



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)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

**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.

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This announcement, 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 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.

FINANCIAL HIGHLIGHTS

- The Group recorded turnover of approximately RMB139.3 million for the six months ended 30 June 2015, representing a decrease of 18.8% as compared with the corresponding period in 2014.
- Profit attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately RMB37.2 million, representing a decrease of 15.8% as compared with the corresponding period in 2014.
- Basic earnings per share for the six months ended 30 June 2015 amounted to RMB1.15 cents (2014: RMB1.45 cents).
- The Board has resolved not to pay an interim dividend for the six months ended 30 June 2015.

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 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

For the three months and six months ended 30 June 2015

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Turnover	3	69,201	92,203	139,342	171,550
Interest income	3	28,045	26,566	54,450	80,339
Interest expenses	6	(23,218)	(22,685)	(39,963)	(46,036)
Net interest income		4,827	3,881	14,487	34,303
Financial consultancy service income	3	3,492	14,290	6,388	34,010
Online third party payment service income	3	26,718	8,518	51,940	14,372
P2P loan consultancy service income	3	10,946	5,069	21,786	5,069
Gain on transfer of rights on interest on loan receivable	3	–	37,760	4,778	37,760
		45,983	69,518	99,379	125,514
Other income	5	2,756	3,042	5,100	11,119
Handling charges for online third party payment service		(4,855)	(1,159)	(8,473)	(1,892)
Administrative and other operating expenses		(39,771)	(38,310)	(67,347)	(72,730)
Change in fair value of embedded derivative components of convertible bond		(13)	1,070	7,908	1,070
Share-based payment expenses		(9,897)	–	(19,295)	(2,646)
Share of results of associates		126	(221)	136	(559)
Share of results of joint ventures		(856)	(152)	(4,325)	(755)
Gain on disposal of subsidiaries		42,539	64	42,539	64
Profit before tax	7	36,012	33,852	55,622	59,185
Income tax	8	(13,104)	(9,010)	(19,553)	(11,722)
Profit for the period		22,908	24,842	36,069	47,463

		For the three months ended 30 June		For the six months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
	Note				
Other comprehensive income (expense) for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(329)	275	(360)	(204)
Change in fair value of available-for-sale investments		(1,455)	(2,391)	(438)	(2,391)
Other comprehensive expense for the period, net of income tax		(1,784)	(2,116)	(798)	(2,595)
Total comprehensive income for the period		21,124	22,726	35,271	44,868
Profit for the period attributable to:					
Owners of the Company		24,449	21,532	37,240	44,239
Non-controlling interests		(1,541)	3,310	(1,171)	3,224
		22,908	24,842	36,069	47,463
Total comprehensive income for the period attributable to:					
Owners of the Company		22,664	19,566	36,438	42,484
Non-controlling interests		(1,540)	3,160	(1,167)	2,384
		21,124	22,726	35,271	44,868
		RMB	RMB	RMB	RMB
Earnings per share	10				
Basic		0.76 cents	0.68 cents	1.15 cents	1.45 cents
Diluted		0.75 cents	0.67 cents	1.15 cents	1.43 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		As at 30 June 2015 (Unaudited) RMB'000	As at 31 December 2014 (Audited) RMB'000
	Notes		
Non-current assets			
Plant and equipment	11	9,600	13,817
Club membership		–	737
Investment property		575,000	575,000
Intangible assets		175,962	136,310
Goodwill	12	56,973	43,214
Available-for-sale investments	13	53,875	1,125
Interests in associates		49,489	353
Interests in joint ventures		1,856	6,230
		<u>922,755</u>	<u>776,786</u>
Current assets			
Available-for-sale investments	13	33,008	33,055
Trade receivables	16	3,709	17,793
Loan receivables	14	1,519,447	862,842
Prepayments and other receivables	14	71,824	183,536
Amounts due from joint ventures		11,433	5,196
Amounts due from related companies		185,300	186,747
Amounts due from non-controlling shareholders		–	4,001
Derivatives embedded in convertible bonds		7,908	–
Income tax recoverable		1,404	520
Pledged bank deposits		30,008	30,008
Bank balance – trust account	15	685,953	305,728
Bank balances and cash		191,669	265,515
		<u>2,741,663</u>	<u>1,894,941</u>

		As at 30 June 2015 (Unaudited) RMB'000	As at 31 December 2014 (Audited) RMB'000
	Notes		
Current liabilities			
Accruals and other payables	17	58,620	161,076
Funds payable and amounts due to customers	15	685,953	305,728
Amounts due to non-controlling shareholders		710	714
Amounts due to related companies		188,223	207,865
Borrowings	18	548,614	288,379
Income tax payables		13,718	6,525
		<u>1,495,838</u>	<u>970,287</u>
Net current assets		<u>1,245,825</u>	<u>924,654</u>
Total assets less current liabilities		<u>2,168,580</u>	<u>1,701,440</u>
Non-current liabilities			
Corporate bonds		211,078	203,818
Borrowings	18	150,000	—
Deferred tax liabilities	19	88,295	78,194
Liability component of convertible bonds	23	212,460	—
		<u>661,833</u>	<u>282,012</u>
Net assets		<u><u>1,506,747</u></u>	<u><u>1,419,428</u></u>
Capital and reserves			
Share capital	20	268,877	267,736
Reserves		<u>1,212,571</u>	<u>1,138,059</u>
Equity attributable to owners of the Company		1,481,448	1,405,795
Non-controlling interests		<u>25,299</u>	<u>13,633</u>
Total equity		<u><u>1,506,747</u></u>	<u><u>1,419,428</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company												Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Capital reserve RMB'000	Convertible		Non-controlling interests RMB'000		
									Special reserve RMB'000	bonds reserve RMB'000			
												Total RMB'000	
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	-	-	-	37,240	-	-	-	-	-	-	37,240	(1,171)	36,069
Other comprehensive income (expense)													
– exchange differences on translating foreign operations	-	-	-	-	-	(364)	-	-	-	-	(364)	4	(360)
– change in fair value of available-for-sale investments	-	-	-	-	(438)	-	-	-	-	-	(438)	-	(438)
Total comprehensive income (expense) for the period	-	-	-	37,240	(438)	(364)	-	-	-	-	36,438	(1,167)	35,271
Issue of shares upon exercise of share options	1,141	10,604	-	-	-	-	(3,306)	-	-	-	8,439	-	8,439
Dividend recognised as distribution	-	(11,725)	-	-	-	-	-	-	-	-	(11,725)	-	(11,725)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	19,295	-	-	-	19,295	-	19,295
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	10,447	10,447
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	386	386
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	2,000	2,000
Appropriation to statutory reserve funds	-	-	8,039	(8,039)	-	-	-	-	-	-	-	-	-
Convertible bonds – equity component, net of issuance costs	-	-	-	-	-	-	-	-	-	23,206	23,206	-	23,206
At 30 June 2015 (unaudited)	268,877	687,274	33,106	539,959	(370)	(8,359)	22,793	(125,038)	40,000	23,206	1,481,448	25,299	1,506,747
At 1 January 2014 (audited)	245,773	556,369	27,313	455,320	1,402	(7,302)	8,698	(133,438)	40,000	40,000	1,194,135	100,290	1,294,425
Profit for the period	-	-	-	44,239	-	-	-	-	-	-	44,239	3,224	47,463
Other comprehensive income (expense)													
– exchange differences on translating foreign operations	-	-	-	-	-	636	-	-	-	-	636	(840)	(204)
– change in fair value of available-for-sale investments	-	-	-	-	(2,391)	-	-	-	-	-	(2,391)	-	(2,391)
Total comprehensive income (expense) for the period	-	-	-	44,239	(2,391)	636	-	-	-	-	42,484	2,384	44,868
Issue of shares by placing	15,890	111,230	-	-	-	-	-	-	-	-	127,120	-	127,120
Issue of shares upon exercise of share options	2,827	21,135	-	-	-	-	(5,054)	-	-	-	18,908	-	18,908
Dividend recognised as distribution	-	(30,615)	-	-	-	-	-	-	-	-	(30,615)	-	(30,615)
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	-	-	-	-	126	-	-	138	3,958	4,096
At 30 June 2014 (unaudited)	264,490	658,119	27,325	499,729	(989)	(6,666)	6,120	(133,312)	40,000	40,000	1,354,816	106,632	1,461,448

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Increase in loan receivables	(689,425)	(65,591)
Other cash flows generating from (used in) operating activities	<u>105,837</u>	<u>(8,616)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(583,588)</u>	<u>(74,207)</u>
INVESTING ACTIVITIES		
Net cash outflow (inflow) on acquisition of subsidiaries, associates and available-for-sale investments	(139,929)	103
Net cash inflow on disposal of subsidiaries	34,702	–
Additions to investment property	–	(32,008)
Other cash flows generating from (used in) investing activities	<u>150</u>	<u>(10,791)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(105,077)</u>	<u>(42,696)</u>
FINANCING ACTIVITIES		
New loans raised	410,235	7,416
New corporate bonds and convertible bonds raised	242,926	–
Proceeds from exercise of options	8,439	18,908
Dividends paid	(11,725)	(30,615)
Other cash flows (used in) generating from financing activities	<u>(34,664)</u>	<u>92,285</u>
NET CASH FROM FINANCING ACTIVITIES	<u>615,211</u>	<u>87,994</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(73,454)	(28,909)
Effect of foreign exchange rate changes	(392)	(268)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>265,515</u>	<u>259,591</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	<u><u>191,669</u></u>	<u><u>230,414</u></u>

NOTES:

1. GENERAL INFORMATION

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

The principal activities of the Group are provision of pawn loan service, entrusted loan service, other loan service, microfinance service, financial consultancy service, P2P loan consultancy service and online third party payment service.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The accounting policies used in the preparation of these results are same with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the following new HKFRSs (which include all HKFRSs, HKASs and Interpretations) that are effective for the Group's accounting period beginning on 1 July 2014. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior period.

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions ¹
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ¹
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹

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

HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations ²
HKAS 16 and HKAS 38 Amendment	Classification of Acceptable Methods of Depreciation and Amortisation ²
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ²
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 9	Financial Instruments ⁴

HKFRS (Amendments)	Annual Improvements 2012-2014 Cycle ²
HKAS 1 (Amendments)	Disclosure Initiatives ²
HKAS 27 (Amendments)	Equity method in Separate Financial Statements ²
HKFRS 10 and HKFRS 28 (Amendments)	Sale or Contribution of Assets between An Investor and its associate or Joint Venture ²
HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after 1 January 2018.

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 on loan receivables, net of corresponding sales related taxes. The amount of each significant category of revenue recognised in turnover for the period is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Interest income				
Entrusted loan service income	19,771	11,406	41,982	41,558
Other loan service income	8,112	2,662	11,810	6,504
Real estate-backed loan service income	–	4,506	–	15,530
Microfinance service income	162	7,992	658	16,747
	28,045	26,566	54,450	80,339
Financial consultancy service income	3,492	14,290	6,388	34,010
Online third party payment service income	26,718	8,518	51,940	14,372
P2P loan consultancy service income	10,946	5,069	21,786	5,069
Gain on transfer of rights on interest on loan receivable	–	37,760	4,778	37,760
Turnover	69,201	92,203	139,342	171,550

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.

Segment revenue and results

For the period ended 30 June 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	<u>58,264</u>	<u>2,412</u>	<u>56,739</u>	<u>21,927</u>	<u>–</u>	<u>139,342</u>
Segment results	<u>27,595</u>	<u>(6,949)</u>	<u>43,038</u>	<u>1,903</u>	<u>–</u>	<u>65,587</u>
Share of results of associates						136
Share of results of joint ventures						(4,325)
Unallocated other income						5,076
Change in fair value of embedded derivative components of convertible bond						7,908
Gain on disposal of subsidiaries						42,539
Share-based payment expenses						(19,295)
Interest expenses						(39,963)
Unallocated expenses						<u>(2,041)</u>
Profit before tax						<u>55,622</u>

For the period ended 30 June 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	<u>103,441</u>	<u>46,942</u>	<u>16,070</u>	<u>5,097</u>	<u>–</u>	<u>171,550</u>
Segment results	<u>85,196</u>	<u>20,935</u>	<u>6,701</u>	<u>(1,196)</u>	<u>–</u>	<u>111,636</u>
Share of results of associates						(559)
Share of results of joint ventures						(755)
Unallocated other income						2,901
Change in fair value of embedded derivative components of convertible bond						1,070
Gain on disposal of subsidiaries						64
Share-based payment expenses						(2,646)
Interest expenses						(46,036)
Unallocated expenses						<u>(6,490)</u>
Profit before tax						<u>59,185</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit or loss represents profit earned by or loss from each segment without allocation of share of results of associates and joint ventures, unallocated other income, gain on disposal of subsidiaries, change in fair value of embedded derivative components of convertible bond, central administration costs, share-based payment expenses and interest expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Government grants (<i>Note</i>)	1	1,579	35	7,728
Bank interest income	1,585	456	3,113	811
Interest income on convertible bond	1,188	1,072	1,963	2,090
Others	(18)	(65)	(11)	490
	<u>2,756</u>	<u>3,042</u>	<u>5,100</u>	<u>11,119</u>

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

6. INTEREST EXPENSES

	For the three months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Repayable within five years:				
Interest on corporate bonds	4,326	7,648	8,625	15,174
Interest on convertible bonds	878	–	878	–
Interest on bank and other loans	17,072	13,985	28,658	28,815
Interest on financial assets sold under repurchase agreement	–	1,052	–	2,047
Repayable more than five years:				
Interest on corporate bonds	942	–	1,802	–
	<u>23,218</u>	<u>22,685</u>	<u>39,963</u>	<u>46,036</u>

7. PROFIT BEFORE TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(a) Staff costs, including directors' remuneration				
Salaries, wages and other benefits	11,233	15,927	22,359	31,467
Contribution to defined contribution retirement benefits scheme	775	1,685	1,660	2,323
Share-based payment expenses	9,897	–	19,295	2,646
	<u>21,905</u>	<u>17,612</u>	<u>43,314</u>	<u>36,436</u>
(b) Other items				
Auditors' remuneration	611	263	653	550
Impairment recognised on loan receivables (included in administrative and other operating expenses)	2,590	3,443	8,020	9,530
Depreciation	1,472	1,668	2,775	3,088
Net exchange gain	(153)	(1,218)	(726)	(1,410)
Operating lease charges in respect of properties	3,609	3,375	7,751	6,261
	<u>3,609</u>	<u>3,375</u>	<u>7,751</u>	<u>6,261</u>

8. INCOME TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
Provision for PRC Enterprise Income Tax (the "EIT")	13,152	9,707	19,484	10,877
Deferred tax (<i>Note 19</i>)	(48)	(697)	69	845
	<u>13,104</u>	<u>9,010</u>	<u>19,553</u>	<u>11,722</u>

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

No Hong Kong Profits Tax has been provided for the three months and six months ended 30 June 2014 and 2015 as the Group has no assessable profit for Hong Kong Profits Tax purposes for the periods.

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

9. DIVIDENDS

A dividend of RMB11,725,000 that relates to the year ended 31 December 2014 was paid in June 2015 (six months ended 30 June 2014: RMB30,615,000).

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the three months and six months ended 30 June 2015 is based on the profit attributable to owners of the Company of RMB24,449,000 and RMB37,240,000 respectively (three months and six months ended 30 June 2014: RMB21,532,000 and RMB44,239,000 respectively) and the weighted average of 3,233,098,308 and 3,227,160,144 ordinary shares in issue respectively during the three months and six months ended 30 June 2015 (three months and six months ended 30 June 2014: 3,161,683,692 and 3,054,391,779 ordinary shares respectively).

Diluted earnings per share

The calculation of diluted earnings per share for the three months and six months ended 30 June 2015 is based on the profit attributable to owners of the Company of RMB24,449,000 and RMB37,240,000 respectively (three months and six months ended 30 June 2014: RMB21,532,000 and RMB44,239,000 respectively) and the weighted average of 3,247,093,532 and 3,242,090,843 ordinary shares in issue respectively during the periods assuming conversion of all dilutive potential shares (three months and six months ended 30 June 2014: 3,198,319,243 and 3,091,927,920 ordinary shares respectively). Dilutive potential shares include share options.

11. PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB1,383,000 (six months ended 30 June 2014: RMB3,272,000) on the acquisition of plant and equipment, and approximately RMB20,000 (six months ended 30 June 2014: RMB691,000) on the acquisition of plant and equipment through acquisition of subsidiary. The Company disposed plant and equipment of approximately RMB1,056,000 (six months ended 30 June 2014: RMB105,000) and approximately RMB1,515,000 (six months ended 30 June 2014: Nil) through the disposal of a subsidiary for the period ended 30 June 2015.

12. GOODWILL

Goodwill represents the value of the entire equity interests of acquired companies less the fair value of all identifiable assets and liabilities on the date of acquisition of equity interests.

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Unlisted investments		
Equity securities (<i>Note</i>)	53,875	2,183
Debt component of convertible bonds at fair value	33,008	31,997
	<u>86,883</u>	<u>34,180</u>

Note: The unlisted investment in equity securities comprised a 10% equity interest in First P2P Limited, a private entity established in British Virgin Island, amounting to RMB50.0 million, which was acquired on 27 January 2015.

The unlisted investments in equity securities were measured at cost less impairment at the end of the reporting periods because the Directors of the Group are of the opinion that its fair value cannot be measured reliably as the range of reasonable fair value estimate is so significant.

14. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Loan receivables		
Secured loans		
Pawn loans to customers	11,800	5,800
Real estate-backed loans to customers	2,047	2,047
Entrusted loans to customers	990,139	622,017
Other loans to customers	507,942	200,004
	<u>1,511,928</u>	<u>829,868</u>
Unsecured micro loans to customers	19,442	30,121
Unsecured other loans to customers	–	6,756
<i>Less:</i> Allowance for unsecured micro loan and real estate-backed loans receivables	<u>(11,923)</u>	<u>(3,903)</u>
	1,519,447	862,842

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Prepayments and other receivables		
Prepayments and other receivables	<u>71,824</u>	<u>183,536</u>
	<u>1,591,271</u>	<u>1,046,378</u>
Loan receivables analysed for reporting purposes as:		
Current assets	<u>1,519,447</u>	<u>862,842</u>

The Group normally allows credit terms to customers ranging from 90 days to up to 365 days, depending on the types of loan.

(a) Ageing analysis

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 90 days	677,567	510,560
91 to 180 days	315,825	39,565
181 to 365 days	7,785	85,579
Over 365 days	<u>518,270</u>	<u>227,138</u>
	<u>1,519,447</u>	<u>862,842</u>

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

(b) Loan receivables that are not impaired

Included in the Group's loan receivable balances were secured debtors with aggregate carrying amount of approximately RMB529,700,000 (31 December 2014: RMB249,876,000) which were past due as at the reporting date, for which the Group has not provided for impairment loss as the Group holds collaterals amounting to approximately RMB2,803,000,000 (31 December 2014: RMB2,060,600,000) in respect of such loan receivables as at 30 June 2015.

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Not yet past due		
Current	<u>989,794</u>	<u>612,966</u>
Past due but not impaired		
Within 90 days	125,199	–
91 to 180 days	159,280	49,585
181 to 365 days	6,983	59,208
Over 365 days	<u>238,191</u>	<u>141,083</u>
	<u>529,653</u>	<u>249,876</u>
	<u>1,519,447</u>	<u>862,842</u>

15. BANK BALANCE – TRUST ACCOUNT/FUNDS PAYABLE AND AMOUNTS DUE TO CUSTOMERS

The Group maintains a segregated trust account with a licensed bank to hold customers' monies arising from its online third party payment service business. The Group has classified the customers' monies as bank balance – trust account under the current assets of the consolidated statement of financial position and recognised the corresponding payables to respective customers as funds payable to customers. The Group entitles to interests generated by the bank but is restricted to use the customers' monies to settle its own obligations.

16. TRADE RECEIVABLES

Customers are generally granted credit terms of 90 to 180 days (31 December 2014: 90 to 180 days). Based on invoice date, ageing analysis of the Group's trade receivables is as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
0 – 90 days	746	9,243
91 – 180 days	2,871	8,550
181 – 365 days	<u>92</u>	<u>–</u>
	<u>3,709</u>	<u>17,793</u>

17. ACCRUALS AND OTHER PAYABLES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Other payables and accrued expenses	30,591	142,138
Consideration payable for acquisition of remaining interests in subsidiaries	3,999	6,992
	34,590	149,130
Financing services income receipts in advance	24,030	11,946
	58,620	161,076

18. BORROWINGS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Secured bank loans (<i>Note</i>)	211,845	211,845
Unsecured bank loans	343,273	67,800
Secured other loans (<i>Note</i>)	113,716	–
Unsecured other loans	29,780	8,734
	698,614	288,379
Carrying amount repayable*: Within one year	548,614	288,379
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	150,000	–
	698,614	288,379
<i>Less:</i> amounts due within one year shown under current liabilities	(548,614)	(288,379)
Amounts show under non-current liabilities	150,000	–

Note: The secured bank loans and secured other loans were secured by the investment property of the Group with a carrying amount of approximately RMB575.0 million (2014: RMB575.0 million).

* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

The effective interest rates of borrowings at the end of the reporting period as follows:

	30 June 2015	31 December 2014
Bank and other loans	10.1%	7.6%

During the six months ended 30 June 2015, the Group had repaid borrowing of RMB25,000,000 (six months ended 30 June 2014: RMB58,126,000).

19. DEFERRED TAX LIABILITIES

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

	Withholding tax on undistributed profit of subsidiaries in the PRC RMB'000	Revaluation of investment property RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2015	7,223	37,012	33,959	78,194
Charged to profit or loss (<i>Note 8</i>)	69	–	–	69
Acquisition of a subsidiary	–	–	10,032	10,032
At 30 June 2015	7,292	37,012	43,991	88,295

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

20. SHARE CAPITAL

	Number of shares	Share capital presented as	
		HK\$'000	RMB'000
<i>Authorised:</i>			
At 1 January 2015 and 30 June 2015, ordinary shares of HK\$0.1 each	20,000,000,000	2,000,000	
<i>Issued and fully paid:</i>			
At 1 January 2015, ordinary share of HK\$0.1 each	3,221,156,000	322,115	267,736
Exercise of share options	14,490,000	1,449	1,141
At 30 June 2015, ordinary shares of HK\$0.1 each	3,235,646,000	323,564	268,877
At 1 January 2014, ordinary shares of HK\$0.1 each	2,943,600,000	294,360	245,773
Exercise of share options	36,626,000	3,662	2,827
Issue of shares upon placing (<i>Note</i>)	200,000,000	20,000	15,890
At 30 June 2014, ordinary shares of HK\$0.1 each	3,180,226,000	318,022	264,490

Note: On 21 January 2014, the Company entered into a subscription agreement with Zeleste International Limited ("Zeleste") pursuant to which Zeleste conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 100,000,000 shares at the subscription price of HK\$0.80 per subscription share. On 14 February 2014, the Company entered into a subscription agreement with Grandaccum Limited ("Grandaccum") pursuant to which Grandaccum conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 100,000,000 shares at the subscription price of HK\$0.80 per subscription share. The above subscription agreements were completed and 200,000,000 ordinary shares of HK\$0.10 each were issued and allotted on 21 March 2014.

21. ACQUISITION OF SUBSIDIARIES

i) Acquisition of 100% equity interest in 北京鳳凰信用管理股份有限公司 (Beijing Phoenix Credit Management Corporation*) (“Beijing Phoenix”)

On 11 August 2014, 萬峻 (杭州) 創業投資管理有限公司 (Wanjun (Hangzhou) Venture Capital Management Company Limited*) (“Wanjun Hangzhou”), a wholly-owned subsidiary of the Company, entered into an agreement with two associates of a substantial shareholder of the Company, 鳳凰資產管理有限公司 (Phoenix Asset Management Limited*) (“Phoenix Asset”) and Beijing Phoenix, to acquire the entire right of control, economic interests and benefits of Beijing Phoenix through structured contracts at an acquisition cost of RMB50,000,000 to be satisfied in cash of RMB49,000,000 payable to Phoenix Asset and RMB1,000,000 payable to an independent third party. The transaction was completed on 28 January 2015.

Assets and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
Intangible assets	40,127
Other receivables	1,706
Cash and cash equivalents	9,017
Other payables	(2,796)
Tax payable	(49)
Deferred tax liabilities	(10,032)
	<hr/>
Net assets identified and acquired	<u>37,973</u>

Goodwill arising on acquisition:

	<i>RMB'000</i>
Consideration transferred	50,000
Less: net assets acquired	<u>(37,973)</u>
	<hr/>
Goodwill	<u>12,027</u>

* *For identification purpose only*

Goodwill arose in the acquisition of Beijing Phoenix because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit to allow the Group to diversify its internet finance and online P2P lending business in the PRC. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

RMB'000

Cash and cash equivalent paid	(50,000)
Less: cash and cash equivalents balances acquired	9,017
	<u>(40,983)</u>

ii) Acquisition of 51% equity interest in 浙江融牛投资管理有限公司 (Zhejiang Rongniu Capital Management Company Limited*) (“Zhejiang Rongniu”)

On 27 May 2015, the Group acquired 51% equity interest in the registered capital of Zhejiang Rongniu, a company established in the PRC, at a consideration of RMB18,000,000, which was satisfied by cash. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB7,126,000. Zhejiang Rongniu is principally engaged in providing online share pledge financing services to individual investors in Mainland China.

Consideration transferred

RMB'000

Cash	<u>1,800</u>
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No acquisition-related cost of the transaction was incurred during the period ended 30 June 2015.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

RMB'000

Plant and equipment	20
Prepayment and other receivables	26,948
Cash and cash equivalents	18,054
Accruals and other payable	<u>(23,701)</u>
Net assets identified	<u>21,321</u>

Goodwill arising on acquisition

RMB'000

Consideration transferred	18,000
Less: net assets acquired	(21,321)
Add: 49% non-controlling interests	<u>10,447</u>
Goodwill	<u>7,126</u>

Goodwill arose in the acquisition of Zhejiang Rongniu because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit to allow the Group to diversify its internet finance and online P2P lending business in the PRC. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net cash inflow on acquisition of Zhejiang Rongniu

	<i>RMB'000</i>
Cash and cash equivalents paid	(18,000)
Less: cash and cash equivalents balances acquired	18,054
	<u>54</u>

Non-controlling interests

Non-controlling interests recognized at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

22. DISPOSAL OF A SUBSIDIARY

On 3 June 2015, the Group entered into a sales agreement to dispose of its 66.25% equity interest in 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.) ("Shanghai Feng Zhi Xing"), a company established in the PRC, to three independent third parties, for a total consideration of RMB44,000,001. Upon completion on 9 June 2015, the Group's equity interest in Shanghai Feng Zhi Xing was diluted from 80% to 13.75% and the Group's investment in Shanghai Feng Zhi Xing was reclassified from a subsidiary to an available-for-sale investment. It is measured at cost less impairment at the end of the reporting period because the directors of the Company are of the opinion that its fair value cannot be measured reliably as the range of reasonable fair value estimate is so significant.

The aggregate net liabilities of the subsidiary disposed of at the date of disposal were as follows:

	<i>RMB'000</i>
Plant and equipment	1,515
Intangible assets	476
Loan receivables	24,800
Accounts receivables	399
Prepayments and other receivables	7,855
Amounts due from related companies	175
Bank balances and cash	9,298
Accruals and other payables	(3,380)
Amounts due to related company	(18,909)
Borrowings	(24,000)
Income tax payables	<u>(159)</u>

RMB'000

Net liabilities disposed of	(1,930)
Consideration received	44,000
Net liabilities disposed of	1,930
Non-controlling interests	(386)
Goodwill	(5,394)
Transfer the 13.75% retained interests to available-for-sale investments	2,750
Gain on disposal of subsidiary	42,900
Cash received	44,000
Cash consideration received	44,000
Net cash outflow arising on disposal	(9,298)
Bank balances and cash received	34,702

In addition, during the period ended 30 June 2015, the Group had liquidated certain subsidiaries and recorded a disposal loss of RMB361,000.

23. CONVERTIBLE BONDS

On 15 June 2015, the Company issued three-year convertible bonds in the principal amount of HKD300,000,000 which bear interest at a rate of 6% per annum payable semi-annually (the “2015 Convertible Bonds”). The 2015 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company from 29 June 2015 to the close of business on the date falling 10 days prior to the maturity date, at a price of HKD2.6 per share, subject to adjustments. Assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$2.60, the Convertible Bonds will be convertible into 115,384,615 Conversion Shares. The Company may redeem under certain circumstances, in whole, the outstanding 2015 Convertible Bonds at principal amount together with interest accrued and unpaid and an additional amount (the “Additional Amount”)* with respect to any outstanding bonds as of any date of determination, the remainder of (a) a gross yield of 10% per annum calculated on the outstanding principal amount minus (b) all interest paid, by giving the bondholders not less than 7 days’ nor more than 14 days’s notice. On the maturity date, any 2015 Convertible Bonds not converted will be redeemed by the Company at its principal amount together with accrued and unpaid interest and the Additional Amount thereon. There was no conversion or redemption of the 2015 Convertible Bonds during the six months ended 30 June 2015.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity. The initial fair value of the liability component of RMB212,168,000 and equity conversion component of RMB23,206,000, net of transaction cost of RMB1,028,800, were determined at the issuance of the convertible bonds.

As at 30 June 2015, the Group's convertible bonds were repayable between 2 and 5 years.

	As at 30 June 2015 (Unaudited) RMB'000
Principal value of convertible bonds issued on 15 June 2015, net of issuance cost	235,374
Equity component	(23,206)
Liability component on initial recognition at 15 June 2015	212,168
Interest expenses	878
Interest paid	(583)
Exchange differences	(3)
Liability component at 30 June 2015	<u>212,460</u>

* For details, please refer to the announcement dated 11 May 2015.

24. COMMITMENT

Capital expenditure commitment

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Capital expenditure contracted for but not provided for in respect of:		
Acquisition of plant and equipment	<u>10,007</u>	<u>5,771</u>
	<u>10,007</u>	<u>5,771</u>

Operating lease arrangement

The Group as lessee

Details of the Group's commitments under non-cancellable operating lease as at 30 June 2015 and 31 December 2014 are set out as follow:

The Group leases certain of its staff quarters and offices under operating lease arrangements. The leases typically run for an initial period of three months to three years (31 December 2014: three months to three years). Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	9,531	14,684
In the second to fifth years inclusive	7,238	13,466
	16,769	28,150

25. RELATED PARTY TRANSACTIONS

Significant related party transactions

The Group had the following significant transactions with its related parties during the period:

		30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
	<i>Notes</i>		
(i) Rental expenses paid to:			
上海錦翰投資發展有限公司			
(「上海錦翰」)	<i>(i)</i>	–	184
北京蜂巢商務服務有限公司	<i>(ii)</i>	93	715
蜂巢(深圳)辦公空間有限公司	<i>(ii)</i>	230	–
China UCF Group Co., Ltd	<i>(ii)</i>	2,234	–

Notes:

- (i) Mr. Shi Zhi Jun, a director of the Company till 17 March 2014, has beneficial interest in 上海錦翰.
- (ii) These companies are owned by Mr. Zhang Zhenxin, a substantial shareholder of the Company.
- (ii) The total rental expenses of RMB Nil (six months ended 30 June 2014: RMB156,000) was paid to a joint venture at a monthly rate of RMB Nil (six months ended 30 June 2014: RMB26,000) during the period ended 30 June 2015.

Key management personnel remuneration

	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Basic salaries, allowances and other benefits	3,928	7,173
Contribution to retirement benefit scheme	85	31
Share-based payment expenses	3,687	1,728
	<u>7,700</u>	<u>8,932</u>

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
As at 30 June 2015				
Derivatives embedded in convertible bond in the statement of financial position	Assets – RMB7,908,000	Level 3	Black-Scholes option pricing model based on the stock price, volatility, dividend yield, risk free rate and option life	Dividend yield taking into account management's expectation of market conditions of specific industries at 8.3%. (Note 1)

Financial assets/ financial liabilities	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
As at 30 June 2015				
Debt component of convertible bond	Asset – RMB33,008,000	Level 3	Present value of the contractually determined stream of future cash flows discounted at the required yield	The required yield was determined with reference to the credit rating of the convertible bond issuer and remaining time to maturity at 13.3%. (Note 2)
Available-to-sale investment (unlisted equity securities)	Assets – RMB50,000,000	Level 3	Market – Based approach based on prices of other business entities in a similar nature changed hands in arm’s length transactions	Discount for lack of marketability of 21.1%
As at 31 December 2014				
Debt component of convertible bond	Asset – RMB31,997,000	Level 3	Present value of the contractually determined stream of future cash flows discounted at the required yield	The required yield was determined with reference to the credit rating of the convertible bond issuer and remaining time to maturity at 9.09%. (Note 2)

Notes:

- 1) An increase in the dividend yield used in isolation would result in an increase in the fair value measurement of the derivatives embedded in convertible bond, and vice versa.
- 2) An increase in the interest yield used in isolation would result in a decrease in the fair value measurement of the debt component of the convertible bond, and vice versa.

There were no transfers between levels of fair value hierarchy in current and prior period.

The level in the fair value hierarchy within which the financial asset (liability) is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets (liabilities) of the Group at fair value in the statement of financial position are grouped into fair value hierarchy as follows:

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
30 June 2015				
Debt component of convertible bond	–	–	33,008	33,008
Derivatives embedded in convertible bond	–	–	7,908	7,908
Available-for-sale investment (unlisted equity securities)	–	–	50,000	50,000
	<u>–</u>	<u>–</u>	<u>90,916</u>	<u>90,916</u>
31 December 2014				
Debt component of convertible bond	–	–	31,997	31,997
	<u>–</u>	<u>–</u>	<u>31,997</u>	<u>31,997</u>

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-sized 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 as part of its strategic transition into online third party payment business and further expansion into the peer-to-peer ("P2P") loan service platform business.

To enhance the Group's competitiveness in the internet financing industry in the PRC, 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 half of 2015, the Group also completed (1) an acquisition of a 100% equity interest in an online P2P lending business with multiple channels, including a website (www.9888.cn: 金融工場) and a mobile application under the "Financial Workshop" (金融工場) brand; (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 and; (3) an acquisition of a 51% equity interest in an online share pledge financing services company registered in Zhejiang Province, the PRC, including its online platform "erongniu.com".

As part of our efforts to deepen our focus on internet finance activities, the Group ceased operating a lease financing business in the PRC in March 2015 through disposing of the remaining equity interest in the joint venture which operates it. The Group also completed the disposal of its 66.25% equity interest in Shanghai Feng Zhi Xing in June 2015 with a gain on disposal of RMB 42.9 million. The Group's equity interest in Shanghai Feng Zhi Xing was reduced from 80% to 13.75% and reclassified from being a subsidiary of the Group to an available-for-sale investment.

For the six months ended 30 June 2015, the Group's revenue decreased by 18.8%, owing to a significant decrease of 59.7% in the interest income and financial consultancy service income derived from traditional financing services, which is consistent with the Group's strategic transition into the internet financing business. The total revenue stream from online third party payment services and P2P loan services generated RMB78.7 million for the period, representing 56.5% of the Group's total revenue. The revenue from the online third party payment services and P2P loan services represented 40.7% and 15.8% of the Group's total revenue, respectively.

Revenue

For the six months ended 30 June 2015, the Group reported revenue of approximately RMB 139.3 million, a decrease of 18.8% as compared to approximately RMB171.6 million for the corresponding period last year. The decline in revenue was mainly attributable to (i) the disposal of the major traditional micro-loan finance business in Chongqing City, the PRC on 18 December 2014, which resulted in a 94.9% decrease in revenue from the micro-loan financing sector; (ii) a slow-down in the businesses providing traditional financing services, especially a significant drop in provision of financial consultancy services. However, the income streams from the provision of online third party payment services and P2P loan services recorded strong growth as compared to the corresponding period for 2014.

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 41.8% of the Group's total revenue and recorded a drop of 43.7% to approximately RMB58.3 million during the period under review as compared to approximately RMB103.4 million in the corresponding period for 2014.

The drop was mainly due to a significant decrease of 81.2% to RMB6.4 million in financial consultancy service income, which resulted from a slow-down in the real property market in the PRC for the six months under review. In addition, the Group has been transitioning its business focus from traditional entrusted loans with real property as collateral to the internet finance business and therefore provides much less financial consultancy service.

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 RMB2.4 million as compared to approximately RMB46.9 million for the corresponding period for 2014. The significant decline was mainly due to the disposal of a traditional micro-loan finance 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, payment system consultancy and other services. For the period under review, it generated 40.7% of the Group's total revenue, and the Group's online third party payment service income increased 252.1% to approximately RMB56.7 million as compared to approximately RMB16.1 million for the corresponding period for 2014.

P2P loan service income

During the period under review, the Group's P2P loan service income business recorded approximately RMB21.9 million revenue, representing 15.8% of the Group's total revenue. The P2P loan service income business includes the 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, Hong Kong dollar-denominated convertible bonds and other borrowings. The Group's interest expenses decreased 13.0% to approximately RMB40.0 million for the period ended 30 June 2015 from approximately RMB46.0 million for the corresponding period for 2014. This was because the Group had repaid high-interest borrowings of RMB153.0 million at an 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 54.1% to approximately RMB5.1 million for the period ended 30 June 2015 from approximately RMB11.1 million for the corresponding period for 2014. This was because the Group's subsidiaries in Shanghai had received government grants of RMB 7.7 million in relation to the encouragement of enterprise expansion for the period ended 30 June 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 7.4% to approximately RMB67.3 million for the period ended 30 June 2015 from approximately RMB72.7 million for the corresponding period for 2014. The decrease in administrative and other operating expenses was mainly attributable to the disposal of a 60.3% equity interest in China Runking Financing Group Holdings Limited on 18 December 2014.

Share-based payment expenses

Share-based payment expenses of the Group for the reporting period amounted to approximately RMB19.3 million (six months ended 30 June 2014: RMB2.6 million). On 8 June 2015, the Company granted share options under the Share Option Scheme to certain eligible grantees to subscribe for an aggregate of 36,550,000 ordinary shares of the Company.

Profit for the period

The profit attributable to owners of the Company for the reporting period was approximately RMB37.2 million, representing a decrease of approximately 15.8% as compared to approximately RMB44.2 million for the corresponding period for 2014. The decrease was mainly due to a significant decrease in turnover by approximately RMB32.2 million, a decrease in government grants in Shanghai by approximately RMB7.7 million and an increase in share-based payment expenses by RMB16.7 million. During the period under review, the Company recognized a fair value gain of the embedded derivative component of a convertible bond of RMB7.9 million and gain on the disposal of subsidiaries of RMB42.5 million.

OUTLOOK

In March 2015, Premier Li Keqiang mentioned the "Internet+" vision in his Work Report during the two sessions, which provened that internet finance had become an important industry in the PRC. It also indicated that the conditions for the development of the internet finance industry is more and more robust. In July 2015, ten major authorities and commissions, including the People's Bank of China, China Banking Regulatory Commission, China Securities Regulatory Commission, jointly issued the Guiding Opinions On Promoting the Healthy Development Of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), in which the boundaries, business rules and regulatory responsibilities for the internet finance industry are first determined and the concept of "Internet+" was fortified vigorously. The market has regarded the Guiding Opinions as the "basic law for internet finance", and a blueprint to discipline the industry's future development. It is considered that the issuance of Guiding Opinions will help to prevent systemic risks and benefit the long-term development of the internet finance industry.

Given the very stringent supervision on third-party payment and network lending (P2P) by the Guiding Opinions, a significant industry reform is imminent, and industry concentration will also be further improved and integrated. At the same time, with the gradual implementation of a series of policies under the Guiding Opinions, smaller-scale enterprises will encounter greater impact, while larger-scale enterprises will enjoy more development advantages.

With the facilitation of such an important milestone, Credit China has already stepped into the market much earlier than its competitors and it welcomed ushered in opportunities while facing challenges. In a short span of two years, the Group had built up its strength, consolidated its foundation, developed its network of customers and enjoyed a leading growth in the industry in both number of users and trading volume of First P2P Limited, in which Credit China owns 10% equity interest. In addition, the Group has just completed the share placement to Tandellen Group Limited and Mr. Zhao Chengfu in July. The majority of the net proceeds will be used for enhancing the future development of the internet finance business. To firmly grasp market opportunities, the Group will further accelerate the development and master the two big core platforms of internet finance, i.e. P2P and third-party payment, to expand its business gradually through acquisitions and establishment of strategic cooperation partners.

During the first half of 2015, the Group established a strategic cooperation partnership with Fivestar Holdings Group Co., Ltd. and Aisidi Co., Ltd., whereby joint ventures companies were established one after another to progressively explore the development of the supply chain financing business and identify quality projects within its supply chain. For third party-payment services, the Group will also continue to enhance the development and promotion of mobile terminal function and expand more off-line application scenarios. Meanwhile, the Group will continue to optimize users experience and enhance the core competitive edge of third-party payment platform. At the same time, the Group will continue to identify high quality industries to provide reliable payment services and provide more diversified and more comprehensive regional services through cooperation with professional strategic partners.

The Group's growth is moving forward steadily under the positive development of the internet finance business. In the past 12 months, the Group continued to introduce industry talents to join the Board and management, which included the successive appointments of Mr. Zhang Zhenxin as a Non-executive Director and Mr. Qin Hongwei (秦宏偉) as Chief Operating Officer in July. Both of them have extensive experience and networks in the financial sector and will lead the Group to achieve rapid development in the internet finance industry. Furthermore, the Group announced in June this year that 36,550,000 share options were granted to 115 employees of Credit China and its subsidiaries which can be subscribed for ordinary shares. This can further improve the Group's long-term interests and enable the interests of the directors and employees to be in line with the interests of the Group's shareholders. Looking forward, the Group is confident it can maintain growth of its internet finance business and will capture opportunities brought by the implementation of regulatory measures.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the period, the Group's source of funds was mainly from cash generated from operations, new borrowings, issuance of corporate bonds and convertible bonds. During the period under review, the Group recorded a net cash outflow of RMB73.5 million (six months ended 30 June 2014: RMB28.9 million), while its total cash and cash equivalents decreased to RMB191.7 million as at 30 June 2015 (31 December 2014: RMB265.5 million).

As at 30 June 2015, the Group had bank balances and cash of approximately RMB191.7 million (31 December 2014: approximately RMB265.5 million), of which approximately 75.7%, 7.2%, 17.1% were denominated in Renminbi, US dollars and Hong Kong dollars respectively. As at 30 June 2015, the Group had interest bearing borrowings, which mainly comprised corporate bonds, convertible bonds, bank borrowings and other borrowings, amounting to approximately RMB1,122.2 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 30 June 2015 (31 December 2014: 0.18).

FUND RAISING ACTIVITIES

On 12 February 2015, 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. On 15 June 2015, the Company completed the issue of three-year convertible bonds in the principal amount of HKD300,000,000 which bear interest at a rate of 6% per annum payable semi-annually. There was no conversion or redemption of the 2015 convertible bonds during the six months ended 30 June 2015.

To raise additional funds for the Group's general working capital purposes and/or for the purpose of financing future business development, the Company entered into a placing agreement with Sheng Yuan Securities Limited (as placing agent) on 29 June 2015. The placing was completed on 9 July 2015 by issuing 94,112,000 placing shares and the Company raised gross proceeds of approximately HK\$160 million.

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

INDEBTEDNESS AND CHARGE ON ASSETS

As at 30 June 2015, the Group had long-term borrowings of RMB150.0 million (31 December 2014: Nil) and short term borrowings amounting to 548.6 million (2014: RMB288.4 million), of which RMB325.6 million (2014: RMB211.8 million) were secured by the investment property of the Group with a carrying amount of approximately RMB575.0 million (2014: approximately RMB575.0 million). The secured borrowings of RMB211.8 million (2014: RMB211.8 million) were interest-bearing at floating rates and the remaining RMB113.8 million (2014: Nil) were interest-bearing at fixed rates. The remaining borrowings amounting to RMB373.0 million (2014: RMB76.6 million) were unsecured and interest-bearing at fixed rates. Details of the borrowings of the Group during the period are set out in note 18 to the condensed financial information in this announcement.

As at 30 June 2015, the Group had long term corporate bonds of RMB211.1 million (2014: RMB203.8 million). The Group had issued 2-year and 7.5-year corporate bonds with an aggregate principal amount of HK\$200,000,000 and HK\$70,000,000, which are due on 8 July 2016 and 24 April 2022 respectively, and carry interest at a fixed rate of 9.5% and 5.5% per annum with interest payable semi-annually in arrears, respectively. The corporate bonds are unsecured.

The Group had issued a 3-year convertible bonds with a principal amount of HK\$300,000,000 on 15 June 2015. Details of the convertible bonds are set out in note 23 to the condensed financial information in this announcement. The Group had net current assets of RMB1,245.8 million and net assets of RMB1,506.7 million as at 30 June 2015, respectively. The management is confident in the Group's financial ability and that it will be able to raise funds from various sources, including capital and debt markets, to meet its redemption obligations under the convertible bonds.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

- On 28 January 2015, the Group acquired a 100% equity interest in Beijing Phoenix through structured contracts at a consideration of RMB50.0 million which was satisfied in cash. The principal business of Beijing Phoenix is operating an online P2P lending business with collateralised financial assets.
- On 27 May 2015, the Group acquired a 51% equity interest in Zhejiang Rongniu at a consideration of RMB18.0 million which was satisfied in cash. The principal business of Zhejiang Rongniu is providing online share pledge financing services to individual investors in the PRC.

- On 20 March 2015, the Group acquired a 49% equity interest in 海南先鋒網信小額貸款有限公司 (Hainan Pioneer Internet Microfinance Limited*) (“Hainan Pioneer”) at a consideration of RMB49.0 million which was satisfied in cash. The principal business of Hainan Pioneer includes not only providing financing services to small and medium-sized enterprises and individuals within the Hainan Province, the PRC, but also offering small loans to enterprises and individuals nation-wide via the internet, which differs from traditional micro finance lending licenses which are limited geographically.
- On 9 June 2015, the Group disposed of a 66.25% equity interest in Shanghai Feng Zhi Xing at a consideration of RMB44.0 million. The Group’s equity interest in Shanghai Feng Zhi Xing was consequently reduced from 80% to 13.75% since then and was reclassified from being a subsidiary to an available-for-sale investment.

MAJOR INVESTMENTS

For the period ended 30 June 2015, save for the Group’s 10% equity interest in First P2P Limited as set out in note 13 of this announcement, no other significant investment was held by the Group. The Company acquired a 10% equity interest in First P2P Limited on 27 January 2015. For details of the acquisition, please refer to the announcement dated 12 January 2015. The investment has accelerated the Group’s development in the internet finance industry and its business expansion into the P2P sector. The Directors consider First P2P Limited has good business prospects, and are optimistic on the value of this investment and contribution of financial results brought to the Group in the future.

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

Save as disclosed under “Business Review” and “Outlook” in this announcement, the Company has no specific future plans for material investments or capital assets as at 30 June 2015.

INTERIM DIVIDEND

The Group has resolved not to pay an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no significant contingent liabilities (31 December 2014: Nil).

CAPITAL COMMITMENTS

As at 30 June 2015, the Group had capital expenditure contracted for but not provided for in its financial statements of approximately RMB10.0 million (31 December 2014: RMB5.8 million).

FOREIGN EXCHANGE EXPOSURE

The Group operates mainly in Hong Kong and the PRC. For its operations in Hong Kong, most of the transactions are denominated in Hong Kong dollars and U.S. dollars. The exchange rate of U.S. dollars against Hong Kong dollars is relatively stable and the related currency exchange risk is considered minimal. For operations in the PRC, most of the Group's transactions are denominated in Renminbi. Given the floating level of Renminbi against Hong Kong dollars during the period under review, no financial instrument was used for hedging purposes.

The Group is mainly exposed to the fluctuation of Hong Kong dollars against Renminbi as certain of its bank balances, bank borrowings and corporate bonds are denominated in Hong Kong dollars which is not the functional currency of the relevant group entities. The Group has not made other arrangements to hedge against the exchange rate risk. However, the Directors and management will continue to monitor the Group's foreign exchange exposure and will consider utilizing applicable derivatives to hedge exchange risk if necessary.

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group had a total of 263 staff and 5 contractors (31 December 2014: 255 staff and 5 contractors). Total staff costs (including Directors' emoluments) were approximately RMB43.3 million for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB36.4 million). Remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to a statutory mandatory provident fund scheme and social insurance together with housing provident funds for its employees in Hong Kong and the PRC, respectively.

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors, employees and contractors of the Group, who contribute to the success of the Group's operations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 15 June 2015, the Company issued convertible bonds in the principal amount of HK\$300,000,000 at 100% of the principal amount of the convertible bonds. Assuming that there is a full conversion of the convertible bonds at the initial conversion price of HK\$2.60 per share, the convertible bonds will be convertible into 115,384,615 ordinary shares of the Company (the “Shares”) (subject to adjustments as set out in the conditions for issue of the convertible bonds). The net proceeds from the issue of the convertible bonds, after deduction of related expenses, were approximately HK\$299 million. The net proceeds have been fully utilised by the Group for general working capital purposes.

Save as disclosed herein, 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 six months ended 30 June 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 six months ended 30 June 2015.

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 Dr. Wong, Kennedy Ying Ho (“Dr. Wong”) as an independent non-executive Director on 16 February 2015, there were sufficient independent non-executive directors in compliance with Rule 5.05A of the GEM Listing Rules. However, upon the appointment of Mr. Zhang Zhenxin as a non-executive Director on 12 July 2015, 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.

Furthermore, Dr. Wong resigned as an INED and ceased to act as the chairman of the nomination committee (the “Nomination Committee”) and as a member of each of the Nomination Committee, the Audit Committee and the remuneration committee (the “Remuneration Committee”) of the Company on 3 August 2015. Please refer to the announcements of the Company dated 3 August 2015 and 4 August 2015 for further details. Immediately thereafter, the Board comprised nine Directors, of which only two are INEDs, which fell below the requirements of (i) at least three INEDs under Rule 5.05(1) of the GEM Listing Rules; (ii) a minimum of three members in the Audit Committee under Rule 5.28 of the GEM Listing Rules; and (iii) the composition of each of the Remuneration Committee and the Nomination Committee pursuant to their respective terms of reference.

The Company will take all necessary measures to comply with the above requirement within three months from 12 July 2015. Further announcements will be made by the Company when the relevant changes including the appointment of a new chairman of the Nomination Committee to the Board are made.

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises two members, namely Mr. Ge Ming (Chairman) and Mr. Wang Wei, both being INEDs.

The Group’s unaudited results for the six months ended 30 June 2015 and this announcement 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.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 29 June 2015, the Company entered into a placing agreement with Sheng Yuan Securities Limited (the “Placing Agent”), pursuant to which the Placing Agent agreed to place, on a best-effort basis, an aggregate of up to 120,000,000 new Shares at the price of HK\$1.70 per placing Share to not more than three placees, subject to the fulfillment of the conditions precedent set out in the above placing agreement. On 9 July 2015, the Company completed the placing and issued 94,112,000 new Shares to two placees. For details, please refer to the Company’s announcements dated 29 June and 9 July 2015. The net proceeds from the placing amounted to approximately HK\$157.5 million. The Company has utilised HK\$57.5 million for general working capital and business development purposes and intends to apply the balance for general working capital purposes and/or for the purpose of financing future business development and possible acquisition(s) in the internet financing business of the Group.

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

Hong Kong, 10 August 2015

* *In this announcement, the English translation of certain Chinese names and entities is included for identification purposes only and should not be regarded as an official English translation of such Chinese names and entities.*

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

Non-executive Directors:

Mr. Li Mingshan (*Chairman*)

Mr. Li Gang

Mr. Wong Sai Hung

Mr. Zhang Zhenxin

Independent Non-executive Directors:

Mr. Ge Ming

Mr. Wang Wei

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 (www.creditchina.hk).