intend to revisit the business objectives stated in the Prospectus for the period from the 23 November 2011 to 31 December 2011 in the first half of 2012. The Directors will regularly evaluate the Group's business objectives and may change or modify plans after taking into account the changing market conditions.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended 31 December 2011, the Group financed its operations by (i) cash flow from operating activities; (ii) funding through issuance of equity shares; (iii) funding by way of loans and/or credit facilities from Independent Third Parties; and (iv) net proceeds from the Placing.

As at 31 December 2011, the Group had net current assets of approximately HK$164.5 million (2010: HK$88.4 million), including cash balance of approximately HK$34.9 million (2010: HK$1.8 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 10.9 as times at 31 December 2011 (2010: 3.1 times). The improvement in the current ratio was mainly attributable to the funds raised from the Listing.

CAPITAL STRUCTURE

The share(s) of HK$0.01 each in the share capital of our Company (the "Shares") were listed on GEM on 13 December 2011 and there has been no change in the capital structure of the Company since. The capital of the Group comprises only ordinary shares. Total equity attributable to ordinary equity holders of the Company amounted to approximately HK$255.5 million as at 31 December 2011. As compared to the total equity of HK$196.3 million as at 31 December 2010, an increase was recorded which mainly attributable to the funds raised from the Listing which amounted to an approximate of HK$60 million before listing expenses.

SIGNIFICANT INVESTMENTS HELD

Our investment property relates to our property at Units 905–908, 9th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong which is being leased out to third party tenants. The carrying value is revalued at the end of each financial year by independent professionally qualified valuers. The aggregate carrying amount of investment property increased from approximately HK$15.4 million as at 31 December 2010 to approximately HK$18.6 million as at 31 December 2011 due to appreciation of properties' values in the market.

As at 31 December 2011, the fair value of our Group's listed investments classified as available-for-sale investments amounted to approximately HK$15.3 million. A decrease of HK$4.6 million was recorded as compared with the fair value of such investments as at 31 December 2010 which amounted to HK$19.9 million. It was mainly due to the volatility in the local stock market in 2011. An expense of HK$4.3 million was recognised as one of the available-for-sale investments experienced substantial decline in its stock value.

These listed investments are subject to stock market fluctuations, where prices of listed securities may vary depending on market trading and investors' sentiments. These stock market movements may or may not be directly related to the fundamentals and financial conditions of these companies.

After the Listing, in line with the expected increase in the size of our loan portfolio, our Group has ceased to make any new investment in available-for-sale securities and will gradually divest our available-for-sale securities, subject to reasonable market price, to meet our cash flow requirements. There had been no divestment of available-for-sale securities from the Listing Date to 23 March 2012 (the "Latest Practicable Date"). Set out below are the fair values of the available-for-sale investments as at 31 December 2011:

Stock code	**Name**	HK$
00005	HSBC Holdings Plc	7,080,000.00
01109	China Resources Land Limited	124,400.00
01988	China Minsheng Banking Corp., Ltd	6,159,780.00
02882	Hong Kong Resources Holdings Company Limited	1,957,500.00
		15,321,680.00

The Group has announced the proposed acquisition of a property at Units 901–903, 9th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong with a price of HK$22.5 million from Rich Plus Investments Limited ("Rich Plus"), which is wholly-owned by Mr. Tse Young Lai ("Mr. Tse") who is the substantial shareholder of the Company. The aforesaid acquisition is subject to the approval of shareholders at the forthcoming extraordinary general meeting on 26 March 2012.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Other than the transactions in connection with the Group's reorganisation in preparation for the Listing, there has been no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2011.

INFORMATION ON EMPLOYEES

As a service-oriented enterprise, employees impose direct influence on the development of the enterprise and thus are significant assets to the Group. The Group strives to provide all employees with a healthy working environment and offer ample opportunities for them to develop and grow within the Group.

As at 31 December 2011, the Group had a total of 49 staff (2010: 51 staff). Total staff costs (including Directors' emoluments) were approximately HK$13.3 million for the year ended 31 December 2011 (2010: HK$11 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. All employees are remunerated based on monthly fixed salaries. Discretionary year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions.

The Group offers a variety of staff trainings in money lending business, which may also cover negotiation skills, leadership, business etiquette, problem solving, decision-making, business ethics and corporate social responsibility. The Group has also maintained employees' medical insurance for all our employees. Other benefits include contributions to statutory mandatory provident fund scheme to employees, share option scheme and directors' bonus shares scheme.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2011, the Group had pledged its properties at (i) Units 905-911, 9th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong for a 15-year mortgage loan of initially HK$16.0 million and (ii) Factory Unit B, 4th Floor, Cantake Factory Building, 172 Wai Yip Street, Kwun Tong for a 15-year mortgage loan with initial premium of approximately HK$1.1 million and the outstanding amounts of the said mortgage loans were approximately HK$13.7 million and HK$1.0 million as at 31 December 2011 respectively and approximately HK$14.7 million and HK$1.0 million as at 31 December 2010 respectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed under the section "Comparison of Business Objectives with Actual Business Progress" from page 9 to 10 of this annual report, there was no specific plan for material investments or capital assets as at 31 December 2011.

GEARING RATIO

The gearing ratio, which is net debt divided by the adjusted capital plus net debt, was not applicable as at 31 December 2011 (31 December 2010: 17%) as the net debt was zero due to the inflow of net proceeds on the Listing Date. The decrease was resulted mainly from the decrease in net debt and increase in capital from net proceeds.

FOREIGN EXCHANGE EXPOSURE

The Group is principally engaged in the money lending business in Hong Kong. As the revenue and cost of business are principally denominated in Hong Kong dollars, the exposure to the risk of foreign exchange rate fluctuations for the Group is minimal. Hence, no financial instrument for hedging was employed.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities are set out in note 33 to the consolidated financial statements.

SUBSEQUENT EVENTS

Details of the Group's subsequent events are set out in note 34 to the consolidated financial statements.

Corporate Governance Report

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 December 2011. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Company and for safeguarding the shareholders' interests.

To the best knowledge of the Board, throughout the period from the Listing Date to 31 December 2011, the Company has complied with all code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had made specific enquiry to all Directors and the Directors have confirmed compliance with the required standard of dealings set out in rules 5.48 to 5.67 under Chapter 5 of the GEM Listing Rules throughout the period from the Listing Date to 31 December 2011. No incident of non-compliance was noted by the Company during this period.

BOARD OF DIRECTORS

The Company has a balanced Board composition of Executive and Non-executive Directors. The Board currently comprised nine members, including four Executive Directors, one Non-executive Director and four Independent Non-executive Directors. The composition of the Board is set out as follows:

Executive Directors

Mr. Sin Kwok Lam *(Chairman)*
Mr. Tsang Yan Kwong *(Chief Executive Officer)*
Mr. Leung Wai Hung
Ms. Ho Siu Man

Non-executive Director

Mr. Tai Kwok Leung Alexander

Independent Non-executive Directors

Mr. Chan Hoi Wan
Mr. Chan Tung Tak Alain
Mr. Li Kit Chee
Mr. Yang Pao An

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" from pages 21 to 23 of this annual report.

Responsibilities and Delegation of the Board

The Board has the responsibility for effective leadership and control of the Company. They are accountable for promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company.

The Board is responsible for matters including, but not limited to:

- formulating and approving the Company's long term operational strategy and policies relating to key business and financial objectives;
- overseeing of the Company's operations and management;
- overseeing system of internal control and risk management.
- reviewing the Company's financial results and performance and approving quarterly, interim and annual results of the Company;
- approving appointment, removal or reappointment of Board members and auditors;
- approving adoption of any significant changes in accounting policies or practices;
- reviewing the remuneration of Directors;
- communicating with shareholders and regulatory bodies; and making recommendation to shareholders on final dividend and the declaration of any interim dividends.

The Board is accountable to shareholders for the strategic development of the Company with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests.

Board meeting is held four times a year on a quarterly basis. Apart from the regular board meetings of the year, the Board also meets on special occasions when a Board-level decision on a particular matter is required. All Directors have access to the advice and services of the Company Secretary and senior management who are responsible for ensuring Board procedures are complied with standards and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed are not be counted in the quorum of meeting and are required to abstain from voting on the relevant resolutions.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are held separately by two different individuals to ensure a clear division between their responsibilities and independence. The separation ensures a balance of power and authority so that power is not concentrated in any one individual. The Chairman of the Company is Mr. Sin Kwok Lam, whose responsibility is to manage the Board to ensure its effectiveness in all aspects by providing strategic and business direction. The Chief Executive Officer of the Company is Mr. Tsang Yan Kwong, who is responsible for the Company's day-to-day management and operations. The Chief Executive Officer also focuses on implementing objectives, strategies and policies approved and delegated by the Board.

Non-Executive Directors

Under the Code Provision A.4.1 of Appendix 15 to the GEM Listing Rules, non-executive directors should be appointed for a specific term and subject to re-election. Each of the non-executive Directors has entered into a service contract with the Company for an initial term of 2 years commencing from the Listing Date.

Our Group has complied with the GEM Listing Rule 5.05 that at least one of the Independent Non-executive Directors has the appropriate professional qualifications or accounting or related financial management expertise. The Company has also received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers them to be independent.

Appointment, Re-Election and Removal

The Board is responsible for the appointment of any potential new directors and the nomination of directors which are being proposed by the nomination committee for re-election by shareholders at the annual general meeting of the Company (the "AGM"). In accordance with the Articles of Association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board, whom is subject to retirement and re-election at the first AGM after his appointment.

One of the executive directors of the Company is engaged on a service agreement with the Company for a term of three years with an option of two years subject to the Company's absolute discretion. Other executive directors of the Company are 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 non-executive director and independent non-executive directors for a term of two year commencing from the Listing Date subject to retirement, re-election and removal in accordance with the Articles of Association of the Company.

In accordance with Article 83(3) of the Articles of Association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

At the forthcoming AGM, all Directors, who were appointed to the office by the Board, will retire from office by rotation in accordance with Article 83(3) of the Articles of Association of the Company. All Directors have notified the Company that they will offer themselves for re-election.

After the forthcoming AGM, with pursuant to Articles 84(1) and 84(2) of the Articles of Association of the Company, at each AGM one third of the Directors for the time being shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

Credit Committee

The Company had set up a credit committee on 18 April 2007 for the purpose of better management of our credit risk and credit operations. The members of the Credit Committee are responsible for, among other things, approving and overseeing the Company's credit policy and monitoring the Company's loan portfolio. The Credit Committee comprises three members, being Mr. Tsang Yan Kwong, Mr. Wong Yu Shun Billy and Mr. Sin Kwok Lam, the chairman of the Committee.

Compliance Committee

A compliance committee was established on 9 April 2010 to ensure our strict compliance with the Money Lenders Ordinance. The Compliance Committee meeting is held on a quarterly basis for reviewing matters regarding to the compliance with the Money Lenders Ordinance of the Company. The Compliance Committee currently comprises six members, being Ms. Ho Siu Man, Mr. Chan Hoi Wan, Mr. Chan Tung Tak, Alain, Mr. Li Kit Chee, Mr. Yang Pao An and Mr. Tai Kwok Leung Alexander.

The Compliance Policy and Manual which governing the Company compliance matters in relation to the Money Lenders Ordinance, the GEM Listing rules as well as other relevant regulations has been adopted and approved on the Listing Date. During the review period from January to December 2011, the Compliance Committee has no material findings in the compliance issues of the Company but made several suggestions towards it and the Company has acted on the recommendations from the Compliance Committee.

Audit Committee

The Company established an audit committee on 24 November 2011 with its written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment, re-appointment and removal of external auditor; review and supervise the financial reporting process and internal control procedures of our Company. Our audit committee consists of four members, being Mr. Li Kit Chee, Mr. Yang Pao An, Mr. Chan Tung Tak Alain and Mr. Chan Hoi Wan. Mr. Yang Pao An currently serves as the chairman of our audit committee.

Nomination Committee

The Company established a nomination committee on 24 November 2011 with its written terms of reference in compliance with the CG Code set out in Appendix 15 to the GEM Listing Rules. The primary function of the nomination committee is to make recommendations to the Board regarding the candidates for directorship, either to fill vacancies on or appoint additional directors to the Board. Our nomination committee consists of five members, comprising Mr. Sin Kwok Lam, Mr. Li Kit Chee, Mr. Yang Pao An, Mr. Chan Tung Tak Alain and Mr. Chan Hoi Wan. Mr. Sin Kwok Lam currently serves as the chairman of our nomination committee.

Remuneration Committee

The Company established a remuneration committee on 24 November 2011 with its written terms of reference in compliance with the CG Code set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation payments and ensure none of our Directors or any of their associates will determine his/her own remuneration. Our remuneration committee consists of five members, being Mr. Sin Kwok Lam, Mr. Li Kit Chee, Mr. Yang Pao An, Mr. Chan Tung Tak Alain and Mr. Chan Hoi Wan. In compliance to the new amendments of the CG Code adopted on 1st April 2012, the Board has appointed Mr. Chan Tung Tak Alain, an independent non-executive director, as the Chairman of the Committee on 23rd March 2012.

BOARD MEETINGS & DIRECTORS' ATTENDANCE RECORDS

The Board is scheduled to meet four times a year with notice given to the Board of Directors at least 14 days in advance. For additional board meetings which require discussion and resolution of significant issues arising during the operation of the Company in the financial year under review, notice is given in a reasonable time in advance.

Before each Board meeting, a draft agenda is sent out to all directors at least 3 days or such other period as agreed in advance in order to allow the Directors to include any other matters in the agenda that is required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors 3 days or such other period as agreed before each Board meeting. The Company Secretary is responsible for keeping all Board meetings minutes. 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 the GEM Listing Rule, any directors and their associates with a material interest in the transactions to be discussed in the Board meetings shall abstain from voting on resolutions approving such transactions and are not to be counted in the quorum at meetings.

During the period from the Listing Date to 31 December 2011, the Board did not hold any Board meeting.

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

The Directors are responsible for the preparation of the financial statements for each financial year, which should provide a true and fair view of the Company's financial information. In preparing the financial statements, the Directors have consistently selected and applied appropriate accounting policies and standards. The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditors' Report on pages 30 to 31 of this annual report.

COMPANY SECRETARY

As the Group has engaged an external service provider as its company secretary, the external service provider can contact our executive Director, Mr. Leung Wai Hung for any company secretarial affairs.

AUDITORS' REMUNERATION

The fees in relation to the audit and other services for the financial year ended 31 December 2011 provided by Ernst & Young, the external auditor of the Company, amounted to HK$1.03 million and HK$0.45 million respectively.

INTERNAL CONTROL

The Board has responsibility for maintaining an adequate and effective internal control system of the Company to safeguard the shareholders' interests and the Company's assets. In order to maintain a sound internal control system, the Company have established and maintained stringent internal control procedures.

Our senior management has regularly evaluated the internal control procedures in order to prevent and detect any internal control procedural errors. They are also responsible for reviewing all relevant financial, operational, compliance controls and risk management functions and reporting of any failure of or deficiency in our internal control system.

COMMUNICATION WITH SHAREHOLDERS

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.firstcredit.com.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 909-911, 9th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong or via email to "admin@firstcredit.com.hk" for any inquiries. Inquiries will be 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. We will endeavor to be available at the meetings to answer any questions raised by shareholders.

SHAREHOLDERS' RIGHT

It is the company's responsibility to ensure shareholder's interest. To do so, the company maintains on-going dialogue with shareholders to communicate with them and encourage their participation through AGM or other general meetings.

Registered shareholders are notified by post for the shareholders' meetings. Notice of meeting contains agenda, proposed resolutions and postal voting form.

All registered shareholders are entitled to attend annual and extraordinary general meetings, provided that their shares have been recorded in the Register of Members.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Sin Kwok Lam, aged 54, is an executive Director of the Company and the chairman of the board. He joined our Group in December 2006 and was appointed as executive Director and chairman in March 2009 and November 2011 respectively. He is also the founder of our Group, the chairman of First Credit and a director of First Credit, First Consortium, Honour Event and Techlink. Mr. Sin is responsible for overseeing the operation, formulating market strategies and ensuring the loan quality of our Group. Mr. Sin spent approximately 28 years and acquired extensive experience in the banking and finance field including Internal Audit, Finance, Risk Management and Business. Mr. Sin obtained a master degree in business administration from the Oklahoma City University, USA and a diploma in law from City University, London, United Kingdom. Mr. Sin is an associate of The Institute of Bankers and the Hong Kong Institute of Bankers, a fellow of the Association of Taxation and Management Accountants. Mr. Sin has entered into a service contract with our Company for a term of five years commencing on the Listing Date. Mr. Sin has provided an undertaking in respect of his shareholding during the 12-month period immediately after the Listing Date.

Mr. Tsang Yan Kwong, aged 46, is an executive Director and the Chief Executive Officer of the Company. He joined our Group in August 2007 and was appointed as executive Director in April 2010. Mr. Tsang is also the general manager of First Credit and a director of First Credit, First Consortium, Honour Event and Techlink. Mr. Tsang is responsible for supervising the overall operation and management of our Group. He has extensive experience in the finance field through his working experience in the finance sector for over 20 years specializing in money lending industry. Mr. Tsang obtained a master degree of business from the University of Newcastle Australia and a diploma in management studies jointly from Lingnan University and The Hong Kong Management Association.

Mr. Leung Wai Hung, aged 37, is an executive Director and the company secretarial officer of the Company. He joined our Group in April 2007 and was appointed as executive Director in April 2010. He is also the assistant general manager of First Credit and a director of First Credit, First Consortium, Honour Event and Techlink. Mr. Leung is responsible for overseeing the loan approval and collection matters and assisting in company secretarial matters of the Company. He has over 10 years' extensive experience in banking and financial field. Mr. Leung obtained a bachelor degree of business administration (with honours) from Lingnan University and a master degree of corporate finance from The Hong Kong Polytechnic University.

Ms. Ho Siu Man, aged 37, is an executive Director and the compliance officer of the Company. She joined our Group in July 2007 and was appointed as executive Director in April 2010. She is also the assistant general manageress of the administration and accounts department of First Credit and a director of First Credit, First Consortium, Honour Event and Techlink. Ms. Ho is responsible for supervising the administrative and accounting matters of our Group. Ms. Ho has acquired extensive experience in the finance field through her devotion in the finance sector for over 15 years. Ms. Ho obtained with a bachelor degree of financial services (with honours) from Edinburgh Napier University.

NON-EXECUTIVE DIRECTOR

Mr. Tai Kwok Leung Alexander, aged 53, was appointed as a non-executive Director in September 2010. Mr. Tai has extensive accountancy, corporate finance and investment experience in Hong Kong and overseas. Mr. Tai is currently a director and a responsible officer of Investec Capital Asia Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. Since January 2008, Mr. Tai was an independent non-executive director of Honghua Group Limited (stock code: 196), a company listed on the Main Board of the Stock Exchange. Mr. Tai was an independent non-executive director of Luk Fook Holdings (International) Limited, (stock code: 590), a company listed on the Main Board of the Stock Exchange since July 2008. Mr. Tai graduated from Victoria University of Wellington in 1982 with a bachelor degree in commerce and administration. Mr. Tai was admitted as a member of the Hong Kong Institute of Certified Public Accountants since 1983.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Tung Tak, Alain, aged 57, was appointed as an independent non-executive Director in April 2010. Mr. Chan has over 15 years of experience in architecture sector and has worked as an architect, senior architect or project manager in various architecture firms in London, United Kingdom, Canada and Hong Kong from 1983 to 1999. Since April 1999, Mr. Chan has been a director of Truly Talent Limited, which is principally engaged in education-related business. From June 2008 to February 2011, Mr. Chan was an independent non-executive director of China Mandarin Holdings Limited (stock code: 9), a company listed on the Main Board of the Stock Exchange. Mr. Chan holds a bachelor degree (with honours) and a diploma in architecture in Polytechnic of North London, United Kingdom. He also holds a corporate membership of the Royal Institute of British Architects, United Kingdom and is a registered member of Architects Registration Board of United Kingdom and a member of the Royal Architectural Institute of Canada.

Mr. Li Kit Chee, aged 56, was appointed as an independent non-executive Director in November 2010. Mr. Li has more than 20 years of experience in auditing, accounting and secretarial services. Mr. Li is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a managing director of Arthur Li, Yau & Lee C.P.A. Limited. Mr. Li is a director of Cheong Yip Corporate Services Limited, which is principally engaged in corporate service related business. From June 2005 to December 2008, Mr. Li was a director of Association of Certified Financial Organizer Limited. Since April 2007, Mr. Li was appointed as an independent non-executive director of Henry Group Holdings Limited (stock code: 859), a company listed on the Main Board of the Stock Exchange. Mr. Li holds a bachelor degree of social sciences (with honours) in the University of Hong Kong. He is also a fellow member of The Chartered Association of Certified Accountants.

Mr. Yang Pao An, aged 36, was appointed as an independent non-executive Director in November 2010. Mr. Yang has more than 14 years experience in auditing and accounting sectors. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a founder and proprietor of Brian Yang and Company, CPA. He also holds a bachelor degree of arts in accountancy (with honours) in the Hong Kong Polytechnic University. Mr. Yang is a member of the Association of Chartered Certified Accountants.

Mr. Chan Hoi Wan, aged 61, was appointed as an independent non-executive Director in April 2010. Mr. Chan has more than 30 years of working experience in the banking and financial sector. Mr. Chan has been a director of Grand Ocean International Holdings Limited, a company engaged in trading, since April 1995 and a director of Smart Financial Consultants Limited, a company providing financial consulting services, since February 2009. Mr. Chan was an independent non-executive director of China Packaging Group Company Limited (stock code: 572), a company listed on the Main Board of the Stock Exchange, from September 2009 to October 2009. Mr. Chan obtained a diploma in business management jointly from Hong Kong Polytechnic and Hong Kong Management Association. Mr. Chan also graduated with a master degree of business administration from Royal Roads University Canada. Mr. Chan is a member of the Chartered Management Institute, United Kingdom, a fellow of The Institute of Financial Accountants of United Kingdom, a fellow of the Institute of Public Accountants (previously known as National Institute of Accountants) of Australia, a fellow of the Society of Registered Financial Planners, Hong Kong, a fellow of the Association of International Accountants of United Kingdom and a fellow and a Certified Tax Adviser of The Taxation Institute of Hong Kong.

SENIOR MANAGEMENT

Mr. Wong Yu Shun Billy, aged 39, is a senior manager of First Credit. Mr. Wong joined us in July 2007 and is responsible for the management of our branch offices. Prior to that, Mr. Wong has acquired experience in the finance field through his working experience in the finance sector for approximately 10 years. Prior to joining our Group, Mr. Wong was a branch manager in Wing Hang Credit Limited from October 1997 to July 2007. Mr. Wong graduated with a bachelor of arts (general) degree from the Laurentian University in Ontario Canada in October 1997.

Ms. Chan Mang Lee, aged 27, is an assistant manager of First Credit and a company secretarial officer of our Company. Ms. Chan joined us in July 2007 and she is responsible for assisting in general operations of our Group and the company secretarial matters of our Company. Prior to joining our Group, Ms. Chan graduated with a bachelor of science (honor) degree in construction economics and management from the Hong Kong Polytechnic University in December 2007. Ms. Chan also obtained a master of corporate governance degree from the Open University of Hong Kong in June 2010.

Directors' Report

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 2011.

REORGANIZATION

Our Company was incorporated under the Companies Law in the Cayman Islands as an exempted company with limited liability on 9 March 2009. Pursuant to a group reorganization on 25 April 2009 (the "Reorganization") in preparation for the Listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") and for the purpose of rationalizing the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group pursuant to the corporate reorganization.

The Company's shares have been listed on the GEM of the Stock Exchange since 13 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Group is conducting money lending business solely in Hong Kong through the provision of both secured and unsecured loans to our customers, including individuals, corporations and foreign domestic workers.

RESULTS

The Group's result for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements from pages 32 to 85 of this annual report.

The directors do not recommend the payment of a dividend for the year.

USE OF PROCEEDS FROM THE COMPANY'S PLACING

The proceeds from the Company's issue of 200,000,000 new shares at the time of the Listing amounted to approximately HK$43.10 million, net of underwriting fees and other expenses.

For further details of the use of proceeds, please kindly refer to the paragraph headlined "Use of Proceeds from the Listing" under the section headed "Management Discussion and Analysis" on page 10 of this annual report.

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 section headed "Financial Summary" on page 86 of this annual report. The 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 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Company's property, plant and equipment during the year are set out in note 14 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 25 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution to equity holders comprising the share premium and capital reserve less accumulated losses, amounted to approximately HK$177.2 million.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors
Mr. Sin Kwok Lam *(Chairman)*
Mr. Tsang Yan Kwong *(Chief Executive Officer)*
Mr. Leung Wai Hung
Ms. Ho Siu Man

Non-executive Director
Mr. Tai Kwok Leung Alexander

Independent Non-executive Directors
Mr. Chan Hoi Wan
Mr. Chan Tung Tak Alain
Mr. Li Kit Chee
Mr. Yang Pao An

In accordance with Article 83(3) of the Company's Articles of Association, any director appointed by the Board to fill casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. As such, all directors will retire from the Board at the forthcoming AGM and, being eligible, offer themselves for re-election.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of Directors and senior management of the Group are set out from pages 21 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Sin Kwok Lam has entered into a service contract with the Company for an initial term of three years commencing from the Listing with an option by the Company at its sole and absolute discretion to renew the service agreement for a further term of two years under the same terms and conditions of the agreement. Mr. Sin is also entitled to 160,000,000 Remuneration Shares as recognition for his contribution to the Group under his service contract. Such Remuneration Shares have a vesting period of five years commencing from the Listing Date. It is estimated that the fair value of the Remuneration Shares amounted to HK$30.0 million.

Other executive Directors have entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and be thereafter continuous unless and until (i) the termination by either party thereto giving no less than three months' prior written notice; 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.

The non-executive Director and each of the independent non-executive Directors is appointed for a fixed term of two years 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 8 and 9 to the consolidated financial statements, respectively.

COMPETING INTERESTS

As at the Latest Practicable Date, the spouse of Mr. Tai Kwok Leung Alexander, a non-executive Director, wholly-owns a company which is engaged in money lending business. The Directors confirm that save as disclosed above, none of the business or interest of the Directors, Substantial Shareholders and their respective associates had any material conflicts of interest, either directly or indirectly, with the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, 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:

Interests in the Company

Name of Director	Capacity	Long position in ordinary shares held	Number of underlying shares subject to the Pre-IPO Share Option Scheme	Approximate percentage of the Company's issued share capital
Sin Kwok Lam	Interest of controlled corporations (Note)	230,880,000	——	23.09%

Note: Best Year Enterprises Limited and Enhance Pacific Limited are the registered and beneficial owners of these Shares. Best Year Enterprises Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sin Kwok Lam. Upon completion of the initial public offering of the Company involving the placing of 200,000,000 new Shares and 100,000,000 existing Shares each a price of HK$0.30 per Share (the "IPO"), Best Year Enterprises Limited is interested in 211,280,000 Shares. By virtue of the provisions of Part XV of the SFO, Mr. Sin Kwok Lam is deemed to be interested in all the Shares in which Best Year Enterprises Limited is interested. Enhance Pacific Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sin Kwok Lam. Upon completion of the IPO, Enhance Pacific Limited is interested in 19,600,000 Shares. By virtue of the provisions of Part XV of the SFO, Mr. Sin Kwok Lam is deemed to be interested in all the Shares in which Enhance Pacific Limited is interested.

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

As at 31 December 2011, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which had 5% or more interests in the Shares and the underlying Shares as recorded in the register to be kept under section 336 of the SFO were as follows:

Interests in the Company

Name of substantial shareholder	Capacity	Long position in ordinary shares held	Approximate percentage of the Company's issued share capital
Sin Kwok Lam	Interest of controlled corporations (Note)	230,880,000	23.09%
Best Year Enterprises Limited	Beneficial owner (Note)	211,280,000	21.13%
Tse Young Lai	Beneficial owner	114,640,000	11.46%

Note: Best Year Enterprises Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sin Kwok Lam. Mr. Sin Kwok Lam is also interested in 100% equity interest of Enhance Pacific Limited, which is interested in 19,600,000 Shares.

Save as disclosed above, the Directors are not aware of any other corporation or person (other than a Director or the chief executive of the Company) who, as at 31 December 2011, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

From the Listing Date to 31 December 2011, the Company has not entered into any connected transactions and continuing connected transactions which were subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under the GEM Listing Rules.

MAJOR CUSTOMERS

For the year ended 31 December 2011, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

—	The largest customer	10.4%
—	The total of five largest customers	27.1%

Our top five customers were Independent Third Parties save for Mr. Tse Young Lai, a substantial shareholder and therefore a connected person of our Company. The loan receivables due from Mr. Tse amounted to HK$10.7 million as at 31 December 2011. The revenue generated from Mr. Tse amounted to approximately HK$1.6 million, equivalent to approximately 3.4% of the Group's revenue for the year ended 31 December 2011. The top five customers as at 31 December 2011 comprised two individual customers, all of whom were merchants, and a borrower, being an individual who is a merchant, together with a company owned as to 99.9% by him, which is engaged in publication. Another borrower, being an individual who is also a merchant, together with a company owned as to 100% by her. One of the borrowers is a corporate customer. Our Group has developed business relationships with the top five customers for periods ranging from one year to over four years.

As far as the Directors aware, beside Mr. Tse Young Lai, 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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 27 to the consolidated financial statements.

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 2011.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

INTEREST OF COMPLIANCE ADVISER

As notified by Altus Capital Limited ("Altus"), the Company's compliance adviser, neither Altus 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 2011.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the CG Code contained in Appendix 15 to the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out from pages 15 to 20 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the 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.

AUDITORS

The Financial Statements have been audited by Ernst & Young which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution to re-appoint Ernst & Young and to authorize the Directors to fix its remuneration will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Sin Kwok Lam
Chairman

Hong Kong, 23 March 2012

Independent Auditors’ Report

To the shareholders of First Credit Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of First Credit Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 32 to 85 which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 information.

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 the 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.

Auditors’ responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made 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 about 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 auditors’ judgement, 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 auditors consider internal control relevant to the entity’s preparation of 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 Company and of the Group as at 31 December 2011, 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.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
23 March 2012

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
REVENUE	5	**46,054,139**	40,445,799
Other income and gains	5	**7,736,796**	4,821,127
		53,790,935	45,266,926
Administrative expenses		**(16,243,237)**	(13,995,029)
Other operating expenses		**(25,989,209)**	(16,446,945)
Finance costs	7	**(2,079,832)**	(1,112,501)
PROFIT BEFORE TAX	6	**9,478,657**	13,712,451
Income tax expense	10	**(3,738,917)**	(3,771,120)
PROFIT FOR THE YEAR		**5,739,740**	9,941,331
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Available-for-sale assets:			
Changes in fair value	17	**(4,613,040)**	(3,712,083)
Transfer from available-for-sale investment revaluation reserves to profits or loss on impairment	17	**4,295,667**	—
		(317,373)	(3,712,083)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,422,367**	6,229,248
Profit attributable to owners of the Company	12	**5,739,740**	9,941,331
Total comprehensive income attributable to owners of the Company		**5,422,367**	6,229,248
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
For profit for the year	13	**2.6 cents**	41.0 cents

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 HK$	2010 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,472,555**	2,201,160
Investment properties	15	**18,570,000**	15,410,000
Leasehold land under finance lease	16	**15,662,674**	15,722,051
Available-for-sale investments	17	**15,321,680**	19,934,720
Loans receivable	19	**41,525,391**	54,947,016
Deferred tax assets	23	**590,516**	553,015
Total non-current assets		**93,142,816**	108,767,962
CURRENT ASSETS			
Loans receivable	19	**144,835,789**	123,073,666
Prepayments, deposits and other receivables		**1,042,309**	4,196,898
Cash and cash equivalents	20	**34,935,908**	1,848,377
Tax receivable		**263,866**	932,112
Total current assets		**181,077,872**	130,051,053
CURRENT LIABILITIES			
Accruals and other payables	21	**1,950,751**	5,964,634
Interest-bearing loans	22	**14,661,691**	35,686,542
Total current liabilities		**16,612,442**	41,651,176
NET CURRENT ASSETS		**164,465,430**	88,399,877
TOTAL ASSETS LESS CURRENT LIABILITIES		**257,608,246**	197,167,839
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	**2,104,267**	848,449
Total non-current liabilities		**2,104,267**	848,449
Net assets		**255,503,979**	196,319,390
EQUITY			
Issued capital	24	**10,000,000**	240,385
Reserves	25	**245,503,979**	196,079,005
Total equity		**255,503,979**	196,319,390

Sin Kwok Lam
Director

Consolidated Statement of Changes in Equity

	Notes	Issued capital HK$	Share premium* HK$	Capital reserve* HK$	Available-for-sale investment revaluation reserve* HK$	Retained profits* HK$	Total HK$
At 1 January 2010		240,385	—	153,309,615	(579,708)	42,119,850	195,090,142
Profit for the year		—	—	—	—	9,941,331	9,941,331
Other comprehensive income for the year:							
Change in fair value of available-for-sale investments		—	—	—	(3,712,083)	—	(3,712,083)
Total comprehensive income for the year		—	—	—	(3,712,083)	9,941,331	6,229,248
Interim 2010 dividend	11	—	—	(6,250,000)	—	—	(6,250,000)
Capital contribution from dividend declared on bonus shares	26	—	—	1,250,000	—	—	1,250,000
At 31 December 2010 and at 1 January 2011		**240,385**	**—**	**148,309,615**	**(4,291,791)**	**52,061,181**	**196,319,390**
Profit for the year		**—**	**—**	**—**	**—**	**5,739,740**	**5,739,740**
Change in fair value of available-for-sale investments		**—**	**—**	**—**	**(4,613,040)**	**—**	**(4,613,040)**
Transfer from available-for-sale investment revaluation reserve to profit or loss on impairment		**—**	**—**	**—**	**4,295,667**	**—**	**4,295,667**
Total comprehensive income for the year		**—**	**—**	**—**	**(317,373)**	**5,739,740**	**5,422,367**
Capitalisation issue of shares		**7,759,615**	**(7,759,615)**	**—**	**—**	**—**	**—**
Issue of shares in connection with listing	24	**2,000,000**	**58,000,000**	**—**	**—**	**—**	**60,000,000**
Bonus share expenses	26	**—**	**250,000**	**—**	**—**	**—**	**250,000**
Share issue expense	24	**—**	**(6,487,778)**	**—**	**—**	**—**	**(6,487,778)**
At 31 December 2011		**10,000,000**	**44,002,607**	**148,309,615**	**(4,609,164)**	**57,800,921**	**255,503,979**

* These reserve accounts comprise the consolidated reserves of HK$245,503,979 (2010: HK$196,079,005) in the consolidated statements of financial position as at 31 December 2011.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,478,657**	13,712,451
Adjustments for:			
Depreciation	14	**842,803**	966,465
Bank interest income	5	**(458)**	(188)
Interest expenses	7	**2,079,832**	1,112,501
Dividend income	5	**(465,934)**	(1,337,962)
Depreciation of leasehold land under finance lease	16	**59,377**	43,991
Loss on disposal of items of property, plant and equipment	6	**703**	38,562
Gain on disposal of available-for-sale investments	5	**—**	(655,301)
Fair value gains on investment properties	15	**(3,160,000)**	(1,910,000)
Net impairment loss on loans receivable	31	**8,967,542**	5,032,039
Recoveries of loans receivable impaired or written off	31	**(1,764,140)**	(2,440,220)
Impairment loss on available-for-sale investments	6	**4,295,667**	—
Bonus share expenses	26	**250,000**	—
Operating profit before working capital changes		**20,584,049**	14,562,338
Increase in loans receivable		**(15,543,900)**	(23,658,985)
Decrease/(increase) in prepayments, deposits and other receivables		**3,154,589**	(3,345,773)
Decrease in account payables		**—**	(55,897)
(Decrease)/increase in accruals and other payables		**(4,013,883)**	3,585,134
Cash generated from/(used in) operations		**4,180,855**	(8,913,183)
Bank interest received		**458**	188
Hong Kong profits tax paid		**(1,852,354)**	(6,186,881)
Net cash flows from/(used in) operating activities		**2,328,959**	(15,099,876)

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from available-for-sale investments		**465,934**	1,337,962
Purchase of items of property, plant and equipment		**(114,901)**	(918,595)
Purchase of available-for-sale investments		**—**	(11,384,178)
Proceeds from disposal of items of property, plant and equipment		**—**	335,000
Proceeds from disposal of available-for-sale investments		**—**	6,840,201
Purchase of leasehold land under finance lease		**—**	(1,618,044)
Net cash flows from/(used in) investing activities		**351,033**	(5,407,654)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	24	**60,000,000**	—
Payment of listing expenses	24	**(6,487,778)**	—
New interest-bearing loans		**21,000,000**	31,068,000
Repayments of interest-bearing loans		**(42,024,851)**	(10,987,639)
Dividend paid		**—**	(5,000,000)
Interest paid		**(2,079,832)**	(1,112,501)
Net cash flows from financing activities		**30,407,539**	13,967,860
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33,087,531**	(6,539,670)
Cash and cash equivalents at beginning of year		**1,848,377**	8,388,047
CASH AND CASH EQUIVALENTS AT END OF YEAR		**34,935,908**	1,848,377
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**34,935,908**	1,848,377

Statement of Financial Position

31 December 2011

	Notes	2011 HK$	2010 HK$
NON-CURRENT ASSETS			
Investment in subsidiaries	18	**150,000,000**	150,000,000
Total non-current assets		**150,000,000**	150,000,000
CURRENT ASSETS			
Prepayments, deposits and other receivables		**95,260**	3,422,204
Due from subsidiaries	27	**37,325,155**	6,250,000
Total current assets		**37,420,415**	9,672,204
CURRENT LIABILITIES			
Due to a subsidiary	27	**—**	17,164,403
Accruals and other payables	21	**200,106**	3,788,499
Total current liabilities		**200,106**	20,952,902
NET CURRENT ASSETS/(LIABILITIES)		**37,220,309**	(11,280,698)
NET ASSETS		**187,220,309**	138,719,302
EQUITY			
Issued capital	24	**10,000,000**	240,385
Reserves	25	**177,220,309**	138,478,917
Total equity		**187,220,309**	138,719,302

Sin Kwok Lam
Director

Notes to Financial Statements

Year ended 31 December 2011

1. CORPORATE INFORMATION

First Credit Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The principal activity of its major and indirectly held subsidiary, a registered money lender under the Hong Kong Money Lenders Ordinance, is the provision and arrangement of credit facilities for customers.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and available-for-sale investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

Other than as further explained below regarding the impact of HKAS 24 (Revised), HKFRS 7, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 27 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: The amendment aims to simplify the disclosures provided by reducing the volume of disclosures around collateral held and to improve disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirement in note 31 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(b) Improvements to HKFRSs 2010 issued in May 2010 *(Continued)*

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier. The consequential amendments do not have any significant financial impact on the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012. Upon the adoption, the Group's deferred tax liability with respect to investment properties located in Hong Kong is expected to be reduced.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

(a) interest income and merchant fee income on loans, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. When a loan has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash receipts for the purpose of measuring the impairment loss;

(b) handling fee income on loans is deferred and recognised as an adjustment to the effective interest rate on the loans;

(c) rental income, on a time proportion basis over the lease terms; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance lease	Over the lease terms
Buildings	10%
Leasehold improvements	50%
Furniture and fixture	50%
Office equipment	50%
Motor vehicles	25%
Computer	50%

Residual values, useful lives and the depreciation method of an item of property, plant and equipment are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are depreciated over the shorter of the lease terms. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Loans and receivables and other financial assets

The Group's financial assets are classified as loans and receivables, and available-for-sale investments. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of the reporting period. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include loans receivable, deposits and other receivables, amounts due from related companies, cash and cash equivalents and quoted equity investments.

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in other operating expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Loans and receivables and other financial assets *(Continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity securities. Equity investments classified as available for sale are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss as other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other operating expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" above.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a borrower is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the borrower will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For loans receivable and other receivables classified as financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. These financial assets are grouped on the basis of the Group's internal credit risk-based system that considers credit risk characteristics such as asset type, collateral type, economic factors and other relevant factors. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost (Continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost

Financial liabilities including accruals and other payables, and interest-bearing loans and borrowings are initially stated at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value of financial instruments

The fair value of financial instruments that are actively traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

Provisions are recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Share-based payment transactions

The Company operates a bonus share scheme for the purpose of providing incentives and rewards to a director of the Company who contributes to the success of the Group's operations. The director receives remuneration in the form of share-based payment transactions, whereby rendering services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits *(Continued)*

Profit sharing and bonus plans

There are no profit sharing plans in relation to the performance of the Group itself. The Group has a discretionary bonus plan which is based on the performance of the Group. Liabilities for payments under the discretionary bonus plan are recognised when the Group has a present or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of loans receivable

The Group assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired at the end of each reporting period. If there is objective evidence that an impairment loss on loans and receivables or accounts receivable and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows. Impairment losses of HK$8,271,136 (2010: HK$10,109,364) have been recognised for loans receivable as at 31 December 2011. The carrying amount of loans receivable was HK$186,361,180 as at 31 December 2011 (2010: HK$178,020,682).

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of available-for-sale investments

The Group classifies certain investments as available for sale and recognises movements of their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. At 31 December 2011, impairment losses of HK$4,295,667 have been recognised for available-for-sale investments (2010: Nil). The carrying amount of available-for-sale investments was HK$15,321,680 (2010: HK$19,934,720).

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. At 31 December 2011, deferred tax assets relating to deductible temporary differences of HK$590,516 (2010: HK$553,015) have been recognised. Further details are contained in note 23 to the financial statements.

4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2011, all of the Group's revenue is generated from the provision and arrangement of credit facilities in Hong Kong. Revenue represents interest income earned from loans offered to the Group's customers. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and assessment of the Group's performance, is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis or information about the Group's products and services is presented.

All of the Group's revenue from external customers and assets was generated from and located in Hong Kong during the years ended 31 December 2011 and 2010.

Information about a major customer

Revenue amounted to 10% or more of the Group's revenue of HK$4,796,245 (2010: HK$5,771,237) was derived from a single customer, including amounts derived from an entity which is known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents interest received/receivable from the lending business.

The Group's revenue, other income and gains recognised during the year are as follows:

	2011 HK$	2010 HK$
Revenue:		
Interest income on loans	**45,809,296**	40,180,788
Interest income on impaired loans	**244,843**	265,011
	46,054,139	40,445,799
Other income:		
Other fee income	**338,856**	539,577
Bank interest income	**458**	188
Gross rental income	**527,659**	378,099
Dividend income	**465,934**	1,337,962
Reimbursement of listing expenses (Note)	**3,243,889**	—
	4,576,796	2,255,826
Gains:		
Fair value gains on investment properties	**3,160,000**	1,910,000
Realised gain on disposal of available-for-sale investments	**—**	655,301
	3,160,000	2,565,301
Other income and gains	**7,736,796**	4,821,127
Total revenue and other income	**53,790,935**	45,266,926

Note: Shareholders who had sold shares in the Company under the Company's Placing in December 2011 (the "Sold Shares") agreed to bear the proportionate listing expenses incurred in connection with listing of the Sold Shares.

Other fee income represented interest charged to customers who requested to extend repayment date.

Bank interest income represented interest income derived from bank deposits.

Gross rental income represented rental received and receivable from the Group's investment properties.

Fair value gains on investment properties represented the appreciation of value in the Group's investment properties.

Realised gain on disposal of available-for-sale investments represented the surplus between the sales proceeds received and receivable in excess of their carrying values on disposal of the Group's available-for-sale investments.

Gain on disposal of items of property, plant and equipment represented the surplus between the sales proceeds received and receivable in excess of their net book values on disposal of the Group's property, plant and equipment.

6. PROFIT BEFORE TAX

The Group's profit before tax for the year is arrived at after charging/(crediting):

	2011 **HK$**	2010 HK$
Auditors' remuneration	**1,030,000**	1,200,000
Depreciation of property, plant and equipment and leasehold land	**902,180**	1,010,456
Legal and professional fees	**1,327,069**	228,693
Employee benefit expense (excluding directors' remuneration (note 8)):		
Wages and salaries	**7,330,731**	6,467,304
Pension scheme contributions	**492,375**	472,079
	7,823,106	6,939,383
Loss on disposal of items of property, plant and equipment	**703**	38,562
Impairment loss on available-for-sale investments	**4,295,667**	—
Fair value gains on investment properties	**(3,160,000)**	(1,910,000)
Minimum lease rental payments in respect of land and buildings under an operating lease	**1,234,337**	1,205,032
Net charge for impairment allowances for loans receivable	**7,203,402**	2,591,819

7. FINANCE COSTS

	2011 **HK$**	2010 HK$
Interest on loans		
Wholly repayable within five years:		
— independent banks or other lenders (Note)	**2,079,832**	850,719
— shareholders (note 27)	**—**	261,782
	2,079,832	1,112,501

Note: The Group's loans from a bank as at 31 December 2011 and 2010 were classified in the consolidated statement of financial position as current liabilities, as the loan agreements contain a clause that gives the lender the unconditional right to call the loans at any time. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

Based on the maturity terms of the loans from a bank, the amounts of interest expense on these loans not wholly repayable within five years totalled HK$269,010 for the year ended 31 December 2011 (2010: HK$268,965).

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2011 HK$	2010 HK$
Fees	**12,770**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**3,932,000**	3,174,000
Performance related bonus	**662,000**	333,000
Pension scheme contributions	**472,700**	379,400
Bonus share expense (Note 26)	**250,000**	—
	5,329,470	3,886,400

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2011 HK$	2010 HK$
Chan Hoi Wan	**2,554**	—
Li Kit Chee	**2,554**	—
Yang Pao An	**2,554**	—
Chan Tung Tak, Alain	**2,554**	—
	10,216	—

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

Total remuneration	Fees HK$	Salaries, allowances and benefits in kind HK$	Performance related bonuses HK$	Pension scheme contributions HK$	Bonus share expense HK$	Total HK$
2011						
Executive directors:						
Sin Kwok Lam	—	2,400,000	400,000	300,000	250,000	3,350,000
Ho Siu Man	—	344,000	64,000	34,400	—	442,400
Leung Wai Hung	—	408,000	68,000	40,800	—	516,800
Tsang Yan Kwong	—	780,000	130,000	97,500	—	1,007,500
	—	3,932,000	662,000	472,700	250,000	5,316,700
Non-executive director:						
Tai Kwok Leung, Alexander	2,554	—	—	—	—	2,554
	2,554	3,932,000	662,000	472,700	250,000	5,319,254

Total remuneration	Fees HK$	Salaries, allowances and benefits in kind HK$	Performance related bonuses HK$	Pension scheme contributions HK$	Bonus share expense HK$	Total HK$
2010						
Executive directors:						
Sin Kwok Lam	—	1,700,000	200,000	212,500	—	2,112,500
Ho Siu Man	—	286,000	30,000	28,600	—	344,600
Leung Wai Hung	—	408,000	36,000	40,800	—	484,800
Tsang Yan Kwong	—	780,000	67,000	97,500	—	944,500
	—	3,174,000	333,000	379,400	—	3,886,400
Non-executive directors:						
Tai Kwok Leung, Alexander	—	—	—	—	—	—
Tam Yuk Ching, Jenny[1]	—	—	—	—	—	—
Tsang Kai Kin, Clinton[1]	—	—	—	—	—	—
Wong Hoi Chi[1]	—	—	—	—	—	—
Yum Pui[1]	—	—	—	—	—	—
	—	3,174,000	333,000	379,400	—	3,886,400

[1] On 29 October 2010, Mr. Tsang Kai Kin Clinton, Ms. Tam Yuk Ching Jenny, Ms. Wong Hoi Chi and Mr. Yum Pui resigned as director of First Holdings Consortium Limited.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2010: three) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2010: two) non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	HK$	HK$
Salaries, allowances and benefits in kind	**348,000**	650,400
Performance related bonuses	**65,400**	58,200
Pension scheme contributions	**34,800**	65,040
	448,200	773,640

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**1**	2

During the year ended 31 December 2011 and 2010, no emoluments were paid by the Group to any of the non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

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

The amount of tax charged to profit or loss represents:

	2011 HK$	2010 HK$
Provision for the year	**2,641,681**	3,026,628
(Overprovision)/underprovision in prior years	**(121,081)**	42,809
Deferred tax (note 23)	**1,218,317**	701,683
Tax charge for the year	**3,738,917**	3,771,120

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax position at the effective tax rate for the year is as follows:

	2011		2010	
	HK$	**%**	HK$	%
Profit before tax	**9,478,657**		13,712,451	
Tax at the applicable tax rate	**1,563,978**	**16.5**	2,262,554	16.5
Adjustments in respect of current tax of previous years	**(121,081)**	**(1.3)**	42,809	0.3
Income not subject to tax	**(351,514)**	**(3.7)**	(220,794)	(1.6)
Expenses not deductible for tax purposes	**1,865,467**	**19.7**	1,253,300	9.1
Unrecognised temporary difference	**761,081**	**8.0**	421,574	3.1
Others	**20,986**	**0.2**	11,677	0.1
Tax charge at the Group's effective rate	**3,738,917**	**39.4**	3,771,120	27.5

11. DIVIDEND

	2011 HK$	2010 HK$
Interim — Nil (2010: 26 cents) per ordinary share	**—**	6,250,000

The interim dividend was payable out of the Company's capital reserve.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 included a loss of HK$5,261,215 (2010: HK$1,051,180) which has been dealt with in the financial statements of the Company (note 25).

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 223,656,479 (2010: 24,038,459) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculations of the basic and diluted earnings per share are based on:

	2011 HK$	2010 HK$
Earnings		
Profit attributable to owners of the Company	**5,739,740**	9,941,331

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**223,656,479**	24,038,459
Earnings per share		
Basic and diluted	**2.6 cents**	41.0 cents

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2011	**Buildings HK$**	**Leasehold improvements HK$**	**Furniture and fixture HK$**	**Office equipment HK$**	**Motor vehicles HK$**	**Computer HK$**	**Total HK$**
At 1 January 2011	**1,409,232**	**426,886**	**114,600**	**154,229**	**—**	**96,213**	**2,201,160**
Additions	**—**	**—**	**16,380**	**37,870**	**—**	**60,651**	**114,901**
Disposals	**—**	**—**	**(70)**	**(633)**	**—**	**—**	**(703)**
Depreciation provided during the year	**(163,234)**	**(348,773)**	**(98,789)**	**(133,515)**	**—**	**(98,492)**	**(842,803)**
At 31 December 2011, net of accumulated depreciation	**1,245,998**	**78,113**	**32,121**	**57,951**	**—**	**58,372**	**1,472,555**
At 31 December 2011:							
Cost	**1,632,336**	**1,732,860**	**464,663**	**647,000**	**—**	**865,868**	**5,342,727**
Accumulated depreciation	**(386,338)**	**(1,654,747)**	**(432,542)**	**(589,049)**	**—**	**(807,496)**	**(3,870,172)**
Net carrying amount	**1,245,998**	**78,113**	**32,121**	**57,951**	**—**	**58,372**	**1,472,555**

31 December 2010	Buildings HK$	Leasehold improvements HK$	Furniture and fixture HK$	Office equipment HK$	Motor vehicles HK$	Computer HK$	Total HK$
At 1 January 2010	1,378,276	309,129	139,848	224,727	398,334	172,278	2,622,592
Additions	187,561	502,290	89,111	80,830	—	58,803	918,595
Disposals	—	—	(4,267)	(836)	(368,459)	—	(373,562)
Depreciation provided during the year	(156,605)	(384,533)	(110,092)	(150,492)	(29,875)	(134,868)	(966,465)
At 31 December 2010, net of accumulated depreciation	1,409,232	426,886	114,600	154,229	—	96,213	2,201,160
At 31 December 2010:							
Cost	1,632,336	1,732,860	449,119	622,089	—	806,917	5,243,321
Accumulated depreciation	(223,104)	(1,305,974)	(334,519)	(467,860)	—	(710,704)	(3,042,161)
Net carrying amount	1,409,232	426,886	114,600	154,229	—	96,213	2,201,160

At 31 December 2011, the Group's buildings with a net book value of approximately HK$1,246,000 (2010: HK$1,409,000) were pledged to secure two bank loans granted to a subsidiary of the Company for the purchase of the buildings on 17 July 2009 and 10 May 2010 (note 22).

15. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$	HK$
Carrying amount at 1 January	**15,410,000**	13,500,000
Fair value adjustment	**3,160,000**	1,910,000
Carrying amount at 31 December	**18,570,000**	15,410,000

The Group's investment properties are situated in Hong Kong and are all held under long term leases. The investment properties were revalued on 31 December 2011 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$18,570,000 (2010: HK$15,410,000) on an open market, existing use basis. The investment properties are leased to third parties under operating leases, and pledged to secure a bank loan granted to a subsidiary of the Company (note 22).

16. LEASEHOLD LAND UNDER FINANCE LEASE

	Group	
	2011	2010
	HK$	HK$
Carrying amount at 1 January	**15,722,051**	14,147,998
Additions (from acquisition)	**—**	1,618,044
Depreciation during the year	**(59,377)**	(43,991)
Carrying amount at 31 December	**15,662,674**	15,722,051

The leasehold land is held under a long term lease and is situated in Hong Kong.

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2011 HK$	Group 2010 HK$
Listed equity investments in Hong Kong, at fair value	**15,321,680**	19,934,720

During the year ended 31 December 2011, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$4,613,040 (2010: HK$3,712,083).

There was a significant decline in the market value of one of the listed entity investments during the year. The directors consider that such a decline indicates that the listed entity investment has been impaired and an impairment loss of HK$4,295,667 (2010: Nil), which included a reclassification from other comprehensive income of HK$4,295,667 (2010: Nil), has been recognised in profit or loss for the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial investments and have no fixed maturity date or coupon rate. The fair values of listed equity investments are based on quoted market prices.

18. INVESTMENT IN A SUBSIDIARY

	Company 2011 HK$	Company 2010 HK$
Unlisted shares, at cost	**150,000,000**	150,000,000

Particulars of the subsidiaries are as follows:

Name	Place of incorporation	Nominal value of issued ordinary share capital	Percentage of equity directly attributable to the Company	Principal activities
Directly held				
First Holdings Consortium Limited	British Virgin Islands	HK$150,000,000	100	Investment holding
Indirectly held				
First Credit Limited	Hong Kong	HK$153,550,000	100	Provision and arrangement of credit facilities
Honour Event Limited	British Virgin Islands	US$1	100	Investment holding
Techlink Investments Limited	Hong Kong	HK$1	100	Investment holding

All subsidiaries of the Company operate in Hong Kong and are audited by Ernst & Young, Hong Kong.

19. LOANS RECEIVABLE

	Group 2011 HK$	Group 2010 HK$
Loans to customers	**192,141,185**	185,745,627
Accrued interest receivables	**2,491,131**	2,384,419
	194,632,316	188,130,046
Impairment allowance on individual assessment	**(6,331,672)**	(7,894,636)
Impairment allowance on collective assessment	**(1,939,464)**	(2,214,728)
	186,361,180	178,020,682

The Group seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. Overdue balances are reviewed regularly by management.

A maturity profile of the loans receivable as at the end of the reporting period, based on the maturity date and net of provision, is as follows:

	Group 2011 HK$	Group 2010 HK$
Current	**144,835,789**	123,073,666
1 to 5 years	**22,324,547**	23,324,834
Over 5 years	**19,200,844**	31,622,182
	186,361,180	178,020,682

As at 31 December 2011, included in the loans receivable a provision for individually impaired loans receivable of HK$6,331,672 (2010: HK$7,894,636) relating to gross loans receivable of HK$17,088,792 (2010: HK$19,705,853).

The individually impaired loans receivable relate to clients that were in financial difficulties and only a portion of the receivable is expected to be recovered. As at 31 December 2011, the Company did not hold any collateral among the individually impaired loans receivable (2010: Nil). Among all past due but not impaired loans, the fair value of collateral at its prevailing market price as at 31 December 2011 amounted to HK$4,800,000 (2010: HK$1,700,000) of the residential flats for the first mortgage loans and HK$9,520,000 (2010: HK$3,500,000) for the second mortgage loans.

19. LOANS RECEIVABLE *(Continued)*

The credit quality analysis of the loans receivable is as follows:

	Group	
	2011	2010
	HK$	HK$
Neither past due nor impaired		
— Unsecured loans	**133,115,783**	124,956,901
— Secured loans	**34,990,127**	37,248,798
Less than 1 month past due	**5,849,559**	2,547,601
1 to 3 months past due	**3,588,055**	3,670,893
	177,543,524	168,424,193
Impaired (Note)	**17,088,792**	19,705,853
	194,632,316	188,130,046

Note: Included receivables for which impairment loss has been provided partially or in full.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of individual customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment on individual loans is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. CASH AND CASH EQUIVALENTS

Group

	2011	2010
	HK$	HK$
Cash and bank balances	**34,935,908**	1,848,377

Cash at banks earns interest at floating rates based on daily bank deposit notes. The bank balances are deposited with banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

21. ACCRUALS AND OTHER PAYABLES

	Group	
	2011	2010
	HK$	HK$
Deferred merchant fee income	**1,125**	13,686
Deferred handling fee income	**—**	113,943
Other payables	**314,684**	408,361
Provision for staff costs	**418,584**	235,744
Accruals for operating expenses	**1,076,358**	1,404,401
Accruals for listing costs	**140,000**	3,788,499
	1,950,751	5,964,634

	Company	
	2011	2010
	HK$	HK$
Accruals for listing costs	**140,000**	3,788,499
Other payables	**60,106**	—
	200,106	3,788,499

22. INTEREST-BEARING LOANS

Group

31 December 2011	**Effective interest rate**	**Maturity**	**Carrying amount**
			HK$
Current			
Loan from a bank	1-Month HIBOR +1.50%	2024	13,686,566
Loan from a bank	Prime Lending Rate –2.5%	2025	975,125
			14,661,691
31 December 2010			
Current			
Loan from a bank	1-Month HIBOR +1.50%	2024	14,652,288
Loan from a bank	Prime Lending Rate –2.5%	2025	1,034,254
Loans from independent third parties	8% to 8.5% per annum	2011	20,000,000
			35,686,542

22. INTEREST-BEARING LOANS *(Continued)*

Group *(Continued)*

	2011 HK$	2010 HK$
Within one year or on demand	**14,661,691**	35,686,542
In the second year	**—**	—
In the third to fifth years, inclusive	**—**	—
Beyond five years	**—**	—
	14,661,691	35,686,542

As further explained in note 7 above, the Group's loans from a bank with an aggregated amount of HK$14,661,691 as at 31 December 2011 (2010: HK$15,686,542) all contained an on-demand clause and are classified as current liabilities. For the purpose of the above analysis, these loans are included within current interest-bearing loans and analysed into loans repayable on demand.

Based on the maturity terms of the Group's interest-bearing loans including the bank loans as described above, the aggregated amounts repayable are: of the interest-bearing loans outstanding as at 31 December 2011, HK$1,044,986 (2010: HK$21,067,951) of which were due within one year or on demand; HK$1,063,517 (2010: HK$1,128,904) of which were due in the second year; HK$3,305,125 (2010: HK$3,341,807) were due in the third to fifth years, inclusive and the remainder of HK$9,248,063 (2010: HK$10,147,880) were due beyond five years.

The loans from a bank outstanding as at 31 December 2011 were secured by mortgages over the Group's investment properties which had an aggregate fair value of approximately HK$18,570,000 (2010: HK$15,410,000) and buildings classified as property, plant and equipment which had an aggregate carrying amount of approximately HK$1,246,000 (2010: HK$1,409,000) as at 31 December 2011. The bank loans were offered at a floating rate of interest of 1-Month HIBOR plus a spread of 1.50% and Prime Lending Rate minus 2.50%.

23. DEFERRED TAX

Group

At 31 December 2011

Deferred tax assets

	Tax losses available to offset against future profits HK$	Depreciation allowance in excess of related depreciation HK$	Provision for impairment on loans and receivables HK$	Total HK$
At 1 January 2011	**(75,480)**	**(112,105)**	**(365,430)**	**(553,015)**
Deferred tax (credited)/charged to the profit or loss during the year	**(28,547)**	**(54,372)**	**45,418**	**(37,501)**
Gross deferred tax assets at 31 December 2011	**(104,027)**	**(166,477)**	**(320,012)**	**(590,516)**

Deferred tax liabilities

	Accelerated tax depreciation HK$	Revaluation of investment properties HK$	Total HK$
At 1 January 2011	**8,830**	**839,619**	**848,449**
Deferred tax charged to profit or loss during the year	**—**	**1,255,818**	**1,255,818**
Gross deferred tax liabilities at 31 December 2011	**8,830**	**2,095,437**	**2,104,267**

The Group has tax losses arising in Hong Kong of HK$630,470 (2010: HK$457,455) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

23. DEFERRED TAX *(Continued)*

Group *(Continued)*

At 31 December 2010

Deferred tax assets

	Tax losses available to offset against future profits HK$	Depreciation allowance in excess of related depreciation HK$	Provision for impairment on loans and receivables HK$	Total HK$
At 1 January 2010	(28,154)	(15,565)	(497,286)	(541,005)
Deferred tax (credited)/charged to the profit or loss during the year	(47,326)	(96,540)	131,856	(12,010)
Gross deferred tax assets at 31 December 2010	(75,480)	(112,105)	(365,430)	(553,015)

Deferred tax liabilities

	Accelerated tax depreciation HK$	Revaluation of investment properties HK$	Total HK$
At 1 January 2010	8,830	125,926	134,756
Deferred tax charged to profit or loss during the year	—	713,693	713,693
Gross deferred tax liabilities at 31 December 2010	8,830	839,619	848,449

24. SHARE CAPITAL

	2011 HK$	2010 HK$
Authorised: 500,000,000,000 (2010: 500,000,000,000) ordinary shares of HK$0.01 each	**5,000,000,000**	5,000,000,000
Issued and fully paid: 1,000,000,000 (2010: 24,038,459) ordinary shares of HK$0.01 each	**10,000,000**	240,385

Pursuant to a written resolution on 4 October 2011, 775,961,541 shares of HK$0.01 each were issued.

In connection with the Company's placing, 200,000,000 new shares of the Company of HK$0.01 each were issued at a price of HK$0.3 per share on 13 December 2011.

25. RESERVES

(a) Group

The amount of the Group's reserves and the movements during the year are presented in the consolidated statement of changes in equity.

(b) Company

	Notes	**Issued capital** HK$	**Share premium*** HK$	**Capital reserve*** HK$	**Accumulated losses*** HK$	**Total** HK$
At 1 January 2010		240,385	—	149,759,615	(5,229,518)	144,770,482
Loss and total comprehensive loss for the year		—	—	—	(1,051,180)	(1,051,180)
Interim 2010 dividend	11	—	—	(6,250,000)	—	(6,250,000)
Capital contribution from dividend declared on bonus shares**	26	—	—	1,250,000	—	1,250,000
At 31 December 2010 and at 1 January 2011		240,385	—	144,759,615	(6,280,698)	138,719,302
Loss and total comprehensive loss for the year		—	—	—	(5,261,215)	(5,261,215)
Capitalisation issue of shares		7,759,615	(7,759,615)	—	—	—
Issue of shares in connection with listing	24	2,000,000	58,000,000	—	—	60,000,000
Bonus share expenses	26	—	250,000	—	—	250,000
Share issue expense	24	—	(6,487,778)	—	—	(6,487,778)
At 31 December 2011		10,000,000	44,002,607	144,759,615	(11,541,913)	187,220,309

* The consolidated reserves of HK$177,220,309 (2010: HK$138,478,917) in the Company's statement of financial position as at 31 December 2011.

** All rights, benefits or interests attached to these bonus shares are waived prior to the satisfaction of a vesting condition as detailed in note 26.

26. BONUS SHARE SCHEME

The Company operates a bonus share scheme (the "Scheme") for the purpose of providing incentives for a director of the Company to remain in service within the Group and contribute to the Group's growth. Pursuant to an agreement dated 25 April 2009 between the Company and the director, Sin Kwok Lam, two supplemental deeds dated 7 July 2010 and 24 November 2011 between the same parties respectively, (collectively the "Service Agreements"), the Company has granted 4,807,692 ordinary shares of HK$0.01 each in the Company (the "bonus shares") at no charge to a company nominated by the director. As a result of the Company's capitalisation issue of shares on 4 October 2011, the Company has issued an additional 155,182,308 shares from the Company's share premium account to the credit of its share capital account to the director. In return, the director agreed to serve the Group as an executive director for a continuous term of three years, commencing on the day on which the dealing of the Company's ordinary shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited commenced. The minimum service term is extendable at the Company's discretion for a further term of two years.

Prior to the satisfactory completion of the minimum service term, the director agrees to waive all rights, benefits or interests attached to the bonus shares, including his rights to sell or transfer the legal title of the bonus shares to any other parties.

In the event that the Service Agreements are terminated by the director tendering his resignation on or before the minimum service term, the director will compensate the Company in cash for an amount equivalent to the fair value of the bonus shares as determined on the date of his resignation.

In the event that the Service Agreements are terminated for any other reasons, the director will compensate the Company in cash for an amount equivalent to the fair value of such portion of the bonus shares proportional to the period of time which has not been served by the director with respect to the service term, as determined on the date of the termination.

With respect to the Service Agreements between the Company and the director of the Company, the right to dividends attached to bonus shares issued in connection with the Scheme is waived prior to the satisfactory completion of the director's service term. Accordingly, the interim dividends declared in respect of the bonus shares for the year ended 31 December 2010 was returned to the Company as an addition to the Company's equity reserves.

During the year, expenses recognised in profit or loss in connection with the bonus share scheme amounted to HK$250,000 (2010: Nil).

27. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		Group	
		2011 HK$	2010 HK$
Interest income	(i)	**1,554,272**	2,593,827
Finance costs paid to shareholders	(ii)	**—**	261,782
Referral fee paid to shareholders	(iii)	**179,570**	180,000

27. RELATED PARTY TRANSACTIONS *(Continued)*

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: *(Continued)*

(i) The Group had interest income received from a shareholder of the Company of HK$1,554,272 for the year ended 31 December 2011 (2010: HK$2,593,827).

(ii) Finance costs paid to shareholders included interest expenses on loans and drawdown of credit facilities from shareholders, and other incidental costs incurred in connection with the Group's borrowings. During the year ended 31 December 2011, the Group did not incur any finance costs on loans or credit facilities offered by its shareholders (2010: HK$261,782).

(iii) During the year ended 31 December 2011, referral fees paid to a shareholder of the Company amounted to HK$179,570 (2010: HK$180,000).

(b) Balances with related parties

		Group	
		2011 HK$	2010 HK$
Loans to shareholders	(i)	**10,730,605**	20,201,037

(i) During the year ended 31 December 2011, the Group offered a number of unsecured loans totaling HK33,116,413 (2010: HK$82,603,111) to a substantial shareholder, all at an effective interest rate of 14% per annum (2010: 14% per annum). The shareholder repaid the Group HK$22,385,808 (2010: HK$62,402,074) during the same year. The balance of HK$10,730,605 (2010: HK$20,201,037) remained outstanding as at 31 December 2011.

	Company	
	2011 HK$	2010 HK$
Due from subsidiaries	**37,325,155**	6,250,000
Due to a subsidiary	**—**	17,164,403

The amounts due from/to the Company's subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(c) The Group had paid compensation to key management personnel during the year as follows:

	2011 HK$	2010 HK$
Short term employee benefits including salaries, bonuses, paid annual leaves and sick leaves	**4,606,770**	3,507,000
Post-employment benefits	**472,700**	379,400
Bonus share expense (Note 26)	**250,000**	—
Total compensation paid to key management personnel	**5,329,470**	3,886,400

Further details of directors' remuneration are included in note 8 to the financial statements.

28. OPERATING LEASE ARRANGEMENT

One subsidiary leases office premises for the Group under operating lease arrangements with negotiable lease terms of three years. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011 HK$	2010 HK$
Within one year	**1,001,245**	666,777
In the second to fifth years, inclusive	**28,000**	170,967
	1,029,245	837,744

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of the Group's financial instruments as at the end of the reporting period are as follows:

Group

As at 31 December 2011

Financial assets

	Loans and receivables HK$	**Available-for-sale financial investments HK$**
Available-for-sale investments	**—**	**15,321,680**
Loans receivable	**186,361,180**	**—**
Prepayments, deposits and other receivables	**1,042,309**	**—**
Cash and cash equivalents	**34,935,908**	**—**
	222,339,397	**15,321,680**

Financial liabilities

	Financial liabilities at amortised cost HK$
Accruals and other payables	**1,950,751**
Interest-bearing loans	**14,661,691**
	16,612,442

29. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group *(Continued)*

As at 31 December 2010

Financial assets

	Loans and receivables HK$	Available-for-sale financial investments HK$
Available-for-sale investments	—	19,934,720
Loans receivable	178,020,682	—
Prepayments, deposits and other receivables	4,196,898	—
Cash and cash equivalents	1,848,377	—
	184,065,957	19,934,720

Financial liabilities

	Financial liabilities at amortised cost HK$
Accruals and other payables	5,964,634
Interest-bearing loans	35,686,542
	41,651,176

29. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

As at 31 December 2011

Financial assets

	Loans and receivables HK$
Prepayments, deposits and other receivables	**95,260**
Due from a subsidiary	**37,325,155**
	37,420,415

Financial liabilities

	Financial liabilities at amortised cost HK$
Accruals and other payables	**200,106**

Company

As at 31 December 2010

Financial assets

	Loans and receivables HK$
Prepayments, deposits and other receivables	3,422,204
Due from a subsidiary	6,250,000
	9,672,204

Financial liabilities

	Financial liabilities at amortised cost HK$
Due to a subsidiary	17,164,403
Accruals and other payables	3,788,499
	20,952,902

30. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value as at 31 December 2011:

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Available-for-sale investments:				
Listed equity investments	**15,321,680**	**—**	**—**	**15,321,680**

Assets measured at fair value as at 31 December 2010:

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Available-for-sale investments:				
Listed equity investments	19,934,720	—	—	19,934,720

During the year ended 31 December 2011, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

The Company did not have any other financial assets measured at fair value as at 31 December 2011.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments include interest rate risk, credit risk, equity price risk and liquidity risk. The Group has no significant exposures to other financial risks except as disclosed below. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or the interest income of a portfolio will fluctuate due to changes in market interest rates. The Group's major interest-bearing assets at the end of the reporting period are bank deposits and interest-bearing loans receivable and payable. Interests on bank deposits are principally based on deposits rates offered by banks in Hong Kong. Interest-bearing loans receivable are charged at fixed or floating rates. Interest-bearing loans payable comprise loans from shareholders and independent lenders which are charged at fixed rates, and loans from a bank which are charged at floating rates.

The Group manages its interest rate exposure by matching the interest rate profile of its assets and liabilities. The board of directors of the Company are responsible for ensuring the policy is appropriate and sufficient to monitor the interest rate exposure of the Group, by regularly monitoring the benchmark interest rates of products offered against prevailing market conditions. The accounts department monitors the interest rate profile of the Group's assets and liabilities. Substantially most of the Group's loans receivable are fixed interest rates and short in duration with maturities in the range of three to twelve months. The Group prices these loans receivable strategically to reflect market fluctuations and achieve a reasonable interest rate spread.

In consideration of historical fluctuation in interest rates in the last twelve months, the Group expects a similar level of change within the next twelve months. The following table demonstrates the sensitivity of a reasonably possible change in interest rates, with all other variables held constant arising from the Group's interest-bearing financial instruments.

The analysis of interest-bearing loans receivable represents the sensitivity of possible change in interest rates on the Group's loans receivable and payable at floating interest rates.

	Change in basis points	**Effect on profit before tax** HK$	**Effect on equity** HK$
At 31 December 2011			
Bank deposits	**+/–50**	**+/–17,364**	**+/–17,364**
Interest-bearing loans receivable	**+/–50**	**+/–49,545**	**+/–41,370**
Interest-bearing loans payable	**+50**	**–592,754**	**–494,950**
	–50	**+534,277**	**+446,121**
At 31 December 2010			
Bank deposits	+/-50	+/–1,749	+/–1,749
Interest-bearing loans receivable	+/–50	+/–63,438	+/–52,971
Interest-bearing loans payable	+50	–120,390	–100,526
	–50	+37,807	+31,569

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Exposure to credit risk arises primarily from its financing activities to customers.

The Group's credit policy specifies the credit approval, review and monitoring processes. All new customers of the Group are subject to account opening procedures which include financial background checks for credit verification purpose. Credit limit applications are guided by a set of credit principles and these applications are subject to regular independent review. The board of directors of the Company are responsible to ensure the credit policies and operation manual are appropriate to the market need and the loan department of First Credit Limited ensures the credit approval, review and monitoring processes as per stipulated in the manual are properly followed by the operation staff.

The Group also adopts a "two eyes" process requiring credit approval at successively higher levels or committees depending on, among other things, the size and nature of the proposed transactions.

The credit risk of the Group's financial assets, including cash and bank balances, loans and interests receivable, deposits and other receivables, with a maximum exposure equals to the carrying amounts of these instruments before taking into account of collateral it holds.

The credit quality classification of gross loans receivable using the Group's credit rating system is set out in the table below:

	2011 HK$	2010 HK$
Performing	**175,052,393**	166,304,785
Doubtful	**16,444,381**	18,829,922
Loss	**644,411**	610,921
	192,141,185	185,745,628

The Group considers the loans receivable as doubtful if the repayment of principal and/or of interest has been overdue for more than 3 months and principal, accrued interest and/or future interest may not be fully secured by the fair value of collateral at its prevailing market price. Also, the Group considers the loans receivable as loss if the repayment of principal and/or of interest has been overdue for more than 6 months and the collection of principal and/or of interest in full is improbable. The Group expects to incur a loss of the principal and/or interest, taking account of the fair values of the collateral at prevailing market prices is inadequate to cover the loans receivable.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

Movements in the provision for impairment of loans receivable are as follows:

Group	**Individual** HK$	**Collective** HK$
At 1 January 2010	8,741,610	3,013,856
Written off during the year	(4,237,921)	—
Reversed during the year	(2,440,220)	(799,128)
Charged during the year	5,831,167	—
At 31 December 2010 and 1 January 2011	7,894,636	2,214,728
Written off during the year	(9,041,631)	—
Reversed during the year	(1,764,140)	(275,264)
Charged during the year	9,242,807	—
At 31 December 2011	6,331,672	1,939,464

In general, the loans department of the First Credit Limited proposes to the management of the Company in the Group on a monthly basis the amount of provision to be made. The Group also performs collective assessment of the loans receivable by grouping together all its receivables with similar credit risk characteristics. The impairment review is carried out on all those loans receivable based on the historical impairment rates.

At the 31 December 2011, the Group has certain concentrations of credit risk as 13% (2010: 13%) of the Group's loans receivable were due from the Group's largest customer, and 36% (2010: 38%) were due from the five largest customers determined on the same basis.

Collateral is obtained from mortgage loans and secured fixed loans which made up 27% (2010: 31%) of the total loans receivable as at 31 December 2011, and comprise residential and commercial properties pledged against the balances. As at 31 December 2011, the fair value of collateral for the first mortgage loans which are mainly residential flats at its prevailing market prices amounted to HK$31.9 million (2010: HK$52.6 million). The fair value of properties collateralised for the second mortgage loans before discounting credit protections available to the first mortgagees amounted to HK$135.4 million (2010: HK$87.1 million).

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Equity price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

The Group's exposure to equity price risk relates principally to the Company's investments in listed equity investments. Management manages this exposure by maintaining a portfolio of investments with different risks.

The following table demonstrates the sensitivity to every 10% change in the fair value of the available-for-sale investments:

Group	Change in fair value	Effect on profit before tax HK$	Effect on equity HK$
31 December 2011			
Listed equity investments	**+/–10%**	**—**	**+/–1,532,168**
31 December 2010			
Listed equity investments	+/–10%	—	+/–1,993,472

(d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations when they are due. The Group manages its liquidity risk by maintaining sufficient cash and the availability of funding from shareholders of the Company and adequate committed lines of funding from financial institution to meet its liquidity requirements. The board of directors of the Company is responsible to ensure the Group to maintain sufficient capital funding and credit lines to meet liquidity requirements. This is achieved by projecting cash flows on a regular basis. The accounts department of First Credit Limited, a subsidiary of the Company, monitors and reports the funding needs to management.

The Group is not exposed to significant liquidity risk since there is no substantial irrevocable commitment associated with financial instruments. The following table summaries the maturity of the Group's non-derivative financial liabilities as at 31 December 2011 based on contractual undiscounted payments. Due to the non interest-bearing nature of the financial liabilities other than interest-bearing loans, the contractual undiscounted payments approximate to their fair values as at the end of the reporting period.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

Group

At 31 December 2011	**On demand HK$**	**Less than 3 months HK$**	**3 to 12 months HK$**	**Over 1 year HK$**	**Total HK$**
Accruals and other payables	**—**	**1,719,673**	**231,078**	**—**	**1,950,751**
Interest-bearing borrowings (note)	**14,661,691**	**—**	**—**	**—**	**14,661,691**
	14,661,691	**1,719,673**	**231,078**	**—**	**16,612,442**

At 31 December 2010	On demand HK$	Less than 3 months HK$	3 to 12 months HK$	Over 1 year HK$	Total HK$
Accruals and other payables	—	3,391,910	2,491,244	81,480	5,964,634
Interest-bearing borrowings (note)	15,686,542	—	20,603,986	—	36,290,528
	15,686,542	3,391,910	23,095,230	81,480	42,255,162

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

Company

At 31 December 2011	**On demand HK$**	**Less than 3 months HK$**	**3 to 12 months HK$**	**Over 1 year HK$**	**Total HK$**
Accruals and other payables	**—**	**200,106**	**—**	**—**	**200,106**
Due to a subsidiary	**—**	**—**	**—**	**—**	**—**
	—	**200,106**	**—**	**—**	**200,106**

At 31 December 2010	On demand HK$	Less than 3 months HK$	3 to 12 months HK$	Over 1 year HK$	Total HK$
Accruals and other payables	—	—	3,788,499	—	3,788,499
Due to a subsidiary	17,164,403	—	—	—	17,164,403
	17,164,403	—	3,788,499	—	20,952,902

Note: Included in interest-bearing borrowings are term loans from a bank in the aggregate amount of HK$14,661,691 as at 31 December 2011 (2010: HK$15,686,542). The loan agreements of these term loans all contain a repayment on demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amounts are classified as "on demand".

Notwithstanding the above clause, the board of directors of the Company is confident that the bank will not demand full repayment of these term loans within 12 months, and they consider that the term loans will be repaid in accordance with their respective repayment schedules as set out in the loan agreements. The evaluation was made considering the financial position of the Group at the end of the reporting period; the values of the collateral securing the term loans; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans, repayments of the term loans are to be made by the Group on an accelerating basis until the contractual maturities in 2024 and 2025 respectively.

32. CAPITAL MANAGEMENT

The Group's primary objective in capital management is to ensure that it maintains sufficient capital in order to support its business and maximise shareholders' value. In order to maintain or adjust its capital structure, the companies within the Group may adjust the dividends paid to shareholders or issue new shares. The Group's strategy is to maintain a solid capital base to support the operations and business development in the long term. The Group is not subject to any externally imposed capital requirements. The board of directors of the Company is responsible to ensure the strategy is appropriate and sufficient to manage the Company's capital and also adjust the dividends and share capital policies to ensure a solid capital base.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing loans, accounts payable, accruals and other payables, tax payable, less cash and cash equivalents. Capital includes issued capital and reserves. The board of directors of the Company targets to maintain the gearing ratio within a reasonable range. The gearing ratios as at the end of the reporting periods are as follows:

	2011 **HK$**	2010 HK$
Accruals and other payables	**1,950,751**	5,964,634
Interest-bearing loans	**14,661,691**	35,686,542
Less: Cash and cash equivalents	**(34,935,908)**	(1,848,377)
Net debt	**(18,323,466)**	39,802,799
Issued capital	**10,000,000**	240,385
Reserves	**245,503,979**	196,079,005
Adjusted Capital	**255,503,979**	196,319,390
Capital and net debt	**237,180,513**	236,122,189
Gearing ratio	**N/A**	17%

33. CONTINGENT LIABILITIES

The Group's external legal counsel advised that the Group's loan agreements involve charging an interest rate at a rate more than 48%, but less than 60% per annum shall be presumed to be extortionate and such portion of extortionate interest is potentially unenforceable as determined by the court. Subject to the court's consideration of facts relevant to individual borrowers, this presumption may be rebutted if the court, having regard to all circumstances is satisfied that such rate is not unreasonable or unfair. As at 31 December 2011, the Group's maximum exposure to such legal risk comprised its aggregate loans receivable granted to borrowers of approximately HK$33.7 million (2010: HK$39.4 million).

34. SUBSEQUENT EVENTS

(1) On 16 February 2012, Techlink Investments Limited ("Techlink"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Rich Plus Investments Limited ("Rich Plus"), wholly-owned by Mr. Tse Young Lai ("Mr. Tse") who is a substantial shareholder of the Company.

Subject to the sales and purchase agreement, Techlink has conditionally agreed to acquire and Rich Plus has conditionally agreed to sell certain properties located in Hong Kong for a total consideration of HK$22.5 million. This transaction is scheduled to be completed before 16 May 2012.

(2) On 16 February 2012, First Credit Limited ("First Credit"), an indirect wholly-owned subsidiary of the Company, entered into a revolving loan agreement with Mr. Tse, a substantial shareholder of the Company. The revolving loan facility will be for a term of 3 years and for a principal amount of HK$12 million. The interest rate of the revolving loan facility is 14.4% per annum. During the 3-year period, the revolving loan facility can be drawndown and repaid at any time, and any undrawn or repaid amount may be drawndown again with the principal amount.

(3) On 17 February 2012, First Credit entered into 2 revolving loan agreements with independent third parties, Mr. Wong Chun Loong ("Mr. Wong") and Topazman Holdings Limited ("Topazman"). Pursuant to these agreements, First Credit has granted:

i) a 3-year revolving facility to Mr Wong with a limit of HK$16.5 million; and

ii) a 3-year revolving facility to Topazman with a limit of HK$9 million. This revolving facility is guaranteed by Mr. Wong, who is a director and controlling shareholder of Topazman.

During the 3-year period, the revolving loan facility can be drawndown and repaid at any time, and any undrawn or repaid amount may be drawndown again with the principal amount.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 23 March 2012.

Financial Summary

A summary of the financial results and the assets, liabilities and equity of the Group for the last three financial years, as extracted from the Group's audited financial statements, is set out below. This summary does not form part of the audited financial statements.

FINANCIAL RESULTS

	2011 **HK$'000**	2010 HK$'000	2009 HK$'000
Revenue and other income	**53,791**	45,267	54,842
Profit before income tax	**9,479**	13,712	22,853
Income tax expense	**(3,739)**	(3,771)	(5,235)
Profit for the year	**5,740**	9,941	17,618
Profit Attributable to the owners of the Company	**5,740**	9,941	17,618

ASSETS, LIABILITIES AND EQUITY

	2011 **HK$'000**	2010 HK$'000	2009 HK$'000
Total assets	**274,221**	238,819	215,452
Total liabilities	**(18,717)**	(42,500)	(20,362)
	255,504	196,319	195,090
Equity attributable to the owners of the Company	**255,504**	196,319	195,090