



CREDIT CHINA FINTECH HOLDINGS LIMITED
中國信貸科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8207)

**ANNOUNCEMENT OF THIRD QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

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

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This announcement, for which the directors of Credit China FinTech Holdings Limited (the “Company” or “Credit China” 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

Third Quarter of 2016

	For the nine months ended 30 September		Period- on-period change
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	
Turnover	635,965	259,279	145.2%
Profit for the period	223,915	52,330	327.8%
Profit attributable to equity holders of the Company	217,659	56,193	287.3%
Non-GAAP profit attributable to equity holders of the Company (<i>Note a</i>)	294,082	36,375	708.4%
	RMB	RMB (Restated)	
Earnings per share (<i>Note b</i>)			
– basic	1.08 cents	0.34 cent	217.6%
– diluted	1.07 cents	0.34 cent	214.7%
Non-GAAP earnings per share (<i>Note a</i>)			
– basic	1.46 cents	0.22 cent	563.6%
– diluted	1.45 cents	0.22 cent	559.0%

Note a:

Since the third quarter of 2016, we have included relevant non-GAAP adjustments for certain non-cash items and certain impact of acquisition or disposal transactions. We adopted the new presentation in order to more clearly illustrate our non-GAAP financial measure, and to be more consistent with what we believe to be industry practice. Comparative figures have been adjusted to conform to the new presentation.

Note b:

The calculation of the basic and diluted earnings per share for the nine months ended 30 September 2016 and 2015 have been adjusted as a result of the share subdivision effective on 19 September 2016.

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 nine months ended 30 September 2016 together with the comparative unaudited figures for the corresponding periods in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2016

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Turnover	3	260,633	119,937	635,965	259,279
Interest income	3	103,956	43,783	263,123	98,233
Interest expenses	6	(64,461)	(31,632)	(147,666)	(71,595)
Net interest income		39,495	12,151	115,457	26,638
Financial consultancy service income	3	1,445	13,920	21,216	20,308
Online third party payment service income	3	50,517	33,133	128,161	85,073
P2P loan service income	3	81,370	29,101	186,674	50,887
Mobile gaming service income	3	23,345	–	36,791	–
Gain on transfer of rights on interest on loan receivables	3	–	–	–	4,778
		196,172	88,305	488,299	187,684
Other income	5	6,503	10,866	16,113	15,966
Handling charges for online third party payment services		(7,500)	(15,454)	(26,735)	(23,927)
Administrative and other operating expenses		(64,870)	(43,510)	(169,006)	(110,857)
Change in fair value of embedded derivative components of convertible bond		–	332	(200)	8,240
Share-based payment expenses		(31,111)	(12,027)	(73,434)	(31,322)
Share of results of associates		17,655	1,233	36,289	1,369
Share of results of joint ventures		–	(1,268)	–	(5,593)
Gain on disposal of subsidiaries		–	361	37	42,900
Loss on deemed disposal of an associate		–	–	(2,029)	–
Loss on disposal of an associate		–	–	(797)	–
Profit before tax	7	116,849	28,838	268,537	84,460
Income tax	8	(20,177)	(12,577)	(44,622)	(32,130)
Profit for the period		96,672	16,261	223,915	52,330

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Other comprehensive income (expense) for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		6,801	11,546	22,262	11,186
Change in fair value of available-for-sale investments		—	—	(2,892)	(438)
Other comprehensive expense for the period, net of income tax		6,801	11,546	19,370	10,748
Total comprehensive income for the period		103,473	27,807	243,285	63,078
Profit for the period attributable to:					
Owners of the Company		90,905	18,953	217,659	56,193
Non-controlling interests		5,767	(2,692)	6,256	(3,863)
		96,672	16,261	223,915	52,330
Total comprehensive income for the period attributable to:					
Owners of the Company		97,703	30,500	237,008	66,938
Non-controlling interests		5,770	(2,693)	6,277	(3,860)
		103,473	27,807	243,285	63,078
		RMB	RMB (Restated)	RMB	RMB (Restated)
Earnings per share	10				
Basic		0.44 cent	0.11 cent	1.08 cents	0.34 cent
Diluted		0.44 cent	0.11 cent	1.07 cents	0.34 cent

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2016 have been prepared in accordance with the Hong Kong Accounting Standards and Interpretations 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 2015.

3. TURNOVER

The principal activities of the Company's subsidiaries 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, mobile gaming service income and gain on transfer of rights on interest 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 September		For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interest income				
Entrusted loan service income	28,299	24,588	89,362	66,570
Other loan service income	75,622	19,182	173,605	30,992
Microfinance service income	35	13	156	671
	<u>103,956</u>	<u>43,783</u>	<u>263,123</u>	<u>98,233</u>
Financial consultancy service income	1,445	13,920	21,216	20,308
Online third party payment service income	50,517	33,133	128,161	85,073
P2P loan service income	81,370	29,101	186,674	50,887
Mobile gaming service income	23,345	–	36,791	–
Gain on transfer of rights on interest on loan receivables	–	–	–	4,778
Turnover	<u><u>260,633</u></u>	<u><u>119,937</u></u>	<u><u>635,965</u></u>	<u><u>259,279</u></u>

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 People's Republic of China (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;
5. Mobile gaming services – provision of mobile game services in the PRC; and
6. 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 nine months ended 30 September 2016 (Unaudited)

	Loan financing RMB'000	Micro loan financing RMB'000	Online third party payment services RMB'000	P2P loan services RMB'000	Mobile gaming services RMB'000	Others RMB'000	Total RMB'000
REVENUE							
External income and gain	<u>284,183</u>	<u>156</u>	<u>128,161</u>	<u>186,674</u>	<u>36,791</u>	<u>-</u>	<u>635,965</u>
Segment results	<u>60,155</u>	<u>(1,370)</u>	<u>90,638</u>	<u>128,430</u>	<u>24,139</u>	<u>-</u>	<u>301,992</u>
Share of results of associates							36,289
Unallocated other income							9,930
Change in fair value of embedded derivative components of convertible bond							(200)
Gain on disposal of subsidiaries							37
Loss on deemed disposal of an associate							(2,029)
Loss on disposal of an associate							(797)
Share-based payment expenses							(73,434)
Unallocated expenses							<u>(3,251)</u>
Profit before tax							<u>268,537</u>

For the nine months ended 30 September 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>121,170</u>	<u>2,149</u>	<u>85,073</u>	<u>50,887</u>	<u>-</u>	<u>259,279</u>
Segment results	<u>(7,977)</u>	<u>(8,466)</u>	<u>63,540</u>	<u>19,286</u>	<u>-</u>	<u>66,383</u>
Share of results of associates						1,369
Share of results of joint ventures						(5,593)
Unallocated other income						10,587
Change in fair value of derivative and embedded derivative components of convertible bond						8,240
Gain on disposal of subsidiaries						42,900
Share-based payment expenses						(31,322)
Unallocated expenses						<u>(8,104)</u>
Profit before tax						<u>84,460</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, loss on deemed disposal of an associate, loss on disposal of an associate, 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 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>
Bank interest income	1,836	4,432	7,195	7,545
Government grants (<i>Note</i>)	1,792	3,670	2,009	3,705
Interest income on convertible bonds	–	1,079	726	3,042
Others	2,875	1,685	6,183	1,674
	6,503	10,866	16,113	15,966

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 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>
Interest on corporate bonds	1,690	5,641	13,409	16,068
Interest on convertible bonds	41,543	7,718	66,808	8,596
Interest on bank and other loans	21,228	18,273	67,449	46,931
	64,461	31,632	147,666	71,595

7. PROFIT BEFORE TAX

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
(a) Staff costs, including directors' remuneration				
Salaries, wages and other benefits	21,850	13,030	60,622	35,389
Contribution to defined contribution retirement benefits scheme	5,015	889	7,292	2,549
Share-based payment expenses	31,111	12,027	73,434	31,322
	<u>57,976</u>	<u>25,946</u>	<u>141,348</u>	<u>69,260</u>
(b) Other items				
Auditors' remuneration	743	639	1,520	1,292
Impairment recognised on loan receivable and other receivable	4,407	455	5,472	8,475
Depreciation and amortization	4,409	510	7,723	3,285
Net exchange (gain)/loss	(1,376)	4,774	(477)	4,048
Operating lease charges in respect of properties	5,369	4,908	14,540	12,659
	<u>5,369</u>	<u>4,908</u>	<u>14,540</u>	<u>12,659</u>

8. INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Current tax				
Provision for Hong Kong Profits Tax	1,979	–	3,559	–
Provision for PRC Enterprise Income Tax (the "EIT")	17,280	12,427	40,145	31,911
Deferred tax	918	150	918	219
	<u>20,177</u>	<u>12,577</u>	<u>44,622</u>	<u>32,130</u>

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

Hong Kong profits tax has been provided at the rate of 16.5% for both periods on the estimated assessable profits arising in Hong Kong during the period.

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. Several subsidiaries established in the PRC were recognised as High Technology Enterprises and subject to PRC EIT at 15% in accordance with the EIT Law.

9. DIVIDENDS

The Board has resolved not to pay an interim dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the three months and nine months ended 30 September 2016 is based on the profit attributable to owners of the Company of RMB90,905,000 and RMB217,659,000 respectively (three months and nine months ended 30 September 2015: RMB18,953,000 and RMB56,193,000 respectively) and the weighted average of 20,676,108,468 and 20,105,320,072 ordinary shares in issue respectively during the three months and nine months ended 30 September 2016 (three months and nine months ended 30 September 2015: 16,607,871,740 and 16,294,886,920 ordinary shares respectively).

Diluted earnings per share

The calculation of diluted earnings per share for the three months and nine months ended 30 September 2016 is based on the profit attributable to owners of the Company of RMB90,905,000 and RMB217,659,000 respectively (three months and nine months ended 30 September 2015: RMB18,953,000 and RMB56,193,000 respectively) and the weighted average of 20,848,603,611 and 20,307,230,264 ordinary shares in issue respectively during the periods (three months and nine months ended 30 September 2015: 16,609,336,745 and 16,319,309,415 ordinary shares respectively).

For the three months and nine months ended 30 September 2016 and 2015, the computation of diluted earnings per share does not assume the conversion of the Company’s outstanding convertible bonds since their exercise would result in an increase in earnings per share.

With effective from 19 September 2016, each of the existing issued and unissued ordinary share of par value of HK\$0.10 each in the share capital of the Company was subdivided into five (5) subdivided ordinary shares of par value of HK\$0.02 each. The calculation of the basic and diluted earnings per share for the three months and nine months ended 30 September 2016 and 2015 have been adjusted as a result of the share subdivision.

11. RESERVES

	Attributable to owners of the Company												Total	Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Retained profits	Investment revaluation reserve	Exchange reserve	Share-based payment reserve	Capital reserve	Special reserve	Contingent consideration reserve	Equity component of convertible bonds				
	RMB'000	RMB'000	RMB'000	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 2016 (Audited)	321,642	1,665,026	33,106	588,524	2,892	11,549	47,300	(125,035)	40,000	-	23,206	2,608,210	24,376	2,632,586	
Profit for the period	-	-	-	217,659	-	-	-	-	-	-	-	217,659	6,256	223,915	
Other comprehensive income (expense)															
- exchange differences on translating foreign operations	-	-	-	-	-	22,241	-	-	-	-	-	22,241	21	22,262	
- change in fair value of available-for-sale investments	-	-	-	-	(2,892)	-	-	-	-	-	-	(2,892)	-	(2,892)	
Total comprehensive income (expense) for the period	-	-	-	217,659	(2,892)	22,241	-	-	-	-	-	237,008	6,277	243,285	
Issue of shares upon exercise of share options	603	14,444	-	-	-	-	(2,941)	-	-	-	-	12,106	-	12,106	
Issue of shares for acquisition of an associate	21,557	666,101	-	-	-	-	-	-	-	-	-	687,658	-	687,658	
Recognition of equity-settled share-based payments	-	-	-	-	-	-	73,434	-	-	-	-	73,434	-	73,434	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	155,502	-	155,502	2,555	158,057	
Lapse of share options	-	-	-	795	-	-	(795)	-	-	-	-	-	-	-	
Appropriation to statutory reserve funds	-	-	3,463	(3,463)	-	-	-	-	-	-	-	-	-	-	
Conversion of convertible bonds	124	4,190	-	-	-	-	-	-	-	-	(466)	3,848	-	3,848	
Recognition of equity component of convertible bonds	-	-	-	-	-	-	-	-	-	-	128,044	128,044	-	128,044	
At 30 September 2016 (Unaudited)	343,926	2,349,761	36,569	803,515	-	33,790	116,998	(125,035)	40,000	155,502	150,784	3,905,810	33,208	3,939,018	
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	-	-	-	56,193	-	-	-	-	-	-	-	56,193	(3,863)	52,330	
Other comprehensive income (expense)															
- exchange differences on translating foreign operations	-	-	-	-	-	11,183	-	-	-	-	-	11,183	3	11,186	
- change in fair value of available-for-sale investments	-	-	-	-	(438)	-	-	-	-	-	-	(438)	-	(438)	
Total comprehensive income (expense) for the period	-	-	-	56,193	(438)	11,183	-	-	-	-	-	66,938	(3,860)	63,078	
Issue of shares by placing	7,539	119,337	-	-	-	-	-	-	-	-	-	126,876	-	126,876	
Issue of shares upon exercise of share options	1,141	10,604	-	-	-	-	(3,305)	-	-	-	-	8,440	-	8,440	
Dividend recognised as distribution	-	(11,724)	-	-	-	-	-	-	-	-	-	(11,724)	-	(11,724)	
Recognition of equity-settled share-based payments	-	-	-	-	-	-	31,322	-	-	-	-	31,322	-	31,322	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	10,447	10,447	
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	386	386	
Capital contribution by non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	-	6,000	6,000	
Appropriation to statutory reserve funds	-	-	8,039	(8,039)	-	-	-	-	-	-	-	-	-	-	
Convertible bonds - equity components, net of issuance costs	-	-	-	-	-	-	-	-	-	-	23,206	23,206	-	23,206	
At 30 September 2015 (Unaudited)	276,416	806,612	33,106	558,912	(370)	3,188	34,821	(125,038)	40,000	-	23,206	1,650,853	26,606	1,677,459	

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the third quarter of 2016, we noticed continued pressure in the overall macroeconomic outlook for China. At the same time, we also benefited from the continued sustainable growth in the fintech industry. We witnessed major changes across the fintech industry in China over the recent months, especially in the peer-to-peer (“P2P”) financing space. On 24 August 2016, CBRC, Ministry of Industry and Information Technology, Ministry of Public Security and China Internet Network Information Office jointly issued the 《網絡借貸信息中介機構業務活動管理暫行辦法》 (the Interim Measures on the Administration of the Business Activities of Network Loan Information Agencies) (the “Interim Measures”), which clearly defined the regulatory and operational requirements for P2P operators in China. We expect that while the publication of the Interim Measures will lead to the closure of numerous non-compliant operators in China, this will be conducive to the stable and healthy long-term development of the industry. We anticipate that the industry will experience consolidation over the next one to two years with a round of mergers and acquisitions, and that the top 20 players may capture the majority of the market share.

At Credit China, we intend to build a comprehensive integrated fintech services platform, and shall further enhance and improve our ecosystem by leveraging existing business operations in internet P2P lending and investment, online third-party payment, mobile POS services and mobile games.

Over the same period, the Group’s platforms have actively participated in various activities contributing to the sustainable and regulatory development of fintech environment in China. In September 2016, the National Internet Finance Association of China (“NIFA”) launched the credit information sharing platform for P2P lending players in China, and First P2P became one of the 17 inaugural information sharing institutions.

Operational Highlights

Our online third party payment platform – UCF Pay – has maintained its leading position in the online third party payment service sector in China. The total transaction volume for the first three quarters reached over RMB126.8 billion, representing a growth of over 100% year-on-year, of which the monthly transaction volume in September 2016 has surpassed RMB20 billion for the first time. UCF Pay’s accumulated active users reached 3 million in September 2016, representing a significant increase as compared to 1.9 million at the end of 2015. During the period, UCF Pay also successfully diversified its merchant customer base. UCF Pay continues to pursue innovation in the payment segment, and is actively exploring the application of blockchain technology in its payment settlement service.

During the period, P2P loan service business became one of the key revenue growth drivers of the Group. The total transaction values of First House Loan and Financial Workshop increased by 79% and 75% to RMB13.8 billion and RMB5.7 billion respectively. In the third quarter of 2016, First P2P upgraded itself to an integrated investment and wealth management platform for financial assets, with a strategic positioning as a comprehensive platform comprising payment, securities and funds. As at the end of September 2016, the total accumulated transaction value of First P2P reached RMB134.7 billion. First P2P also completed its Series C round financing in the quarter, maintaining its leading position in the industry.

Our recently acquired businesses have also contributed solid results during the period. Shanghai Jifu Xinxu Jishu Fuwu Co., Ltd.* (上海即富信息技術服務有限公司) (“Shanghai Jifu”) (in which the Group holds 35% interests), our mobile POS services business and a leading player in China providing flexible and convenient mobile POS solutions towards small-and-micro sized merchants, recorded total transaction volume surpassing RMB450 billion in the first three quarters, representing a growth of 84% period-on-period; total registered users reached 2.88 million by September 2016, compared to 1.84 million in December 2015; and recorded monthly active users of 750,000 in September 2016, compared to 560,000 in December 2015.

Shenzhen Qiyuan Tianxia Technology Company Limited* (深圳起源天下科技有限公司) (“Qiyuan”), a mobile game subsidiary in which the Group holds 51% interests also saw outstanding performance during the period. The mobile game “Jidou Xiyou” (激鬥西遊) launched in September 2016 contributed a revenue of over RMB15 million to the Group in that month. As at the end of September 2016, registered users exceeded 1.4 million, contributing a monthly net profit of RMB12.3 million to Qiyuan. As at the end of September 2016, the accumulated registered users of Qiyuan reached 3.21 million.

Strategic Highlights

Through the acquisitions and integration of Shanghai Jifu and Qiyuan, the Group has successfully expanded its ecosystem to include mobile POS merchant and mobile gaming users, and diversified into new revenue streams which would enhance the Group’s long-term sustainable growth and profitability. The Group intends to continue to identify accretive and synergistic investments in the wider fintech space in order to further enhance our ecosystem by expanding our user base, increasing user stickiness and wallet share of our users, which will lead to growth in the overall transaction volumes in the Group’s fintech ecosystem.

Financial Review

Revenue

For the nine months ended 30 September 2016, the Group reported a revenue of approximately RMB635.9 million, an increase of 145.2% as compared to approximately RMB259.3 million for the corresponding period in 2015. The growth in revenue was mainly attributable to an increase in interest and financial consultancy service income from loan portfolio in Hong Kong, and income streams from P2P loan service and the provision of online third party payment service. The following table sets forth the Group's revenues by segment of business for the nine months ended 30 September 2015 and 2016.

	For the nine months ended 30 September 2016		2015	
	<i>RMB'000</i>	% of total revenues	<i>RMB'000</i>	% of total revenues
Loan financing	284,183	44.7	121,170	46.7
Micro loan financing	156	0.0	2,149	0.9
Online third party payment services	128,161	20.2	85,073	32.8
P2P loan services	186,674	29.4	50,887	19.6
Mobile gaming services	36,791	5.7	–	–
Total	635,965	100.0	259,279	100.0

Entrusted loan and other loan income

Entrusted loan and other loan income mainly includes interest income and financial consultancy service income, which were derived from the Group's loan financing services including entrusted loans, pawn loans and other loans secured with assets or guarantees. It generated 44.7% of the Group's total revenue and recorded an increase of 134.5% to approximately RMB284.1 million for the period under review as compared to approximately RMB121.1 million for the corresponding period in 2015.

Online third party payment service income

The online third party payment service business, which included the provision of online payment transactions, payment system consultancy and related services, generated income of approximately RMB128.1 million for the nine months ended 30 September 2016 (nine months ended 30 September 2015: approximately RMB85.0 million), an increase of 50.7% as compared to the corresponding period last year. It represented 20.2% of the Group's total revenue.

P2P loan service income

The P2P loan service income business mainly includes the provision of services in relation to internet housing loan services, and the operation of a P2P financing website and a mobile application with collateralized financial assets (www.9888.cn: Financial Workshop). For the nine months ended 30 September 2016, the Group's P2P loan service income business recorded revenue of approximately RMB186.6 million (nine months ended 30 September 2015: approximately RMB50.8 million), an increase of 267.3% as compared to the corresponding period last year. It represented 29.4% of the Group's total revenue, of which Financial Workshop reported revenue amounting to RMB56.2 million, representing a 3.2-fold increase period-on-period; First House Loan reported revenue amounting to approximately RMB123.3 million, representing a 3.0-fold increase period-on-period.

Mobile gaming service income

On 21 April 2016, the Group completed the acquisition of an indirect 51% equity interest in Qiyuan for expanding its business into mobile gaming. Since completing the acquisition, Qiyuan had already started to contribute to the Group its total revenue of approximately RMB36.7 million and a net profit of approximately RMB23.1 million for the nine months ended 30 September 2016.

Interest expenses

Interest expenses mainly comprised interest due on bank and other loans, Hong Kong dollar-denominated convertible bonds, US dollar-denominated convertible bonds and Hong Kong dollar-denominated corporate bonds. Consistent with the increase in lending activities and loan portfolio, the Group's interest expenses significantly increased by 106.1% as compared to the corresponding period last year to approximately RMB147.6 million for the nine months ended 30 September 2016 (nine months ended 30 September 2015: approximately RMB71.6 million). As at 30 September 2016, the Group's external funding increased by 121.9% from approximately RMB999.4 million as at 30 September 2015 to approximately RMB2,218.0 million, of which bank and other borrowings amounted to approximately RMB900.9 million (30 September 2015: approximately RMB544.9 million); corporate bonds and convertible bonds amounted to approximately RMB1,317.1 million (30 September 2015: approximately RMB454.5 million).

Other income

Other income mainly comprised bank interest income, convertible bonds interest income and government grants. The Group's other income increased by 0.6% to approximately RMB16.1 million for the nine months ended 30 September 2016 (nine months ended 30 September 2015: approximately RMB16.0 million). This was mainly derived from an increase in average bank balances from trust accounts of the online third party payment services business.

Handling charges, administrative and other operating expenses

The Group's handling charges, administrative and other operating expenses primarily comprised salaries and staff welfare, intermediary handling charges for online third party payment services and P2P loan services, bank and financing charges, sales and marketing related expenses, and rental expenses. In line with the significant increase in the scale of our P2P loan service and online third party payment businesses since 2015, the Group's handling charges, administrative and other operating expenses increased by 45.2% as compared to the corresponding period last year to approximately RMB195.7 million (nine months ended 30 September 2015: approximately RMB134.7 million).

Share-based payment expenses

Share-based payment expenses of the Group for the nine months ended 30 September 2016 increased by 134.5% as compared to the corresponding period last year to approximately RMB73.4 million (nine months ended 30 September 2015: approximately RMB31.3 million).

Share of results of associates

Share of results of associates for the nine months ended 30 September 2016 increased to approximately RMB36.2 million. The period-on-period increase was mainly attributable to the contribution from our newly acquired 35% interest in Shanghai Jifu.

Profit for the period

The profit for the period was approximately RMB223.9 million, representing an increase of approximately 328.1% as compared to approximately RMB52.3 million for the corresponding period for 2015.

The increase was mainly due to a significant increase in turnover of approximately RMB376.6 million despite increases in interest expenses of approximately RMB76.0 million, handling charges, administrative and other operating expenses of approximately RMB60.9 million, and share-based payment expenses of approximately RMB42.1 million.

Reconciliations of non-GAAP measures to the nearest comparable GAAP measures

The table below sets forth a reconciliation of our profit attributable to equity holders of the Company to non-GAAP profit attributable to equity holders of the Company for the period indicated:

	For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Profit attributable to equity holders of the Company	217,659	56,193
Adjustments for:		
Share-based payment expenses	73,434	31,322
Change in fair value of embedded derivative components of convertible bond	200	(8,240)
Gain on disposal of subsidiaries	(37)	(42,900)
Loss on deemed disposal of an associate	2,029	–
Loss on disposal of an associate	797	–
	<hr/>	<hr/>
Non-GAAP profit attributable to equity holders of the Company	294,082	36,375

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of acquisition or disposal transactions.

Our profit attributable to equity holders of the Company for the nine months ended 30 September 2016 was RMB217.6 million, an increase of 287.3% compared to RMB56.1 million in the same period of 2015. Excluding the non-recurring gain on disposal of subsidiaries, loss on deemed disposal of an associate, loss on disposal of an associate, share-based payment expenses and certain other non-cash items, non-GAAP profit attributable to equity holders of the Company for the nine months ended 30 September 2016 was RMB294.0 million, an increase of 708.4% compared to RMB36.3 million in the same period in 2015.

Share Subdivision

On 19 August 2016, the Board announced its proposal that each of the existing issued and unissued ordinary share of par value of HK\$0.10 each in the share capital of the Company be subdivided into five (5) subdivided ordinary shares of par value of HK\$0.02 each (the "Share Subdivision"). An ordinary resolution to approve the Share Subdivision was duly passed by the shareholders of the Company by way of poll at the extraordinary general meeting held on 15 September 2016. The Share Subdivision took effect on 19 September 2016.

Further details of the Share Subdivision were set out in the announcements of the Company dated 19 August 2016 and 22 August 2016 and the circular issued by the Company dated 23 August 2016, and the poll results of the extraordinary general meeting were set out in the Company's announcement dated 15 September 2016.

As a result of the Share Subdivision, each of the shares of par value of HK\$0.10 subdivided into five subdivided shares of par value of HK\$0.02 each became effective on 19 September 2016. With effect from the same date, (i) the exercise price of the outstanding share options of the Company (the "Outstanding Share Options") and the conversion price of the outstanding convertible bonds of the Company (the "Outstanding Convertible Bonds") and (ii) the number of Subdivided Shares falling to be issued upon exercise of the subscription rights attaching to the Outstanding Share Options and the conversion rights attaching to the Outstanding Convertible Bonds were adjusted in the following manner as a result of the Share Subdivision:

	Immediately before the Share Subdivision becoming effective		Immediately after the Share Subdivision becoming effective	
	Exercise price per Share	Number of Shares falling to be issued	Adjusted exercise price per Subdivided Share	Adjusted number of Subdivided Shares falling to be issued
Share Options	<u>HK\$1.814 – HK\$3.49</u>	<u>442,274,000</u>	<u>HK\$0.3628 – HK\$0.698</u>	<u>2,211,370,000</u>
	Conversion price per Share	Number of Shares falling to be issued	Adjusted conversion price per Subdivided Share	Adjusted number of Subdivided Shares falling to be issued
Convertible Bonds	<u>HK\$2.6 – HK\$3.476</u>	<u>454,625,118</u>	<u>HK\$0.52 – HK\$0.6952</u>	<u>2,273,125,590</u>

Further details of the above adjustment were set out in the Company's announcement dated 15 September 2016.

OUTLOOK

P2P loan service: According to the data published by Wangdaizhijia, internet P2P lending cumulative volume reached RMB2.8 trillion in September 2016, and is expected to exceed RMB3 trillion by the end of this year. From January to September 2016, the internet P2P lending transaction volume reached RMB1.4110 trillion, representing a year-on-year increase of 237%. In the second half of 2016, with the promulgation of the Interim Measures, the internet P2P lending industry entered into a consolidation phase. By the end of September 2016, the number of internet P2P lending platforms with normal operation was only 2,202, representing a decrease of 393 as compared with that at the end of 2015, and it is expected that the number of platforms will continue to decrease for a period in the future. Hence, we maintain a prudent and positive attitude towards China's internet P2P lending industry and shall focus on improving the existing business operations and volume and proactively pursue quality acquisition opportunities.

Mobile payment solutions: With the rapid penetration of smart phones and continuous capital inflow, the mobile payment market has experienced robust growth with tremendous potential, gaining broad recognition. In order to satisfy the demand of small and micro enterprises, the Group will leverage on the large user base and the enormous potential brought by shop merchants data to strengthen the payment platform security, cut down acquisition cost of shop merchants' POS machines, optimize client experience and provide comprehensive mobile payment solutions to facilitate the rapid and sustained industry development.

Online games: Revenue of the newly launched mobile game Jidou Xiyou (激鬥西遊), which was officially launched in early September 2016, was over RMB15 million and the number of registered users topped 1.4 million in the first month since its launching. Meanwhile, "Cashbox games", an integrated game publishing platform combining the self-developed mobile games of the Company and the web games, was officially launched for operation on 25 August 2016. It is expected that there will be dozens of self-developed games and agent games available. We shall focus on the launching of our self-developed and globally promoted games, Texas Hold'em (德州撲克) and Prisoners in Dream (夢境囚徒) and the game Monkey King's Legend (大聖傳) of which we are the publisher, before the end of 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2016, the Group had bank balances and cash of approximately RMB742.5 million (31 December 2015: approximately RMB615.0 million). Total borrowings, which mainly comprised corporate bonds, convertible bonds, bank and other borrowings, amounted to approximately RMB2,218.0 million (31 December 2015: approximately RMB1,313.7 million). The gearing ratio, representing the ratio of total borrowings to total assets of the Group, was 0.30 as at 30 September 2016 (31 December 2015: 0.27).

The share subdivision of each issued and unissued ordinary share of HK\$0.1 each in the share capital of the Company into five (5) ordinary shares of HK\$0.02 each was effective on 19 September 2016.

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

FUND RAISING ACTIVITIES

During the period under review, 9888.cn Limited (“9888.cn”), an indirect wholly-owned subsidiary of the Company completed the issue of convertible bonds in the principal amount of RMB90,000,000 pursuant to a subscription agreement entered into between 9888.cn and Jiefang Media (UK) Co., Ltd. (解放傳媒(英國)有限公司) (“Jiefang Media”), a shareholder of the Company, and the Company as guarantor. At any time after the issue date and up to the maturity date, Jiefang Media shall have the right to convert the said convertible bonds into 6% of the equity shares of 9888.cn (as enlarged by the conversions).

During the period under review, the Group completed the issue of 3-year convertible bonds in the principal amount of HK\$730,000,000 (equivalent to approximately RMB625,172,000), which bear interest at a rate of 7% per annum payable semi-annually. As at the date of this announcement, the 3-year convertible bonds in the principal amount of HK\$15,000,000 (equivalent to approximately RMB12,846,000) was converted and a total of 21,576,524 ordinary shares were allotted by the Company. During the period under review, there was no redemption of the said convertible bonds.

During the period under review, the Group also completed the issue of 3-year convertible bonds in the principal amount of US\$45,000,000 (equivalent to approximately HK\$349,200,000) (the “2019 A Convertible Bonds”) and HK\$100,000,000 (the “2019 B Convertible Bonds”), which bear floating rate and interest at a rate of 7% per annum respectively payable semi-annually. During the period under review, the 2019 B Convertible Bonds in the principal amount of HK\$5,005,440 were converted and a total of 7,200,000 ordinary shares were allotted by the Company. During the period under review, there was no redemption of the 2019 A Convertible Bonds and the 2019 B Convertible Bonds.

OTHER INFORMATION

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 nine months ended 30 September 2016.

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 nine months ended 30 September 2016.

Review by Audit Committee

The Audit Committee currently comprises four members, namely Mr. Ge Ming (Chairman), Dr. Ou Minggang, Mr. Wang Wei and Dr. Yin Zhongli, all being independent non-executive Directors.

The Group's unaudited results for the nine months ended 30 September 2016 and this announcement have been reviewed by the Audit Committee. The Audit Committee 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

Subsequent to the end of the reporting period, the Group has entered into the following significant transactions:

(a) *Issue of convertible bonds*

In October 2016, the Group completed the issue of 3-year 7% convertible bonds with an aggregate principal amount of HK\$270,000,000 (equivalent to approximately RMB231,228,000). The convertible bonds are denominated in HK\$ and entitle the holders to convert them into ordinary shares of the Company at any time between the issue date to the maturity date at an initial conversion price of HK\$0.6952 per share, subject to adjustments pursuant to the terms and conditions of the convertible bonds. As at the date of this announcement, there is no conversion or redemption of the said convertible bonds.

(b) *Entering into a share purchase agreement to acquire 48% equity interest in Leyu Limited ("Leyu")*

On 31 October 2016, the Company and Marvel Paradise Group Limited, a wholly-owned subsidiary of the Company, as buyer, entered into a share purchase agreement with Starshine Global Investments Limited, Sanbao Star Limited, Mr. Zhang Jinghua, Prajna Technology Limited and Mr. Wang Lisong, collectively as sellers, for the acquisition of 48% of the entire issued share capital of Leyu for a total consideration of RMB800 million, of which RMB320 million will be settled by cash on the closing date and the remaining RMB480 million will be satisfied by issuance of the consideration shares by the Company. The consideration shares will be issued in two tranches, (i) 80% to be issued on the closing date and (ii) 20% to be issued within five business days upon confirmation that all requisite registrations have been made.

Leyu and its subsidiaries and consolidated affiliated entities are principally online consumer finance marketplaces, connecting investors and individual borrowers from a variety of channels to facilitate loans through mobile applications.

Please refer to the announcement of the Company dated 31 October 2016 for details.

By Order of the Board
Credit China FinTech Holdings Limited
Li Mingshan
Chairman

Hong Kong, 7 November 2016

* *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 Executive Directors are Mr. Phang Yew Kiat (Vice-Chairman and Chief Executive Officer), Mr. Chng Swee Ho and Mr. Sheng Jia; the Non-executive Directors are Mr. Li Mingshan (Chairman), Mr. Li Gang, Mr. Wong Sai Hung, Mr. Zhang Zhenxin and Ms. Zhou Youmeng; and the Independent Non-executive Directors are Mr. Ge Ming, Dr. Ou Minggang, Mr. Wang Wei and Dr. Yin Zhongli.