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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)

CONNECTED TRANSACTION
ACQUISITION OF 10% EQUITY INTEREST IN
FIRST P2P CO

On 12 January 2015, Ever Step, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with First P2P Co for the acquisition of 10% equity interest in First P2P Co at the Consideration.

Mr. Zhang is a connected person of the Company by virtue of being a substantial shareholder of the Company. As at the date of this announcement, since Mr. Zhang controls the exercise of 30% or more of the voting power of First P2P Co, First P2P Co is an associate of Mr. Zhang and thus a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratios in respect of the Acquisition calculated pursuant to Rule 19.07 of the GEM Listing Rules, when aggregated with the 2014 Acquisitions, exceed 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As disclosed in the announcement of the Company dated 11 November 2014, the Company has entered into a non-binding memorandum of understanding with First P2P Co for a proposed approximately 10% equity interest in First P2P Co.

On 12 January 2015, Ever Step, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with First P2P Co for the acquisition of the Transfer Shares at the Consideration.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are as follows:

Date

12 January 2015

Parties

- (i) First P2P Co as seller; and
- (ii) Ever Step as purchaser.

Subject matter of the Acquisition Agreement

Transfer Shares, representing 10% equity interest in First P2P Co.

Consideration

RMB50,000,000 (equivalent to approximately HK\$62,500,000) to be satisfied at Completion in United States dollar equivalent in cash.

The Consideration has been determined after arm's length negotiations between Ever Step and First P2P Co with reference to the financial position and business prospect of First P2P Group, which is equivalent to the price paid per share in First P2P Co for the private placements of shares in First P2P Co completed in the last few months to several private equity and institutional investors which are third parties independent of First P2P Co and the Company, and are not connected persons of First P2P Co and the Company.

Conditions precedent

Completion is conditional upon each of the following conditions being satisfied (or in respect of conditions (a), (d) or (e), waived by Ever Step):

- (a) the warranties remaining true and accurate and not misleading in any material respect at Completion as if repeated at Completion and at all times between the date of the Acquisition Agreement and Completion;

- (b) the obtaining of all consents, approvals, clearances and authorisations of any relevant governmental authorities or elsewhere as may be necessary for the execution and implementation of the Acquisition Agreement;
- (c) the Company having obtained all necessary approvals required under the GEM Listing Rules in relation to the Acquisition;
- (d) Ever Step being satisfied with its due diligence review on the affairs of First P2P Group in all material aspects; and
- (e) there being no material changes to the financial aspect, market environment, legal requirements or business development of First P2P Group which may have a material adverse impact on the Acquisition or First P2P Group at Completion and at all times between the date of Acquisition Agreement and Completion.

If the above conditions have not been fulfilled or waived (where applicable) on or before 30 June 2015, the Acquisition Agreement shall be immediately terminated and all rights and liabilities by any party under the Acquisition Agreement shall cease (except for any accrued rights and obligations).

Completion

Completion shall take place on the 5th Business Day after the satisfaction or waiver (where applicable) of all the conditions of the Acquisition Agreement, or such other date as may be agreed by Ever Step and First P2P Co in writing.

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

First P2P Ltd is principally engaged in the operation of an Internet financing platform under the “First P2P” (“網信理財”) brand, which is conducted via the website (FirstP2P.com/網信理財) and a mobile application. First P2P/網信理財 is a Peer-to-Peer (P2P) online credit marketplace in China matching borrowers with private lenders through the internet. It offers a full range of products to lenders through its platform which comprises housing loan, automobile loan, account receivables, supply chain and industry financing, leasing assets and pawn loan, and provides simplified, convenient and flexible financing solutions to both Small and Medium Enterprise (SME) borrowers and individual borrowers.

As of 31 December 2014, the total accumulated transaction volume of FirstP2P.com/網信理財 is approximately RMB 8.26 billion, being 186 times from 2013. Since the launch of First P2P/網信理財's mobile application in August 2014, the mobile application has been downloaded and activated over 585,000 times which further expands user reach of the platform. As of 31 December 2014, the total accumulated transaction volume generated from the mobile application has reached RMB3.7 billion, and over 60% of daily transactions of First P2P/網信理財 were conducted over the mobile application.

The Directors are of the view that Acquisition will enhance the Group's competitiveness in the internet financing industry in China, and the Acquisition marks a significant step of the Group to transform into a leading P2P Internet financing service provider in China by creating a strategic alliance with First P2P Co.

The Directors (including the independent non-executive Directors) consider that the Acquisition Agreement was entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group after arm's length negotiations, and the terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

No Director has material interest in the Acquisition Agreement and the transactions contemplated thereunder and accordingly, none of them is required to abstain from voting on the Board resolutions considering and approving the Acquisition Agreement and the transactions contemplated thereunder.

INFORMATION OF THE GROUP

The principal activities of the Group are provision of pawn loan service, entrusted loan service, real estate-bank loan service, microfinance service, other loan service and financing consultancy service, peer-to-peer (P2P) loan consultancy service and online third party payment service.

INFORMATION OF FIRST P2P GROUP

First P2P Co is an investment holding company incorporated on 13 December 2011 in the British Virgin Islands, a non-wholly owned subsidiary of Great Reap, which is in turn wholly-owned by Mr. Zhang, a substantial shareholder of the Company. The remaining shares of First P2P Co are held by third parties independent of the Company and are not connected persons of the Company.

The HK Co is an investment holding company incorporated on 23 December 2011 in Hong Kong and is a wholly-owned subsidiary of First P2P Co.

The PRC Co, established on 15 April 2014 in the PRC, is principally engaged in providing the service of investment consulting or business consulting and a wholly-owned subsidiary of the HK Co.

Each of First P2P Co, the HK Co and the PRC Co has not carried on any business since its date of incorporation or establishment up to 28 September 2014, the date on which the Structured Contracts were entered into.

OPCO was established in the PRC by the Registered Shareholders in June 2011. OPCO is principally engaged in the operation of the Internet P2P financing platform conducted via multiple channels, including First P2P/網信理財's website and mobile application (i.e. the business of First P2P Co).

The unaudited consolidated net asset value of First P2P Co as at 31 December 2014 was HK\$34,198,086. The unaudited consolidated net profits before and after taxation of First P2P Co for the financial year ended 31 December 2014 are HK\$71,699,716 and HK\$71,699,716, respectively. The unaudited consolidated net loss before and after taxation of First P2P Co for the financial year ended 31 December 2013 are HK\$47,908 and HK\$47,908, respectively.

Upon Completion, the financial results of the First P2P Group will not be consolidated into the consolidated financial statements of the Company.

INFORMATION OF THE REGISTERED SHAREHOLDERS

Each of Mr. Zhang and Ms. Li Huanxiang is the registered shareholder of the OPCO as to 99% and 1% of its registered capital, respectively. Save as being a senior management of certain companies owned by Mr. Zhang, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Ms. Li Huanxiang is a third party independent of the Company and is not a connected person of the Company.

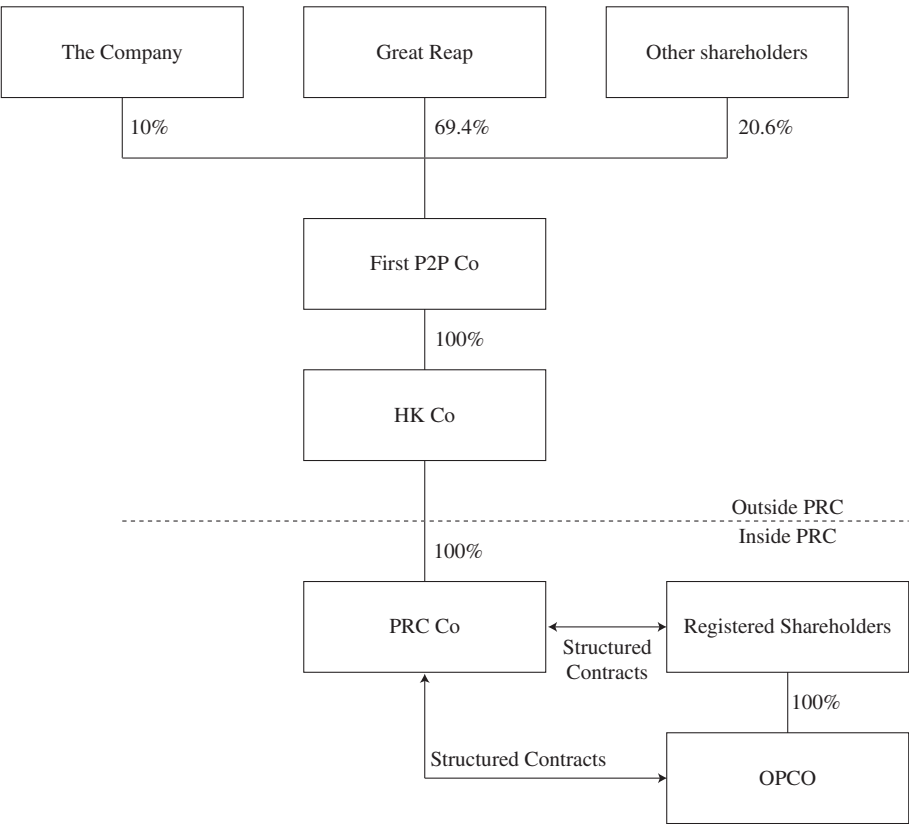
INFORMATION OF THE STRUCTURED CONTRACTS

Pursuant to the applicable PRC laws, the value-added telecommunications business of the OPCO is subject to prohibition or restriction on foreign investment. Shareholders of the OPCO are required to be PRC domestic natural persons, legal persons or other entities and foreign investors are not allowed to directly invest in the OPCO. As such, the PRC Co, OPCO and the Registered Shareholders entered into the Structured Contracts to enable the financial results, the entire economic benefits and risks of the businesses of the OPCO to flow onto First P2P Group and to enable First P2P Group gain the controlling right of the OPCO.

Each of the Registered Shareholders has undertaken that in the event it is permissible under the relevant PRC laws, rules and regulations for the PRC Co to engage in the value-added telecommunications business in the future, the PRC Co shall exercise the options under the Exclusive Option Agreement as soon as practicable and the relevant Structured Contracts shall be terminated.

Diagram of the Structured Contracts

The following simplified diagram illustrates the flow of economic benefits from the OPCO to First P2P Group stipulated under the Structured Contracts upon the Completion:



The Structured Contracts

(1) Exclusive Option Agreement

Date:	28 September 2014
Parties:	(1) The PRC Co (2) The OPCO (3) The Registered Shareholders
Term:	10 years commencing from the effective date of the Exclusive Option Agreement. The PRC Co has the option to extend the term upon its expiry, which shall be automatically extended until the PRC Co gives written confirmation regarding the extension of the term or when all equity interests held by the Registered Shareholders in the OPCO are transferred to the PRC Co. Notwithstanding the foregoing, the PRC Co has the right to terminate the Exclusive Option Agreement at its own discretion.
Subject:	<p>The Registered Shareholders irrevocably agree, to the extent permitted under the laws of the PRC, to transfer to the PRC Co or any persons(s) designated by the PRC Co at any time and from time to time, all or part of their equity interests in the OPCO.</p> <p>The PRC Co may exercise its rights under the paragraph above at any time at its sole discretion as permitted under the laws of the PRC in the stipulated manner. The exercise price of each of the rights under the paragraph above shall be the nominal price, subject to other price requirements by the PRC government authorities.</p> <p>The Registered Shareholders undertake that, among other things, they will not (i) amend the articles of association of the OPCO; (ii) increase or decrease the registered capital of the OPCO; (iii) transfer, mortgage, create any security interest or third party rights in their equity interests in the OPCO (save for the pledge under the Equity Pledge Agreement); or (iv) approve any merger or acquisition activities of the OPCO without prior written permission of the PRC Co.</p>

(2) *Exclusive Business Cooperation Agreement*

Date: 28 September 2014

Parties: (1) The PRC Co

(2) The OPCO

Term: 10 years commencing from the date of the Exclusive Business Cooperation Agreement unless it is terminated by notice in writing by the parties. The PRC Co has the option to extend the term upon its expiry, which shall be automatically extended until the PRC Co gives written confirmation regarding the extension of the term.

Subject: The OPCO engages the PRC Co on an exclusive basis to provide consultancy services in connection with the business of the OPCO, including market consultation, technology support, business consultation and other related management and corporate consultation services.

In consideration of the provision of consultancy services, the OPCO will pay the PRC Co a service fee equivalent to 100% of the income and interests of the OPCO every year after deduction of necessary costs and expenses. During the term of the Exclusive Business Cooperation Agreement, the PRC Co shall have the right to adjust the service fees at its sole discretion without the consent of the OPCO.

(3) *Equity Pledge Agreement*

Date: 28 September 2014

Parties:

- (1) The PRC Co
- (2) The OPCO
- (3) The Registered Shareholders

Term: Effective from the registration of the pledged equity interests under the Equity Pledge Agreement at the relevant bureau of the Administration for Industry and Commerce in the PRC until all payment obligations of the Registered Shareholders (including but not limited to those under the Exclusive Business Cooperation Agreement and relevant interests, costs and expenses) are satisfied and discharged in full and the PRC Co having exercised its options under the Exclusive Option Agreement and obtained all the equity interests in the OPCO.

Subject: The Registered Shareholders agree to pledge all equity interests in the OPCO held by the Registered Shareholders (including all present and future rights and benefits derived from such equity interests and any additional interests in OPCO acquired by the Registered Shareholders subsequent to the date of the Equity Pledge Agreement) to the PRC Co, as continuing first priority collateral security for the performance of all payment obligations of the Registered Shareholders (including but not limited to those under the Exclusive Business Cooperation Agreement and relevant interests, costs and expenses).

(4) *Authorisation and Entrustment Agreement*

Date: 28 September 2014

Parties: (1) The PRC Co
(2) The OPCO
(3) The Registered Shareholders

Term: An indefinite term upon execution and shall continue to be valid until otherwise notified by the PRC Co in writing or when the Authorisation and Entrustment Agreement is terminated in advance as stipulated in the Authorisation and Entrustment Agreement.

Subject: The Registered Shareholders, among other things, irrevocably and unconditionally undertake to authorise any person as designated by the PRC Co (including but not limited to the members of the board of directors of the PRC Co and their respective successors or liquidators) to exercise on their behalf full shareholders' rights under the articles of association of OPCO and applicable PRC laws and regulations, including, but not limited to (i) the right to attend the shareholders' meeting, (ii) the right to sign minutes of shareholders' meeting and shareholders' resolutions, (iii) all shareholder's rights under the articles of association of the OPCO, including, but not limited to voting rights, the right to sell, transfer, pledge or otherwise dispose of all or part of the rights relating to their equity interest in the OPCO, and the right to appropriate, use or otherwise dispose of the dividends declared by the OPCO, (iv) the right to act as the legal representative, chairman, director, supervisor, managing director and other senior management of the OPCO, and (v) the right to file documents with the relevant companies registry.

Compliance of Structured Contracts with PRC laws, rules and regulations

Upon the legal advice from the PRC Legal Adviser, First P2P Co has taken all possible actions or steps to confirm that the Structured Contracts comply with the PRC laws, rules and regulations applicable to the business of the PRC Co and the OPCO, do not contravene the articles of the PRC Co and the OPCO, and would not be deemed as “concealing illegal intentions with a lawful form” and void under the PRC contract law. Up to the date of this announcement, First P2P Group has not encountered any interference or encumbrance from any governing bodies in operating its business through the OPCO under the Structured Contracts. As a result, the Directors believe that the Structured Contracts shall be enforceable under the PRC laws and regulations.

Arrangements in the event of death, bankruptcy or divorce of the Registered Shareholders

As advised by the PRC Legal Adviser, appropriate arrangements have been made to protect the PRC Co’s interests in the event of death, or any circumstance that affects the Registered Shareholders’ exercising of the rights related to equity interests of the OPCO. Each of the Structured Contracts contain a provision which sets out that the respective agreement shall be legally binding on the legal assignees or successors of the parties thereto. Each of the Registered Shareholders has undertaken that the equity interests he/she holds is not the joint property shared with his/her spouses and the exercising of related rights shall not be affected by his/her spouses.

Settlement of potential dispute arising from the Structured Contracts

The Structured Contracts are governed by the PRC laws. When a dispute arises under any of the Structured Contracts, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute is not resolved, the Structured Contracts provide that dispute to be submitted to the China International Economic and Trade Arbitration Commission for arbitration to be conducted in Beijing. The decision of such arbitration is final and binding on the parties concerned.

The Structured Contracts contain dispute resolution clauses that (i) provide for arbitration and that arbitrators may award remedies over the equity interests or assets of the OPCO, injunctive relief (for example, for the conduct of business or to compel the transfer of assets) or order the winding up of the OPCO, and (ii) provide the courts of competent jurisdictions with the power to grant interim remedies in support of the arbitration pending formation of the arbitration panel. The courts of the PRC, the Cayman Islands and Hong Kong are specified as having jurisdiction for this purpose.

Measures to mitigate potential conflict of interests between the PRC Co and the Registered Shareholders

Each of the Registered Shareholders has undertaken in the Structured Contracts that he/she will give up any benefits or dividend from the OPCO and pay such interests to the PRC Co as the service fees, and he/she will perform all obligations in full compliance with the Structured Contracts and he/she will not affect the validity or enforceability of the Structured Contracts by any act or omission.

The OPCO undertakes in the Exclusive Business Cooperation Agreement that during the period that the Structured Contracts remain effective, (i) unless otherwise agreed by the PRC Co in writing, it or its subsidiaries would not participate in any business which may potentially affect the businesses or reputation of the PRC Co, and (ii) it or its subsidiaries would not, directly or indirectly (either on its/their own account or through other means) participate in, or be interested in, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of the PRC Co.

Internal control measures

In order to have effective control over and to safeguard the assets of the OPCO, the Structured Contracts provide that, without the prior written consent of the PRC Co, the Registered Shareholders shall not at any time sell, transfer, mortgage or dispose of in any manner any assets, legitimate interests in the business or revenue of the OPCO, or allow any encumbrance thereon of any security interest.

The OPCO and the Registered Shareholders shall always operate all of the OPCO's businesses in the ordinary and usual course of business and shall maintain the asset value of the OPCO and refrain from any action/omission that may adversely affect the OPCO's operating status and asset value.

Unwinding the Structured Contracts

The PRC Co agrees that it will unwind the Structured Contracts as soon as the law allows the value-added telecommunications business in the PRC to be operated without the Structured Contracts. Pursuant to the Exclusive Option Agreement, each of the Registered Shareholders has undertaken that the consideration the Registered Shareholders received in respect of the acquisition of equity interests of the OPCO by the PRC Co or the person designated by the PRC Co during the course of unwinding the Structured Contracts will be returned to the PRC Co in compliance with the PRC law.

Insurance to cover the risks relating to the Structured Contracts

The PRC Co has not purchased any insurance to cover the risks relating to the enforcement of the Structured Contracts due to the unavailability of such insurance product in the market at the moment.

Potential exposure of the Company to losses

To ensure that the cash flow requirements of the OPCO's ordinary operations are met and/or to set off any loss accrued during such operations, the PRC Co may, at its own discretion and only to the extent permissible under the PRC laws, provide financial support to the OPCO, whether or not the OPCO actually incurs any such operational loss. The PRC Co's financial support to the OPCO may take the form of bank entrusted loans.

All intellectual properties or permits or other approvals for the value-added telecommunications business owned by the OPCO shall be flawless, otherwise the PRC Co may bear the loss resulted from the flaw thereof.

RISK FACTORS

The PRC Co does not have any direct equity ownership in the OPCO and has relied on the Structured Contracts to control, operate, and be entitled to the economic benefits and risks arising from the value-added telecommunications services business in the PRC conducted through the OPCO. However, there are risks involved with the operations of the PRC Co's value-added telecommunications business under the Structured Contracts.

There is no assurance that the Structured Contracts could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Structured Contracts do not comply with applicable regulations

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in value-added telecommunications business, including Internet content provision (“**ICP**”) services. Specifically, foreign ownership of value-added telecommunications services providers, including Internet content providers, may not exceed 50%. The OPCO's online P2P business is regarded as Internet content provision business. First P2P Co is a British Virgin Islands incorporated company and its wholly-owned subsidiary in the PRC, the PRC Co, may not operate Internet content provision services in the PRC under current PRC law. As a result, the Group will have to conduct its online P2P operations in the PRC through the Structured Contracts.

The Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Services issued by the Ministry of Industry and Information Technology of the People's Republic China (the “**MIIT**”)

on 13 July 2006 (the “**MIIT Circular**”) provides that a domestic company that holds an ICP licence is prohibited from leasing, transferring or selling the licence to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to provide ICP services illegally in the PRC. Due to a lack of interpretative materials from the authorities, the Group cannot assure that the MIIT will not consider First P2P Group’s corporate structure and contractual arrangements upon Completion as a kind of foreign investment in telecommunication services, in which case First P2P Group may be found in violation of the MIIT Circular and as a result may be subject to various penalties, including fines and the discontinuation of or restrictions on First P2P Group’s operations.

On 11 December 2001, the State Council promulgated Regulations for the Administration of Foreign-invested Telecommunications Enterprises (the “**FITE Regulations**”), which were subsequently amended on 10 September 2008. Under the FITE Regulations, foreign ownership of companies that provide value-added telecommunication services, which include the operation of web games and mobile games, is limited to 50%. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirement**”). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement. If the restrictions on foreign ownership in value-added telecommunications businesses in relation to the OPCO’s online P2P are lifted in the PRC, First P2P Group may be required to unwind the Structured Contracts before First P2P Group is in a position to fully comply with the Qualification Requirement.

Despite the lack of clear guidance or interpretation on the Qualification Requirement, First P2P Group will gradually build up its track record of overseas business operations and plans to take additional steps to comply with the Qualification Requirement, including committing financial and other resources to implement full compliance. The First P2P Group is in contemplation of cooperating with other pioneer and innovative internet finance companies in overseas market and introduce them to China. The business model of the First P2P Group will be expected to be adapted in Hong Kong and the management will be relocated and stationed in the Hong Kong office to supervise and monitor the First P2P Group’s relevant value-added telecommunication business and to help build up the operation team.

Despite the fact that there is no indication that the Structured Contracts will be interfered or objected by any PRC regulatory authorities, the PRC Legal Adviser has advised that there is a possibility that the Ministry of Commerce and other competent authorities may have different opinions on the interpretation of the relevant regulations and would not agree that the Structured Contracts comply with the current PRC laws, regulations or rules or those that may be adopted in future, and the authorities may deny the validity, effectiveness and enforceability of the Structured Contracts.

If the authorities deny the validity, effectiveness and enforceability of the Structured Contracts, it could have a material adverse impact on the Group's businesses, financial condition and results of operations.

The Structured Contracts may not be as effective in providing control over and entitlement to the economic interests in the OPCO as direct ownership

The Structured Contracts may not be as effective in providing the PRC Co with control over and entitlement to the economic interests in the OPCO as direct ownership. If the PRC Co had direct ownership of the OPCO, the PRC Co would be able to directly exercise its rights as a shareholder to effect changes in the board of directors of the OPCO. However, under the Structured Contracts, the PRC Co can only look to and rely on the OPCO and the Registered Shareholders to perform their contractual obligations under the Structured Contracts such that the PRC Co can exercise effective control over the OPCO. The Registered Shareholders may not act in the best interests of the PRC Co or may not perform its/their obligations under the Structured Contracts. The PRC Co may replace the Registered Shareholders by its other nominees pursuant to the Structured Contracts. However, if any dispute relating to the Structured Contracts remains unresolved, the PRC Co will have to enforce its rights under the Structured Contracts and seek to interpret the terms of the Structured Contracts in accordance with the PRC laws and will be subject to uncertainties in the PRC legal system.

The Structured Contracts are governed by the PRC laws. When a dispute arises under any of the Structured Contracts, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute is not resolved, the parties to the dispute may have to rely on legal remedies under the PRC laws. The Structured Contracts provide that dispute will be submitted to the China International Economic and Trade Arbitration Commission for arbitration to be conducted in Beijing. The decision of such arbitration is final and binding on the parties to the dispute.

Since the legal environment in the PRC is different from that in Hong Kong and other jurisdictions, the uncertainties in the PRC legal system could limit the ability of the PRC Co to enforce the Structured Contracts. There is no assurance that such arbitration result will be in favour of the PRC Co and/or that there will not be any difficulties in enforcing any arbitral awards granted, including specific performance or injunctive relief and claiming damages by the PRC Co. As the PRC Co may not be able to obtain sufficient remedies in a timely manner, its ability to exert effective control over the OPCO and the conduct of the value-added telecommunication business could be materially and adversely affected, and may disrupt the business of the PRC Co and have a material adverse impact on the PRC Co's business, prospects and results of operation.

Potential conflicts of interest among the PRC Co, the OPCO and Registered Shareholders may exist

The PRC Co shall rely on the Structured Contracts to exercise control over and to draw the economic benefits from the OPCO. The PRC Co may not be able to provide sufficient incentives to the Registered Shareholders for the purpose of encouraging it/them to act in the best interests of the PRC Co, other than stipulating the relevant obligations in the Structured Contracts. The Registered Shareholders may breach the Structured Contracts in the event of conflicts of interest or deterioration of its/their relationship with the PRC Co, the results of which may have a material adverse impact on the PRC Co's business, prospects and results of operation.

It is not assured that if conflicts arise, the Registered Shareholders will act in the best interests of the PRC Co or that the conflicts will be resolved in favour of the PRC Co. If any of the Registered Shareholders fail to perform its obligations under the respective Structured Contracts, the PRC Co may have to rely on legal remedies under the PRC laws through legal proceedings, which may be expensive, time-consuming and disruptive to the PRC Co's operations and will be subject to uncertainties as discussed above.

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed on the PRC Co. The PRC Co may face adverse tax consequences if the PRC tax authorities determine that the Structured Contracts were not entered into based on arm's length negotiations. If the PRC tax authorities determine that the Structured Contracts were not entered into on an arm's length basis, they may adjust the income and expenses of the PRC Co for the PRC tax purposes, which could result in higher tax liabilities on the PRC Co.

The operation results of the PRC Co may be materially and adversely affected if the tax liabilities of the OPCO or those of the PRC Co increase significantly or if they are required to pay interest on late payments.

The PRC Co's ability to acquire the entire equity interests in the OPCO may be subject to various limitations and substantial costs

In case the PRC Co exercises its options to acquire all or part of the equity interests of the OPCO under the Exclusive Option Agreement, the acquisition of the entire equity interests in the OPCO may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under applicable PRC laws. In addition, the abovementioned acquisitions may be subject to a minimum price limitation (such as an appraised value for the entire equity interests in the OPCO) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs (if any), expenses and time may be involved in transferring the ownership of the OPCO, which may have a material adverse impact on the PRC Co's businesses, prospects and results of operation.

DEVIATION FROM THE GUIDANCE LETTER

Paragraph 16(a)(i) of the Guidance Letter GL77-14 published by the Stock Exchange in May 2014 in relation to listed issuers using contractual arrangements for their businesses (the “**Guidance Letter**”) requires that structured contracts shall be narrowly tailored to achieve the issuer's business purpose and minimise the potential for conflict with relevant PRC laws and regulations. As advised by the PRC Legal Adviser, according to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services.

However, to the best knowledge of the Company and the PRC Legal Adviser, if a foreign-owned enterprise like First P2P Co applies for an ICP licence, it will be subject to more stringent requirements or additional requirements imposed by the Ministry of Industry and Information Technology of The People's Republic of China or its local counterparts (the “**Relevant Authority**”) as compared to domestic enterprises in the PRC. As compared to domestic enterprises in the PRC, the Relevant Authority will require more information, documents and other proof from an applicant which is a foreign-owned enterprise in various aspects, such as the identity and nationality of its ultimate individual shareholders, its prior experience in operating value-added telecommunications businesses and a proven track record of its overseas business operations (collectively, the “**Additional Information**”). No criteria, standard, guidance or interpretation documents have been published by the Relevant Authority on how the Additional Information will be assessed, whether in qualitative or quantitative aspect, and on the extent or form of requirements of the Additional Information.

Due to the lack of clarity on how the requirements in respect of the Additional Information can be satisfied, an applicant like First P2P Co will be unable to follow such requirements when applying for an ICP licence to the Relevant Authority, and hence there will be a prolonged process of application with unknown results. Hence, there exists great difficulty and uncertainty for the foreign-owned enterprises to apply for an ICP licence from the Relevant Authority in the PRC.

Taking into account of the above, in order not to interrupt the daily operations of the OPCO, First P2P Group has to adopt the Structured Contracts to own the entire equity interests of the OPCO, which constitutes a deviation from the requirement of paragraph 16(a)(i) of the Guidance Letter.

The Board considers that, although the above constitutes a deviation from the requirement of paragraph 16(a)(i) of the Guidance Letter, it is in the interests of First P2P Co to adopt the Structured Contracts for the OPCO's entire equity interests in view of the reasons mentioned above. The Board considers that save as disclosed above, First P2P Group has complied with all applicable requirements of the Guidance Letter.

GEM LISTING RULES IMPLICATIONS

Mr. Zhang is a connected person of the Company by virtue of being a substantial shareholder of the Company. As at the date of this announcement, since Mr. Zhang controls the exercise of 30% or more of the voting power of First P2P Co, First P2P Co is an associate of Mr. Zhang and thus a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratios in respect of the Acquisition calculated pursuant to Rule 19.07 of the GEM Listing Rules, when aggregated with the 2014 Acquisitions, exceed 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under the Chapter 20 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“2014 Acquisitions”	the acquisitions of (1) the 80% equity interest of 上海鋒之行汽車金融信息服務有限公司 (Shanghai Feng Zhi Xing Automotive Financial Information Services Ltd.*) by the Group under the share transfer agreement dated 31 March 2014 and entered into between 上海中鋒商業保理有限公司 (Shanghai Zhongfeng Business Factoring Ltd.*) and Wanjun Hangzhou as disclosed in the announcement dated 31 March 2014 of the Company; (2) the entire right of control, economic interests and benefits of 北京鳳凰信用管理股份有限公司 (Beijing Phoenix Credit Management Corporation*) by the Group under the investment agreement dated 11 August 2014 and entered into among Wanjun Hangzhou, Phoenix Asset, Ms. Tang Chong (唐翀) and 北京鳳凰信用管理股份有限公司 (Beijing Phoenix Credit Management Corporation*) as disclosed in the announcement dated 11 August 2014 of the Company; and (3) the 49% equity interests of 海南先鋒網信小額貸款有限公司 (Hainan Pioneer Internet Microfinance Limited*) by the Group under the equity transfer agreement dated 11 August 2014 and entered into between Phoenix Asset and Wanjun Hangzhou as disclosed in the announcement dated 11 August 2014 of the Company
“Acquisition”	the acquisition of the Transfer Shares by Ever Step from First P2P Co under the Acquisition Agreement
“Acquisition Agreement”	the agreement relating to the Acquisition entered into between First P2P Co and Ever Step on 12 January 2015
“associate”, “percentage ratio(s)”, “substantial shareholder”	each has the meaning ascribed to it under the GEM Listing Rules

“Authorisation and Entrustment Agreement”	the authorisation and entrustment agreement dated 28 September 2014 and entered into between the PRC Co, the OPCO and the Registered Shareholders
“Board”	the board of Directors
“Business Day”	a day other than a Saturday or Sunday or the statutory public holiday in the PRC
“China” or “PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	Credit China Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed and traded on GEM (stock code: 8207)
“Completion”	completion of the Acquisition
“Consideration”	RMB50,000,000 (equivalent to approximately HK\$62,500,000) being the consideration to be paid by Ever Step to First P2P Co for the Transfer Shares under the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“Equity Pledge Agreement”	the equity interests pledge contract dated 28 September 2014 and entered into among the PRC Co, the OPCO and the Registered Shareholders
“Ever Step”	Ever Step Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Exclusive Business Cooperation Agreement”	the exclusive business cooperation agreement dated 28 September 2014 and entered into between the PRC Co and the OPCO
“Exclusive Option Agreement”	the exclusive purchase option agreement dated 28 September 2014 and entered into among the PRC Co, the OPCO and the Registered Shareholders

“First P2P/網信理財”	the principal business engaged in by the First P2P Group, namely the operation of the internet financing platform conducted via multiple channels, including the website (FirstP2P.com/網信理財) and mobile application under the “First P2P” (“網信理財”) brand
“First P2P Co”	First P2P Limited, First P2P Limited (第一P2P有限公司) (formerly known as Frontier Financial Rental Co., Ltd. (先鋒金融租賃有限公司)), a company incorporated in the British Virgin Islands
“First P2P Group”	collectively, First P2P Co, the HK Co, the PRC Co and the OPCO
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Great Reap”	Great Reap Ventures Limited, a company wholly-owned by Mr. Zhang
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HK Co”	UCF HUARONG INVESTMENT (HK) CO., LIMITED (先鋒華融投資(香港)有限公司) (formerly known as Frontier Financial Leasing HK Co., Limited (先鋒融資租賃(香港)有限公司)), a company incorporated in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Mr. Zhang”	Mr. Zhang Zhenxin (張振新), a substantial shareholder of the Company
“OPCO”	北京東方聯合投資管理有限公司 (Beijing Dongfang Lianhe Investment Management Limited*), a company established in the PRC
“Phoenix Asset”	鳳凰資產管理有限公司 (Phoenix Asset Management Limited*), a company established in the PRC

“PRC Co”	北京華融聚輝投資諮詢有限公司 (Beijing Huarong Juhui Investment Consultancy Limited*), a company established in the PRC
“PRC Legal Adviser”	Jingtian & Gongcheng, the legal adviser to First P2P Co as to the laws of the PRC
“Registered Shareholders”	collectively, Mr. Zhang and Ms. Li Huanxiang (李煥香), being the registered shareholders of OPCO
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.1 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the Authorisation and Entrustment Agreement, the Equity Pledge Agreement, the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement
“Transfer Shares”	1,000 shares of First P2P Co, representing 10% equity interest in First P2P Co as at the date of this announcement, to be sold to Ever Step by First P2P Co pursuant to the Acquisition Agreement
“Wanjun Hangzhou”	萬峻 (杭州) 創業投資管理有限公司 (Wanjun (Hangzhou) Venture Capital Management Company Limited*), an indirect wholly-owned subsidiary of the Company
“%”	per cent

For the purposes of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1:HK\$1.25. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the above rate.

By order of the Board
Credit China Holdings Limited
Li Mingshan
Chairman

Hong Kong, 12 January 2015

As at the date of this announcement, the Directors are as follows:

Executive Directors:

Mr. Phang Yew Kiat (*Vice-Chairman and Chief Executive Officer*)

Mr. Chng Swee Ho

Mr. Sheng Jia

Ms. Shen Li

Non-executive Directors:

Mr. Li Mingshan (*Chairman*)

Mr. Li Gang

Mr. Wong Sai Hung

Independent Non-executive Directors:

Mr. Ge Ming

Mr. Peter Z Kuk

Mr. Wang Wei

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at (www.creditchina.hk).

* For identification purpose only