



CREDIT CHINA



中国信贷
CREDIT CHINA

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

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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Mr. Chng Swee Ho

Mr. Sheng Jia

Ms. Shen Li

Non-executive Directors

Mr. Li Mingshan (*Chairman*)

Mr. Wong Sai Hung

Independent Non-executive Directors

Mr. Ge Ming

Mr. Peter Z Kuk

Mr. Wang Wei

COMPANY SECRETARY

Mr. Kwok Siu Man

COMPLIANCE OFFICER

Mr. Chng Swee Ho

AUTHORIZED REPRESENTATIVES

Mr. Phang Yew Kiat

Mr. Kwok Siu Man

AUDIT COMMITTEE

Mr. Ge Ming (*Chairman*)

Mr. Peter Z Kuk

Mr. Wang Wei

REMUNERATION COMMITTEE

Mr. Wang Wei (*Chairman*)

Mr. Ge Ming

Mr. Peter Z Kuk

NOMINATION COMMITTEE

Mr. Peter Z Kuk (*Chairman*)

Mr. Ge Ming

Mr. Wang Wei

PRINCIPAL BANKERS

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

China Construction Bank Corporation
(Shanghai Nanjing West Road Sub-branch)
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AUDITORS

SHINEWING (HK) CPA Limited
Certified Public Accountants
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CORPORATE INFORMATION *(Continued)*

REGISTERED OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately RMB281.1 million for the nine months ended 30 September 2014, representing an increase of 28.4% as compared with the corresponding period in 2013.
- Profit attributable to owners of the Company for the nine months ended 30 September 2014 amounted to approximately RMB74.4 million, representing a decrease of 18.6% as compared with the corresponding period in 2013.
- Basic earnings per share for the nine months ended 30 September 2014 amounted to RMB2.40 cents (2013: RMB3.85 cents).
- The Board does not declare the payment of an interim dividend for the nine months ended 30 September 2014.

The board of Directors of the Company (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 30 September 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 nine months ended 30 September 2014

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Turnover	3	109,549	84,342	281,099	218,927
Interest income	3	15,129	55,075	95,468	123,725
Interest expenses	6	(26,630)	(8,744)	(72,666)	(24,273)
Net interest income		(11,501)	46,331	22,802	99,452
Financial consultancy service income	3	16,378	29,267	50,388	95,202
P2P loan consultancy service income	3	10,162	–	15,231	–
Online third party payment service income	3	21,666	–	36,038	–
Gain on transfer of right on interests on loan receivables	3	46,214	–	83,974	–
		82,919	75,598	208,433	194,654
Other income	5	2,249	2,080	14,778	13,992
Administrative and other operating expenses		(41,188)	(27,356)	(117,220)	(77,674)
Change in fair value of derivative and embedded derivative components of convertible bond		–	–	1,070	(1,290)

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

For the three months and nine months ended 30 September 2014

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
		RMB'000	RMB'000	RMB'000	RMB'000
Share-based payment expenses		-	(2,891)	(2,646)	(2,891)
Share of results of associates		(60)	(464)	(619)	(1,545)
Share of results of joint ventures		585	394	(170)	2,150
Gain on disposal of subsidiaries		-	-	64	-
Profit before tax	7	44,505	47,361	103,690	127,396
Income tax	8	(6,995)	(13,640)	(18,717)	(28,017)
Profit for the period		37,510	33,721	84,973	99,379
Other comprehensive expense for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(72)	(573)	(276)	(3,847)
Change in fair value of available-for-sale investments		-	-	(2,391)	(137)
Other comprehensive expense for the period, net of income tax		(72)	(573)	(2,667)	(3,984)
Total comprehensive income for the period		37,438	33,148	82,306	95,395
Profit for the period attributable to:					
Owners of the Company		30,167	30,060	74,406	91,429
Non-controlling interests		7,343	3,661	10,567	7,950
		37,510	33,721	84,973	99,379

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

For the three months and nine months ended 30 September 2014

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Total comprehensive income for the period attributable to:				
Owners of the Company	29,114	29,487	71,598	87,323
Non-controlling interests	8,324	3,661	10,708	8,072
	37,438	33,148	82,306	95,395
	RMB	RMB	RMB	RMB
Earnings per share	10			
Basic	0.94 cents	1.24 cents	2.40 cents	3.85 cents
Diluted	0.94 cents	1.22 cents	2.37 cents	3.76 cents

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated results of the Group for the three months and the nine months ended 30 September 2014 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and complied with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these results are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

3. TURNOVER

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

3. TURNOVER (Continued)

Turnover represents amount receivable for services provided in the normal course of business, net of corresponding sales related taxes. The amount of each significant category of revenue recognized in turnover during the periods is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	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	-	190	349	1,026
– Interest income	-	114	195	298
Other collateral-backed pawn loan service income				
– Administration fee income	-	-	-	516
– Interest income	-	-	-	129
Entrusted loan service income				
– Interest income	2,189	44,510	43,747	95,514
Other loan service income				
– Interest income	2,390	3,065	8,350	8,323
Real estate-backed loan service income				
– Interest income	3,692	3,542	19,222	13,880
Microfinance service income				
– Interest income	6,858	3,654	23,605	4,039
	15,129	55,075	95,468	123,725
Financial consultancy service income	16,378	29,267	50,388	95,202
P2P loan consultancy service income	10,162	-	15,231	-
Online third party payment service income				
Payment transaction fee income	13,394	-	21,478	-
System consultancy fee income and other service income	8,272	-	14,560	-
	21,666	-	36,038	-
Gain on transfer of right on interests on loan receivables	46,214	-	83,974	-
Turnover	109,549	84,342	281,099	218,927

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 September 2014 (unaudited)

	Loan financing RMB'000	Micro loan financing RMB'000	Third-party payment services RMB'000	P2P loan consultancy services RMB'000	Others RMB'000	Total RMB'000
REVENUE						
External sales	151,771	74,570	39,250	15,508	-	281,099
Segment results	119,795	35,748	23,094	2,352	398	181,387
Share of results of associates						(619)
Share of results of joint ventures						(170)
Unallocated other income						5,113
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						(72,666)
Unallocated expenses						(7,843)
Profit before tax						103,690

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the period ended 30 September 2013 (unaudited)

	Loan financing RMB'000	Micro loan financing RMB'000	Third-party payment services RMB'000	P2P loan consultancy services RMB'000	Others RMB'000	Total RMB'000
REVENUE						
External sales	191,712	27,215	-	-	-	218,927
Segment results	144,074	11,745	-	-	-	155,819
Share of results of associates						(1,545)
Share of results of joint ventures						2,150
Unallocated other income						5,791
Change in fair value of derivative and embedded derivative components of convertible bond						(1,290)
Share-based payment expenses						(2,891)
Interest expenses						(24,273)
Unallocated expenses						(6,365)
Profit before tax						127,396

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 September		For the nine months ended 30 September	
	2014 RMB'000 (Unaudited)	2013 <i>RMB'000</i> (Unaudited)	2014 RMB'000 (Unaudited)	2013 <i>RMB'000</i> (Unaudited)
Bank interest income	695	348	1,506	1,490
Government grants <i>(Note)</i>	394	575	8,121	8,082
Interest income on a convertible bond	1,119	889	3,209	2,546
Realised gains on settlement of derivative financial instruments	-	170	-	1,755
Net exchange gain	41	-	1,451	-
Rental income	-	-	398	-
Others	-	98	93	119
	2,249	2,080	14,778	13,992

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	
	2014 RMB'000 (Unaudited)	2013 <i>RMB'000</i> (Unaudited)	2014 RMB'000 (Unaudited)	2013 <i>RMB'000</i> (Unaudited)
Interest on bank and other loans	14,783	1,373	43,598	1,896
Interest on corporate bonds	10,699	7,371	25,873	22,373
Interest on financial assets sold under repurchase agreement	1,148	-	3,195	-
Interest on deposits received	-	-	-	4
	26,630	8,744	72,666	24,273

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	
	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	14,113	10,548	45,580	25,509
Contribution to defined contribution retirement benefits scheme	1,351	610	3,674	1,503
Share-based payment expenses	-	2,891	2,646	2,891
	<u>15,464</u>	<u>14,049</u>	<u>51,900</u>	<u>29,903</u>
(b) Other items				
Auditors' remuneration	243	206	793	915
Allowance for loan receivables	602	-	10,132	-
Depreciation	1,404	622	4,492	1,922
Net exchange (gain)/loss	(41)	786	(1,451)	845
Operating lease charges in respect of properties	4,301	2,276	10,562	5,760
Written off of plant and equipment	29	-	35	-
	<u>4,301</u>	<u>2,276</u>	<u>10,562</u>	<u>5,760</u>

8. INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	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")	6,653	12,394	17,530	25,976
Deferred tax	342	1,246	1,187	2,041
	<u>6,995</u>	<u>13,640</u>	<u>18,717</u>	<u>28,017</u>

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

8. **INCOME TAX** *(Continued)*

No Hong Kong Profits Tax has been provided for the three months and nine months ended 30 September 2014 as the Group has no assessable profit for Hong Kong Profits Tax purposes for the periods (three months and nine months ended 30 September 2013: Nil).

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**

The Board does not declare the payment of an interim dividend for the nine months ended 30 September 2014 (nine months ended 30 September 2013: 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 2014 is based on the profit attributable to owners of the Company of RMB30,167,000 and RMB74,406,000 respectively (three months and nine months ended 30 September 2013: RMB30,060,000 and RMB91,429,000 respectively) and the weighted average of 3,196,406,652 and 3,102,250,271 ordinary shares in issue respectively during the three months and nine months ended 30 September 2014 (three months and nine months ended 30 September 2013: 2,430,947,826 and 2,377,209,524 ordinary shares respectively).

Diluted earnings per share

The calculation of diluted earnings per share for the three months and nine months ended 30 September 2014 is based on the profit attributable to owners of the Company of RMB30,167,000 and RMB74,406,000 respectively (three months and nine months ended 30 September 2013: RMB30,060,000 and RMB91,429,000 respectively) and the weighted average of 3,215,895,016 and 3,133,732,838 ordinary shares in issue respectively during the periods (three months and nine months ended 30 September 2013: 2,456,781,723 and 2,429,194,188 ordinary shares respectively).

11. RESERVES

	Attributable to owners of the Company											
	Share capital	Share premium	Statutory reserve	Retained profits	Investment revaluation reserve		Share-based payment reserve	Capital reserve	Special reserve	Total	Non-controlling interests	Total equity
					RMB'000	RMB'000						
At 1 January 2014 (audited)	245,773	556,369	27,313	455,320	1,402	(7,302)	8,698	(133,438)	40,000	1,194,135	100,290	1,294,425
Profit for the period	-	-	-	74,406	-	-	-	-	-	74,406	10,567	84,973
Other comprehensive income (expense)	-	-	-	-	-	-	-	-	-	-	-	-
- exchange differences on translating foreign operations	-	-	-	-	-	(417)	-	-	-	(417)	141	(276)
- change in fair value of available-for-sale investments	-	-	-	-	(2,391)	-	-	-	-	(2,391)	-	(2,391)
Total comprehensive income (expense) for the period	-	-	-	74,406	(2,391)	(417)	-	-	-	71,598	10,708	82,306
Issue of shares by placing	15,890	111,230	-	-	-	-	-	-	-	127,120	-	127,120
Issue of shares upon exercise of share options	6,074	51,411	-	-	-	-	(6,089)	-	-	51,396	-	51,396
Dividend recognised as distribution	-	(30,615)	-	-	-	-	-	-	-	(30,615)	-	(30,615)
Lapsed of share option	-	-	-	170	-	-	(170)	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	2,646	-	-	2,646	-	2,646
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	3,859	3,859
At 30 September 2014 (unaudited)	267,737	688,395	27,313	529,896	(989)	(7,719)	5,085	(133,438)	40,000	1,416,280	114,857	1,531,137
At 1 January 2013 (audited)	180,649	206,702	14,470	327,244	2,156	(1,071)	25,968	(52,256)	40,000	743,862	13,169	757,031
Profit for the period	-	-	-	91,429	-	-	-	-	-	91,429	7,950	99,379
Other comprehensive income (expense)	-	-	-	-	-	-	-	-	-	-	-	-
- exchange differences on translating foreign operations	-	-	-	-	-	(3,969)	-	-	-	(3,969)	122	(3,847)
- change in fair value of available-for-sale investments	-	-	-	-	(137)	-	-	-	-	(137)	-	(137)
Total comprehensive income (expense) for the period	-	-	-	91,429	(137)	(3,969)	-	-	-	87,323	8,072	95,395
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	75,236	75,236
Issue of shares by placing	19,462	132,949	-	-	-	-	-	-	-	152,411	-	152,411
Issue of shares upon exercise of share options	7,891	39,178	-	-	-	-	(22,735)	-	-	24,334	-	24,334
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	(7)	-	(7)	163	156
Dividend recognised as distribution	-	(30,101)	-	-	-	-	-	-	-	(30,101)	-	(30,101)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,522)	(2,522)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	2,891	-	-	2,891	-	2,891
At 30 September 2013 (unaudited)	208,002	348,728	14,470	418,673	2,019	(5,040)	6,124	(52,263)	40,000	980,713	94,118	1,074,831

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 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 three quarters of this year, the Group's revenue experienced a year-on-year increase of 28.4%, owing to the increased interest income including gain on transfer of rights on interest income of loan receivables from the entrusted loan service and microfinance service, and new revenue stream from the P2P loan consultancy service and online third party payment service. However, the financial consultancy service income dropped by 47.1% due to less referral of borrowers to other financing service providers during the period under review while the Group was focusing on its strategic diversification into internet financing businesses. For the nine months ended 30 September 2014, the proportion of the Group's revenue generated from internet financing business is approximately 19.5% (For the nine months ended 30 September 2013: Nil). The profit for the period under review attributable to owners of the Company reduced by 18.6% to approximately RMB74.4 million as compared to approximately RMB91.4 million in the same period last year. This was also because of allowance for loan receivables for its micro loans in an amount of approximately RMB10.1 million made during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business review *(Continued)*

The Group is also actively seeking opportunities to acquire P2P internet financing businesses in certain major cities of the PRC in order to complement its strategic market positioning in the internet financing business. On 11 August 2014, the Group entered into an acquisition agreement for acquiring the entire right of control, economic interests and benefits in a PRC company which is principally engaged in online P2P lending, credit assessment, investment management and asset management business through structured contracts and an agreement for acquiring the 49% equity interest in a PRC company which is engaged in internet micro financing service, respectively. To further develop its business strategy of regional cooperation and geographic penetration, product diversification and differentiation, on 17 August 2014, 21 August 2014, 28 September 2014 and 17 October 2014, the Group entered into four separate joint venture agreements for engaging in the online P2P internet financing services in various provinces in the PRC.

To concentrate the Group's further development in internet financing businesses, and better utilise its current resources and funds to strengthen the area of internet finance business, on 24 October 2014, the Group entered into an agreement for disposing its entire 60.3% interest in a micro loan finance business in Chongqing City, the PRC.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review

Revenue

For the nine months ended 30 September 2014, the Group reported revenue of approximately RMB281.1 million, an increase of 28.4% as compared to RMB218.9 million in the corresponding period last year. The growth in revenue was mainly attributable from the increased interest income from real estate-backed loan service and micro loan service of the Group, gain on transfer of rights on interests on loan receivables, and new income streams from provision of P2P loan consultancy service and online third party payment service.

Entrusted loan service-interest income

Interest income arised from the Group's entrusted loan service, and gain on transfer of right on interests on entrusted loan receivables continued to generate majority of the Group's total revenue and recorded growth of 33.7% to RMB127.7 million during the period under review as compared to RMB95.5 million for the corresponding period last year.

Real estate-backed loan service-interest income

The Group's real estate-backed loan interest 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 RMB19.2 million, an increase of 38.1% as compared to approximately RMB13.9 million over the same period last year.

Microfinance service-interest income

For the nine months ended 30 September 2014, the Group's interest income derived from microfinance service increased significantly to approximately RMB23.6 million as compared to approximately RMB4.0 million for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review *(Continued)*

Other loan service–interest income

Except for interest income from a loan granted by UCF Huisheng, other loan interest income was mainly derived from the money lending service in Hong Kong. For the nine months ended 30 September 2014, the revenue from provision of money lending service was approximately RMB8.4 million, which was stable versus approximately RMB8.3 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 58.2% to approximately RMB544,000 from approximately RMB1.3 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 financing service providers, the financial consultancy service income decreased by 47.1% to approximately RMB50.4 million for the period under review from approximately RMB95.2 million for the same period last year.

P2P loan consultancy service income

During the period under review, the Group recorded approximately RMB15.2 million revenue from provision of P2P loan consultancy service in relation to its internet housing 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 RMB36.0 million from provision of payment transaction service, system consultancy service and other service.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review *(Continued)*

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 199.2% to approximately RMB72.7 million for the nine months ended 30 September 2014 from approximately RMB24.3 million for the same period last year. It was because, in order to fund its operation and business development, the Group obtained new bank loans, other loans and financial assets sold under repurchase agreement in the principal amounts of approximately RMB286.2 million, RMB214.9 million and RMB20.0 million respectively in the past 12 months, 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 nine months ended 30 September 2013 and 2014 was approximately RMB14.0 million and RMB14.8 million respectively. The government grants of approximately RMB8.1 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.

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 nine months ended 30 September 2013 and 2014 were approximately RMB77.7 million and RMB117.2 million respectively. The increase of 50.8% in administrative and other operating expenses was mainly attributable to the allowance for loan receivables of micro loans amounting to approximately RMB10.1 million, increase of salaries as additional management and staff was recruited for microfinance businesses, P2P loan consultancy service and online third party payment service as well as other operating costs due to business development.

Profit for the period

The profit attributable to owners of the Company for the nine months ended 30 September 2014 was approximately RMB74.4 million, a decrease of approximately 18.6% as compared to approximately RMB91.4 million in the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK

Looking ahead, the Group will continue to focus on expanding our P2P lending businesses and improving our business structure to further strengthen the competitive of the Group.

China's P2P lending market is expected to maintain strong growth driven by increasing demand. As an important part of our strategy, the management ensures timely decision-makings and effective response to the dynamic market. We will continue to enrich our products and offer diversified financing solutions to our clients by formation of alliances with recognized industry leaders of strong industry influence and networks. While our third party payment business will continue its solid organic growth, the synergy of this business with the Group's P2P lending businesses is expected to increase the traffic and transaction volume as well as improve the fund processing efficiency of these businesses.

To keep up with the development of the industry, the Group will advance and formalize its credit assessment and management through diversifying sources of credit information, integrating credit data, automating credit assessment and strengthening risk control. More resources will be allocated to innovation and technology development as well as recruitment of highly experienced management industrial expertise.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2014, the Group had bank balances and cash of approximately RMB233.2 million (31 December 2013: approximately RMB259.6 million) and had interest bearing borrowings, which mainly comprised Hong Kong Dollar denominated corporate bonds and other borrowings, amounted to approximately RMB636.7 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 0.25 as at 30 September 2014 (31 December 2013: 0.31).

The Company completed the issue of HK\$200,000,000 9.5% notes due July 2016 on 8 July 2014 pursuant to a subscription agreement dated 3 July 2014 and entered into between the Company, Haitong International Securities Company Limited (as Lead Manager) and Haitong International Finance Company Limited (as Initial Subscriber). The Company repaid the total outstanding principal amounts of its unsecured RMB250,000,000 11% bonds due on 18 September 2014 on the same date.

The Company proposed to issue of up to HK\$500,000,000 5.5% per annum bonds due 2022 pursuant to a placing agreement entered into between the Company and Orient Securities (Hong Kong) Limited (as placing agent) on 11 September 2014. Details of the proposal were stipulated in the Company's announcement dated 11 September 2014.

OTHER INFORMATION

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

As at 30 September 2014, the interests of the Directors and the 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")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules as follows:

(1) Interests in shares of the Company – Long Position

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares interested	Note	Approximate percentage of the Company's issued share capital*
Ms. Shen Li	Beneficial owner	2,432,000		0.08%
Mr. Sheng Jia ("Mr. Sheng")	Family interest (interest of spouse)	80,000	1	0.00%

Note:

- (1) These shares were held by Ms. Hu Haichen, the wife of Mr. Sheng. Therefore, Mr. Sheng was deemed to be interested in these shares under the SFO.

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

Save as disclosed above, as at 30 September 2014, none of the Directors or the 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) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

Details of the share options of the Company granted to the Directors are set out in the paragraph headed "Share Option Scheme" below.

OTHER INFORMATION (Continued)

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

As at 30 September 2014, so far as is known to the Directors the following persons and entities, other than a director or the chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in shares of the Company – Long Position

Name of substantial shareholder	Capacity/ Nature of interests	Number of ordinary shares interested	Notes	Approximate percentage of the Company's issued share capital ¹
First Pay Limited ("First Pay")	Beneficial owner	677,800,000		21.04%
Mr. Zhang Zhenxin ("Mr. Zhang")	Beneficial owner	21,736,000		0.67%
	Interest in a controlled corporation	677,800,000	1	21.04%
	Family interest (interest of spouse)	18,000,000	3	0.56%
Ms. Zhang Xiaomin ("Ms. Zhang")	Beneficial owner	18,000,000		0.56%
	Family interest (interest of spouse)	699,536,000	1, 2	21.72%
Silver Paragon Limited	Beneficial owner	349,990,000		10.87%
Ms. So Naoko ("Ms. So")	Interest in a controlled corporation	349,990,000	4	10.87%
Jiefang Media (UK) Co. Limited ("Jiefang Media")	Beneficial owner	336,222,400		10.44%
Shanghai Xinhua Publishing Group Limited ("Xinhua Publishing")	Interest in a controlled corporation	336,222,400	5	10.44%
Jiefang Daily Group ("Jiefang Group")	Interest in controlled corporations	336,222,400	5	10.44%
Shanghai Greenland Group Company Limited ("Greenland Group")	Interest in controlled corporations	336,222,400	5	10.44%
Kaiser Capital Holdings Limited ("Kaiser Capital")	Beneficial owner	321,010,000		9.97%
Mr. Ting Pang Wan, Raymond ("Mr. Ting")	Beneficial owner	20,490,000	6	0.64%
	Interest in a controlled corporation	321,010,000		9.97%
Integrated Asset Management (Asia) Limited ("Integrated Asset")	Beneficial owner	225,925,600		7.01%
Mr. Yam Tak Cheung ("Mr. Yam")	Interest in a controlled corporation	225,925,600	7	7.01%

OTHER INFORMATION *(Continued)*

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

Notes:

- (1) These shares were held by First Pay, the entire issued share capital of which was owned by Mr. Zhang. Therefore, Mr. Zhang was deemed to be interested in these shares under the SFO.
- (2) These shares were held or deemed to be held by Mr. Zhang, who is the husband of Ms. Zhang. Therefore, Ms. Zhang was deemed to be interested in these shares under the SFO.
- (3) These shares were held by Ms. Zhang, who is the wife of Mr. Zhang. Therefore, Mr. Zhang was deemed to be interested in these shares under the SFO.
- (4) These shares were held by Silver Paragon Limited, the entire issued share capital of which was owned by Ms. So. Therefore, Ms. So was deemed to be interested in these shares under the SFO.
- (5) These shares were held by Jiefang Media. Jiefang Media was wholly-owned by Xinhua Publishing which was in turn owned by Jiefang Group and its associates as to approximately 50.8% and Greenland Group as to approximately 39%. Therefore, under the SFO, Xinhua Publishing was deemed to be interested in all the shares held by Jiefang Media, and each of Jiefang Group and Greenland Group was deemed to be interested in all the shares which Xinhua Publishing was deemed to be interested in.
- (6) These shares were held by Kaiser Capital, the entire issued share capital of which was owned by Mr. Ting. Therefore, Mr. Ting was deemed to be interested in these shares under the SFO.
- (7) These shares were held by Integrated Asset, the entire issued share capital of which was owned by Mr. Yam. Therefore, Mr. Yam was deemed to be interested in these shares under the SFO.

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

Save as disclosed above, as at 30 September 2014, according to the register required to be kept by the Company under section 336 of the SFO, there was no person or entity who/ which had any interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the SFO.

OTHER INFORMATION (Continued)

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolution of the shareholders on 4 November 2010 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants of the Share Option Scheme include the Directors, independent non-executive Directors, employees 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 nine months ended 30 September 2014 were as follows:

Category	Date of grant	Exercise period	Exercise price per share	Weighted average closing price	Number of underlying shares comprised in the options					As at 30 September 2014
					As at 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
					HK\$	HK\$				
Director										
Ms. Shen Li	12 July 2013	12 April 2014 to 11 July 2018	0.74	1.65	3,500,000 ⁽ⁱ⁾	-	(3,500,000)	-	-	-
Former Directors										
Mr. Ting Pang Wan, Raymond	12 July 2013	12 April 2014 to 11 July 2018	0.74	-	14,490,000 ⁽ⁱ⁾	-	-	-	-	14,490,000
Mr. Neo Poh Kiat	4 April 2011	4 January 2012 to 3 April 2016	1.0050 ⁽ⁱⁱ⁾	1.81	600,000 ⁽ⁱⁱ⁾⁽³⁾	-	(600,000)	-	-	-
	12 July 2013	12 April 2014 to 11 July 2018	0.74	1.81	200,000 ⁽ⁱ⁾	-	(200,000)	-	-	-
Dr. Lau Reimer Mary Jean	4 April 2011	4 January 2012 to 3 April 2016	1.0050 ⁽ⁱⁱ⁾	2.14	600,000 ⁽ⁱⁱ⁾⁽³⁾	-	(600,000)	-	-	-
	12 July 2013	12 April 2014 to 11 July 2018	0.74	1.41	200,000 ⁽ⁱ⁾	-	(200,000)	-	-	-
Mr. Lee Sze Wai	4 April 2011	4 January 2012 to 3 April 2016	1.0050 ⁽ⁱⁱ⁾	1.88	600,000 ⁽ⁱⁱ⁾⁽³⁾	-	(600,000)	-	-	-
	12 July 2013	12 April 2014 to 11 July 2018	0.74	1.74	200,000 ⁽ⁱ⁾	-	(200,000)	-	-	-
					20,390,000	-	(5,900,000)	-	-	14,490,000

OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

Category	Date of grant	Exercise period	Exercise price per share	Weighted average closing price	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 September 2014
					HK\$	HK\$				
Employees (in aggregate)	4 April 2011	4 January 2012 to 3 April 2016	1.0050 ⁽⁵⁾	1.76	2,484,000 ^{(2),(5)}	-	(2,196,000)	-	(288,000)	-
	12 July 2013	12 April 2014 to 11 July 2018	0.74	1.61	16,830,000 ⁽⁴⁾	-	(15,620,000)	-	(710,000)	500,000
					19,314,000	-	(17,816,000)	-	(998,000)	500,000
Consultant	4 April 2011	4 January 2012 to 3 April 2016	1.0050 ⁽⁵⁾	1.87	39,840,000 ^{(2),(5)}	-	(39,840,000)	-	-	-
	27 September 2011	27 March 2012 to 26 September 2016	0.4725	2.07	14,000,000 ^{(2),(5)}	-	(14,000,000)	-	-	-
					53,840,000	-	(53,840,000)	-	-	-
Total					93,544,000	-	(77,556,000)	-	(998,000)	14,990,000

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$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.

OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME *(Continued)*

The fair values of share options granted to the Directors, Former Directors, employees and consultant 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 nine months ended 30 September 2014 (nine months ended 30 September 2013: RMB2,891,000) in relation to the share options granted by the Company.

OTHER INFORMATION *(Continued)*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company allotted and issued 200,000,000 ordinary shares in March 2014 by way of placement and raised gross proceeds of approximately RMB127.0 million to provide the Group with additional funds for business expansion and general working capital purposes.

Further, 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 2014.

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 all the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules during the nine months ended 30 September 2014.

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 a specific enquiry of all Directors and each of them confirmed that he/she has complied with the required standard of dealings regarding securities transactions by Directors during the nine months ended 30 September 2014.

COMPETING INTEREST

None of the Directors and the controlling shareholders of the Company nor their respective close associates had interests in any other companies which competed or might, directly or indirectly, compete with the Group's business during the nine months ended 30 September 2014.

OTHER INFORMATION *(Continued)*

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") comprises a total of three members, namely, Mr. Ge Ming (Chairman), Mr. Peter Z Kuk and Mr. Wang Wei, all of whom are independent non-executive Directors (the "INEDs"). The Group's unaudited results for the nine months ended 30 September 2014 and this report have been reviewed by the Audit Committee. The Board is of 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.

CHANGE OF DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

With effect from 18 September 2014,

- (a) Mr. Ge Ming was appointed as an INED and the chairman of the Audit Committee and a member of each of the remuneration committee of the Board and the nomination committee of the Board;
- (b) Ms. Shen Li, an executive Director (the "ED"), resigned as the compliance officer of the Company (the "Compliance Officer") and an authorized representative of the Company pursuant to Rule 5.24 of the GEM Listing Rules (the "Authorized Representative");
- (c) Mr. Phang Yew Kiat, an ED, the vice chairman and the chief executive officer, was appointed as an Authorized Representative; and

OTHER INFORMATION *(Continued)*

CHANGE OF DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION *(Continued)*

- (d) Mr. Chng Swee Ho, an ED, was appointed as the Compliance Officer.

By order of the Board

Credit China Holdings Limited

Li Mingshan

Chairman

Hong Kong, 11 November 2014

* *In this quarterly report, the English translation of certain Chinese names and entities is included for identification purpose 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 Executive Directors are Mr. Phang Yew Kiat (Vice-Chairman and Chief Executive Officer), Mr. Chng Swee Ho, Mr. Sheng Jia and Ms. Shen Li; the Non-executive Directors are Mr. Li Mingshan (Chairman) and Mr. Wong Sai Hung; and the Independent Non-executive Directors are Mr. Ge Ming, Mr. Peter Z Kuk and Mr. Wang Wei.