



中国信贷
CREDIT CHINA

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8207



**INTERIM
REPORT
2012**



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 RMB136.1 million for the six months ended 30 June 2012, representing an increase of 28.9% as compared with corresponding period in 2011.
- Profit attributable to owners of the Company for the six months ended 30 June 2012 amounted to approximately RMB68.7 million, representing an increase of 17.3% as compared with corresponding period in 2011.
- Basic earnings per share for the six months ended 30 June 2012 amounted to RMB3.24 cents (2011(restated): RMB2.92 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012.

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 and six months ended 30 June 2012 together with the comparative unaudited figures for the corresponding periods in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2012

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Turnover	3	78,342	55,099	136,096	105,601
Interest income	3	34,291	21,908	61,690	44,769
Interest expenses	6	(5,200)	–	(9,516)	–
Net interest income		29,091	21,908	52,174	44,769
Financial consultancy fee income	3	44,051	33,191	74,406	60,832
		73,142	55,099	126,580	105,601
Other income	5	1,569	3,471	9,384	3,887
Administrative and other operating expenses		(13,860)	(10,421)	(26,477)	(18,564)
Share of loss of jointly-controlled entities		(198)	–	(71)	–
Share of loss of an associate		(5)	–	(5)	–
Change in fair value of derivative and embedded derivative components of convertible bond and exchangeable bond		(2,580)	–	(2,580)	–
Share-based payment expenses		(858)	(5,498)	(2,718)	(12,878)
Profit before tax	7	57,210	42,651	104,113	78,046
Income tax	8	(16,772)	(12,329)	(30,036)	(19,531)
Profit for the period		40,438	30,322	74,077	58,515

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the three months and six months ended 30 June 2012

	For the three months ended 30 June		For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
<i>Notes</i>				
Other comprehensive income (expense) for the period				
Exchange differences on translating foreign operations	(118)	569	940	806
Fair value adjustment for available-for-sale investments	1,103	–	1,103	–
Total comprehensive income for the period	41,423	30,891	76,120	59,321
Profit for the period attributable to:				
Owners of the Company	37,599	30,329	68,658	58,522
Non-controlling interests	2,839	(7)	5,419	(7)
	40,438	30,322	74,077	58,515
Total comprehensive income for the period attributable to:				
Owners of the Company	38,592	30,898	70,544	59,328
Non-controlling interests	2,831	(7)	5,576	(7)
	41,423	30,891	76,120	59,321
	RMB	RMB	RMB	RMB
Earnings per share	10			
Basic	1.77 cents	(Restated) 1.50 cents	3.24 cents	(Restated) 2.92 cents
Diluted	1.71 cents	1.43 cents	3.13 cents	2.80 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Non-current assets			
Plant and equipment	11	6,223	5,562
Available-for-sale investments		34,780	31,683
Derivative embedded in a convertible bond		239	2,805
Interests in jointly-controlled entities		775	846
Interests in an associate		3,995	–
		46,012	40,896
Current assets			
Other assets		87	82
Loan receivables	12	797,453	561,067
Prepayments and other receivables	12	17,380	1,815
Amount due from jointly-controlled entities		67,440	43,758
Early redemption option of an exchangeable bond		13	38
Promissory note	13	28,178	28,333
Bank balances and cash		90,848	348,620
		1,001,399	983,713
Current liabilities			
Accruals and other payables	14	38,290	17,094
Deposits received	15	28,878	130,121
Amounts due to non-controlling shareholders		28,581	28,739
Borrowing		49,565	–
Exchangeable bond		51,223	48,654
Corporate bonds		99,929	98,622
Income tax payables		30,191	41,055
		326,657	364,285
Net current assets		674,742	619,428
Total assets less current liabilities		720,754	660,324

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2012

	Notes	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Non-current liabilities			
Deferred tax liabilities	16	3,638	2,804
Net assets		717,116	657,520
Capital and reserves			
Share capital	17	180,649	149,870
Reserves		527,128	503,887
Equity attributable to owners of the Company		707,777	653,757
Non-controlling interests		9,339	3,763
Total equity		717,116	657,520

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company											
	Share capital	Share premium	Statutory reserve	Retained profits	Exchange reserve	Share-based payment reserve	Investment revaluation 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 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	-	-	-	68,658	-	-	-	-	-	68,658	5,419	74,077
Other comprehensive income												
- exchange differences on translating foreign operations	-	-	-	-	783	-	-	-	-	783	157	940
- fair value adjustment for available-for-sale investments	-	-	-	-	-	-	1,103	-	-	1,103	-	1,103
Total comprehensive income for the period	-	-	-	68,658	783	-	1,103	-	-	70,544	5,576	76,120
Issue of shares on exercise of share options	1,827	9,055	-	-	-	(523)	-	-	-	10,359	-	10,359
Dividend recognised as distribution	-	(29,601)	-	-	-	-	-	-	-	(29,601)	-	(29,601)
Issue of bonus shares	28,952	(28,952)	-	-	-	-	-	-	-	-	-	-
Lapsed and cancelled of share options	-	-	-	131	-	(131)	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	2,718	-	-	-	2,718	-	2,718
Appropriation to statutory reserve funds	-	-	616	(616)	-	-	-	-	-	-	-	-
At 30 June 2012 (unaudited)	180,649	206,702	9,110	251,728	1,549	25,797	1,103	(8,861)	40,000	707,777	9,339	717,116
At 1 January 2011 (audited)	142,863	161,475	8,494	40,722	1,728	4,820	-	(8,861)	40,000	390,741	-	390,741
Profit for the period	-	-	-	58,522	-	-	-	-	-	58,522	(7)	58,515
Other comprehensive income												
- exchange differences on translating foreign operations	-	-	-	-	806	-	-	-	-	806	-	806
Total comprehensive income for the period	-	-	-	58,522	806	-	-	-	-	59,328	(7)	59,321
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	748	748
Dividend recognised as distribution	-	(26,106)	-	-	-	-	-	-	-	(26,106)	-	(26,106)
Issue of shares by placing	7,507	120,353	-	-	-	-	-	-	-	128,460	-	128,460
Recognition of equity-settled share-based payments	-	-	-	-	-	12,878	-	-	-	12,878	-	12,878
At 30 June 2011 (unaudited)	149,870	256,322	8,494	99,244	2,534	17,698	-	(8,861)	40,000	565,301	741	566,042

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
NET CASH USED IN OPERATING ACTIVITIES	(278,816)	(359,264)
NET CASH USED IN INVESTING ACTIVITIES	(4,772)	(430)
NET CASH FROM FINANCING ACTIVITIES	24,954	102,354
NET DECREASE IN CASH AND CASH EQUIVALENTS	(258,634)	(257,340)
Effect of foreign exchange rate changes	862	806
CASH AND CASH EQUIVALENTS AT 1 JANUARY	348,620	303,828
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank balances and cash	90,848	47,294



Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 January 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares were listed on the GEM of the Stock Exchange on 19 November 2010.

The principal activities of the Group are provision of pawn loan service, entrusted loan service, other collateral-backed loan service, real estate-backed loan service and financial consultancy service.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The unaudited condensed consolidated results have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. The unaudited condensed consolidated financial information has not been audited by the Company's auditors, but has been reviewed by the Company's audit committee ("Audit Committee").

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 2011, except for the following new HKFRSs (which include all HKFRSs, HKASs and Interpretations) that are effective for the Group's accounting period beginning on 1 January 2012. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior period.

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendment)	Government Loans ²
HKFRS 7 (Amendment)	Disclosure – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC)-INT 20	Stripping Costs in the Production Phase of a Surface Mine ²
Annual Improvements Project	Annual Improvements 2009-2011 Cycle ²

¹ *Effective for annual periods beginning on or after 1 July 2012.*

² *Effective for annual periods beginning on or after 1 January 2013.*

³ *Effective for annual periods beginning on or after 1 January 2014.*

⁴ *Effective for annual periods beginning on or after 1 January 2015.*

3. TURNOVER

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

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

	For the three months ended 30 June		For the six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Interest income				
Real estate pawn loan service income				
– Administration fee income	1,153	3,202	4,342	5,766
– Interest income	277	750	908	1,015
Other collateral-backed pawn loan service income				
– Administration fee income	528	950	1,135	1,093
– Interest income	133	158	281	182
Entrusted loan service income				
– Interest income	22,964	14,635	44,821	25,053
Personal property pawn loan service income				
– Administration fee income	6	81	22	190
– Interest income	1	3	3	7
Other collateral-backed loan service income				
– Interest income	1,216	–	1,704	9,334
Finance lease service income				
– Administration fee income	–	1,606	–	1,606
– Interest income	–	523	–	523
Real estate-backed loan service income				
– Interest income	8,013	–	8,474	–
	34,291	21,908	61,690	44,769
Financial consultancy service income	44,051	33,191	74,406	60,832
Turnover	78,342	55,099	136,096	105,601

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 30 June		For the six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Sub-leased rental income	-	74	-	139
Bank interest income	446	288	828	523
Government grants (<i>Note</i>)	-	2,800	6,350	2,800
Interest income on a convertible bond	1,088	-	2,171	-
Others	35	309	35	425
	1,569	3,471	9,384	3,887

Note: The amount represents government grants in respect of encouragement of expansion of enterprise.

6. INTEREST EXPENSES

	For the three months ended 30 June		For the six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Interest on borrowings wholly repayable within five years	724	-	724	-
Interest on an exchangeable bond	1,424	-	2,840	-
Interest on corporate bonds	2,900	-	5,800	-
Interest on deposits received	152	-	152	-
	5,200	-	9,516	-

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
(a) Staff costs, including directors' remuneration				
Salaries, wages and other benefits	3,598	2,815	6,064	5,270
Contribution to defined contribution retirement benefits scheme	217	131	356	222
Share-based payment expenses	858	5,498	2,718	12,878
	<u>4,673</u>	<u>8,444</u>	<u>9,138</u>	<u>18,370</u>
(b) Other items				
Auditors' remuneration	4	18	51	39
Depreciation	522	111	994	218
Net exchange (gain) loss	(39)	1,839	1,936	4,839
Operating lease charges in respect of properties	1,309	619	2,349	1,160
	<u>1,309</u>	<u>619</u>	<u>2,349</u>	<u>1,160</u>

8. INCOME TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Current income tax				
– PRC	16,225	12,082	29,083	17,849
– Hong Kong	119	(132)	119	1,303
Deferred tax (Note 16)	428	379	834	379
	<u>16,772</u>	<u>12,329</u>	<u>30,036</u>	<u>19,531</u>

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



8. INCOME TAX *(Continued)*

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

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2012.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the three months and six months ended 30 June 2012 is based on the profit attributable to owners of the Company of RMB37,599,000 and RMB68,658,000 respectively (three months and six months ended 30 June 2011: RMB30,329,000 and RMB58,522,000 respectively) and the weighted average of 2,126,406,593 and 2,116,318,681 ordinary shares in issue respectively during the three months and six months ended 30 June 2012 (three months and six months ended 30 June 2011 (restated): 2,019,296,703 and 2,005,723,757 ordinary shares respectively). The basic earnings per share for the three months and six months ended 30 June 2011 were adjusted for the effects of bonus issues on 30 May 2012.

Diluted earnings per share

The calculation of diluted earnings per share for the three months and six months ended 30 June 2012 is based on the profit attributable to owners of the Company of RMB37,599,000 and RMB68,658,000 respectively (three months and six months ended 30 June 2011: RMB30,329,000 and RMB58,522,000 respectively) and the weighted average of 2,193,387,557 and 2,193,088,752 ordinary shares in issue respectively during the periods (three months and six months ended 30 June 2011 (restated): 2,117,851,374 and 2,086,810,883 ordinary shares respectively). The diluted basic earnings per share for the three months and six months ended 30 June 2011 were adjusted for the effects of bonus issues on 30 May 2012.

The calculation of diluted earnings per share for the three months and six months ended 30 June 2012 does not take into account the outstanding exchangeable bond of Jovial Lead Limited, as the exercise of the exchangeable bond would result in an increase in earnings per share.

11. PLANT AND EQUIPMENT

During the period under review, the Group spent approximately RMB1.7 million (six months ended 30 June 2011: approximately RMB1.0 million) on acquisition of plant and equipment.

12. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Loan receivables		
Pawn loans to customers	41,565	63,841
Entrusted loans to customers	513,000	464,486
Others	242,888	32,740
	<hr/> 797,453	<hr/> 561,067
Prepayments and other receivables		
Non-trade nature prepayments and other receivables	17,380	1,815
	<hr/> 814,833	<hr/> 562,882

The Group normally allows credit terms to customers ranging from 90 days to up to 1 year, depending on the types of loan.

(a) Ageing analysis

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 90 days	527,943	351,218
91 to 180 days	215,700	164,849
181 to 365 days	53,810	45,000
	<hr/> 797,453	<hr/> 561,067

The Group's financing advances to customers included in the loan receivables are due as of the due date specified in respective loan agreements.

12. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(b) Loan receivables that are not impaired

Included in the Group's loan receivable balances were debtors with aggregate carrying amount of approximately RMB63,600,000 (31 December 2011: RMB22,243,000) which represented four loans past due as at the reporting date for which the Group has not provided for impairment loss as (i) the creditor's right over two loan receivables of approximately RMB13,000,000 was subsequently disposed of to Xinrong Asset Management Limited 新融資產管理有限公司 ("Xinrong Asset") as detail set out in Note 20, and (ii) the Group holds collaterals amounting to approximately RMB96,000,000 according to the recent valuation report in respect of the past due loan receivables of RMB50,600,000 (excluded the amount of RMB13,000,000 disposed to Xinrong Asset).

The aging of loan receivables which were past due but not impaired is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 90 days	600	12,243
91 to 180 days	56,000	10,000
181 to 365 days	7,000	–
	<hr/> 63,600 <hr/>	<hr/> 22,243 <hr/>

13. PROMISSORY NOTE

The promissory note of HK\$34,615,000 (equivalent to approximately RMB28,178,000) issued by Goodyear International Capital Limited ("Goodyear") due on 28 June 2012 was extended to 30 July 2012 upon the request of Goodyear. An interest of 1% per month was charged on the principal amount during the extended period. The promissory note together with the interest was subsequently settled on 30 July 2012.

14. ACCRUALS AND OTHER PAYABLES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Other payables and accrued expenses	7,329	7,958
Financing services income receipts in advance	30,961	9,136
	<hr/> 38,290 <hr/>	<hr/> 17,094 <hr/>

15. DEPOSITS RECEIVED

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Xinrong Asset	28,878	130,121

16. DEFERRED TAX LIABILITIES

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

	Withholding tax on undistributed profit of subsidiaries in PRC RMB'000
At 1 January 2012	2,804
Charge to profit or loss	834
	<hr/>
At 30 June 2012	3,638 <hr/>

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

17. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
<i>Authorised:</i>		
At 1 January 2012 and 30 June 2012, ordinary shares of HK\$0.1 each	20,000,000,000	2,000,000
<i>Issued and fully paid:</i>		
At 1 January 2012, ordinary shares of HK\$0.1 each	1,750,000,000	175,000
Issue of shares on exercise of share options	22,500,000	2,250
Issue of bonus shares (<i>Note</i>)	354,500,000	35,450
At 30 June 2012, ordinary shares of HK\$0.1 each	2,127,000,000	212,700
At 1 January 2011, ordinary share of HK\$0.1 each	1,660,000,000	166,000
Issue of shares by placing	90,000,000	9,000
At 30 June 2011, ordinary shares of HK\$0.1 each	1,750,000,000	175,000
Presented as RMB		30 June 2012 RMB'000
Ordinary shares of HK\$0.1 each		180,649

Note:

On 30 May 2012, the bonus issue was issued on the basis of two bonus shares for every ten existing ordinary shares of HK\$0.1 each in the capital of the Company (the "Share") held on the record date on 23 May 2012 (the "Record Date"). Pursuant to the register of members as at the Record Date, there were 1,772,500,000 Shares held by the qualifying shareholders of the Company (the "Shareholders"). As a result, 354,500,000 bonus Shares were allotted and issued to the qualifying Shareholders.

18. COMMITMENT

Operating lease arrangement

Details of the Group's commitments under non-cancellable operating lease as at 30 June 2012 and 30 June 2011 are set out as follow:

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

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	5,662	3,120
In the second to fifth years inclusive	7,441	1,179
	13,103	4,299

19. RELATED PARTIES TRANSACTIONS

Significant related party transactions

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Jinhan Investment	315	120

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

19. RELATED PARTIES TRANSACTIONS (Continued)

Significant related party transactions (Continued)

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Interest expense on deposit received from Xinrong Asset	152	–

(iii) During the period ended 30 June 2012, the Group entered into certain sale and purchase agreements with Xinrong Asset, to dispose of creditor's right over forfeited collaterals in respect of financing advances provided to an entrusted loan customer at consideration of approximately RMB89,000,000 (30 June 2011: nil), which had carrying value of approximately RMB89,000,000 as of the date of disposal with no gain or loss arose.

(iv) Key management personnel remuneration

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Basic salaries, allowances and other benefits	2,859	2,016
Contribution to retirement benefit scheme	16	18
Share-based payment expenses	1,772	11,967
	4,647	14,001

20. EVENT AFTER THE REPORTING PERIOD

Subsequent to the period ended 30 June 2012, the Group entered into certain sale and purchase agreements with Xinrong Asset, to dispose of creditor's right over forfeited collaterals in respect of financing advances provided to two customers at consideration of approximately RMB13,000,000, which had carrying value of approximately RMB13,000,000 as of the date of disposal with no gain or loss arose.



MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group offers integrated financing services to small and medium enterprises ("SMEs") and individuals. Through its multi-platforms, the Group mainly provides real estate pawn loan service, entrusted loan service and financial consultancy service. In November of 2011, the Group expanded its operation to Chongqing with provision of real estate-backed loan service, adding a new revenue stream to the Group. Besides, the Group's money lending service in Hong Kong also provides a stable source of revenue to the Group.

In the first half year of 2012, the Group's business showed no signs of slowing down, despite the fact the PRC government has adopted a looser monetary policy in 2012 and there was more money supply in the market and higher bank lending. It was because state-owned enterprises and large firms were still the main target customers of the PRC banks and thus, it was still very hard for SMEs to obtain financing from the traditional banking system. In fact, the continuous growth in the Group's revenue reflected the huge demand in the market.

The Group set out to grow business faster by diversifying its business to other financing services. The Chongqing business gained momentum in the second quarter and revenue attributable from this operation increased significantly. The Group was fully aware of the risks stemming from the global economic uncertainties and the slowing PRC economy. Thus the Group had expanded its risk control team and had improved its operation procedures to minimize risks in relation to the industry and to navigate that unpredictability in the current business environment. In order to improve profitability, the Group had been constantly reviewing the work processes to improve quality and efficiency of its services. As a result, building on the successful strategies of diversification of business, enhancement in risk management and improvement in operation efficiency, the Group continued to deliver satisfactory results in the period under review.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review

Revenue

For the six months ended 30 June 2012, the Group reported revenue of approximately RMB136.1 million, an increase of 28.9% as compared to RMB105.6 million in the corresponding period last year. The revenue growth was mainly driven by the increasing demand in the Group's entrusted loan service and financial consultancy service. Besides, through the Group's expanded business in Chongqing, revenue attributable from real estate-backed loan service increased significantly.

Real estate pawn loan service income

Since more loans were provided through entrusted loan service and thus less real estate pawn loans were granted, the Group's revenue from the provision of real estate pawn loan service dropped by 22.6% to RMB5.3 million for the six months ended 30 June 2012 from revenue of RMB6.8 million for the corresponding period last year.

Other collateral-backed pawn loan service income

For the six months ended 30 June 2012, the Group recorded revenue of approximately RMB1.4 million from the provision of other collateral-backed pawn loan service, representing an increase of 11.1% as compared to the revenue of approximately RMB1.3 million for the corresponding period last year.

Entrusted loan service income

The Group continued to record significant growth in revenue from the provision of entrusted loan service, with revenue generated from this operation grew by 78.9% to RMB44.8 million during the period under review as compared to RMB25.1 million for the corresponding period last year.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial review (Continued)

Personal property pawn loan service income

The Group has gradually scaled down its less profitable personal property pawn loan operation. For the six months ended 30 June 2012, the Group's revenue from the provision of personal property pawn loan was approximately RMB25,000 as compared to approximately RMB0.2 million in the corresponding period last year.

Other collateral-backed loan service income

For the six months ended 30 June 2012, the Group's other collateral-backed loan service income of approximately RMB1.7 million represented the income from the provision of money lending service in Hong Kong. The decrease of approximately 81.7% as compared to approximately RMB9.3 million in the corresponding period last year as no other collateral-backed loan service was provided in the PRC during the period under review.

Real estate-backed loan service income

In late 2011, the Group has expanded its business geographically by establishment of its operation in Chongqing. The Group's months of effort in setting up and developing the business paid off as the revenue from Chongqing operation grew significantly in the second quarter. In the second quarter of 2012, the Group recorded interest income and financial consultancy fee income of approximately RMB8.0 million and RMB2.3 million respectively as compared to RMB0.5 million and RMB2.2 million respectively in the last quarter.

Financial consultancy service income

Revenue from the provision of financial consultancy service still represented the largest portion of our total revenue, with the fee income increased by 22.3% to RMB74.4 million for the six months ended 30 June 2012 from RMB60.8 million in the corresponding period last year.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial review (Continued)

Interest expenses

The Group recorded interest expenses of approximately RMB9.5 million during the six months ended 30 June 2012, as compared to nil in the same period last year. The interest expenses incurred mainly represented interests on the RMB-denominated corporate bonds, exchangeable bond and other borrowings.

Other income

The Group's other income comprised convertible bond interest income, bank interest income and government grants. The Group's other income for the six months ended 30 June 2011 and 2012 was approximately RMB3.9 million and RMB9.4 million respectively. The increase of 141.4% was mainly attributable to the government grant of RMB6.4 million to Shanghai Yintong Dian Dang Company Limited ("Shanghai Yintong") and Lucky Target Property Consultants (Shanghai) Company Limited ("Lucky Consultants") for the encouragement of expansion of enterprise, and interest on a convertible bond of RMB2.2 million.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, rental expenses and marketing expenses. The Group's administrative and other operating expenses for the six months ended 30 June 2011 and 2012 were approximately RMB18.6 million and RMB26.5 million respectively. The increase of approximately 42.6% was mainly attributable to the increase of sales commissions, salaries, rental expenses and other operating costs which were increased in line with the business growth.

Profit for the period

The profit attributable to owners of the Company for the six months ended 30 June 2012 rose to approximately RMB68.7 million, up 17.3% from approximately RMB58.5 million for the six months ended 30 June 2011.



OUTLOOK

Looking forward, the Group is positive about the outlook for its business. In China, SMEs constitute a vital economic group and play an increasingly important role in promoting China's economic prosperity. However, in China's financial world, there is still a lack of service for a large number of SMEs. The financing needs of those SMEs create immense demand for the Group's service. The Group will continue to provide needed financial solutions to the areas of economy that remain cut off from bank financing.

As part of the growth focus, the Group will keep looking for investment opportunities to further expand its services geographically. The Group will also remain focused on risk management. By balancing risk exposure and allocating resources effectively, the Group believes that its current business model is able to capture opportunities ahead and to respond to changes in the market. The Group is firmly committed to delivering long-term value to our shareholders while maintaining sustainable and profitable growth.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2012, the Group had bank balances and cash of approximately RMB90.8 million (31 December 2011: approximately RMB348.6 million) and had interest-bearing borrowings, which mainly comprised RMB-denominated corporate bonds, exchangeable bond and other borrowings, amounted to approximately RMB200.7 million (31 December 2011: approximately RMB147.3 million). During the period under review, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowings to the total assets of the Group, was 0.19 as at 30 June 2012 (31 December 2011: 0.14).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the period ended 30 June 2012.



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

Save as disclosed under “Comparison of Business Objectives with Actual Business Progress” in this report, there was no specific plan for material investments or capital assets as at 30 June 2012.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no significant contingent liabilities (31 December 2011: Nil).

CAPITAL COMMITMENTS

As at 30 June 2012, the Group had no capital expenditure contracted for but not provided in the financial statements (31 December 2011: Nil).

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group had a total of 114 staff (31 December 2011: 51). Total staff costs (including Directors’ emoluments) were approximately RMB9.1 million for the six months ended 30 June 2012 (six months ended 30 June 2011: approximately RMB18.4 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, and contributions to statutory mandatory provident fund scheme and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Company's prospectus dated 15 November 2010 (the "Prospectus") with the Group's actual business progress for the period from 1 January 2012 to 30 June 2012 is set out below:

Business objectives for the period from 1 January 2012 to 30 June 2012 as stated in the Prospectus	Actual business progress for the period from 1 January 2012 to 30 June 2012
---	--

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

- | | |
|---|---|
| <ul style="list-style-type: none">- Further diversify the nature of our secured financing services through internal resources | <ul style="list-style-type: none">- The Group had expanded and diversified its financing service through its indirect 85%-owned subsidiary in Chongqing. The Group is assessing different expansion opportunities especially in the area of small loan financing. |
|---|---|

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

- | | |
|---|---|
| <ul style="list-style-type: none">- Enhance the cooperation with banks, industry associations and potential customers | <ul style="list-style-type: none">- The Group has further enhanced cooperation relationship with more banks and will seek for more strategic partners to expand its business geographically or by diversifying to other financing services. |
|---|---|

USE OF PROCEEDS

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from the listing date on 19 November 2010 (the "Listing Date") to 30 June 2012, the net proceeds from issuance of new shares of the Company had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from the Listing Date to 30 June 2012	Actual use of proceeds from the Listing Date to 30 June 2012
	<i>HK\$</i>	<i>HK\$</i>
Expand our secured financing sales network and develop our business in Shanghai, Zhejiang and Jiangsu Provinces and Hong Kong	122,600,000	264,500,000
Fulfil share capital requirement of Baokang Guarantee and to support our Group's short-term financing business	115,000,000	–
Repay the RMB29 million loan to Xinrong Asset	33,300,000	33,300,000
Net proceeds reserved for general working capital for our Group	57,000,000	30,100,000
	<hr/>	<hr/>
Total net proceeds	<u>327,900,000</u>	<u>327,900,000</u>

After considering the risk and return, the Group shall not pursue in loan guarantee business proposed to be carried out through Baokang Guarantee. Although there was a change in the proportion of the net proceeds applied to the business objectives as stated in the Prospectus, all the proceeds had been utilized for the intended usage of the proceeds as disclosed in the Prospectus.



ADVANCES 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 Company. As at 30 June 2012, the Company's total assets were approximately RMB1.05 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 30 June 2012 were as follow:

1. **Entrusted loan agreement dated 13 March 2012 (the "Entrusted Loan Agreement A")**

On 13 March 2012, Lucky Consultants, an indirect wholly-owned subsidiary of the Company, entered into an entrusted loan agreement with a borrower ("Borrower A") and Shanghai Branch of Bank of Ningbo as the lending agent (the "Lending Agent"), pursuant to which, Lucky Consultants had agreed to entrust a fund in the amount of RMB60 million (the "Entrusted Fund A") to the Lending Agent, for on-lending to Borrower A for a term of six months subject to and upon the terms and conditions therein. Borrower A's principal business activities include real estate development and developing a commercial building with a gross floor area of approximately 271,000m² located in Zhejiang Province, the PRC. Borrower A had no default record with the Group in the past. Borrower B as referred to the "Loan A" below holds 76.92% or US\$20 million (equivalent to approximately HK\$156 million or RMB127 million) of the registered capital of Borrower A.

The principal terms of Entrusted Loan Agreement A are set out below:

Loan amount:

RMB60 million.

Interest:

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



ADVANCES TO ENTITIES *(Continued)*

1. Entrusted loan agreement dated 13 March 2012 (the “Entrusted Loan Agreement A”) *(Continued)*

Service fee:

Shenyan Investment Consultancy (Shanghai) Limited (“Shenyan”), an indirect non wholly-owned subsidiary of the Company, entered into a service agreement with Borrower A pursuant to which Shenyan charges Borrower A a service fee in a range of 1%-3% per month for assisting Borrower A in securing the loan through the Entrusted Fund A on 13 March 2012.

Term of the loan:

6 months from the effective date of the Entrusted Loan Agreement A on 13 March 2012.

Security:

The Entrusted Loan A shall be secured by a building area of 3,237m² of the a commercial building located in Jinhua City in Zhejiang Province (the “Properties”) and rental income to be generated under a tenancy agreement entered into between Borrower A and one of the top supermarket chains of the world in respect of two floors of the Properties in a total building area of approximately 22,906m² (the “Security A”) for the obligations of Borrower A under the Entrusted Loan Agreement A. If Borrower A 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. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, other than being charged to the Lending Agent, the Security A is not charged to any other parties.



ADVANCES TO ENTITIES *(Continued)*

1. Entrusted loan agreement dated 13 March 2012 (the “Entrusted Loan Agreement A”) *(Continued)*

Guarantee:

A corporate guarantee has been provided by a related company of Borrower A and personal guarantee has been given jointly by the legal representative and beneficial owner of Borrower A in favour of Lucky Consultants to secure the obligation of Borrower A under the Entrusted Loan Agreement A.

Repayment:

The Entrusted Loan A and other monies outstanding (including the interest and penalty fee (if any, when Borrower A fails to repay the Entrusted Loan A which it falls due)) in connection to the Entrusted Loan Agreement A are repayable by Borrower A to the Lending Agent upon the expiry of the term of the Entrusted Loan A and the Lending Agent shall transfer the repaid amount to Lucky Consultants account in the Lending Agent. Borrower A shall not repay the Entrusted Loan A and other monies outstanding (including the interest and penalty fee (if any, when Borrower A fails to repay the Entrusted Loan A which it falls due)) in connection to the Entrusted Loan Agreement A to Lucky Consultants directly.

Prepayment:

Upon agreement by Borrower A and Lucky Consultants and by giving a written advance notice to Lucky Consultants and the Lending Agent, Borrower A has the rights to prepay part or the whole amount of the Entrusted Loan A before the maturity date.

For further details, please refer to the announcement of the Company dated 13 March 2012.

ADVANCES TO ENTITIES *(Continued)*

2. Loan agreement dated 16 May 2012 (the “Loan Agreement A”)

On 16 May 2012, Vigo Hong Kong Investment Limited (“Vigo”), an indirectly wholly-owned subsidiary of the Company, entered into a loan agreement (the “Loan Agreement A”) with a borrower (“Borrower B”) for a term of six months, pursuant to which Vigo had agreed to lend a loan of HK\$60 million (equivalent to approximately RMB48.8 million) (the “Loan A”) to Borrower B for a term of six months subject to and upon the terms and conditions therein. Borrower B was referred to the Group by the shareholder who holds 30% interest in High Elite Holdings Limited (“High Elite”), an indirect 70% owned subsidiary of the Company. Borrower B holds 76.92% or US\$20 million (equivalent to approximately HK\$156 million or RMB127 million) of the registered capital of Borrower A as referred to the Entrusted Loan A above.

The total amount of the Entrusted Loan A and the Loan A which remained outstanding as at 30 June 2012 was approximately RMB108.8 million, which exceeded 8% of the total assets of the Company as at 30 June 2012.

The principal terms of the Loan Agreement A are as follows:

Loan amount:

HK\$60 million (equivalent to approximately RMB48.8 million), together with the outstanding principal of the Entrusted Loan A to Borrower A amounted to RMB60 million, representing approximately 10.4% of the total assets of the Group of approximately RMB1.05 billion as at 30 June 2012, approximately 15.2% of the net assets of the Group of approximately RMB717.1 million as at 30 June 2012 and approximately 13.6% to the total loan portfolio of the Group of approximately RMB797.5 million as at 30 June 2012 (all based on the unaudited consolidated accounts of the Group for the six months ended 30 June 2012). The Loan A was financed by the external borrowing of the Group from a third party without providing security. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, such third party and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

ADVANCES TO ENTITIES (Continued)

2. Loan agreement dated 16 May 2012 (the “Loan Agreement A”) (Continued)

Interest:

Interest rate on the Loan A is in the range of 12% to 14% per annum. Interest shall be payable monthly.

Service Fees:

Consultancy Agreement I

Borrower B shall pay to the Company the following fees for the services provided by the Company under the consultancy agreement between the Company and Borrower B (the “Consultancy Agreement I”):

- (i) a success fee in the range of HK\$5 million to HK\$10 million upon successful entering into of the Loan A, which is due and payable at the date of receipt of the Loan A;
- (ii) a monthly consultancy fee calculated on the basis of 1% to 1.5% of the Loan A which is payable by Borrower B during the term (six months from 16 May 2012 unless Loan A is extended under the Loan Agreement A) of the Consultancy Agreement I; and
- (iii) if any part of the Loan A remains outstanding or the Consultancy Agreement I is extended after the expiry of the six-month period of the Consultancy Agreement I, a monthly consultancy fee calculated on the basis of 2.5% to 3% of the outstanding Loan A.

ADVANCES TO ENTITIES *(Continued)*

2. Loan agreement dated 16 May 2012 (the “Loan Agreement A”) *(Continued)*

Service Fees: (Continued)

Consultancy Agreement II

Borrower B shall pay to the Company the following fees for the services provided by the Company under the consultancy agreement between High Elite and Borrower B (the “Consultancy Agreement II”):

- (i) a monthly consultancy fee calculated on the basis of 1% to 1.5% of the Loan A which is payable by Borrower B during the term (six months from 16 May 2012 unless Loan A is extended under the Loan Agreement A) of the Consultancy Agreement II; and
- (ii) if any part of the Loan A remains outstanding or the Consultancy Agreement II is extended after the expiry of the six-month period of the Consultancy Agreement II, a monthly consultancy fee calculated on the basis of 1% to 1.5% of the outstanding Loan A.

Term of the loan:

6 months from the drawdown date of the Loan A. The Loan A shall be drawn within 30 days of the date of the Loan Agreement A.

Security:

The obligations of Borrower B under the Loan Agreement A are secured by the following:

- (i) two share charges over all the issued share capital of the Borrower B created by the beneficial owners of Borrower B in favour of Vigo; and
- (ii) two assignments of loan by way of security entered into by the beneficial owners of Borrower B to assign to Vigo all the loans owing by Borrower B to the beneficial owners as security (the “Security B”).

ADVANCES TO ENTITIES (Continued)

2. Loan agreement dated 16 May 2012 (the “Loan Agreement A”) (Continued)

Guarantee:

Two personal guarantees have been provided by the beneficial owners of Borrower B in favour of Vigo to secure the obligations of Borrower B under the Loan Agreement A.

Repayment:

The Loan A in relation to the Loan Agreement A is repayable by Borrower B to Vigo upon the expiry of the term of the Loan A.

Prepayment:

Borrower B may prepay part of the whole amount of the Loan A before the expiry of the term of the Loan A provided that a written consent of Vigo is obtained.

For further details, please refer to the announcement of the Company dated 16 May 2012.

3. Entrusted loan agreement dated 21 June 2012 (the “Entrusted Loan Agreement B”)

On 21 June 2012, Lucky Consultant entered into an entrusted loan agreement with a borrower (“Borrower C”) and the Lending Agent, pursuant to which, Lucky Consultants had agreed to entrust a fund in the amount of RMB50 million (the “Entrusted Fund B”) to the Lending Agent, for on lending to Borrower C for a term of six months subject to and upon the terms and conditions therein. The aggregate amount of advances granted to Borrower C within a 12-month period is RMB90 million of which RMB90 million was outstanding as at 30 June 2012, which exceeded 8% of the total assets of the Group as at 30 June 2012.



ADVANCES TO ENTITIES *(Continued)*

3. Entrusted loan agreement dated 21 June 2012 (the “Entrusted Loan Agreement B”) *(Continued)*

Loan amount:

RMB50 million (the “Entrusted Loan B”), together with the outstanding principal of RMB40 million, representing approximately 8.6% of the total assets of the Group of approximately RMB1.05 billion as at 30 June 2012, approximately 12.6% of the net assets of the Group of approximately RMB717.1 million as at 30 June 2012 and approximately 11.3% to the total loan portfolio of the Group of approximately RMB797.5 million as at 30 June 2012 (all based on the unaudited consolidated accounts of the Group for the six months ended 30 June 2012).

Interest:

Interest rate on the Entrusted Loan B 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 Borrower C, pursuant to which Shenjing charges Borrower C a service fee in a range of 2%-4% per month for assisting Borrower C in securing the loan through the Entrusted Fund B on 21 June 2012.

Term of the loan:

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



ADVANCES TO ENTITIES *(Continued)*

3. Entrusted loan agreement dated 21 June 2012 (the “Entrusted Loan Agreement B”) *(Continued)*

Security:

The Entrusted Loan B shall be secured by the 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 C”) for the obligation of Borrower C under the Entrusted Loan Agreement B. If Borrower C is in default, the Lending Agent will assist Lucky Consultants to recover the full amount of the Entrusted Loan B including the enforcement of the Security C. As at the date of this report, there are other charges on the Security C and the amount of such charges is deducted when estimating the loan-to-value ratio set out in the paragraph headed “Credit Risks” below.

Guarantees:

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

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 Borrower C to the Lending Agent. The Entrusted Loan B and other monies outstanding (including the interest and penalty fee (if any, when Borrower C fails to repay the Entrusted Loan B when it falls due)) in connection to the Entrusted Loan Agreement B are repayable by Borrower C 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 Borrower C after deduction of applicable taxes to the account of Lucky Consultants maintained with the Lending Agent.



ADVANCES TO ENTITIES *(Continued)*

3. Entrusted loan agreement dated 21 June 2012 (the “Entrusted Loan Agreement B”) *(Continued)*

Prepayment:

Upon obtaining consent from Lucky Consultants and by giving a written notice to the Lending Agent, Borrower C 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, please refer to the announcement of the Company dated 21 June 2012.

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 over-collateralisation 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, Loan A and Entrusted Loan B (the “Loans”) were granted based on the internal credit assessment conducted by the employees of the Company made on the Security A, Security B and Security C (the “Securities”) provided respectively by Borrower A, Borrower B and Borrower C, with reference to market value in similar properties and in similar locations. The loan-to-value ratio of each of the Securities after taken into account the aggregation of each of the Loans 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 and Vigo have the rights to demand Borrower A, Borrower B and Borrower C 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 30 June 2012, 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⁾	31.55%

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 30 June 2012.*

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)	0.90%
Mr. Ji Zu Guang	Beneficial owner	19,200,000 (L)	0.90%
Ms. Shen Li	Beneficial owner	19,200,000 (L)	0.90%
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 30 June 2012.*

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 Jinhan Investment, 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 30 June 2012.*

Save as disclosed above, as at 30 June 2012, 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 30 June 2012, 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⁾	31.55%
Jiefang Media (UK) Co. Limited ("Jiefang Media")	Beneficial owner	636,222,400 (L) ⁽³⁾	29.91%
Shanghai Xinhua Publishing Group Limited ("Xinhua Publishing")	Interest in a controlled corporation	636,222,400 (L) ⁽³⁾	29.91%
Jiefang Daily Group ("Jiefang Group")	Interest in controlled corporations	636,222,400 (L) ⁽³⁾	29.91%
Shanghai Greenland Group Limited ("Greenland Group")	Interest in controlled corporations	636,222,400 (L) ⁽³⁾	29.91%
Integrated Asset Management (Asia) Limited	Beneficial owner	116,193,600 (L) ⁽⁴⁾	5.46%
Mr. Yam Tak Cheung	Interest in a controlled corporation	116,193,600 (L) ⁽⁴⁾	5.46%



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

* *The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 30 June 2012.*

Save as disclosed above, as at 30 June 2012, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 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.

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 six months ended 30 June 2012 were as follows:

Category	Date of grant	Exercise period	Exercise price per share before bonus issue	Adjusted exercise price per share after bonus issue	Number of share options				
					As at 1 January 2012	Adjustment arising from bonus issue	Granted during the period	Exercised/Cancelled/Lapsed during the period	As at 30 June 2012
Director									
Mr. Shi Zhi Jun	4 November 2010	4 May 2011 to 18 November 2015	HK\$0.3125	HK\$0.2604	5,600,000	1,120,000	-	-	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK\$0.3125	HK\$0.2604	5,600,000	1,120,000	-	-	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK\$0.3125	HK\$0.2604	4,800,000	960,000	-	-	5,760,000
					16,000,000	3,200,000	-	-	19,200,000
Mr. Ji Zu Guang	4 November 2010	4 May 2011 to 18 November 2015	HK\$0.3125	HK\$0.2604	5,600,000	1,120,000	-	-	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK\$0.3125	HK\$0.2604	5,600,000	1,120,000	-	-	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK\$0.3125	HK\$0.2604	4,800,000	960,000	-	-	5,760,000
					16,000,000	3,200,000	-	-	19,200,000

SHARE OPTION SCHEME (Continued)

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

Category	Date of grant	Exercise period	Exercise price per share before bonus issue	Adjusted exercise price per share after bonus issue	Number of share options				
					As at 1 January 2012	Adjustment arising from bonus issue	Granted during the period	Exercised/Cancelled/Lapsed during the period	As at 30 June 2012
Ms. Shen Li	4 November 2010	4 May 2011 to 18 November 2015	HK\$0.3125	HK\$0.2604	5,600,000	1,120,000	-	-	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK\$0.3125	HK\$0.2604	5,600,000	1,120,000	-	-	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK\$0.3125	HK\$0.2604	4,800,000	960,000	-	-	5,760,000
					16,000,000	3,200,000	-	-	19,200,000
Employee									
Mr. Ding Lu	4 November 2010	4 May 2011 to 18 November 2015	HK\$0.3125	HK\$0.2604	5,600,000	1,120,000	-	-	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK\$0.3125	HK\$0.2604	5,600,000	1,120,000	-	-	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK\$0.3125	HK\$0.2604	4,800,000	960,000	-	-	5,760,000
					16,000,000	3,200,000	-	-	19,200,000
Total					64,000,000	12,800,000	-	-	76,800,000

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.

SHARE OPTION SCHEME (Continued)

(b) Share Option Scheme

The Company has also adopted a Share Option Scheme (the "Share Option Scheme") pursuant to the written resolution of the shareholders on 4 November 2010 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.

Details of movements of the share options granted under the Share Option Scheme during the six months ended 30 June 2012 were as follows:

Category	Date of grant	Exercise period	Exercise price per share before bonus issue	Adjusted exercise price per share after bonus issue	Number of share options				As at 30 June 2012
					As at 1 January 2012	Adjustment arising from bonus issue	Granted during the period	Exercised/Cancelled/Lapsed during the period	
Director									
Mr. Neo Poh Kiat	4 April 2011	4 January 2012 to 3 April 2016	HK\$1.2060	HK\$1.0050	500,000 ^(a)	100,000	-	-	600,000
Dr. Lau Reimer Mary Jean	4 April 2011	4 January 2012 to 3 April 2016	HK\$1.2060	HK\$1.0050	500,000 ^(a)	100,000	-	-	600,000
Mr. Lee Sze Wai	4 April 2011	4 January 2012 to 3 April 2016	HK\$1.2060	HK\$1.0050	500,000 ^(a)	100,000	-	-	600,000
					1,500,000	300,000	-	-	1,800,000
Employee									
	4 April 2011	4 January 2012 to 3 April 2016	HK\$1.2060	HK\$1.0050	2,570,000 ^(a)	414,000	-	(500,000)	2,484,000
					2,570,000	414,000	-	(500,000)	2,484,000

SHARE OPTION SCHEME (Continued)

(b) Share Option Scheme (Continued)

Category	Date of grant	Exercise period	Exercise price per share before bonus issue	Adjusted exercise price per share after bonus issue	Number of share options				
					As at 1 January 2012	Adjustment arising from bonus issue	Granted during the period	Exercised/Cancelled/Lapsed during the period	As at 30 June 2012
Consultant	4 April 2011	4 January 2012 to 3 April 2016	HK\$1.2060	HK\$1.0050	33,200,000 ⁽³⁾	6,640,000	-	-	39,840,000
	27 September 2011	27 September 2011 to 26 September 2016	HK\$0.5670	-	17,500,000 ⁽³⁾	-	-	(17,500,000)	-
	27 September 2011	27 March 2012 to 26 September 2016	HK\$0.5670	HK\$0.4725	35,000,000 ⁽³⁾	6,000,000	-	(5,000,000)	36,000,000
					85,700,000	12,640,000	-	(22,500,000)	75,840,000
Total					89,770,000	13,354,000	-	(23,000,000)	80,124,000

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.

SHARE OPTION SCHEME *(Continued)*

(b) Share Option Scheme *(Continued)*

These fair values for options granted to Directors and employees were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	4 November 2010	4 April 2011
Inputs into the model		
Exercise price	HK\$0.3125	HK\$1.206
Expected volatility	49.36%	44.61%
Expected life	5 years	2.875 years
Expected dividend yield	2.32%	1.56%
Risk-free rate	1.02%	1.12%

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

The Group recognized the total expenses of approximately RMB2,718,000 for the period ended 30 June 2012 (six months ended 30 June 2011: RMB12,878,000) in relation to share options granted by the Company.



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 six months ended 30 June 2012.

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 Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the six months ended 30 June 2012.

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 six months ended 30 June 2012.

COMPETING INTEREST

Xinhua Publishing, a substantial shareholder of the Company and Xinrong Asset, a shareholder of Shanghai Yintong, whose principal business is not providing financing services, had made use of their respective idle cash to advance loans to third parties through entrusted loan arrangements during the 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 30 June 2012.

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 six months ended 30 June 2012 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

Shi Zhi Jun

Chairman

Hong Kong, 6 August 2012

As at the date of this report, the executive Directors are 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.