



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8207



First Quarterly Report

2013

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

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

FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately RMB57.8 million for the three months ended 31 March 2013, which was approximately the same as the turnover in the corresponding period last year.
- Profit attributable to owners of the Company for the three months ended 31 March 2013 amounted to RMB31.5 million, representing an increase of 1.4% as compared with the corresponding period in 2012.
- Basic earnings per share for the three months ended 31 March 2013 amounted to RMB1.36 cents (three months ended 31 March 2012 (restated): RMB1.47 cents).
- The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2013.

The board (the "Board") of directors (the "Directors") of Credit China Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2013 together with the comparative unaudited figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 31 March	
	<i>Notes</i>	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Turnover	3	57,776	57,754
Interest income	3	42,923	27,399
Interest expenses	6	(7,446)	(4,316)
Net interest income		35,477	23,083
Financial consultancy service income	3	14,853	30,355
		50,330	53,438
Other income	5	8,650	7,815
Administrative and other operating expenses		(14,574)	(12,617)
Change in fair value of derivative financial instruments		144	-
Share-based payment expenses		-	(1,860)
Share of results of associates		(536)	-
Share of results of jointly-controlled entities		562	127
Profit before tax	7	44,576	46,903
Income tax	8	(10,719)	(13,264)
Profit for the period		33,857	33,639
Other comprehensive income for the period:			
Exchange differences on translating foreign operations		337	1,058
Total comprehensive income for the period		34,194	34,697

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	For the three months ended 31 March	
	2013 (Unaudited) <i>RMB'000</i>	2012 (Unaudited) <i>RMB'000</i>
Profit for the period attributable to:		
Owners of the Company	31,487	31,059
Non-controlling interests	2,370	2,580
	33,857	33,639
Total comprehensive income for the period attributable to:		
Owners of the Company	31,702	31,952
Non-controlling interests	2,492	2,745
	34,194	34,697
	<i>RMB</i>	<i>RMB</i>
Earnings per share		
		(Restated)
Basic	1.36 cents	1.47 cents
Diluted	1.32 cents	1.42 cents

Notes

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Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2013 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and complied with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these results are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

3. TURNOVER

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

Turnover represents interest income (either from real estate pawn loans, personal property or other collateral-backed pawn loans, real estate-backed loans, other collateral-backed loans, entrusted loans and micro loans) and financial consultancy service income, net of corresponding sales related taxes. The amount of each significant category of revenue recognized in turnover during the periods is as follows:

	For the three months ended 31 March	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Interest income		
Real estate pawn loan service income		
– Administration fee income	379	3,189
– Interest income	116	631
Other collateral-backed pawn loan service income		
– Administration fee income	516	607
– Interest income	129	148
Entrusted loan service income		
– Interest income	33,366	21,857
Personal property pawn loan service income		
– Administration fee income	–	16
– Interest income	–	2
Other collateral-backed loan service income		
– Interest income	1,962	488
Real estate-backed loan service income		
– Interest income	6,384	461
Microfinance service income		
– Interest income	71	–
	42,923	27,399
Financial consultancy service income	14,853	30,355
Turnover	57,776	57,754

4. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's chief operation decision makers, who are the most senior executive management, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the provision of financing services in the PRC and Hong Kong.

5. OTHER INCOME

	For the three months ended 31 March	
	2013 RMB'000 (unaudited)	2012 <i>RMB'000</i> (unaudited)
Bank interest income	486	382
Government grants (<i>Note</i>)	7,259	6,350
Interest income on convertible bonds	829	1,083
Realised gains on settlement of derivative financial instruments	57	–
Others	19	–
	<hr/>	<hr/>
	8,650	7,815
	<hr/>	<hr/>

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

6. INTEREST EXPENSES

	For the three months ended 31 March	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on exchangeable bond	–	1,416
Interest on corporate bonds	7,442	2,900
Interest on deposits received	4	–
	<hr/> 7,446 <hr/>	<hr/> 4,316 <hr/>

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the three months ended 31 March	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(a) Staff costs, including Directors' remuneration		
Salaries, wages and other benefits	5,326	2,466
Contribution to defined contribution retirement benefits scheme	410	139
Share-based payment expenses	–	1,860
	<hr/> 5,736 <hr/>	<hr/> 4,465 <hr/>
(b) Other items		
Auditors' remuneration	175	47
Depreciation	637	472
Net exchange (gain) loss	(558)	1,975
Operating lease charges in respect of properties	1,675	1,040
	<hr/> 1,675 <hr/>	<hr/> 1,040 <hr/>

8. INCOME TAX

	For the three months ended 31 March	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Current tax		
Provision for PRC Enterprise Income Tax (the "EIT")	10,351	12,858
Provision for Hong Kong Profits Tax	-	-
Deferred tax	368	406
	10,719	13,264

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

No Hong Kong Profits Tax has been provided for the three months ended 31 March 2012 and 2013 as the Group has no assessable profit for Hong Kong Profits Tax purposes for the periods.

Profits of the subsidiaries established in the PRC are subject to PRC EIT. Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

Deferred tax has been provided for withholding tax on undistributed profit of subsidiaries in the PRC. Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2013 (2012: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2013 is based on the profit attributable to owners of the Company of RMB31,487,000 (three months ended 31 March 2012: RMB31,059,000) and the weighted average of 2,310,355,556 (three months ended 31 March 2012 (restated): 2,109,500,000) ordinary shares in issue during the three months ended 31 March 2013. The basic earnings per share for the three months ended 31 March 2012 was adjusted for the effect of bonus issues on 30 May 2012.

Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 31 March 2013 is based on the profit attributable to owners of the Company of RMB31,487,000 (three months ended 31 March 2012: RMB31,059,000) and the weighted average of 2,376,774,745 (three months ended 31 March 2012 (restated): 2,184,341,181) ordinary shares in issue during the period. The diluted earnings per share for the three months ended 31 March 2012 was adjusted for the effects of bonus issues on 30 May 2012.

11. RESERVES

	Attributable to owners of the Company											
	Share capital	Share premium	Statutory reserve	Retained profits	Investment revaluation reserve	Exchange reserve	Share-based payment reserve	Capital reserve	Special reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013 (audited)	180,649	206,702	14,470	327,244	2,156	(1,071)	25,968	(52,256)	40,000	743,862	13,169	757,031
Profit for the period	-	-	-	31,487	-	-	-	-	-	31,487	2,370	33,857
Other comprehensive income - exchange differences on translating foreign operations	-	-	-	-	-	215	-	-	-	215	122	337
Total comprehensive income for the period	-	-	-	31,487	-	215	-	-	-	31,702	2,492	34,194
Issue of shares by placing	19,462	132,950	-	-	-	-	-	-	-	152,412	-	152,412
Issue of shares upon exercise of share options	1,219	4,830	-	-	-	-	(290)	-	-	5,759	-	5,759
At 31 March 2013 (unaudited)	201,330	344,482	14,470	358,731	2,156	(856)	25,678	(52,256)	40,000	933,735	15,661	949,396
At 1 January 2012 (audited)	149,870	256,200	8,494	183,555	-	766	23,733	(8,861)	40,000	653,757	3,763	657,520
Profit for the period	-	-	-	31,059	-	-	-	-	-	31,059	2,580	33,639
Other comprehensive income - exchange differences on translating foreign operations	-	-	-	-	-	893	-	-	-	893	165	1,058
Total comprehensive income for the period	-	-	-	31,059	-	893	-	-	-	31,952	2,745	34,697
Issue of shares upon exercise of share options	1,421	7,041	-	-	-	-	(407)	-	-	8,055	-	8,055
Dividend recognised as distribution	-	(29,601)	-	-	-	-	-	-	-	(29,601)	-	(29,601)
Lapsed of share options	-	-	-	110	-	-	(110)	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	1,860	-	-	1,860	-	1,860
Appropriation to statutory reserve funds	-	-	616	(616)	-	-	-	-	-	-	-	-
At 31 March 2012 (unaudited)	151,291	233,640	9,110	214,108	-	1,659	25,076	(8,861)	40,000	666,023	6,508	672,531

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group offers wide spectrum of financing services including entrusted loan service, real estate-backed loan service, micro loan service, pawn loan service and other collateral-backed loan service to small and medium enterprises and individuals in the PRC and Hong Kong. To complement its core business of financing services, the Group also provides related financial consultancy services to assist customers on various financing issues and solutions.

For the quarter under review, the Group did not record a growth in its revenue and profit as compared to its financial results in the same period last year. It is because the Group had to manage its cash prudently to meet the Group's objectives of investing for the future while maintaining stable business activities. In order to keep in line with the expansion plan in connection with the small and micro loan business, considerable amount of resources had been reserved for setting up the new micro finance platforms. On the other hand, the Group was able to maintain its normal business dealings being unaffected and to continue to deliver stable financial results.

The Group had conducted various feasibility studies on some major cities of the PRC for suitable microfinance platforms and would finalize its decision in the second quarter on the targeted cities with good business environment and potential. The Directors believed that investing in this high growth opportunity would reinforce the Group's strategy for achieving profitable growth and generating satisfactory revenue in the long run.

In January 2013, 240,000,000 ordinary shares of the Company of HK\$0.1 each were issued by way of top-up placing. The completion of the placing allowed the Group to access to wider investor base and the net proceeds of approximately HK\$187.5 million further strengthened the Group's business foundation and supported the Group's expansion plan.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review

Revenue

For the three months ended 31 March 2013, the Group recorded revenue of approximately RMB57.8 million, which was approximately the same as the revenue for the corresponding period last year. The Group did not deliver growth to the revenue in this quarter largely due to diversion of funds to the investment of microfinance business.

Entrusted loan service income

For the three months ended 31 March 2013, the Group's entrusted loan service remained to be the core business of the Group with revenue reached approximately RMB33.4 million, an increase of 52.7% comparing the revenue of approximately RMB21.9 million in the corresponding period last year.

Real estate-backed loan service income

The Group's real estate-backed loan service income, which was mainly generated from the provision of small loan service, continued to deliver profitable growth. The interest income generated from this business segment amounted to approximately RMB6.4 million as compared to approximately RMB0.5 million over the same period last year.

Microfinance service income

Commencing late 2012, in addition to small loan service, the Group also started to provide microfinance service. For the three months ended 31 March 2013, the Group recorded interest income of approximately RMB71,000.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial review (Continued)

Other collateral-backed loan service income

Other collateral-backed loan service income was derived from the money lending service in Hong Kong and the loan service backed by collaterals other than real estate in the PRC. For the three months ended 31 March 2013, the revenue of approximately RMB2.0 million represented income from money lending service in Hong Kong, which was increased by 302.0% versus approximately RMB0.5 million in the corresponding period last year.

Real estate pawn loan service income

The Group has changed its loan portfolios towards loans with larger sums such as entrusted loans and real estate-backed loans and hence the proportion of smaller size pawn loans has been reduced. In this regard, the Group recorded revenue of approximately RMB0.5 million from the provision of real estate pawn loan service for the three months ended 31 March 2013, a decrease of 87.0% as compared to the revenue of approximately RMB3.8 million for the corresponding period last year.

Other collateral-backed pawn loan service income

For the three months ended 31 March 2013, the Group recorded revenue of approximately RMB0.6 million from the provision of other collateral-backed pawn loan service, a decrease of 14.6% as compared to the revenue of approximately RMB0.8 million for the corresponding period last year.

Financial consultancy service income

Revenue from the provision of financial consultancy service still represented a significant portion of the Group's total revenue. However, due to the reduction in the referral fees from introduction of borrowers to other financing service providers, the financial consultancy service income decreased by 51.1% to approximately RMB14.9 million for the period under review from approximately RMB30.4 million for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial review (Continued)

Interest expenses

The Group recorded interest expenses of approximately RMB7.4 million for the three months ended 31 March 2013, as compared to approximately RMB4.3 million for the same period last year. The increase of interest expenses by 72.5% was mainly due to increased interests on the RMB-denominated corporate bonds.

Other income

The Group's other income mainly comprised convertible bonds interest income, bank interest income and government grants. The Group's other income for the three months ended 31 March 2012 and 2013 was approximately RMB7.8 million and RMB8.7 million respectively. The increase of 10.7% was mainly attributable to the government grants of approximately RMB7.3 million to Shanghai Yintong Dian Dang Company Limited ("Shanghai Yintong"), Lucky Target Property Consultants (Shanghai) Company Limited ("Lucky Consultants") and other subsidiaries of the Group in Shanghai for the encouragement of expansion of enterprise.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, rental expenses and sales and marketing related expenses. The Group's administrative and other operating expenses for the three months ended 31 March 2012 and 2013 were approximately RMB12.6 million and RMB14.6 million respectively. The increase of 15.5% was mainly attributed to the increase of sales and marketing related expenses, salaries, rental expenses and other operating costs which were increased in line with the business growth.

Profit for the period

With the first quarter posted a profit of approximately RMB33.9 million, the profit attributable to owners of the Company for the three months ended 31 March 2013 amounted to approximately RMB31.5 million, an increase of 1.4% as compared to approximately RMB31.1 million in the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

Although we remain confident in the economic strength of the PRC market, we expect to continue to see uncertainty in the global economy in 2013. In order to mitigate the possible impact of risk and volatility posted by the changing market conditions, the Group would place more emphasis everywhere on continuously improving the Group's financial basis and driving its efficiency. At the same time, the Group would take effective actions to leverage our strengths as an integrated financing service provider and to maintain a competitive position. As said in the Company's 2012 annual report, the Group would accelerate the revenue growth by establishing more microfinance platforms. The Group is making steady progress and the Directors believe that, once the expansion plan is executed in the second quarter, the Group's small and micro financing business would continue to deliver new growth and potential. In the near term, the Group would continue to implement and reinforce its strategy for achieving profitable growth in this business segment.

ADVANCE TO ENTITIES

Pursuant to Rule 17.15 of the GEM Listing Rules, a disclosure obligation arises where an advance to an entity from the Company exceeds 8% of the total assets of the Group. As at 31 March 2013, the Group's total assets were approximately RMB1.43 billion. Pursuant to Rule 17.22 of the GEM Listing Rules, details of advances as defined under Rule 17.15 of the GEM Listing Rules which remained outstanding as at 31 March 2013 were as follow:

1. Entrusted loan agreement effective 21 June 2012 (the "Entrusted Loan Agreement A")

On 21 June 2012, Lucky Consultants entered into an entrusted loan agreement with a borrower (the "Borrower") and the Lending Agent, pursuant to which, Lucky Consultants had agreed to entrust a fund in the amount of RMB50 million (the "Entrusted Fund A") to the Lending Agent, for on lending to the Borrower for a term of six months subject to and upon the terms and conditions therein. The Borrower is a limited liability company established in the PRC and its principal business activities include real estate development and sale of construction materials. The Borrower has 24-month business relationship with the Group and there was no default record with the Group in the past upon entering the Entrusted Loan Agreement A.

ADVANCE TO ENTITIES (Continued)

1. Entrusted loan agreement effective 21 June 2012 (the “Entrusted Loan Agreement A”) (Continued)

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Borrower and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Loan amount:

RMB50 million (the “Entrusted Loan A”).

Interest:

Interest rate on the Entrusted Loan A amount shall be payable in the range of 22%-24.4% per annum.

Service fee:

Shenjing Investment Consultancy (Shanghai) Limited (“Shenjing”), an indirect wholly-owned subsidiary of the Company, entered into a service agreement with the Borrower, pursuant to which Shenjing charges the Borrower a service fee in a range of 2%-4% per month for assisting the Borrower in securing the loan through the Entrusted Fund A on 21 June 2012.

Term of the loan:

6 months from effective date of the Entrusted Loan Agreement A on 21 June 2012.

As at 31 March 2013, a total of RMB50 million remained outstanding in connection with the Entrusted Loan Agreement A and the loan amount of RMB50 million has been extended for six months to 22 June 2013 upon agreement by the parties to the Entrusted Loan Agreement A on 21 December 2012.

ADVANCE TO ENTITIES *(Continued)*

1. Entrusted loan agreement effective 21 June 2012 (the “Entrusted Loan Agreement A”) *(Continued)*

Security:

The Entrusted Loan A shall be secured by commercial properties located in Jia Ding District in Shanghai with land usage right in an area of 45,868m² and a total building area of approximately 217,000m² (the “Security A”) for the obligations of the Borrower under the Entrusted Loan Agreement A. If the Borrower is in default, the Lending Agent will assist Lucky Consultants to recover the full amount of the Entrusted Loan A including the enforcement of the Security A. As at the date of granting the Entrusted Loan A, there were other charges on the Security A and the amount of such charges was deducted when estimating the loan-to-value ratio set out in the paragraph headed “Credit Risks” below.

Guarantee:

Personal guarantees have been given respectively by the legal representative and the beneficial owner of the Borrower in favour of Lucky Consultants to secure the obligations of the Borrower under the Entrusted Loan Agreement A.

Repayment:

Pursuant to the Entrusted Loan Agreement A, monthly interest at a rate which was agreed by the parties after arm’s length negotiation shall be paid by the Borrower to the Lending Agent. The Entrusted Loan A and other monies outstanding (including the interest and penalty fee (if any, when the Borrower fails to repay the Entrusted Loan A when it falls due)) in connection to the Entrusted Loan Agreement A are repayable by the Borrower to the Lending Agent upon the expiry of the term of the Entrusted Loan A and the Lending Agent shall transfer the repaid amount together with all the interest received from the Borrower after deduction of applicable taxes to the account of Lucky Consultants maintained with the Lending Agent.

ADVANCE TO ENTITIES (Continued)

1. Entrusted loan agreement effective 21 June 2012 (the “Entrusted Loan Agreement A”) (Continued)

Prepayment:

Upon obtaining consent from Lucky Consultants and by giving a written notice to the Lending Agent, the Borrower has the rights to prepay the Entrusted Loan A before the maturity date or extend the repayment of the Entrusted Loan A.

For further details, please refer to the announcement of the Company dated 21 June 2012.

2. Entrusted loan agreement effective 20 September 2012 (the “Entrusted Loan Agreement B”)

Lucky Consultants entered into an entrusted loan agreement effective 20 September 2012 with the Borrower and the Lending Agent, pursuant to which, Lucky Consultants had agreed to entrust a fund in the amount of RMB70 million (the “Entrusted Fund B”) to the Lending Agent, for on lending to the Borrower for a term of six months subject to and upon the terms and conditions therein. On 16 August 2012 and 14 December 2012, Lucky Consultants entered into entrusted loan agreements (the “Previous Entrusted Loan Agreements”) with the Borrower and Shanghai Branch of China Construction Bank Corporation as the lending agent (the “Lending Agent I”), pursuant to which Lucky Consultants had agreed to entrust funds in an aggregate amount of RMB40 million to the Lending Agent I, for on lending to the Borrower.

The total amount of the Entrusted Loan A, the Entrusted Loan B and the other advances of RMB40 million to the Borrower under the Previous Entrusted Loan Agreements which remained outstanding at 31 March 2013 was RMB160 million, which exceeded 8% of the total assets of the Group as at 31 March 2013.

ADVANCE TO ENTITIES (Continued)

2. Entrusted loan agreement effective 20 September 2012 (the “Entrusted Loan Agreement B”) (Continued)

The principal terms of the Entrusted Loan Agreement B are as follows:

Loan amount:

RMB70 million (the “Entrusted Loan B”), together with the aggregate outstanding principal of RMB90 million advanced to the Borrower under Entrusted Loan Agreement A and the Previous Entrusted Loan Agreements, representing approximately 11.2% of the total assets of the Group of approximately RMB1.43 billion as at 31 March 2013 and approximately 16.9% to the net assets of the Group of approximately RMB949.4 million as at 31 March 2013 (all based on the unaudited consolidated accounts of the Group for the three months ended 31 March 2013).

Interest:

Interest rate on the Entrusted Loan B amount is payable in the range of 21%-23% per annum.

Service fee:

Shanghai Yintong, a limited liability company established in the PRC which is managed by Lucky Consultants, entered into a service agreement with the Borrower pursuant to which Shanghai Yintong charges the Borrower a service fee in the range of 1%-3% per month for assisting the Borrower in securing the Entrusted Loan B through the Entrusted Fund B on the effective date on 20 September 2012.

Term of the Loan:

6 months from the effective date of the Entrusted Loan Agreement B.

As at 31 March 2013, a total of RMB70 million remained outstanding in connection with the Entrusted Loan Agreement B and the Group agreed the Borrower’s application to extend the loan amount of RMB70 million to 17 September 2013 on 2 May 2013.

ADVANCE TO ENTITIES (Continued)

2. Entrusted loan agreement effective 20 September 2012 (the “Entrusted Loan Agreement B”) (Continued)

Security:

The obligations of the Borrower under the Entrusted Loan Agreement B is secured by share charge over all the issued share capital of the Borrower created by the beneficial owners of the Borrower in favour of Lucky Consultants (the “Security B”). According to the unaudited net asset value of the Borrower for the period ended 31 August 2012, the unaudited net asset value of the Borrower was approximately RMB515.9 million (“NAV”) as at 31 August 2012. According to the audited consolidated financial statements of the Borrower for the year ended 31 December 2011, the audited net asset value of the Borrower for the year ended 31 December 2011 was approximately RMB522.5 million, of which the assets primarily comprised of Security A and accounts receivables, and the liabilities primarily comprised of loans and accounts payables.

In addition to the charges under the Previous Entrusted Loan Agreements and the Entrusted Loan Agreement A, there were other charges on the Security A to banks as at the date of granting the Entrusted Loan B, and the amount of such charges were deducted when estimating the loan-to-value ratio set out in the paragraph headed “Credit Risks”.

Guarantee:

Personal guarantees have given respectively by the legal representative and a beneficial owner of the Borrower in favour of Lucky Consultants to secure the obligations of the Borrower under the Entrusted Loan Agreement B.

ADVANCE TO ENTITIES (Continued)

2. Entrusted loan agreement effective 20 September 2012 (the “Entrusted Loan Agreement B”) (Continued)

Repayment:

Pursuant to the Entrusted Loan Agreement B, monthly interest at a rate which was agreed by the parties after arm’s length negotiation shall be paid by the Borrower to the Lending Agent. The Entrusted Loan B and other monies outstanding (including the interest and penalty fee (if any, when the Borrower fails to repay the Entrusted Loan B when it falls due)) in connection to the Entrusted Loan Agreement B are repayable by the Borrower to the Lending Agent upon the expiry of the term of the Entrusted Loan B and the Lending Agent shall transfer the repaid amount together with all the interest received from the Borrower after deduction of applicable taxes to the account of Lucky Consultants maintained with the Lending Agent.

Prepayment:

Upon obtaining consent from Lucky Consultants and by giving a written notice to the Lending Agent, the Borrower has the rights to prepay the Entrusted Loan B before the maturity date or extend the repayment of the Entrusted Loan B.

For further details of the Entrusted Loan B, please refer to the announcements of the Company dated 20 September 2012 and 10 October 2012.

On 27 April 2013, the Shanghai Huangpu District People’s Court (the “People’s Court”) accepted a statement of complaints (the “Statement of Complaints”) filed by the Lending Agent against the Borrower in respect of the Entrusted Loan Agreement A on the ground that the Borrower concealed from the Lending Agent the fact that the Borrower had been involved in a legal action under which its properties had been seized for the purpose of preservation of its properties.

Pursuant to the Statement of Complaints, the Lending Agent is seeking the People’s Court to order the Borrower to, inter alia, (i) repay the Entrusted Loan A in the principal amount of RMB50 million; (ii) repay the outstanding interest and pay penalty interest at the rate of 50% of the normal interest rate; and (iii) fulfill its collateral obligations by the Security A charged to the Lending Agent.

ADVANCE TO ENTITIES *(Continued)*

On 2 May 2013, the Borrower repaid the outstanding interest of the Entrusted Loan A and the Entrusted Loan B.

For further details, please refer to the announcement of the Company dated 2 May 2013.

Credit Risks

According to the Company's credit policy, the Company would focus on the accurate valuation of the collateral in order to minimize risks and determine the loan amount given the loan-to-value ratio to a maximum of 50%, so that the collateral itself provides overcollateralisation of the loan. The Company also relies on sources to determine the estimate valuation, including research on recent official real estate transaction prices and the experience of the Company's employees in depositing similar collateral in the past. In addition to the internal valuations, for real estate with market value cannot be determined according to the above sources, the Company will also engage independent professional real estate appraisers to produce detailed reports on the collateral where necessary.

The Entrusted Loan A was granted based on the internal credit assessment conducted by the employees of the Company made on the Security A provided by the Borrower, with reference to market value in similar properties and in similar locations.

The Entrusted Loan B was granted based on the internal credit assessment conducted by the Group made on the Security B provided under Entrusted Loan Agreement B, with reference to the financial position of the Borrower and including the NAV of the Borrower as at 31 August 2012.

The loan-to-value ratio of each of the securities mentioned above is below 50% which is in line with Company's credit policy. In addition, if the price of the securities falls to certain extent that the Company considers that the securities do not provide adequate collateralisation of the loans, Lucky Consultants has the rights to demand the Borrower to provide additional collateral or to declare the loans, all interest accrued thereon and all monies payable to be forthwith due and payable.

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

As at 31 March 2013, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in shares of the Company

Name of Director	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Mr. Shi Zhi Jun	Interest in a controlled corporation	671,000,000 (L) ⁽²⁾	28.09%
Mr. Ting Pang Wan, Raymond	Beneficial owner	6,000,000 (L)	0.25%

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
- (2) These shares were held by Kaiser Capital Holdings Limited ("Kaiser Capital"), the entire issued share capital of which was owned by Mr. Shi Zhi Jun.

* *The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 March 2013.*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(ii) Interests in underlying shares of the Company – physically settled equity derivatives

Name of Director	Capacity	Number of underlying shares interested	Approximate percentage of the Company's issued share capital*
Mr. Shi Zhi Jun	Beneficial owner	19,200,000 (L)	0.80%
Mr. Ji Zu Guang	Beneficial owner	19,200,000 (L)	0.80%
Ms. Shen Li	Beneficial owner	19,200,000 (L)	0.80%
Mr. Neo Poh Kiat	Beneficial owner	600,000 (L)	0.03%
Dr. Lau Reimer Mary Jean	Beneficial owner	600,000 (L)	0.03%
Mr. Lee Sze Wai	Beneficial owner	600,000 (L)	0.03%

Note: The letter "L" denotes the entity/person's long position in the securities.

* *The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2013.*

Details of the above share options granted by the Company are set out under the heading "Share Option Scheme" below.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(iii) Interests in the associated corporation – Shanghai Yintong

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

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
- (2) These equity interests were held by Shanghai Jinhao Investment Development Limited, the entire equity interests of which were owned by Mr. Shi Zhi Jun.

* *The percentage represents the amount of equity interests interested divided by Shanghai Yintong's equity interests as at 31 March 2013.*

Save as disclosed above, as at 31 March 2013, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 March 2013, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interests in shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Kaiser Capital	Beneficial owner	671,000,000 (L) ⁽²⁾	28.09%
Jiefang Media (UK) Co. Limited ("Jiefang Media")	Beneficial owner	636,222,400 (L) ⁽²⁾	26.63%
Shanghai Xinhua Publishing Group Limited ("Xinhua Publishing")	Interest in a controlled corporation	636,222,400 (L) ⁽²⁾	26.63%
Jiefang Daily Group ("Jiefang Group")	Interest in controlled corporations	636,222,400 (L) ⁽²⁾	26.63%
Shanghai Greenland Group Limited ("Greenland Group")	Interest in controlled corporations	636,222,400 (L) ⁽²⁾	26.63%
Mutual Funds Populus & Elite	Custodian corporation	120,408,000 (L)	5.04%

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

Interests in shares of the Company *(Continued)*

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
- (2) The interests of Kaiser Capital were also disclosed as the interests of Mr. Shi Zhi Jun in the above section headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures".
- (3) These shares were held by Jiefang Media. Jiefang Media is wholly-owned by Xinhua Publishing, which is in turn owned by Jiefang Group and its associates as to approximately 50.8% and Greenland Group as to approximately 39%. Therefore, under the SFO, Xinhua Publishing is deemed to be interested in all the shares held by Jiefang Media, and each of Jiefang Group and Greenland Group is deemed to be interested in all the shares held by Jiefang Media through Xinhua Publishing.

* *The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 March 2013.*

Save as disclosed above, as at 31 March 2013, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

(a) Pre-IPO Share Option Scheme

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

SHARE OPTION SCHEME (Continued)

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

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

Details of movements of the share options granted under the Pre-IPO Scheme during the three months ended 31 March 2013 were as follows:

Category	Date of grant	Exercise period	Exercise price per share	Number of share options			
				As at 1 January 2013	Granted during the period	Exercised/Cancelled/Lapsed during the period	As at 31 March 2013
<i>Director</i>							
Mr. Shi Zhi Jun	4 November 2010	4 May 2011 to 18 November 2015	HK\$0.2604	6,720,000	-	-	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK\$0.2604	6,720,000	-	-	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK\$0.2604	5,760,000	-	-	5,760,000
				<u>19,200,000</u>	<u>-</u>	<u>-</u>	<u>19,200,000</u>
Mr. Ji Zu Guang	4 November 2010	4 May 2011 to 18 November 2015	HK\$0.2604	6,720,000	-	-	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK\$0.2604	6,720,000	-	-	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK\$0.2604	5,760,000	-	-	5,760,000
				<u>19,200,000</u>	<u>-</u>	<u>-</u>	<u>19,200,000</u>
Ms. Shen Li	4 November 2010	4 May 2011 to 18 November 2015	HK\$0.2604	6,720,000	-	-	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK\$0.2604	6,720,000	-	-	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK\$0.2604	5,760,000	-	-	5,760,000
				<u>19,200,000</u>	<u>-</u>	<u>-</u>	<u>19,200,000</u>
<i>Employee</i>							
Mr. Ding Lu	4 November 2010	4 May 2011 to 18 November 2015	HK\$0.2604	6,720,000	-	-	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK\$0.2604	6,720,000	-	-	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK\$0.2604	5,760,000	-	-	5,760,000
				<u>19,200,000</u>	<u>-</u>	<u>-</u>	<u>19,200,000</u>
Total				<u>76,800,000</u>	<u>-</u>	<u>-</u>	<u>76,800,000</u>

SHARE OPTION SCHEME *(Continued)*

(a) Pre-IPO Share Option Scheme *(Continued)*

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The exercise price of the outstanding options and the number of shares of the Company to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding options were adjusted with effect from 30 May 2012 as a result of the bonus issue.

(b) Share Option Scheme

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

SHARE OPTION SCHEME (Continued)

(b) Share Option Scheme (Continued)

Details of movements of the share options granted under the Share Option Scheme during the three months ended 31 March 2013 were as follows:

Category	Date of grant	Exercise period	Exercise price per share	Number of share options			As at 31 March 2013
				As at 1 January 2013	Granted during the period	Exercised/Cancelled/Lapsed during the period	
<i>Director</i>							
Mr. Neo Poh Kiat	4 April 2011	4 January 2012 to 3 April 2016	HK\$1.0050	600,000 ⁽²⁾	-	-	600,000
Dr. Lau Reimer Mary Jean	4 April 2011	4 January 2012 to 3 April 2016	HK\$1.0050	600,000 ⁽²⁾	-	-	600,000
Mr. Lee Sze Wai	4 April 2011	4 January 2012 to 3 April 2016	HK\$1.0050	600,000 ⁽²⁾	-	-	600,000
				<u>1,800,000</u>	<u>-</u>	<u>-</u>	<u>1,800,000</u>
<i>Employee</i>							
	4 April 2011	4 January 2012 to 3 April 2016	HK\$1.0050	2,484,000	-	-	2,484,000
				<u>2,484,000</u>	<u>-</u>	<u>-</u>	<u>2,484,000</u>
<i>Consultant</i>							
	4 April 2011	4 January 2012 to 3 April 2016	HK\$1.0050	39,840,000 ⁽²⁾	-	-	39,840,000
	27 September 2011	27 September 2011 to 26 September 2016	-	-	-	-	-
	27 September 2011	27 March 2012 to 26 September 2016	HK\$0.4725	36,000,000 ⁽³⁾	-	(22,000,000)	14,000,000
				<u>75,840,000</u>	<u>-</u>	<u>(22,000,000)</u>	<u>53,840,000</u>
Total				<u>80,124,000</u>	<u>-</u>	<u>(22,000,000)</u>	<u>58,124,000</u>

SHARE OPTION SCHEME *(Continued)*

(b) Share Option Scheme *(Continued)*

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$1.21.
- (3) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.485.
- (4) The exercise price of the outstanding options and the number of shares of the Company to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding options were adjusted with effect from 30 May 2012 as a result of the bonus issue.

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 three months ended 31 March 2013.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules during the three months ended 31 March 2013.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transaction by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by Directors during the three months ended 31 March 2013.

COMPETING INTEREST

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

INTEREST OF COMPLIANCE ADVISER

As notified by China Everbright Capital Limited ("China Everbright"), the Company's compliance adviser, neither China Everbright nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2013.

AUDIT COMMITTEE

The Audit Committee comprises a total of three members, namely, Mr. Lee Sze Wai (Chairperson), Mr. Neo Poh Kiat and Dr. Lau Reimer Mary Jean, all of whom are independent non-executive Directors. The Group's unaudited results for the three months ended 31 March 2013 have been reviewed by the Audit Committee. The Board is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board

Credit China Holdings Limited

Ting Pang Wan, Raymond

Chairman

Hong Kong, 10 May 2013

As at the date of this report, the executive Directors are Mr. Ting Pang Wan Raymond, Mr. Shi Zhi Jun, Mr. Ji Zu Guang and Ms. Shen Li; and the independent non-executive Directors are Mr. Neo Poh Kiat, Dr. Lau Reimer Mary Jean and Mr. Lee Sze Wai.