

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE” AND “GEM”, RESPECTIVELY)**

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

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

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*This report, for which the directors of Credit China Holdings Limited (the “Company” and the “Directors”, respectively) 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.*



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## CORPORATE INFORMATION

### DIRECTORS

#### **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

Dr. Wong, Kennedy Ying Ho  
(*Appointed on 16 February 2015*)

### COMPANY SECRETARY

Mr. Kwok Siu Man

### COMPLIANCE OFFICER

Mr. Chng Swee Ho

### AUTHORIZED REPRESENTATIVES

Mr. Phang Yew Kiat

Mr. Kwok Siu Man

### AUDIT COMMITTEE

Mr. Ge Ming (*Chairman*)

Mr. Peter Z Kuk

Mr. Wang Wei

Dr. Wong, Kennedy Ying Ho  
(*Appointed on 16 February 2015*)

### REMUNERATION COMMITTEE

Mr. Wang Wei (*Chairman*)

Mr. Ge Ming

Mr. Peter Z Kuk

Dr. Wong, Kennedy Ying Ho  
(*Appointed on 16 February 2015*)

### NOMINATION COMMITTEE

Mr. Peter Z Kuk (*Chairman*)

Mr. Ge Ming

Mr. Wang Wei

Dr. Wong, Kennedy Ying Ho  
(*Appointed on 16 February 2015*)

### PRINCIPAL BANKERS

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

China Construction Bank Corporation  
(Shanghai Nanjing West Road Sub-branch)  
No. 577-587, Nanjing West Road  
Shanghai, The People's Republic of China

### INDEPENDENT AUDITOR

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

## **CORPORATE INFORMATION** *(Continued)*

### **LEGAL ADVISER**

Mayer Brown JSM  
16th-19th Floors, Prince's Building  
10 Chater Road Central  
Hong Kong

### **REGISTERED OFFICE**

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Rooms 3533-39, Level 35  
Two Pacific Place  
88 Queensway  
Hong Kong

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC**

Room E-F, 28F, Mirae Asset Tower  
No. 166 Lujiazui Ring Road  
Pudong, Shanghai,  
The People's Republic of China  
Postal Code 200120

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS**

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **WEBSITE**

[www.creditchina.hk](http://www.creditchina.hk)

### **STOCK CODE**

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### **INVESTOR RELATIONS CONTACT**

[ir@creditchina.hk](mailto:ir@creditchina.hk)



## FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately RMB70.1 million for the three months ended 31 March 2015, representing a decrease of 11.6% as compared with the corresponding period in 2014.
- Profit attributable to owners of the Company for the three months ended 31 March 2015 amounted to approximately RMB12.8 million, representing a decrease of 43.7% as compared with the corresponding period in 2014.
- Basic earnings per share for the three months ended 31 March 2015 amounted to RMB0.40 cents (2014: RMB0.77 cents).
- The Board resolved to not pay an interim dividend for the three months ended 31 March 2015.

The board of Directors of the Company (the "Board") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2015 together with the comparative unaudited figures for the corresponding periods in 2014, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 31 March	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
<b>Turnover</b>	3	<b>70,141</b>	79,347
Interest income	3	<b>26,405</b>	53,773
Interest expenses	6	<b>(16,745)</b>	(23,351)
<b>Net interest income</b>		<b>9,660</b>	30,422
<b>Financial consultancy service income</b>	3	<b>2,896</b>	19,720
<b>Online third party payment service income</b>	3	<b>25,222</b>	5,854
<b>Peer-to-peer loan service income</b>	3	<b>10,840</b>	–
<b>Gain on transfer of rights on interests on loan receivables</b>	3	<b>4,778</b>	–
		<b>53,396</b>	55,996
Other income	5	<b>2,344</b>	8,077
Handling charges for online third party payment service		<b>(3,618)</b>	(733)
Administrative and other operating expenses		<b>(27,576)</b>	(34,420)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

		<b>For the three months ended 31 March</b>	
		<b>2015</b>	2014
		<b>(Unaudited)</b>	(Unaudited)
<i>Notes</i>		<b>RMB'000</b>	<i>RMB'000</i>
	Change in fair value of embedded derivative component of convertible bond	<b>7,921</b>	–
	Share-based payment expenses	<b>(9,398)</b>	(2,646)
	Share of results of associates	<b>10</b>	(338)
	Share of results of joint ventures	<b>(3,469)</b>	(603)
		<hr/>	<hr/>
	<b>Profit before tax</b>	<b>19,610</b>	25,333
	Income tax	<b>(6,449)</b>	(2,712)
		<hr/>	<hr/>
	<b>Profit for the period</b>	<b>13,161</b>	22,621
		<hr/>	<hr/>
	<b>Other comprehensive income (expense)</b>		
	<b>Items that may be reclassified subsequently to profit or loss:</b>		
	Exchange differences on translating foreign operations	<b>(31)</b>	(479)
	Change in fair value of available-for-sale investments	<b>1,017</b>	–
		<hr/>	<hr/>
	Other comprehensive income (expense) for the period, net of income tax	<b>986</b>	(479)
		<hr/>	<hr/>
	<b>Total comprehensive income for the period</b>	<b>14,147</b>	22,142
		<hr/>	<hr/>
	<b>Profit (loss) for the period attributable to:</b>		
	Owners of the Company	<b>12,791</b>	22,707
	Non-controlling interests	<b>370</b>	(86)
		<hr/>	<hr/>
		<b>13,161</b>	22,621
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

		For the three months ended 31 March	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
<b>Total comprehensive income (expense) for the period attributable to:</b>			
Owners of the Company		<b>13,774</b>	22,918
Non-controlling interests		<b>373</b>	(776)
		<b>14,147</b>	22,142
		<b>RMB</b>	RMB
<b>Earnings per share</b>			
Basic	10	<b>0.40 cents</b>	0.77 cents
Diluted	10	<b>0.40 cents</b>	0.76 cents

Notes:

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2015 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and complied with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

### 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these results are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2014.



### 3. TURNOVER

The principal activities of the Group are provision of traditional financing services and related financing consultancy services including entrusted loan service, real estate-backed loan service, pawn loan service, other loan service and microfinance service, and internet financing services including online third party payment services, P2P loan services and related activities on loan portfolio management.

Turnover represents interest income (either from entrusted loans, pawn loans, real estate-backed loans, other loans or micro loans), financial consultancy service income, online third party payment service income, P2P loan service income, and gain on transfer of interest rights, net of corresponding sales related taxes. The amount of each significant category of revenue recognised in turnover for the period is as follows:

	<b>For the three months ended 31 March</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Interest income</b>		
Entrusted loan service income	<b>22,211</b>	30,152
Other loan service income	<b>3,698</b>	3,842
Real estate-backed loan service income	<b>-</b>	11,024
Microfinance service income	<b>496</b>	8,755
	<b>26,405</b>	53,773
<b>Financial consultancy service income</b>	<b>2,896</b>	19,720
<b>Online third party payment service income</b>	<b>25,222</b>	5,854
<b>P2P loan service income</b>	<b>10,840</b>	-
<b>Gain on transfer of rights on interests on loan receivables</b>	<b>4,778</b>	-
<b>Turnover</b>	<b>70,141</b>	79,347

#### 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 maker ("CODM"), which 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.

Following the exploration of the businesses in the provision of online third party payment services, P2P loan services and certain activities on loan portfolio management, the CODM had revisited the resources allocation and performance assessment of the Group's operating segments, and determined the following reportable and operating segments under HKFRS 8:

1. Loan financing – provision of financing services (other than micro loan financing) in the PRC and Hong Kong;
2. Micro loan financing – provision of micro loan financing services in the PRC;
3. Online third party payment services – provision of online third party payment service and prepaid card issuance business;
4. P2P loan services – provision of internet housing loan, automobile loan and financial assets related loan financing services in the PRC; and
5. Others – property investment

No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

#### 4. SEGMENT INFORMATION (Continued)

##### Segment revenue and results

**For the period ended 31 March 2015 (unaudited)**

	Loan financing RMB'000	Micro loan financing RMB'000	Online third party payment services RMB'000	P2P loan services RMB'000	Others RMB'000	Total RMB'000
REVENUE						
External income and gain	28,798	1,545	27,622	12,176	-	70,141
Segment results	20,682	(442)	20,621	4,466	-	45,327
Share of results of associates						10
Share of results of joint ventures						(3,469)
Unallocated other income						2,303
Change in fair value of embedded derivative component of convertible bond						7,921
Share-based payment expenses						(9,398)
Interest expenses						(16,745)
Unallocated expenses						(6,339)
Profit before tax						19,610

#### 4. SEGMENT INFORMATION (Continued)

##### Segment revenue and results (Continued)

For the period ended 31 March 2014 (unaudited)

	Loan financing RMB'000	Micro loan financing RMB'000	Online third party payment services RMB'000	P2P loan services RMB'000	Others RMB'000	Total RMB'000
REVENUE						
External income and gain	53,654	19,146	6,547	-	-	79,347
Segment results	47,042	10,641	2,258	-	-	59,941
Share of results of associates						(338)
Share of results of joint ventures						(603)
Unallocated other income						1,373
Share-based payment expenses						(2,646)
Interest expenses						(23,351)
Unallocated expenses						(9,043)
Profit before tax						25,333

#### 5. OTHER INCOME

##### For the three months ended 31 March

	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Government grants (note)	34	6,149
Bank interest income	1,528	355
Interest income on convertible bond	775	1,018
Others	7	555
	<b>2,344</b>	<b>8,077</b>

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

## 6. INTEREST EXPENSES

	<b>For the three months ended 31 March</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Repayable within five years:		
Interest on corporate bonds	<b>4,299</b>	7,526
Interest on bank and other loans	<b>11,586</b>	14,830
Interest on financial assets sold under repurchase agreement	-	995
Repayable more than five years:		
Interest on corporate bonds	<b>860</b>	-
	<b>16,745</b>	23,351

## 7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	<b>For the three months ended 31 March</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>(a) Staff costs, including directors' remuneration</b>		
Salaries, wages and other benefits	<b>11,126</b>	15,540
Contribution to defined contribution retirement benefits scheme	<b>885</b>	638
Share-based payment expenses	<b>9,398</b>	2,646
	<b>21,409</b>	18,824
<b>(b) Other items</b>		
Auditors' remuneration	<b>42</b>	287
Impairment recognised on loan receivables (included in administrative and other operating expenses)	<b>5,430</b>	6,087
Depreciation	<b>1,303</b>	1,420
Net exchange gain	<b>(573)</b>	(192)
Operating lease charges in respect of properties	<b>4,142</b>	2,886

## 8. INCOME TAX

	<b>For the three months ended 31 March</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Current tax:		
Provision for PRC EIT	<b>6,332</b>	1,170
Deferred tax	<b>117</b>	1,542
	<hr/>	<hr/>
	<b>6,449</b>	2,712
	<hr/>	<hr/>

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

No Hong Kong Profits Tax has been provided for the three months ended 31 March 2015 and 2014 as the Group has no assessable profit for Hong Kong Profits Tax purposes for both periods.

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

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

## 9. DIVIDENDS

The Board has resolved not to pay an interim dividend for the three months ended 31 March 2015 (three months ended 31 March 2014: Nil).

## 10. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2015 is based on the profit attributable to owners of the Company of RMB12,791,000 (three months ended 31 March 2014: RMB22,707,000) and the weighted average of 3,221,156,000 (three months ended 31 March 2014: 2,945,907,733) ordinary shares in issue during the three months ended 31 March 2015.

### Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 31 March 2015 is based on the profit attributable to owners of the Company of RMB12,791,000 (three months ended 31 March 2014: RMB22,707,000) and the weighted average of 3,229,685,546 (three months ended 31 March 2014: 2,985,913,106) ordinary shares in issue during the period.

## 11. RESERVES

### Attributable to owners of the Company

	Share capital	Share premium	Statutory reserve	Retained profits	Investment revaluation reserve	Exchange reserve	Share-based payment reserve	Capital reserve	Special reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	245,773	556,369	27,313	455,320	1,402	(7,302)	8,698	(133,438)	40,000	1,194,135	100,290	1,294,425
Profit for the period	-	-	-	22,707	-	-	-	-	-	22,707	(86)	22,621
Other comprehensive income (expense)	-	-	-	-	-	211	-	-	-	211	(690)	(479)
Total comprehensive income (expense) for the period	-	-	-	22,707	-	211	-	-	-	22,918	(776)	22,142
Issue of shares by placing	15,890	111,230	-	-	-	-	-	-	-	127,120	-	127,120
Issue of shares upon exercise of share options	611	2,853	-	-	-	-	(281)	-	-	3,183	-	3,183
Lapsed of share option	-	-	-	170	-	-	(170)	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	2,646	-	-	2,646	-	2,646
Acquisition of additional interests in subsidiaries	-	-	12	-	-	-	-	132	-	144	-	144
At 31 March 2014 (unaudited)	262,274	670,452	27,325	478,197	1,402	(7,091)	10,893	(133,306)	40,000	1,350,146	99,514	1,449,660
At 1 January 2015 (audited)	267,736	688,395	25,067	510,758	68	(7,995)	6,804	(125,038)	40,000	1,405,795	13,633	1,419,428
Profit for the period	-	-	-	12,791	-	-	-	-	-	12,791	370	13,161
Other comprehensive income (expense)	-	-	-	-	-	-	-	-	-	-	-	-
- exchange differences on translating foreign operations	-	-	-	-	-	(34)	-	-	-	(34)	3	(31)
- change in fair value of available-for-sale investments	-	-	-	-	1,017	-	-	-	-	1,017	-	1,017
Total comprehensive income (expense) for the period	-	-	-	12,791	1,017	(34)	-	-	-	13,774	373	14,147
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,000	1,000
Recognition of equity-settled share-based payments	-	-	-	-	-	-	9,398	-	-	9,398	-	9,398
At 31 March 2015 (unaudited)	267,736	688,395	25,067	523,549	1,085	(8,029)	16,202	(125,038)	40,000	1,428,967	15,006	1,443,973

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Company is a provider of traditional financing services including entrusted loans, real estate-backed loans, pawn loans, micro-loans and other loans and related financing consultancy services for small and medium-size enterprises and individuals in the People's Republic of China (the "PRC") and Hong Kong. Since the second half of 2013, the Group has also started an internet business in the PRC with its strategic transition into online third party payment business and then further expanded into the peer-to-peer ("P2P") loan service platform businesses by setting up multiple subsidiaries and joint ventures.

To enhance the Group's competitiveness in the internet financing industry in China, the Group created a strategic alliance with First P2P Limited, a company which is engaged in operating a P2P platform for internet financing with collateralized assets in the PRC, by acquiring a 10% equity interest in First P2P Limited at a consideration of RMB50.0 million on 27 January 2015.

In the first quarter of 2015, the Group also completed (1) an acquisition of a 100% equity interest in a business that operating an online P2P lending business with multiple channels, including a website ([www.9888.cn](http://www.9888.cn): 金融工場) and a mobile application under the "Financial Workshop" (金融工場) brand; and (2) an acquisition of a 49% equity interest in an internet microfinance company registered in Hainan Province, the PRC, which has a license to offer small loans to enterprises and individuals nation-wide via the internet. As part of our efforts to deepen our focus on internet finance activities, the Group ceased the operation of a lease financing business in China in March 2015 through a disposal of the remaining equity interest in the joint venture which operates the lease financing business.

For the three months ended 31 March 2015, the Group's revenue decreased by 11.6%, owing to the significant decrease of 58.3% in the interest income and financial consultancy service income derived from traditional financing services which is consistent with the Group's strategic transition into internet financing business. The total revenue stream from the online third party payment services and P2P loan services generated RMB39.8 million for the period representing 56.8% of the total Group's revenue. The revenue from the online third party payment services and P2P loan services represented 39.4% and 17.4% of the total Group's revenue, respectively.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial review

#### Revenue

For the three months ended 31 March 2015, the Group reported revenue of approximately RMB70.1 million, a decrease of 11.6% as compared to approximately RMB79.3 million for the corresponding period last year. The decline in revenue was mainly attributable to a slow-down in the business providing traditional financing services. However, the income streams from the provision of online third party payment services, and P2P loan services recorded a strong growth as compared to the corresponding period of last year.

- *Entrusted loan and other loan income*

Entrusted loan and other loan income includes interest income, financial consultancy service income and gain on transfer of rights on interests on loan receivables, which were derived from the Group's entrusted loans, pawn loans and other loans secured with pledged assets or guarantees. It generated 41.1% of the Group's total revenue and recorded a drop of 46.4% to approximately RMB28.8 million during the period under review as compared to approximately RMB53.7 million in the corresponding period of last year.

- *Micro loan income*

For the period under review, the Group's interest income and financial consultancy service income derived from microfinance services decreased significantly to approximately RMB1.5 million as compared to approximately RMB19.1 million for the corresponding period of last year. The significant decline was mainly due to the disposal of a traditional microfinance loan business in Chongqing, the PRC in December 2014.

- *Online third party payment service income*

In March 2014, the Group's online third party payment business commenced its operation in the provision of payment transactions, system consultancy and other services. For the period under review, it generated 39.4% of the Group's total revenue, and the Group's online third party payment service income increased by more than three times to approximately RMB27.6 million as compared to approximately RMB6.5 million for the corresponding period of last year.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **Financial Review** (Continued)

#### **Revenue** (Continued)

- *P2P loan service income*

During the period under review, the Group recorded approximately RMB12.2 million revenue, representing 17.4% of the Group's total revenue. The P2P loan service income includes provision of services in relation to internet housing loan services, automobile loan services and the operation of a P2P financing website and a mobile application with collateralized financial assets (www.9888.cn: 金融工場) which started to contribute to the Group's revenue in April 2014, May 2014 and February 2015, respectively.

#### **Interest expenses**

The Group's interest expenses mainly comprised interest due on bank loans, Hong Kong Dollar-denominated corporate bonds and other borrowings. The Group's interest expenses decreased 28.6% to approximately RMB16.7 million for the period ended 31 March 2015 from approximately RMB23.4 million for the corresponding period last year. This was because the Group had repaid high-interest borrowings of RMB153.0 million at interest rate of 24% per annum at the end of 2014.

#### **Other income**

The Group's other income mainly comprised convertible bond interest income, bank interest income and government grants. The Group's other income decreased 71.6% to approximately RMB2.3 million for the period ended 31 March 2015 from approximately RMB8.1 million for the corresponding period of last year. This was because the Group's subsidiaries in Shanghai had received government grants of RMB 6.1 million in relation to the encouragement of enterprise expansion for the period ended 31 March 2014.

#### **Administrative and other operating expenses**

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, rental expenses, legal and professional fees, sales and marketing related expenses and impairment on loan receivables. The Group's administrative and other operating expenses decreased 19.8% to approximately RMB27.6 million for the period ended 31 March 2015 from approximately RMB34.4 million for the corresponding period of last year. The decrease in administrative and other operating expenses was mainly attributable to the disposal of 60.3% equity interest in China Runking Financing Group Holdings Limited ("China Runking") on 18 December 2014.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Financial Review** *(Continued)*

#### **Share-based payment expenses**

Share-based payment expenses of the Group for the reporting period amounted to approximately RMB 9.4 million (three months ended 31 March 2014: RMB2.6 million). The Company granted share options under the Share Option Scheme on 11 December 2014 to certain eligible grantees (the “Grantees”), which will enable the Grantees to subscribe for an aggregate of 193,800,000 ordinary shares of the Company.

#### **Profit for the period**

The profit attributable to owners of the Company for the reporting period was approximately RMB12.8 million, representing a decrease of approximately 43.7% as compared to approximately RMB22.7 million for the corresponding period of last year. The decrease was mainly due to a significant decrease in net interest income and financial consultancy service income generated from traditional financing services by approximately RMB37.6 million, a decrease in government grants in Shanghai by approximately RMB6.1 million, an increase in share-based payment expenses by RMB6.8 million and an increase in share of losses of joint ventures by RMB2.9 million. During the period under review, the Company recognised a fair value gain of embedded derivative component of convertible bond of RMB7.9 million.

#### **Outlook**

The announcement of the Government Work Report 2015 laid a new tone for the development of internet financing. Under the strong urge of the “Internet+” action plan raised by Premier Li Keqiang, internet financing openly becomes the center of attention. For the internet financing sector, the government has migrated from its previous cautious attitude of “facilitating the healthy development of internet financing, improving the coordination mechanism of financial supervision, closely monitoring cross-border capital flows, and safe-guarding the bottom line with no outbreak of systematic and regional financial risks. The making of the finance sector to becoming liquid will better provide fund supporting for the development of small enterprises as well as “rural farmer” and agricultural sectors” to the encouraging attitude of “raising the proportion of direct financing, reducing the social costs of financing, and enabling more financial liquidity to flow into the real economy”.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### **Outlook** *(Continued)*

With this perspective, internet financing has escalated to become an important industry, and the promulgation of regulations will be accelerating. In catching up with the supervision-oriented momentum, apart from vigorously improving the functions of its overall platforms (Financial Workshop and First P2P), the Group will further develop its local lending platform and segmented platform to localize its risk management team and business team, and by leveraging on local resources and regional advantages from its local partners, the Group will be able to maximize its borrower sources while minimize its risk control and operation costs.

With the strong backup of the government's encouragement in developing the internet financing model to tackle the difficulty in raising fund and high financing costs for small and medium-sized enterprises, the prospect of P2B internet lending model is promising. In early 2014, the Group had already initiated a supply chain financing business model, under which it aims to identify quality projects within its supply chain, it packaged them as financial products to sell to investors on its internet platform, while those financial products on the platform are also sold to customers requiring financial services within the supply chain, thereby increasing the yield of customers' idle funds.

The third party payment business has continued to be a foundation business of the Group, which, at the same time, also provides the primary and basic supporting technology and method for our P2P platform. Revenue from such business will increase hand-in-hand with the P2P platform trading volume. Meanwhile, the third party payment team is also researching and developing new business model and external customers to build the profit model diversification for the third party payment business segment.

The Group is confident about its development in 2015. Geographically speaking, the Group has the inherent edges of a strong foothold in Mainland China, linking with Hong Kong and expanding internationally. For talents, the Group keeps on expanding its outstanding management team. For timing, the Group is at the best period of time to develop the internet financing in China. With the above three favorable factors, 2015 will envisage a further breakthrough by the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Liquidity, Financial Resources and Capital Structure**

During the period, the Group's source of funds was mainly from cash generated from operations and new borrowings. As at 31 March 2015, the Group had bank balances and cash of approximately RMB227.3 million (31 December 2014: approximately RMB265.5 million), of which approximately 84.8%, 7.1%, 8.1% were denominated in Renminbi, US dollars and Hong Kong dollars respectively. As at 31 March 2015, the Group had interest bearing borrowings, which mainly comprised Hong Kong Dollar-denominated corporate bonds, bank borrowings and other borrowings, amounting to approximately RMB913.3 million (31 December 2014: approximately RMB492.2 million). The gearing ratio, representing the ratio of total borrowings to total assets of the Group, was 0.31 as at 31 March 2015 (31 December 2014: 0.18).

During the period, the Company completed the issue of HK\$10,000,000 5.5% per annum bonds due 2022 pursuant to a placing agreement entered into between the Company and Orient Securities (Hong Kong) Limited (as placing agent) on 11 September 2014.

During the period under review, the Group did not use any financial instruments for hedging purposes.

## OTHER INFORMATION

### Directors' and Chief Executive's Interests and Short Position in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 March 2015, 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 (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required: (a) 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) 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:

#### Ordinary Shares of the Company (the "Shares")

Name of Directors/ Chief executive	Capacity/Nature of interests	Number of Shares/ underlying Shares interested	Notes	Total interests	Approximate percentage of the Company's issued Shares*
Mr. Phang Yew Kiat	Beneficial owner	10,000,000	1	10,000,000	0.31%
Mr. Chng Swee Ho	Beneficial owner	3,000,000	1	3,000,000	0.09%
Mr. Sheng Jia	Beneficial owner	3,000,000	1	3,080,000	0.09%
	Family interest	80,000	2		
Mr. Li Gang	Beneficial owner	2,000,000	1	2,000,000	0.06%
Mr. Wong Sai Hung	Beneficial owner	2,000,000	1	2,000,000	0.06%
Mr. Ge Ming	Beneficial owner	1,000,000	1	1,000,000	0.03%
Mr. Peter Z Kuk	Beneficial owner	1,000,000	1	2,000,000	0.06%
	Beneficial owner	1,000,000	1		
Mr. Wang Wei	Beneficial owner	1,000,000	1	1,500,000	0.06%
	Beneficial owner	500,000	1		

## **OTHER INFORMATION** (Continued)

### **Directors' and Chief Executive's Interests and Short Position in shares, underlying shares and debentures of the Company and its associated corporations** (Continued)

Notes:

1. These interests represent the share options granted by the Company on 11 December 2014.
2. These interests represent the Shares held by Ms. Hu Haichen, the wife of Mr. Sheng Jia. Therefore, Mr. Sheng Jia was deemed to be interested in these Shares under the SFO.
3. All interests stated above are long positions.

\* *The percentage represents the number of underlying shares interested divided by the number of issued Shares as at 31 March 2015 (i.e. 3,221,156,000 Shares).*

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

Save as disclosed above, as at 31 March 2015, 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 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 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 which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## OTHER INFORMATION (Continued)

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and underlying Shares

As at 31 March 2015, so far as is known to the Directors, the following persons and entities, other than the Directors and the chief executive of the Company, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

#### Interests in Shares – Long Position

Name	Capacity/ Nature of interests	Number of Shares/ underlying Shares interested	Notes	Total Interests	Approximate percentage of the Company's issued Shares
First Pay Limited ("First Pay")	Beneficial owner	677,800,000		677,800,000	21.04%
Mr. Zhang Zhenxin ("Mr. Zhang")	Beneficial owner	21,736,000		717,536,000	22.28%
	Interest in a controlled corporation	677,800,000	1		
	Family interest	18,000,000	3		
Ms. Zhang Xiaomin ("Ms. Zhang")	Beneficial owner	18,000,000		717,536,000	22.28%
	Family interest	699,536,000	1, 2		
Silver Paragon Limited	Beneficial owner	271,790,000		271,790,000	8.44%
Ms. So Naoko ("Ms. So")	Interest in a controlled corporation	271,790,000	4	271,790,000	8.44%
Jiefang Media (UK) Co. Limited ("Jiefang Media")	Beneficial owner	336,222,400		336,222,400	10.44%
Shanghai Xinhua Publishing Group Limited ("Xinhua Publishing")	Interest in a controlled corporation	336,222,400	5	336,222,400	10.44%
Jiefang Daily Group ("Jiefang Group")	Interest in controlled corporations	336,222,400	5	336,222,400	10.44%
Shanghai Greenland Group Company Limited ("Greenland Group")	Interest in controlled corporations	336,222,400	5	336,222,400	10.44%
Kaiser Capital Holdings Limited ("Kaiser Capital")	Beneficial owner	321,010,000		321,010,000	9.97%
Mr. Ting Pang Wan, Raymond ("Mr. Ting")	Beneficial owner	20,490,000		355,990,000	11.05%
	Interest in a controlled corporation	321,010,000	6		
	Physically settled option	14,490,000			
Integrated Asset Management (Asia) Limited ("Integrated Asset")	Beneficial owner	225,925,600		225,925,600	7.01%
Mr. Yam Tak Cheung ("Mr. Yam")	Interest in a controlled corporation	225,925,600	7	225,925,600	7.01%



## **OTHER INFORMATION** *(Continued)*

### **Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares** *(Continued)*

*Notes:*

- (1) These Shares were held by First Pay, the entire issued share capital of which was owned by Mr. Zhang. Therefore, Mr. Zhang was deemed to be interested in these Shares under the SFO.
- (2) These Shares were held or deemed to be held by Mr. Zhang who is the husband of Ms. Zhang. Therefore, Ms. Zhang was deemed to be interested in these shares under the SFO.
- (3) These Shares were held by Ms. Zhang who is the wife of Mr. Zhang. Therefore, Mr. Zhang was deemed to be interested in these Shares under the SFO.
- (4) These Shares were held by Silver Paragon Limited, the entire issued share capital of which was owned by Ms. So. Therefore, Ms. So was deemed to be interested in these Shares under the SFO.
- (5) These Shares were held by Jiefang Media. Jiefang Media was wholly-owned by Xinhua Publishing which was 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 was deemed to be interested in all the Shares held by Jiefang Media, and each of Jiefang Group and Greenland Group was deemed to be interested in all the Shares which Xinhua Publishing was deemed to be interested in.
- (6) These Shares were held by Kaiser Capital, the entire issued share capital of which was owned by Mr. Ting. Therefore, Mr. Ting was deemed to be interested in these Shares under the SFO.
- (7) These Shares were held by Integrated Asset, the entire issued share capital of which was owned by Mr. Yam. Therefore, Mr. Yam was deemed to be interested in these Shares under the SFO.

\* *The percentage represents the number of Shares interested divided by the number of issued Shares as at 31 March 2015 (i.e. 3,221,156,000 Shares).*

Save as disclosed above, as at 31 March 2015, according to the register required to be kept by the Company under section 336 of the SFO, there was no person or entity who/which had any interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the SFO.

## OTHER INFORMATION (Continued)

### Share Option Scheme

The Company has 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, independent non-executive Directors, employees, or customers of the Group, consultants, advisers, managers, officers or entities that provide research, development or other technological support to the Group.

Details of movements of the share options granted under the Share Option Scheme for the three months ended 31 March 2015 were as follows:

Category	Date of grant	Exercise period	Exercise price per Share HK\$	Number of underlying Shares comprised in the share options					As at 31 March 2015
				As at 1 January 2015	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
<b>Directors</b>									
Mr. Phang Yew Kiat	11 December 2014	11 December 2015 to 10 December 2024	1,814	10,000,000 <sup>(3)</sup>	-	-	-	-	10,000,000
Mr. Chng Swee Ho	11 December 2014	11 December 2015 to 10 December 2024	1,814	3,000,000 <sup>(3)</sup>	-	-	-	-	3,000,000
Mr. Sheng Jia	11 December 2014	11 December 2015 to 10 December 2024	1,814	3,000,000 <sup>(3)</sup>	-	-	-	-	3,000,000
Mr. Li Gang	11 December 2014	11 December 2015 to 10 December 2024	1,814	2,000,000 <sup>(3)</sup>	-	-	-	-	2,000,000
Mr. Wong Sai Hung	11 December 2014	11 December 2015 to 10 December 2024	1,814	2,000,000 <sup>(3)</sup>	-	-	-	-	2,000,000
Mr. Ge Ming	11 December 2014	11 December 2015 to 10 December 2024	1,814	1,000,000 <sup>(3)</sup>	-	-	-	-	1,000,000
Mr. Peter Z Kuk	11 December 2014	11 December 2015 to 10 December 2024	1,814	1,000,000 <sup>(3)</sup>	-	-	-	-	1,000,000
Mr. Wang Wei	11 December 2014	11 December 2015 to 10 December 2024	1,814	1,000,000 <sup>(3)</sup>	-	-	-	-	1,000,000

## OTHER INFORMATION (Continued)

### Share Option Scheme (Continued)

Category	Date of grant	Exercise period	Exercise price per Share HK\$	Number of underlying Shares comprised in the share options					As at 31 March 2015
				As at 1 January 2015	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
<b>Former Director</b>									
Mr. Ting Pang Wan, Raymond	12 July 2013	12 April 2014 to 11 July 2018	0.74	14,490,000 <sup>(1)</sup>	-	-	-	-	14,490,000
				37,490,000	-	-	-	-	37,490,000
<b>Employees</b> (in aggregate)	11 December 2014	11 December 2015 to 10 December 2024	1.814	39,300,000 <sup>(1)</sup>	-	-	-	1,800,000	37,500,000
<b>Former Employees</b> (in aggregate)	12 July 2013	12 April 2014 to 11 July 2018	0.74	500,000 <sup>(1)</sup>	-	-	-	-	500,000
				39,800,000	-	-	-	1,800,000	38,000,000
<b>Consultants</b> (in aggregate)	11 December 2014	11 December 2015 to 10 December 2024	1.814	131,500,000 <sup>(1)</sup>	-	-	-	-	131,500,000
				131,500,000	-	-	-	-	131,500,000
<b>Total</b>				208,790,000	-	-	-	1,800,000	206,990,000

#### 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\$0.75 per Share.

## **OTHER INFORMATION** *(Continued)*

### **Share Option Scheme** *(Continued)*

*Notes: (Continued)*

- (3) The share options are exercisable according to the following vesting schedule:
- (i) one-fourth of the share options shall vest on 10 December 2015;
  - (i) one-fourth of the share options shall vest on 10 December 2016;
  - (iii) one-fourth of the share options shall vest on 10 December 2017; and
  - (iv) one-fourth of the share options shall vest on 10 December 2018.

The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$1.79 per share.

The Group recognised total expenses of approximately RMB9.4 million for the three months ended 31 March 2015 (2014: RMB2.6 million) in relation to share options granted by the Company.

### **Purchase, Sale or Redemption of Listed Securities**

The Company did not redeem any of its shares listed and traded on the Stock Exchange, nor did the Company or any of its subsidiaries purchase or sell any of such shares during the three months ended 31 March 2015.

### **Corporate Governance**

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules during the three months ended 31 March 2015 except for the following:

According to Rule 5.05A of the GEM Listing Rules, the Company must appoint independent non-executive Directors (the "INEDs") representing at least one-third of the Board. Upon the appointment of Mr. Li Gang as a non-executive Director on 17 November 2014, the Board comprised ten Directors, of which three were INEDs, which fell below the one-third INED requirement under Rule 5.05A of the GEM Listing Rules. However, following the appointment of Dr. Wong, Kennedy Ying Ho as an INED on 16 February 2015, the Board comprised eleven directors, of which four were INEDs, in compliance with the INED requirement under the GEM Listing Rules.

## **OTHER INFORMATION** *(Continued)*

### **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 with all the Directors and each of them confirmed that he/she has complied with the required standard of securities transactions by the Directors during the three months ended 31 March 2015.

### **Competing Interest**

The Directors were not aware of any business or interest of the Directors, the controlling shareholders of the Company nor their respective close associates (as defined under the GEM Listing Rules) that competed or might, directly or indirectly, compete with the Group's business during the three months ended 31 March 2015.

### **Review by Audit Committee**

The audit committee of the Board (the "Audit Committee") comprises four members, namely Mr. Ge Ming (Chairman), Mr. Peter Z Kuk, Mr. Wang Wei and Dr. Wong, Kennedy Ying Ho, all of whom are INEDs.

The Group's unaudited results for the three months ended 31 March 2015 and this report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance 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.



**OTHER INFORMATION** *(Continued)*

**Change of Directors' and Chief Executive's Information**

Dr. Wong, Kennedy Ying Ho was appointed as an INED on 16 February 2015.

By order of the Board

**Credit China Holdings Limited**

**Li Mingshan**

*Chairman*

Hong Kong, 11 May 2015

*As at the date of this report, the Executive Directors are Mr. Phang Yew Kiat (Vice-Chairman and Chief Executive Officer), Mr. Chng Swee Ho, Mr. Sheng Jia and Ms. Shen Li; the Non-executive Directors are Mr. Li Mingshan (Chairman), Mr. Li Gang and Mr. Wong Sai Hung; and the Independent Non-executive Directors are Mr. Ge Ming, Mr. Peter Z Kuk, Mr. Wang Wei and Dr. Wong, Kennedy Ying Ho.*