



CREDIT CHINA



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

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8207

Interim Report
2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This report, for which the directors (the "Directors") of Credit China Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL HIGHLIGHTS

- The Group recorded turnover of approximately RMB171.6 million for the six months ended 30 June 2014, representing an increase of 27.5% as compared with the corresponding period in 2013.
- Profit attributable to owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB44.2 million, representing a decrease of 27.9% as compared with the corresponding period in 2013.
- Basic earnings per share for the six months ended 30 June 2014 amounted to RMB1.45 cents (2013: RMB2.61 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014.

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2014 together with the comparative unaudited figures for the corresponding periods in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2014

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Turnover	3	92,203	76,809	171,550	134,585
Interest income	3	64,326	25,727	118,099	68,650
Interest expenses	6	(22,685)	(8,083)	(46,036)	(15,529)
Net interest income		41,641	17,644	72,063	53,121
Financial consultancy service income	3	14,290	51,082	34,010	65,935
P2P loan consultancy service income	3	5,069	–	5,069	–
Online third party payment service income	3	8,518	–	14,372	–
		69,518	68,726	125,514	119,056
Other income	5	3,042	3,262	11,119	11,912
Administrative and other operating expenses		(39,469)	(35,744)	(74,622)	(50,318)
Change in fair value of derivative and embedded derivative components of convertible bond		1,070	(1,434)	1,070	(1,290)
Share-based payment expenses		–	–	(2,646)	–
Share of results of associates		(221)	(545)	(559)	(1,081)
Share of results of joint ventures		(152)	1,194	(755)	1,756
Gain on disposal of subsidiaries		64	–	64	–
Profit before tax	7	33,852	35,459	59,185	80,035
Income tax	8	(9,010)	(3,658)	(11,722)	(14,377)
Profit for the period		24,842	31,801	47,463	65,658

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

For the three months and six months ended 30 June 2014

	For the three months ended 30 June		For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
<i>Notes</i>				
Other comprehensive income (expense) for the period				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	275	(3,611)	(204)	(3,274)
Change in fair value of available- for-sale investments	(2,391)	(137)	(2,391)	(137)
Other comprehensive expense for the period, net of income tax	(2,116)	(3,748)	(2,595)	(3,411)
Total comprehensive income for the period	22,726	28,053	44,868	62,247
Profit for the period attributable to:				
Owners of the Company	21,532	29,882	44,239	61,369
Non-controlling interests	3,310	1,919	3,224	4,289
	24,842	31,801	47,463	65,658
Total comprehensive income for the period attributable to:				
Owners of the Company	19,566	26,134	42,484	57,836
Non-controlling interests	3,160	1,919	2,384	4,411
	22,726	28,053	44,868	62,247
	RMB	RMB	RMB	RMB
Earnings per share	10			
Basic	0.68 cents	1.25 cents	1.45 cents	2.61 cents
Diluted	0.67 cents	1.22 cents	1.43 cents	2.54 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
	<i>Notes</i>		
Non-current assets			
Plant and equipment	11	15,864	15,014
Investment property		545,008	513,000
Intangible assets		136,310	135,835
Goodwill	12	43,214	37,820
Club membership		739	–
Available-for-sale investments		1,125	1,125
Loan receivables	13	154,975	157,141
Contingent consideration receivable		8,452	8,452
Pledged bank deposits		30,008	30,008
Interests in associates		466	1,025
Interests in joint ventures		2,062	2,817
		938,223	902,237
Current assets			
Funds receivable and customers account	14	23,961	–
Available-for-sale investments		32,632	32,675
Derivatives embedded in convertible bonds		675	–
Trade receivables	15	6,500	–
Prepayments and other receivables	13	133,903	44,738
Loan receivables	13	902,042	843,815
Amounts due from joint ventures		63,686	55,089
Amounts due from associates		1,710	525
Amounts due from related companies		187,514	172,824
Amounts due from non-controlling shareholders of subsidiaries		1,250	–
Income tax recoverable		–	57
Bank balances and cash		230,414	259,591
		1,584,287	1,409,314

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2014

		As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
	<i>Notes</i>		
Current liabilities			
Accruals and other payables	16	27,102	34,451
Funds payable and amounts due to customers	14	23,961	–
Amounts due to non-controlling shareholders		1,179	1,173
Amounts due to related companies		196,114	179,327
Borrowings	17	445,468	434,041
Financial assets sold under repurchase agreement		29,743	29,914
Derivatives embedded in convertible bond		–	392
Corporate bonds		257,148	255,611
Income tax payables		5,274	7,989
		985,989	942,898
Net current assets		598,298	466,416
Total assets less current liabilities		1,536,521	1,368,653
Non-current liabilities			
Deferred tax liabilities	18	75,073	74,228
		75,073	74,228
Net assets		1,461,448	1,294,425

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2014

		As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
	<i>Notes</i>		
Capital and reserves			
Share capital	19	264,490	245,773
Reserves		1,090,326	948,362
Equity attributable to owners of the Company		1,354,816	1,194,135
Non-controlling interests		106,632	100,290
Total equity		1,461,448	1,294,425

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

Attributable to owners of the Company

	Share capital	Share premium	Statutory reserve	Retained profits	Investment revaluation reserve	Exchange reserve	Share-based payment reserve	Capital reserve	Special reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	245,773	556,369	27,313	455,320	1,402	(7,202)	8,898	(133,438)	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)	-	-	-	-	(2,391)	636	-	-	-	(1,755)	(840)	(2,595)
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 base 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	1,354,816	106,632	1,461,448
At 1 January 2013 (audited)	180,649	206,702	14,470	327,244	2,156	(1,071)	25,988	(52,256)	40,000	743,862	13,169	757,031
Profit for the period	-	-	-	61,369	-	-	-	-	-	61,369	4,289	65,658
Other comprehensive income (expense)	-	-	-	-	(137)	(3,396)	-	-	-	(3,533)	122	(3,411)
Total comprehensive income (expense) for the period	-	-	-	61,369	(137)	(3,396)	-	-	-	57,836	4,411	62,247
Issue of shares by placing	19,462	132,949	-	-	-	-	-	-	-	152,411	-	152,411
Issue of shares upon exercise of share options	1,784	7,072	-	-	-	-	(425)	-	-	8,431	-	8,431
Dividend recognised as distribution	-	(30,101)	-	-	-	-	-	-	-	(30,101)	-	(30,101)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	75,236	75,236
At 30 June 2013 (unaudited)	201,895	316,622	14,470	388,613	2,019	(4,467)	25,543	(52,256)	40,000	932,439	92,816	1,025,255

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(74,207)	60,661
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(42,696)	16,079
NET CASH FROM FINANCING ACTIVITIES	87,994	107,300
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(28,909)	184,040
Effect of foreign exchange rate changes	(268)	(3,500)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	259,591	212,558
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	230,414	393,098

Notes:

1. GENERAL INFORMATION

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

The principal activities of the Group are provision of pawn loan service, entrusted loan service, other 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").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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 2013, except for the following new HKFRSs (which include all HKFRSs, HKASs and Interpretations) that are effective for the Group's accounting period beginning on 1 January 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.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(International Financial Reporting Interpretations Committee) ("IFRIC") – Int 21	Levies

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

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
HKFRS 14	Regulatory Deferral Accounts ²
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
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 9	Financial Instruments ⁴

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 to be determined.

3. TURNOVER

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.

Turnover represents interest income (either from real estate pawn loans, other collateral-backed pawn loans, real estate-backed loans, other loans, entrusted loans and micro loans), financial consultancy service income, P2P loan consultancy service income and online third party payment service income, net of corresponding sales related taxes. The amount of each significant category of revenue recognized during the periods is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Interest income				
Real estate pawn loan service income				
– Administration fee income	-	457	349	836
– Interest income	-	68	195	184
Other collateral-backed pawn loan service income				
– Administration fee income	-	-	-	516
– Interest income	-	-	-	129
Entrusted loan service income				
– Interest income	49,166	17,638	79,318	51,004
Other loan service income				
– Interest income	2,662	3,269	5,960	5,258
Real estate-backed loan service income				
– Interest income	4,506	3,954	15,530	10,338
Microfinance service income				
– Interest income	7,992	341	16,747	385
	64,326	25,727	118,099	68,650
Financial consultancy service income	14,290	51,082	34,010	65,935
P2P loan consultancy service income	5,069	-	5,069	-
Online third party payment service income				
Payment transaction fee income	6,576	-	8,084	-
System consultancy fee income and other service income	1,942	-	6,288	-
	8,518	-	14,372	-
Turnover	92,203	76,809	171,550	134,585

4. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the condensed 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 i) the micro financing licence being granted and operation of the micro financing business becoming mature; ii) the acquisition of the business in the provision of online third-party payment services and prepaid card issuance business; and iii) the acquisition of the business in the provision of internet housing loan and automobile loan financing services business, 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. Third-party payment services – provision of online third-party services and prepaid card issuance business;
4. P2P loan consultancy services – provision of internet housing loan, and automobile loan financing service in the PRC; and
5. Others – property investment

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

4. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

For the period ended 30 June 2014 (unaudited)

	Loan financing <i>RMB'000</i>	Micro loan financing <i>RMB'000</i>	Third-party payment services <i>RMB'000</i>	P2P loan consultancy services <i>RMB'000</i>	Total <i>RMB'000</i>
REVENUE					
External sales	<u>103,441</u>	<u>46,942</u>	<u>16,070</u>	<u>5,097</u>	<u>171,550</u>
Segment results	<u>84,798</u>	<u>20,935</u>	<u>6,701</u>	<u>(1,196)</u>	<u>111,238</u>
Share of results of associates					(559)
Share of results of joint ventures					(755)
Unallocated other income					3,299
Change in fair value of derivative and 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					(6,490)
Profit before tax					<u>59,185</u>

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the period ended 30 June 2013 (unaudited)

	Loan financing RMB'000	Micro loan financing RMB'000	Third-party payment services RMB'000	P2P loan consultancy services RMB'000	Total RMB'000
REVENUE					
External sales	120,448	14,137	–	–	134,585
Segment results	88,036	8,098	–	–	96,134
Share of results of associates					(1,081)
Share of results of joint ventures					1,756
Unallocated other income					4,384
Change in fair value of derivative and embedded derivative components of convertible bond					(1,290)
Interest expenses					(15,529)
Unallocated expenses					(4,339)
Profit before tax					80,035

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 derivative and 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	
	2014	2013	2014	2013
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Bank interest income	456	656	811	1,142
Government grants (<i>Note</i>)	1,579	248	7,728	7,507
Interest income on convertible bond	1,072	828	2,090	1,657
Other interest income	-	1,528	-	1,585
Others	(65)	2	490	21
	<u>3,042</u>	<u>3,262</u>	<u>11,119</u>	<u>11,912</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	
	2014	2013	2014	2013
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest on bank and other loans	13,985	523	28,815	523
Interest on corporate bonds	7,648	7,560	15,174	15,002
Interest on financial assets sold under repurchase agreement	1,052	-	2,047	-
Interest on deposits received	-	-	-	4
	<u>22,685</u>	<u>8,083</u>	<u>46,036</u>	<u>15,529</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	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
(a) Staff costs, including directors' remuneration				
Salaries, wages and other benefits	15,927	9,635	31,467	14,961
Contribution to defined contribution retirement benefits scheme	1,685	483	2,323	893
Share-based payment expenses	-	-	2,646	-
	<u>17,612</u>	<u>10,118</u>	<u>36,436</u>	<u>15,854</u>
(b) Other items				
Auditors' remuneration	263	534	550	709
Allowance for loan receivables	3,443	-	9,530	-
Depreciation	1,668	663	3,088	1,300
Net exchange (gain) loss	(1,218)	617	(1,410)	59
Operating lease charges in respect of properties	3,375	1,809	6,261	3,484
Written off of plant and equipment	-	-	6	-
	<u>3,775</u>	<u>2,423</u>	<u>17,975</u>	<u>5,552</u>

8. INCOME TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Current tax				
Provision for PRC Enterprise Income Tax (the "EIT")	9,707	3,231	10,877	13,582
Deferred tax (Note 18)	(697)	427	845	795
	<u>9,010</u>	<u>3,658</u>	<u>11,722</u>	<u>14,377</u>

8. INCOME TAX *(Continued)*

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 2013 and 2014 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 RMB30,615,000 that relates to the period to 31 December 2013 was paid in June 2014 (six months ended 30 June 2013: RMB30,101,000).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2014 is based on the profit attributable to owners of the Company of RMB21,532,000 and RMB44,239,000 respectively (three months and six months ended 30 June 2013: RMB29,882,000 and RMB61,369,000 respectively) and the weighted average of 3,161,683,692 and 3,054,391,779 ordinary shares in issue respectively during the three months and six months ended 30 June 2014 (three months and six months ended 30 June 2013: 2,389,000,000 and 2,349,895,028 ordinary shares respectively).

Diluted earnings per share

The calculation of diluted earnings per share for the three months and six months ended 30 June 2014 is based on the profit attributable to owners of the Company of RMB21,532,000 and RMB44,239,000 respectively (three months and six months ended 30 June 2013: RMB29,882,000 and RMB61,369,000 respectively) and the weighted average of 3,198,319,243 and 3,091,927,920 ordinary shares in issue respectively during the periods (three months and six months ended 30 June 2013: 2,441,848,644 and 2,413,206,767 ordinary shares respectively).

11. PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB3,272,000 (six months ended 30 June 2013: RMB1,282,000) on the acquisition of plant and equipment, and approximately RMB691,000 (six months ended 30 June 2013: Nil) on the acquisition of plant and equipment through acquisition of subsidiary. The Company disposed plant and equipment of approximately RMB105,000 (six months ended 30 June 2013: Nil) for the period ended 30 June 2014.

12. GOODWILL

Goodwill represents the value of the entire equity interest of one acquired company less the fair value of all identifiable assets and liabilities on the date of acquisition of equity interest.

13. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Loan receivables		
Secured loans		
Pawn loans to customers	5,800	6,100
Real estate-backed loans to customers	110,064	99,500
Entrusted loans to customers	423,217	383,218
Other loans to customers	226,359	204,774
Micro loans to customers	5,501	5,816
	770,941	699,408
Unsecured entrusted loans to customers	88,355	–
Unsecured micro loans to customers	207,251	210,900
Unsecured other loans to customers	–	90,648
	1,066,547	1,000,956
Less: allowance for loan receivables	(9,530)	–
	1,057,017	1,000,956
Prepayments and other receivables		
Prepayments and other receivables	133,903	44,738
	1,190,920	1,045,694
Loan receivables analysed for reporting purposes as:		
Non-current assets	154,975	157,141
Current assets	902,042	843,815
	1,057,017	1,000,956

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

The Group normally allows credit terms to customers ranging from 90 days to up to 180 days, depending on the types of loan.

(a) Ageing analysis

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 90 days	292,390	525,610
91 to 180 days	183,526	255,777
181 to 365 days	466,268	159,871
Over 365 days	114,833	59,698
	1,057,017	1,000,956

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 debtors with aggregate carrying amount of approximately RMB365,321,000 (31 December 2013: RMB141,312,000) from certain real estate-backed loan, entrusted loan, pawn loan and micro loan customers, 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 RMB1,201,476,000 (31 December 2013: RMB269,607,000) in respect of the past due loan receivables of RMB359,809,000 (31 December 2013: RMB140,883,000).

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 90 days	190,041	429
91 to 180 days	96,064	72,000
181 to 365 days	79,216	68,883
	365,321	141,312

13. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(b) Loan receivables that are not impaired *(Continued)*

In April 2014, the Group successfully auctioned the collateral of one defaulted real estate-backed loan with carrying value of approximately RMB60,000,000.

In addition, subsequent to the reporting period, the Group has successfully collected past due loans with carrying value of approximately RMB77,091,000.

14. FUNDS RECEIVABLE AND CUSTOMERS ACCOUNT/FUNDS PAYABLE AND AMOUNTS DUE TO CUSTOMERS

Funds receivable and customers account and funds payable and amounts due to customers relate primarily to the Group's online third party payment services.

Funds receivable and customers account represent funds received or to be received from customers for unsettled money transfer and consumer payments. The Group records corresponding funds payable and amounts due to customers relating to amounts payable under money transfers and consumer payment service arrangements.

Funds receivable and customers account consist of cash and cash equivalents. Cash received by the Group generally becomes available to customers within 30 days after initial receipt by the customers.

15. TRADE RECEIVABLES

Customers are generally granted credit terms of 90 to 180 days (31 December 2013: Nil). Based on invoice date, ageing analysis of the Group's trade receivables is as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 90 days	<u>6,500</u>	<u>–</u>
	<u>6,500</u>	<u>–</u>

16. ACCRUALS AND OTHER PAYABLES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Other payables and accrued expenses	15,494	19,035
Consideration payable for acquisition of remaining interests in subsidiaries	7,010	4,000
	22,504	23,035
Financing services income receipts in advance	4,598	11,416
	27,102	34,451

17. BORROWINGS

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Secured bank loans	212,857	210,468
Unsecured bank loans	49,483	39,025
Unsecured other loans	18,328	48,548
Unsecured entrusted loans	164,800	136,000
	445,468	434,041
Carrying amount repayable*: Within one year	214,283	214,884
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)	231,185	219,157
	445,468	434,041
<i>Less:</i> amounts due within one year shown under current liabilities	(445,468)	(434,041)
Amounts show under non-current liabilities	-	-

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

17. BORROWINGS (Continued)

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

	30 June 2014	31 December 2013
Bank and other loans	10%	11%

During the six months ended 30 June 2014, the Group had repaid borrowing of RMB58,126,000 (six months ended 30 June 2013: RMB10,069,000).

18. 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 2014	6,457	33,812	33,959	74,228
Charged to profit or loss	845	-	-	845
At 30 June 2014	7,302	33,812	33,959	75,073

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.

19. SHARE CAPITAL

	Number of shares	Share capital presented as	
		HK\$'000	RMB'000
<i>Authorised:</i>			
At 1 January 2014 and 30 June 2014, ordinary shares of HK\$0.1 each	20,000,000,000	2,000,000	
<i>Issued and fully paid:</i>			
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
At 1 January 2013, ordinary share of HK\$0.1 each	2,127,000,000	212,700	180,649
Exercise of share options	22,000,000	2,200	1,784
Issue of shares upon placing (<i>Note</i>)	240,000,000	24,000	19,462
At 30 June 2013, ordinary shares of HK\$0.1 each	2,389,000,000	238,900	201,895

Note: On 21 January 2014, the Company entered into a subscription agreement with Zeleste International Limited ("Zeleste") pursuant to which Zeleste has conditionally agreed to subscribe for, and the Company has 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 has conditionally agreed to subscribe for, and the Company has 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.

20. ACQUISITION OF A SUBSIDIARY

On 6 May 2014, the Group acquired 80% equity interest in the registered capital of 上海鋒之行汽車金融信息服務有限公司 ("上海鋒之行"), at a consideration of RMB5,000,000 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 RMB5,394,000. 上海鋒之行 is engaged in the development and operation of automobile financing products.

上海鋒之行 was acquired so as to allow the Group to leverage the automobile financing products and services in the PRC.

Consideration transferred

	<i>RMB'000</i>
Cash	5,000

No acquisition-related cost of the transaction is incurred during the period ended 30 June 2014.

Identifiable assets and liabilities assumed at provisional fair value are as follows:

	<i>RMB'000</i>
Plant and equipment	691
Intangible assets	476
Prepayments and other receivables	6,344
Amount due from non-controlling interests	1,250
Cash and cash equivalents	5,103
Accruals and other payables	(14,357)
	<hr/>
Net liabilities identified	(493)

As at the date of approval of these financial statements, the Group has not finalized the fair value assessment for the acquiree's identifiable assets, liabilities and contingent liabilities as at the date of acquisition. The relevant fair value of net liabilities acquired stated above is arrived at on a provisional basis awaiting the finalization of identification of and fair values of identifiable assets and liabilities of 上海鋒之行. Hence, the goodwill may be subject to significant changes in the future period when these valuations have been finalized.

20. ACQUISITION OF A SUBSIDIARY (Continued)

Consideration transferred (Continued)

Goodwill arising on acquisition:

	<i>RMB'000</i>
Consideration transferred	5,000
<i>Add:</i> Net liabilities identified	493
<i>Less:</i> 20% non-controlling interests	(99)
	<hr/>
Goodwill arising on acquisition	5,394
	<hr/> <hr/>

Goodwill arose in the acquisition of 上海鋒之行 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 of future market development of automobile financial market financing business. 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 these acquisitions is expected to be deductible for tax purposes.

Net cash inflow on acquisition of 上海鋒之行

	<i>RMB'000</i>
Cash consideration paid	(5,000)
<i>Less:</i> cash and cash equivalent balances acquired	5,103
	<hr/>
	103
	<hr/> <hr/>

Included in the profit for the period is approximately RMB2,772,000 loss attributable to the additional business generated by 上海鋒之行. Revenue for the period includes approximately RMB1,199,000 generated from 上海鋒之行.

Had the acquisition been completed on 1 January 2014, total group revenue for the period would have been RMB172,623,000, and net profit for the period would have been RMB42,061,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

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 liabilities.

21. COMMITMENT

Capital expenditure commitment

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Capital expenditure contracted for but not provided for in respect of:		
Acquisition of plant and equipment	24,407	751
Acquisition of club membership	-	384
	24,407	1,135

Operating lease arrangement

The Group as lessor

The Company had contracted with tenant for the following future minimum lease payments as at 30 June 2014 and 31 December 2013.

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within one year	3,391	3,249
In the second to fifth years inclusive	3,391	5,086
	6,782	8,335

The Group as lessee

Details of the Group's commitments under non-cancellable operating lease as at 30 June 2014 and 31 December 2013 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 five years (31 December 2013: 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.

21. COMMITMENT (Continued)

Operating lease arrangement (Continued)

The Group as lessee (Continued)

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within one year	12,896	8,094
In the second to fifth years inclusive	9,998	2,958
	22,894	11,052

22. RELATED PARTY TRANSACTIONS

Significant related party transactions

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

	30 June 2014 (Unaudited) RMB'000	30 June 2013 (Unaudited) RMB'000
Jinhan Investment	184	315

Mr. Shi Zhi Jun, resigned as executive Director of the Company on 17 March 2014, has beneficial interest in Jinhan Investment.

- (ii) The Group paid rental expenses to 北京蜂巢商務服務有限公司 (Beijing Fengchao Commercial Service Company Limited) ("Fengchao") as follows:

	30 June 2014 (Unaudited) RMB'000	30 June 2013 (Unaudited) RMB'000
Fengchao	715	-

Mr. Zhang Zhenxin, a substantial shareholder of the Company, has beneficial interest in Fengchao.

22. RELATED PARTY TRANSACTIONS (Continued)

Significant related party transactions (Continued)

- (iii) The Group paid interest expenses to Xinrong Asset Management Limited ("Xinrong Asset") as follows:

	30 June 2014 (Unaudited) RMB'000	30 June 2013 (Unaudited) RMB'000
Interest expenses on deposit received from Xinrong Asset	-	4

Xinrong Asset is wholly-owned by Shanghai Xinhua Publishing Group Limited ("Xinhua Publishing"), a substantial shareholder of the Company.

- (iv) The total rental expenses of RMB156,000 (six months ended 30 June 2013: RMB130,000) was paid to a joint venture at a monthly rate of RMB26,000 during the period ended 30 June 2014.
- (v) The other loan of approximately RMB39,860,000 as at 31 December 2013, having been guaranteed by Mr. Ting Pang Wan, Raymond, a director of the Company, was fully settled during the period ended 30 June 2014. As at 30 June 2014, no loan was guaranteed by Mr. Ting Pang Wan, Raymond. On 7 July 2014, Mr. Ting Pang Wan, Raymond resigned as an executive Director and a Co-Chairman and was appointed as the Honorary Chairman.

Key management personnel remuneration

	30 June 2014 (Unaudited) RMB'000	30 June 2013 (Unaudited) RMB'000
Basic salaries, allowances and other benefits	7,173	2,366
Contribution to retirement benefit scheme	31	18
Share-based payment expenses	1,728	-
	8,932	2,384

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group specializes in the business of providing financing services for small and medium-sized enterprises and individuals in the PRC and Hong Kong. Besides offering a wide spectrum of financing services including entrusted loan service, real estate-backed loan service, micro financing service, pawn loan service and other loan service, the Group also provides related financing consultancy service to assist customers on various financing issues and solutions. The Group has also consummated a significant market repositioning by entering the internet financing business in the PRC.

In October 2013, the Group entered into the online third-party payment services and prepaid card issuance business in the PRC by acquiring the entire equity interest in UCF Huisheng Investment (HK) Co., Limited ("UCF Huisheng"). Since then, the Group has made progress toward its broader goal of internet financing business. In March 2014, the Group allied with Centaline Group, one of the largest property agency service groups in the PRC and Hong Kong, to provide internet housing loans in the PRC. Also in March 2014, the Group entered into an agreement for acquiring an 80% equity interest in a PRC company which is principally engaged in the development and operation of automobile financing products.

In the first half of this year, the Group's revenue experienced a year-on-year increase of 27.5%, owing to the increased interest income from the entrusted loan service and micro financing service, and new revenue stream from the P2P loan consultancy service and online third party payment service. However, the profit for the period under review attributable to owners of the Company reduced by 27.9% to approximately RMB44.2 million as compared to approximately RMB61.4 million in the same period last year. This was because, in view of the rapid growth in scale of micro loans, the Group adopted a more prudent accounting policy by providing allowance for loan receivables for its micro loans in an amount of approximately RMB9.5 million, which caused the temporary drop in profit. At the same time, the increasing financing costs from the bank loans obtained since September of last year also impacted the profit for the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business review *(Continued)*

The Group is also actively seeking opportunities to acquire internet micro financing businesses in certain major cities of the PRC in order to complement its strategic market positioning in the internet financing business. On 1 May 2014 and 19 May 2014, the Group entered into memorandum of understanding for potential acquisitions in the internet micro financing service and finance leasing business respectively.

The Group will continue to pursue its strategy of partnering, and will reinforce its strategic relationships with its business partners and finalize as soon as possible its commercial arrangements in relation to the internet financing businesses.

Financial review

Revenue

For the six months ended 30 June 2014, the Group reported revenue of approximately RMB171.6 million, an increase of 27.5% as compared to RMB134.6 million in the corresponding period last year. The growth in revenue was mainly attributable from the increased interest income from the Group's entrusted loan service and micro loan service, and new income streams from provision of P2P loan consultancy service and online third party payment service.

Entrusted loan service income

The Group's entrusted loan service continued to generate majority of the Group's total revenue and recorded growth of 55.5% to RMB79.3 million during the period under review as compared to RMB51.0 million for the corresponding period last year.

Real estate-backed loan service income

The Group's microfinance platform in Chongqing has two business segments: small loan service and microfinance service, and the real estate-backed loan service income is mainly derived from the provision of small loan service. Due to the successful auction of the collateral of one defaulted real estate-backed loan, the Group's real estate-backed loan service income increased to approximately RMB15.5 million, an increase of 50.2% as compared to approximately RMB10.3 million over the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review *(Continued)*

Microfinance service income

With the stable growth of microfinance business in Chongqing and He Fei, the Group's microfinance service income increased significantly to approximately RMB16.7 million for the six months ended 30 June 2014 as compared to approximately RMB385,000 for the same period last year.

Other loan service income

Except for some interest income from loans granted by UCF Huisheng before acquisition by the Group, other loan service income was mainly derived from the money lending service in Hong Kong. For the six months ended 30 June 2014, the revenue from provision of money lending service was approximately RMB6.0 million, which was increased by 13.4% versus approximately RMB5.3 million in the corresponding period last year.

Real estate pawn loan service income

The Group's revenue from the provision of real estate pawn loan service decreased significantly by 46.7% to approximately RMB0.5 million from approximately RMB1.0 million in the corresponding period last year. It is because the Group has changed its loan portfolios towards loans with larger size and hence the proportion of loans with smaller sum such as real estate pawn loans has been reduced.

Financial consultancy service income

Revenue from the provision of financial consultancy service still represented a significant portion of the Group's total revenue. However, due to the reduction in the referral fees from introduction of borrowers to other financing service providers, the financial consultancy service income decreased by 48.4% to approximately RMB34.0 million for the period under review from approximately RMB65.9 million for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review *(Continued)*

P2P loan consultancy service income

During the period under review, the Group recorded approximately RMB5.1 million revenue from provision of P2P loan consultancy service in relation to its internet house loan and automobile loan services which started to contribute to the Group's revenue in April and May 2014 respectively.

Online third party payment service income

In March 2014, the Group's online third party payment service commenced operation and contributed to the Group revenue of approximately RMB14.4 million from provision of payment transaction service, system consultancy service and other service.

Interest expenses

The Group's interest expenses were mainly comprised of interests on RMB-denominated corporate bonds, bank loans, other borrowings and financial assets sold under repurchase agreement. The Group's interest expenses increased 196.5% to approximately RMB46.0 million for the six months ended 30 June 2014 from approximately RMB15.5 million for the same period last year. It was because, in order to fund its operation and business development, the Group obtained bank loans, other loans and financial assets sold under repurchase agreement in the principal amounts of approximately RMB288.5 million, RMB171.1 million and RMB30.0 million respectively, which increased the interest expenses during the period under review.

Other income

The Group's other income mainly comprised convertible bond interest income, bank interest income, rental income and government grants. The Group's other income for the six months ended 30 June 2013 and 2014 was approximately RMB11.9 million and RMB11.1 million respectively. The government grants of approximately RMB7.7 million to Shanghai Yintong Dian Dang Company Limited ("Shanghai Yintong"), Lucky Target Property Consultants (Shanghai) Company Limited ("Lucky Consultants") and other subsidiaries of the Group in Shanghai was in relation to the encouragement of expansion of enterprise.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review *(Continued)*

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, rental expenses and sales and marketing related expenses. The Group's administrative and other operating expenses for the six months ended 30 June 2013 and 2014 were approximately RMB50.3 million and RMB74.6 million respectively. The increase of 48.3% in administrative and other operating expenses was mainly attributable to the allowance for loan receivables of micro loans amounting to approximately RMB9.5 million, increase of salaries as additional management and staff was recruited for microfinance businesses as well as other operating costs due to business development.

Profit for the period

The profit attributable to owners of the Company for the six months ended 30 June 2014 was approximately RMB44.2 million, a decrease of approximately 27.9% as compared to approximately RMB61.4 million in the same period last year.

OUTLOOK

The Group will continue to maintain its strengths in its traditional business of providing financing services for small and medium-sized enterprises and individuals in the PRC and Hong Kong in the future and to continue to seek quality projects to increase its profit sources. Meanwhile, the Group is accelerating the development of its internet financing business. In the first half of 2014, the Group began to operate the businesses relating to internet housing loans and internet automobile loans. Our innovative business model is unique in the P2P internet loan industry, and with our business platform poised to become scalable, it will enjoy business synergy.

The internet payment business of the Group not only offers a reliable and secure internet payment gateway for customers including individuals, households, firms and enterprises, but also provides capabilities for finding and obtaining comprehensive customer data and information through data mining, thereby forming scientific customer analysis and accurate risk pricing capabilities. This will greatly enhance our service efficiency and corporate management efficiency.

OUTLOOK *(Continued)*

Looking forward, the Group will continue to optimize its business structure, strive to establish a comprehensive internet financing platform, continue to enhance the experiential customer service, actively explore innovation in the internet financing service model, and support the development of emerging businesses. Furthermore, the Group will expand its business through mergers, acquisitions, partnerships and alliances, to quickly enhance the Group's competitiveness and its growth potential. The Group is prepared to meet the tremendous challenges and opportunities that arise as a result of technological advancement and commercial model innovation in China.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2014, the Group had bank balances and cash of approximately RMB230.4 million (31 December 2013: approximately RMB259.6 million) and had interest-bearing borrowings, which mainly comprised RMB-denominated corporate bonds and other borrowings, amounted to approximately RMB732.4 million (31 December 2013: approximately RMB719.6 million). During the period under review, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowings to the total assets of the Group, was 0.29 as at 30 June 2014 (31 December 2013: 0.31).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the period ended 30 June 2014, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

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

Save as disclosed under "Business Review" and "Outlook" in this report, there was no specific plan for material investments or capital assets as at 30 June 2014.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group had no significant contingent liabilities (31 December 2013: Nil).

CAPITAL COMMITMENTS

As at 30 June 2014, the Group had capital expenditure contracted for but not provided in the financial statements of approximately RMB24.4 million (31 December 2013: RMB1.1 million).

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group had a total of 392 staff (31 December 2013: 212). Total staff costs (including Directors' emoluments) were approximately RMB36.4 million for the six months ended 30 June 2014 (six months ended 30 June 2013: approximately RMB15.9 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, contributions to statutory mandatory provident fund scheme and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in shares of the Company

Name of Directors/ Chief Executive	Capacity/ Nature of interests	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital¹
Mr. Ting Pang Wan, Raymond <i>(resigned on 7 July 2014)</i>	Interest in a controlled corporation	321,010,000 (L) ²⁾	10.09%
	Beneficial owner	6,000,000 (L)	0.19%
Ms. Shen Li	Beneficial owner	3,500,000 (L)	0.11%
Mr. Sheng Jia	Family interest (interest of spouse or child under 18)	80,000 (L)	0.00%
Mr. Neo Poh Kiat <i>(resigned on 7 July 2014)</i>	Beneficial owner	800,000 (L)	0.03%
Dr. Lau Reimer Mary Jean <i>(resigned on 7 July 2014)</i>	Beneficial owner	800,000 (L)	0.03%
Mr. Lee Sze Wai <i>(resigned on 7 July 2014)</i>	Beneficial owner	300,000 (L)	0.01%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

(i) Interests in shares of the Company (Continued)

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
 - (2) These shares were held by Kaiser Capital Holdings Limited ("Kaiser Capital"), the entire issued share capital of which was owned by Mr. Ting Pang Wan, Raymond, the then executive Director and Co-Chairman of the Board.
- * The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 30 June 2014.

(ii) Interests in underlying shares of the Company – physically settled equity derivatives

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Mr. Ting Pang Wan, Raymond (resigned on 7 July 2014)	Beneficial owner	14,490,000 (L)	0.46%
Mr. Lee Sze Wai (resigned on 7 July 2014)	Beneficial owner	500,000 (L)	0.02%

Note: The letter "L" denotes the entity/person's long position in the securities.

- * The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2014.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, so far as is known to the Directors or chief executives of the Company, the following persons and entities (other than the Directors and chief executives of the Company) had 5% or more interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under section 336 of the SFO:

Interests in shares of the Company

Name of substantial shareholder	Capacity/ Nature of interests	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
First Pay Limited ("First Pay")	Beneficial owner	677,800,000 (L) ⁽²⁾	21.31%
Mr. Zhang Zhenxin	Beneficial owner	21,736,000 (L) ⁽³⁾	0.68%
	Interest in a controlled corporation	677,800,000 (L) ⁽²⁾	21.31%
	Family interest (interest of spouse)	18,000,000 (L) ⁽⁴⁾	0.57%
Ms. Zhang Xiaomin	Beneficial owner	18,000,000 (L) ⁽⁴⁾	0.57%
	Family interest (interest of spouse)	699,536,000 (L) ^(2/3)	22.00%
Silver Paragon Limited	Beneficial owner	349,990,000 (L) ⁽⁵⁾	11.01%
Ms. So Naoko	Interest in a controlled corporation	349,990,000 (L) ⁽⁵⁾	11.01%
Jiefang Media (UK) Co. Limited ("Jiefang Media")	Beneficial owner	336,222,400 (L) ⁽⁶⁾	10.57%
Xinhua Publishing	Interest in controlled corporations	336,222,400 (L) ⁽⁶⁾	10.57%
Jiefang Daily Group ("Jiefang Group")	Interest in controlled corporations	336,222,400 (L) ⁽⁶⁾	10.57%
Shanghai Greenland Group Limited ("Greenland Group")	Interest in a controlled corporation	336,222,400 (L) ⁽⁶⁾	10.57%
Kaiser Capital	Beneficial owner	321,010,000 (L) ⁽⁷⁾	10.09%
Integrated Asset Management (Asia) Limited ("Integrated Asset")	Beneficial owner	225,925,600 (L) ⁽⁸⁾	7.10%
Mr. Yam Tak Cheung	Interest in a controlled corporation	225,925,600 (L) ⁽⁸⁾	7.10%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
 - (2) These shares were held by First Pay, the entire share capital of which was owned by Mr. Zhang Zhenxin.
 - (3) These shares were held by Mr. Zhang Zhenxin.
 - (4) These shares were held by Ms. Zhang Xiaomin, the spouse of Mr. Zhang Zhenxin.
 - (5) These shares were held by Silver Paragon Limited, the entire share capital of which was owned by Ms. So Naoko.
 - (6) These shares were held by Jiefang Media. Jiefang Media is wholly-owned by Xinhua Publishing, which was in turn owned by Jiefang Group and its associates as to approximately 50.8% and Greenland Group as to approximately 39%. Therefore, under the SFO, Xinhua Publishing was deemed to be interested in all the shares held by Jiefang Media, and each of Jiefang Group and Greenland Group was deemed to be interested in all the shares held by Jiefang Media through Xinhua Publishing.
 - (7) These shares were held by Kaiser Capital, the entire share capital of which was owned by Mr. Ting Pang Wan, Raymond. Please also refer to the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures".
 - (8) These shares were held by Integrated Asset, the entire issued share capital of which was owned by Mr. Yam Tak Cheung.
- * *The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 30 June 2014.*

Save as disclosed above, as at 30 June 2014, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person or entity who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company has adopted a Share Option Scheme (the “Share Option Scheme”) pursuant to the written resolution of the shareholders on 4 November 2010 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants of the Share Option Scheme include the directors, including independent non-executive directors, employees of the Group, customers of the Group, consultants, advisers, managers, officers or entities that provide research, development or other technological support to the Group.

Details of movements of the share options granted under the Share Option Scheme during the six months ended 30 June 2014 were as follows:

Category	Date of grant	Exercise period	Exercise price per share <i>HK\$</i>	Number of underlying shares comprised in the options					
				As at 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 30 June 2014
Directors									
Mr. Ting Pang Wan, Raymond	12 July 2013	12 April 2014 to 11 July 2018	0.74	14,490,000 ^(d)	-	-	-	-	14,490,000
Ms. Shen Li	12 July 2013	12 April 2014 to 11 July 2018	0.74	3,500,000 ^(d)	-	(3,500,000)	-	-	-
Mr. Neo Poh Kiat	4 April 2011	4 January 2012 to 3 April 2016	1.0050 ^(g)	600,000 ^{(2)(g)}	-	(600,000)	-	-	-
	12 July 2013	12 April 2014 to 11 July 2018	0.74	200,000 ^(d)	-	(200,000)	-	-	-
Dr. Lau Reimer Mary Jean	4 April 2011	4 January 2012 to 3 April 2016	1.0050 ^(g)	600,000 ^{(2)(g)}	-	(600,000)	-	-	-
	12 July 2013	12 April 2014 to 11 July 2018	0.74	200,000 ^(d)	-	(200,000)	-	-	-
Mr. Lee Sze Wai	4 April 2011	4 January 2012 to 3 April 2016	1.0050 ^(g)	600,000 ^{(2)(g)}	-	(300,000)	-	-	300,000
	12 July 2013	12 April 2014 to 11 July 2018	0.74	200,000 ^(d)	-	-	-	-	200,000
				20,390,000	-	(5,400,000)	-	-	14,990,000

SHARE OPTION SCHEME (Continued)

Category	Date of grant	Exercise period	Exercise price per share HK\$	Number of underlying shares comprised in the options					As at 30 June 2014
				As at 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Employees (in aggregate)	4 April 2011	4 January 2012 to 3 April 2016	1.0050 ⁽⁹⁾	2,484,000 ⁽⁹⁾⁽³⁾	-	(1,956,000)	-	(288,000)	240,000
	12 July 2013	12 April 2014 to 11 July 2018	0.74	16,830,000 ⁽⁴⁾	-	(15,270,000)	-	(710,000)	850,000
				19,314,000	-	(17,226,000)	-	(998,000)	1,090,000
Consultant	4 April 2011	4 January 2012 to 3 April 2016	1.0050 ⁽⁹⁾	39,840,000 ⁽⁹⁾⁽³⁾	-	-	-	-	39,840,000
	27 September 2011	27 March 2012 to 26 September 2016	0.4725	14,000,000 ⁽⁹⁾⁽³⁾	-	(14,000,000)	-	-	-
				53,840,000	-	(14,000,000)	-	-	39,840,000
Total				93,544,000	-	(36,626,000)	-	(998,000)	55,920,000

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$1.21.
- (3) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.485.
- (4) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.75.
- (5) The exercise price of the outstanding options and the number of shares of the Company to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding options were adjusted with effect from 30 May 2012 as a result of the bonus issue of shares.

SHARE OPTION SCHEME (Continued)

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised by Directors, employees and consultant during the year was HK\$1.8081.

The fair values of share options granted to Directors and employees were calculated using the Black-Scholes option pricing model for 2011 and 2013. The inputs into the model were as follows:

	4 April 2011	12 July 2013
Inputs into the model		
Exercise price	HK\$1.206	HK\$0.74
Expected volatility	44.61%	67.71%
Expected life	2.875 years	2.875 years
Expected dividend yield	1.56%	2.095%
Risk-free rate	1.12%	0.507%

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

The fair values of share options granted to business associates were measured at the fair value of the services received.

The Group recognized the total expenses of approximately RMB2,646,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil) in relation to the share options granted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries redeemed, purchased or sold any of its listed securities during the six months ended 30 June 2014.

MINIMUM NUMBERS OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND BOARD COMMITTEE MEMBERS

Following the changes of the composition of the Board on 7 July 2014, the Company has only two independent non-executive directors ("INEDs") and two members of the Audit Committee, which fall below the minimum number requirement of Rules 5.05(1), 5.05A and 5.28 of the GEM Listing Rules. Further, the number of members of the Nomination Committee and the Remuneration Committee falls below the minimum number required under the respective terms of reference of the Nomination Committee and the Remuneration Committee (the "Terms of Reference"). The Company is endeavoring to identify a suitable candidate to fill the above vacancies within three months from the above date pursuant to the GEM Listing Rules and the Terms of Reference.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules during the six months ended 30 June 2014.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transaction by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and each of them confirmed that he/she had complied with the required standard of dealings regarding securities transactions by Directors during the six months ended 30 June 2014.

COMPETING INTEREST

None of the controlling shareholders nor their respective associates had interests in any other companies which may, directly or indirectly, compete with the Group's business.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") presently comprises a total of two members, namely, Mr. Peter Z Kuk and Mr. Wang Wei, both of whom are INEDs. The Group's unaudited results for the six months ended 30 June 2014 have been reviewed by the Audit Committee. The Board is of opinion that the 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.

CHANGE OF DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

Mr. Phang Yew Kiat was appointed as a Co-Chairman on 17 March 2014 and redesignated as the Vice Chairman and the Chief Executive Officer of the Company with effect from 7 July 2014.

Mr. Shi Zhi Jun and Mr. Ji Zu Guang resigned as executive Directors of the Company on 17 March 2014.

Mr. Chng Swee Ho was appointed as an executive Director of the Company on 17 March 2014.

Mr. Wong Sai Hung was appointed as a non-executive Director of the Company on 17 March 2014. Besides, he was re-designated from Vice-Chairman to Chairman of China Bio-Med Regeneration Technology Limited, a company listed on the GEM of the Stock Exchange on 18 July 2014, and was appointed as an independent non-executive Director of JPMorgan Chinese Investment Trust plc, a company listed on London Stock Exchange on 1 August 2014.

Mr. Ting Pang Wan, Raymond resigned as a Co-Chairman and an executive Director of the Company and was appointed as the Honorary Chairman of the Company, both with effect from 7 July 2014.

CHANGE OF DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

(Continued)

Ms. Shen Li stepped down as the Chief Executive Officer and has remained an executive Director of the Company with effect from 7 July 2014.

Mr. Neo Poh Kiat, Dr. Lau Reimer Mary Jean and Mr. Lee Sze Wai resigned as INEDs of the Company and were appointed as the members of an advisory panel of the Company, all with effect from 7 July 2014. Mr. Neo Poh Kiat also ceased to be the chairman of the remuneration committee of the Board (the "Remuneration Committee") and a member of each of the Audit Committee and the nomination committee of the Board (the "Nomination Committee"). Dr. Lau Reimer Mary Jean also ceased to be the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Lee Sze Wai also ceased to be the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee.

Mr. Li Mingshan was appointed as the Chairman of the Company and a non-executive Director of the Company on 7 July 2014.

Mr. Peter Z Kuk was appointed as an INED and the chairman of Nomination Committee and a member of each of the Remuneration Committee and the Audit Committee with effect from 7 July 2014.

Mr. Wang Wei was appointed as an INED and the chairman of the Remuneration Committee and a member of each of the Nomination Committee and Audit Committee with effect from 7 July 2014.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 8 July 2014, the Company completed the issue of its HK\$200,000,000 9.5% Notes due July 2016 and the proceeds will be used (i) to repay the outstanding amount of the Company's RMB200,000,000 11% Bonds due 2014 which will mature in September 2014; (ii) for the development of the Company's online third party payment and online lending business; and (iii) for general corporate purposes.

By order of the Board

Credit China Holdings Limited

Li Mingshan

Chairman

Hong Kong, 11 August 2014

* *In this report, 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 report, the non-executive Directors are Mr. Li Mingshan (Chairman) and Mr. Wong Sai Hung; the executive Directors are Mr. Phang Yew Kiat (Vice Chairman and Chief Executive Officer), Ms. Shen Li, Mr. Sheng Jia and Mr. Chng Swee Ho; and the independent non-executive Directors are Mr. Peter Z Kuk and Mr. Wang Wei.