



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

2015
Interim Report





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

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

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

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



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In the event of any error or omission in the Chinese translation of this interim report, the English text shall prevail.

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 (*Resigned on 30 June 2015*)

Non-executive Directors

Mr. Li Mingshan (*Chairman*)

Mr. Li Gang

Mr. Wong Sai Hung

Mr. Zhang Zhenxin

(*Appointed on 12 July 2015*)

Independent Non-executive Directors

Mr. Ge Ming

Mr. Peter Z Kuk

(*Resigned on 10 July 2015*)

Mr. Wang Wei

Dr. Wong, Kennedy Ying Ho

(*Resigned on 3 August 2015*)

COMPANY SECRETARY

Mr. Kwok Siu Man

COMPLIANCE OFFICER

Mr. Chng Swee Ho

AUTHORIZED REPRESENTATIVES

Mr. Phang Yew Kiat

Mr. Kwok Siu Man

AUDIT COMMITTEE

Mr. Ge Ming (*Chairman*)

Mr. Peter Z Kuk

(*Ceased to act on 10 July 2015*)

Mr. Wang Wei

Dr. Wong, Kennedy Ying Ho

(*Ceased to act on 3 August 2015*)

REMUNERATION COMMITTEE

Mr. Wang Wei (*Chairman*)

Mr. Ge Ming

Mr. Peter Z Kuk

(*Ceased to act on 10 July 2015*)

Dr. Wong, Kennedy Ying Ho

(*Ceased to act on 3 August 2015*)

NOMINATION COMMITTEE

Dr. Wong, Kennedy Ying Ho (*Chairman*)

(*Appointed on 10 July 2015 and ceased to act on 3 August 2015*)

Mr. Peter Z Kuk (*Chairman*)

(*Ceased to act on 10 July 2015*)

Mr. Ge Ming

Mr. Wang Wei

PRINCIPAL BANKERS

China Merchants Bank Hong Kong Branch

21/F, Bank of America Tower

12 Harcourt Road

Central, Hong Kong

China Construction Bank Corporation

(Shanghai Nanjing West Road Sub-branch)

No. 577-587, Nanjing West Road

Shanghai, The People's Republic of China

CORPORATE INFORMATION *(Continued)*

INDEPENDENT AUDITOR

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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(Cayman) Limited
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Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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STOCK CODE

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INVESTOR RELATIONS CONTACT

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FINANCIAL HIGHLIGHTS

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

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2015 together with the comparative unaudited figures for the corresponding periods in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2015

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

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

For the three months and six months ended 30 June 2015

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2015

| | <i>Notes</i> | As at 30 June 2015 (Unaudited) RMB'000 | As at 31 December 2014 (Audited) RMB'000 |
|--|--------------|---|--|
| Current liabilities | | | |
| Accruals and other payables | 17 | 58,620 | 161,076 |
| Funds payable and amounts due to customers | 15 | 685,953 | 305,728 |
| Amounts due to non-controlling shareholders | | 710 | 714 |
| Amounts due to related companies | | 188,223 | 207,865 |
| Borrowings | 18 | 548,614 | 288,379 |
| Income tax payables | | 13,718 | 6,525 |
| | | 1,495,838 | 970,287 |
| Net current assets | | | |
| | | 1,245,825 | 924,654 |
| Total assets less current liabilities | | | |
| | | 2,168,580 | 1,701,440 |
| Non-current liabilities | | | |
| Corporate bonds | | 211,078 | 203,818 |
| Borrowings | 18 | 150,000 | – |
| Deferred tax liabilities | 19 | 88,295 | 78,194 |
| Liability component of convertible bonds | 23 | 212,460 | – |
| | | 661,833 | 282,012 |
| Net assets | | | |
| | | 1,506,747 | 1,419,428 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2015

| | | As at 30 June 2015 (Unaudited) RMB'000 | As at 31 December 2014 (Audited) RMB'000 |
|---|-------------|---|--|
| | <i>Note</i> | | |
| Capital and reserves | | | |
| Share capital | 20 | 268,877 | 267,736 |
| Reserves | | 1,212,571 | 1,138,059 |
| Equity attributable to owners of the Company | | 1,481,448 | 1,405,795 |
| Non-controlling interests | | 25,299 | 13,633 |
| Total equity | | 1,506,747 | 1,419,428 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

| | Attributable to owners of the Company | | | | | | | | | | | Non-controlling interests | Total equity |
|---|---------------------------------------|---------------|-------------------|------------------|--------------------------------|------------------|-----------------------------|-----------------|-----------------|---------------------------|-----------|---------------------------|--------------|
| | Share capital | Share premium | Statutory reserve | Retained profits | Investment revaluation reserve | Exchange reserve | Share-based payment reserve | Capital reserve | Special reserve | Convertible bonds reserve | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2015 (audited) | 267,736 | 688,395 | 25,067 | 510,758 | 68 | (7,995) | 6,804 | (125,038) | 40,000 | - | 1,405,795 | 13,633 | 1,419,428 |
| Profit for the period | - | - | - | 37,240 | - | - | - | - | - | - | 37,240 | (1,171) | 36,069 |
| Other comprehensive income (expense) | | | | | | | | | | | | | |
| - exchange differences on translating foreign operations | - | - | - | - | - | (364) | - | - | - | - | (364) | 4 | (360) |
| - change in fair value of available-for-sale investments | - | - | - | - | (438) | - | - | - | - | - | (438) | - | (438) |
| Total comprehensive income (expense) for the period | - | - | - | 37,240 | (438) | (364) | - | - | - | - | 36,438 | (1,167) | 35,271 |
| Issue of shares upon exercise of share options | 1,141 | 10,604 | - | - | - | - | (3,306) | - | - | - | 8,439 | - | 8,439 |
| Dividend recognised as distribution | - | (11,725) | - | - | - | - | - | - | - | - | (11,725) | - | (11,725) |
| Recognition of equity-settled share-based payments | - | - | - | - | - | - | 19,295 | - | - | - | 19,295 | - | 19,295 |
| Acquisition of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | 10,447 | 10,447 |
| Disposal of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | 386 | 386 |
| Capital contribution by non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | 2,000 | 2,000 |
| Appropriation to statutory reserve funds | - | - | 8,039 | (8,039) | - | - | - | - | - | - | - | - | - |
| Convertible bonds – equity component, net of issuance costs | - | - | - | - | - | - | - | - | 23,206 | 23,206 | - | - | 23,206 |
| At 30 June 2015 (unaudited) | 268,877 | 687,274 | 33,106 | 539,959 | (370) | (8,359) | 22,793 | (125,038) | 40,000 | 23,206 | 1,481,448 | 25,299 | 1,506,747 |
| At 1 January 2014 (audited) | 245,773 | 556,369 | 27,313 | 455,320 | 1,402 | (7,302) | 8,688 | (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) | | | | | | | | | | | | | |
| - exchange differences on translating foreign operations | - | - | - | - | - | 636 | - | - | - | - | 636 | (840) | (204) |
| - change in fair value of available-for-sale investment | - | - | - | - | (2,391) | - | - | - | - | - | (2,391) | - | (2,391) |
| Total comprehensive income (expense) for the period | - | - | - | 44,239 | (2,391) | 636 | - | - | - | - | 42,484 | 2,384 | 44,868 |
| Issue of shares by placing | 15,890 | 111,230 | - | - | - | - | - | - | - | - | 127,120 | - | 127,120 |
| Issue of shares upon exercise of share options | 2,827 | 21,135 | - | - | - | - | (5,054) | - | - | - | 18,908 | - | 18,908 |
| Dividend recognised as distribution | - | (30,615) | - | - | - | - | - | - | - | - | (30,615) | - | (30,615) |
| Lapsed of share option | - | - | - | 170 | - | - | (170) | - | - | - | - | - | - |
| Recognition of equity-settled share-based payments | - | - | - | - | - | - | 2,646 | - | - | - | 2,646 | - | 2,646 |
| Acquisition of additional interests in subsidiaries | - | - | 12 | - | - | - | - | 126 | - | - | 138 | 3,958 | 4,096 |
| At 30 June 2014 (unaudited) | 264,490 | 658,119 | 27,325 | 499,729 | (689) | (6,666) | 6,120 | (133,312) | 40,000 | - | 1,354,816 | 106,632 | 1,461,448 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

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

| | |
|---------------------------------------|--|
| HKFRS 11 Amendment | Accounting for Acquisitions of Interests in Joint Operations ² |
| HKAS 16 and HKAS 38 Amendment | Classification of Acceptable Methods of Depreciation and Amortisation ² |
| HKAS 16 and HKAS 41 (Amendments) | Agriculture: Bearer Plants ² |
| HKFRS 15 | Revenue from Contracts with Customers ³ |
| HKFRS 9 | Financial Instruments ⁴ |
| HKFRS (Amendments) | Annual Improvements 2012-2014 Cycle ² |
| HKAS 1 (Amendments) | Disclosure Initiatives ² |
| HKAS 27 (Amendments) | Equity method in Separate Financial Statements ² |
| HKFRS 10 and HKFRS 28 (Amendments) | Sale or Contribution of Assets between An Investor and its associate or Joint Venture ² |
| HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception ² |

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

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

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

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

3. TURNOVER

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

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

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

4. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's chief operation decision maker ("CODM"), which are the most senior executive management, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

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

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

4. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

For the period ended 30 June 2015 (unaudited)

| | Loan financing <i>RMB'000</i> | Micro loan financing <i>RMB'000</i> | Online third party payment services <i>RMB'000</i> | P2P loan services <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|-------------------------------------|---|--|--|--------------------------|-------------------------|
| REVENUE | | | | | | |
| External income and gain | <u>58,264</u> | <u>2,412</u> | <u>56,739</u> | <u>21,927</u> | <u>-</u> | <u>139,342</u> |
| Segment results | <u>27,595</u> | <u>(6,949)</u> | <u>43,038</u> | <u>1,903</u> | <u>-</u> | <u>65,587</u> |
| Share of results of associates | | | | | | 136 |
| Share of results of joint ventures | | | | | | (4,325) |
| Unallocated other income | | | | | | 5,076 |
| Change in fair value of embedded derivative components of convertible bond | | | | | | 7,908 |
| Gain on disposal of subsidiaries | | | | | | 42,539 |
| Share-based payment expenses | | | | | | (19,295) |
| Interest expenses | | | | | | (39,963) |
| Unallocated expenses | | | | | | (2,041) |
| Profit before tax | | | | | | <u>55,622</u> |

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the period ended 30 June 2014 (unaudited)

| | Loan financing RMB'000 | Micro loan financing RMB'000 | Online third party payment services RMB'000 | P2P loan services RMB'000 | Others RMB'000 | Total RMB'000 |
|--|------------------------------|------------------------------------|---|---------------------------------|-------------------|------------------|
| REVENUE | | | | | | |
| External income and gain | 103,441 | 46,942 | 16,070 | 5,097 | – | 171,550 |
| Segment results | 85,196 | 20,935 | 6,701 | (1,196) | – | 111,636 |
| Share of results of associates | | | | | | (559) |
| Share of results of joint ventures | | | | | | (755) |
| Unallocated other income | | | | | | 2,901 |
| Change in fair value of embedded derivative components of convertible bond | | | | | | 1,070 |
| Gain on disposal of subsidiaries | | | | | | 64 |
| Share-based payment expenses | | | | | | (2,646) |
| Interest expenses | | | | | | (46,036) |
| Unallocated expenses | | | | | | (6,490) |
| Profit before tax | | | | | | 59,185 |

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

5. OTHER INCOME

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

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

6. INTEREST EXPENSES

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

7. PROFIT BEFORE TAX

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

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

8. INCOME TAX

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
| | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| Current tax | | | | |
| Provision for PRC Enterprise Income Tax (the "EIT") | 13,152 | 9,707 | 19,484 | 10,877 |
| Deferred tax (Note 19) | (48) | (697) | 69 | 845 |
| | <u>13,104</u> | <u>9,010</u> | <u>19,553</u> | <u>11,722</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 2014 and 2015 as the Group has no assessable profit for Hong Kong Profits Tax purposes for the periods.

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

9. DIVIDENDS

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

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

10. EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

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

11. PLANT AND EQUIPMENT

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

12. GOODWILL

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

13. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

14. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

| | 30 June 2015 (Unaudited) RMB'000 | 31 December 2014 (Audited) RMB'000 |
|--|---|---|
| Loan receivables | | |
| Secured loans | | |
| Pawn loans to customers | 11,800 | 5,800 |
| Real estate-backed loans to customers | 2,047 | 2,047 |
| Entrusted loans to customers | 990,139 | 622,017 |
| Other loans to customers | 507,942 | 200,004 |
| | 1,511,928 | 829,868 |
| Unsecured micro loans to customers | 19,442 | 30,121 |
| Unsecured other loans to customers | - | 6,756 |
| Less: Allowance for unsecured micro loan and real estate-backed loans receivables | (11,923) | (3,903) |
| | 1,519,447 | 862,842 |
| Prepayments and other receivables | | |
| Prepayments and other receivables | 71,824 | 183,536 |
| | 1,591,271 | 1,046,378 |
| Loan receivables analysed for reporting purposes as: | | |
| Current assets | 1,519,447 | 862,842 |

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

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

(a) Ageing analysis

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

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

(b) Loan receivables that are not impaired

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

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

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

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

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

16. TRADE RECEIVABLES

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

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

17. ACCRUALS AND OTHER PAYABLES

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

18. BORROWINGS

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

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

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

18. BORROWINGS (Continued)

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

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

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

19. DEFERRED TAX LIABILITIES

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

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

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

20. SHARE CAPITAL

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

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

21. ACQUISITION OF SUBSIDIARIES

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

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

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

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

Goodwill arising on acquisition:

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

* For identification purpose only

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

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

21. ACQUISITION OF SUBSIDIARIES (Continued)

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

| | <i>RMB'000</i> |
|---|----------------|
| Cash and cash equivalent paid | (50,000) |
| Less: cash and cash equivalents balances acquired | 9,017 |
| | <hr/> |
| | (40,983) |
| | <hr/> <hr/> |

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

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

Consideration transferred

| | <i>RMB'000</i> |
|------|----------------|
| Cash | 1,800 |
| | <hr/> <hr/> |

No acquisition-related cost of the transaction was incurred during the period ended 30 June 2015.

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

| | <i>RMB'000</i> |
|----------------------------------|----------------|
| Plant and equipment | 20 |
| Prepayment and other receivables | 26,948 |
| Cash and cash equivalents | 18,054 |
| Accruals and other payable | (23,701) |
| | <hr/> |
| Net assets identified | 21,321 |
| | <hr/> <hr/> |

* For identification purpose only

21. ACQUISITION OF A SUBSIDIARY (Continued)

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

Goodwill arising on acquisition

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

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

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

Net cash inflow on acquisition of Zhejiang Rongniu

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

Non-controlling interests

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

22. DISPOSAL OF A SUBSIDIARY

On 3 June 2015, the Group entered into a sales agreement to dispose of its 66.25% equity interest in 上海鋒之行汽車金融信息服務有限公司 (Shanghai Feng Zhi Xing Automotive Financial Information Services Ltd.) (“Shanghai Feng Zhi Xing”), a company established in the PRC, to three independent third parties, for a total consideration of RMB44,000,001. Upon completion on 9 June 2015, the Group's equity interest in Shanghai Feng Zhi Xing was diluted from 80% to 13.75% and the Group's investment in Shanghai Feng Zhi Xing was reclassified from a subsidiary to an available-for-sale investment. It is measured at cost less impairment at the end of the reporting period because the Directors are of the opinion that its fair value cannot be measured reliably as the range of reasonable fair value estimate is so significant.

22. DISPOSAL OF A SUBSIDIARY (Continued)

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

| | <i>RMB'000</i> |
|--|----------------|
| Plant and equipment | 1,515 |
| Intangible assets | 476 |
| Loan receivables | 24,800 |
| Accounts receivables | 399 |
| Prepayments and other receivables | 7,855 |
| Amounts due from related companies | 175 |
| Bank balances and cash | 9,298 |
| Accruals and other payables | (3,380) |
| Amounts due to related company | (18,909) |
| Borrowings | (24,000) |
| Income tax payables | (159) |
| | <hr/> |
| Net liabilities disposed of | (1,930) |
| | <hr/> |
| Consideration received | 44,000 |
| Net liabilities disposed of | 1,930 |
| Non-controlling interests | (386) |
| Goodwill | (5,394) |
| Transfer the 13.75% retained interests to available-for-sale investments | 2,750 |
| | <hr/> |
| Gain on disposal of subsidiary | 42,900 |
| | <hr/> |
| Cash received | 44,000 |
| | <hr/> |
| Cash consideration received | 44,000 |
| Net cash outflow arising on disposal | (9,298) |
| | <hr/> |
| Bank balances and cash received | 34,702 |
| | <hr/> |

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

23. CONVERTIBLE BONDS

On 15 June 2015, the Company issued three-year convertible bonds in the principal amount of HK\$300,000,000 which bear interest at a rate of 6% per annum payable semi-annually (the "2015 Convertible Bonds"). The 2015 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company from 29 June 2015 to the close of business on the date falling 10 days prior to the maturity date, at a price of HK\$2.6 per share, subject to adjustments. Assuming full conversion of the 2015 Convertible Bonds at the initial conversion price of HK\$2.60, the 2015 Convertible Bonds will be convertible into 115,384,615 Conversion Shares. The Company may redeem under certain circumstances, in whole, the outstanding 2015 Convertible Bonds at principal amount together with interest accrued and unpaid and an additional amount (the "Additional Amount")* with respect to any outstanding bonds as of any date of determination, the remainder of (a) a gross yield of 10% per annum calculated on the outstanding principal amount minus (b) all interest paid, by giving the bondholders not less than 7 days' nor more than 14 days' notice. On the maturity date, any 2015 Convertible Bonds not converted will be redeemed by the Company at its principal amount together with accrued and unpaid interest and the Additional Amount thereon. There was no conversion or redemption of the 2015 Convertible Bonds during the six months ended 30 June 2015.

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

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

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

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

24. COMMITMENT

Capital expenditure commitment

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

Operating lease arrangement

The Group as lessee

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

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

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

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

25. RELATED PARTY TRANSACTIONS

Significant related party transactions

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

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

Notes:

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

Key management personnel remuneration

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

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

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

| Financial assets/ financial liabilities | Fair value | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) |
|---|---------------------------|---------------------------------|---|---|
| As at 30 June 2015 | | | | |
| Derivatives embedded in convertible bond in the statement of financial position | Assets – RMB7,908,000 | Level 3 | Black-Scholes option pricing model based on the stock price, volatility, dividend yield, risk free rate and option life | Dividend yield taking into account management's expectation of market conditions of specific industries at 8.3%. <i>(Note 1)</i> |
| Debt component of convertible bond | Asset – RMB33,008,000 | Level 3 | Present value of the contractually determined stream of future cash flows discounted at the required yield | The required yield was determined with reference to the credit rating of the convertible bond issuer and remaining time to maturity at 13.3%. <i>(Note 2)</i> |
| Available-to-sale investment (unlisted equity securities) | Assets – RMB50,000,000 | Level 3 | Market – Based approach based on prices of other business entities in a similar nature changed hands in arm's length transactions | Discount for lack of marketability of 21.1% |

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

| Financial assets/ financial liabilities | Fair value | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) |
|--|--------------------------|-------------------------|---|--|
| As at 31 December 2014 | | | | |
| Debt component of convertible bond | Asset – RMB31,997,000 | Level 3 | Present value of the contractually determined stream of future cash flows discounted at the required yield | The required yield was determined with reference to the credit rating of the convertible bond issuer and remaining time to maturity at 9.09%. <i>(Note 2)</i> |

Notes:

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

In the first half of 2015, the Group also completed (1) an acquisition of a 100% equity interest in an online P2P lending business with multiple channels, including a website (www.9888.cn: 金融工場) and a mobile application under the "Financial Workshop" (金融工場) brand; (2) an acquisition of a 49% equity interest in an internet microfinance company registered in Hainan Province, the PRC, which has a licence to offer small loans to enterprises and individuals nation-wide via the internet; and (3) an acquisition of a 51% equity interest in an online share pledge financing services company registered in Zhejiang Province, the PRC, including its online platform "erongniu.com".

As part of our efforts to deepen our focus on internet finance activities, the Group ceased operating a lease financing business in the PRC in March 2015 through disposing of the remaining equity interest in the joint venture which operates it. The Group also completed the disposal of its 66.25% equity interest in Shanghai Feng Zhi Xing in June 2015 with a gain on disposal of approximately RMB42.9 million. The Group's equity interest in Shanghai Feng Zhi Xing was reduced from 80% to 13.75%, and reclassified from being a subsidiary of the Group to an available-for-sale investment.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

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

Revenue

For the six months ended 30 June 2015, the Group reported revenue of approximately RMB139.3 million, a decrease of 18.8% as compared to approximately RMB171.6 million for the corresponding period last year. The decline in revenue was mainly attributable to (i) the disposal of the major traditional micro-loan finance business in Chongqing City, the PRC on 18 December 2014, which resulted in a 94.9% decrease in revenue from micro loan-financing sector; (ii) a slow-down in the businesses providing traditional financing services, especially a significant drop in the provision of financial consultancy services. However, the income streams from the provision of online third party payment services and P2P loan services recorded strong growth as compared to the corresponding period for 2014.

Entrusted loan and other loan income

Entrusted loan and other loan income includes interest income, financial consultancy service income and gain on transfer of rights on interests on loan receivables, which were derived from the Group's entrusted loans, pawn loans and other loans secured with pledged assets or guarantees. It generated 41.8% of the Group's total revenue and recorded a drop of 43.6% to approximately RMB58.3 million during the period under review as compared to approximately RMB103.4 million in the corresponding period for 2014.

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Revenue *(Continued)*

Micro-loan income

For the period under review, the Group's interest income and financial consultancy service income derived from micro-finance services decreased significantly to approximately RMB2.4 million as compared to approximately RMB46.9 million for the corresponding period for 2014. The significant decline was mainly due to the disposal of a traditional micro-loan finance business in Chongqing, the PRC in December 2014.

Online third party payment service income

In March 2014, the Group's online third party payment business commenced its operation in the provision of payment transactions, payment system consultancy and other services. For the period under review, it generated 40.7% of the Group's total revenue, and the Group's online third party payment service income increased 252.2% to approximately RMB56.7 million as compared to approximately RMB16.1 million for the corresponding period for 2014.

P2P loan service income

During the period under review, the Group's P2P loan service income business recorded approximately RMB21.9 million revenue, representing 15.8% of the Group's total revenue. The P2P loan service income business includes the provision of services in relation to internet housing loan services, automobile loan services and the operation of a P2P financing website and a mobile application with collateralized financial assets (www.9888.cn: 金融工場) which started to contribute to the Group's revenue in April 2014, May 2014 and February 2015, respectively.

Interest expenses

The Group's interest expenses mainly comprised interest due on bank loans, Hong Kong dollar-denominated corporate bonds, Hong Kong dollar-denominated convertible bonds and other borrowings. The Group's interest expenses decreased 13.0% to approximately RMB40.0 million for the period ended 30 June 2015 from approximately RMB46.0 million for the corresponding period for 2014. This was because the Group had repaid high-interest borrowings of RMB153.0 million at an interest rate of 24% per annum at the end of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Other income

The Group's other income mainly comprised convertible bond interest income, bank interest income and government grants. The Group's other income decreased 54.1% to approximately RMB5.1 million for the period ended 30 June 2015 from approximately RMB11.1 million for the corresponding period for 2014. This was because the Group's subsidiaries in Shanghai had received government grants of approximately RMB7.7 million in relation to the encouragement of enterprise expansion for the period ended 30 June 2014.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, rental expenses, legal and professional fees, sales and marketing related expenses and impairment on loan receivables. The Group's administrative and other operating expenses decreased 7.4% to approximately RMB67.3 million for the period ended 30 June 2015 from approximately RMB72.7 million for the corresponding period for 2014. The decrease in administrative and other operating expenses was mainly attributable to the disposal of a 60.3% equity interest in China Runking Financing Group Holdings Limited on 18 December 2014.

Share-based payment expenses

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

Profit for the period

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

OUTLOOK

In March 2015, Premier Li Keqiang mentioned the “Internet+” vision in his Work Report during the two sessions, which proved that internet finance had become an important industry in the PRC. It also indicated that the conditions for the development of the internet finance industry is more and more robust. In July 2015, ten major authorities and commissions, including the People’s Bank of China, China Banking Regulatory Commission, China Securities Regulatory Commission, jointly issued the Guiding Opinions On Promoting the Healthy Development Of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), in which the boundaries, business rules and regulatory responsibilities for the internet finance industry are first determined and the concept of “Internet+” was fortified vigorously. The market has regarded the Guiding Opinions as the “basic law for internet finance”, and a blueprint to discipline the industry’s future development. It is considered that the issuance of Guiding Opinions will help to prevent systemic risks and benefit the long-term development of the internet finance industry. Given the very stringent supervision on third-party payment and network lending (P2P) by the Guiding Opinions, a significant industry reform is imminent, and industry concentration will also be further improved and integrated. At the same time, with the gradual implementation of a series of policies under the Guiding Opinions, smaller-scale enterprises will encounter greater impact, while larger-scale enterprises will enjoy more development advantages.

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

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

OUTLOOK *(Continued)*

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 June 2015, the Group had bank balances and cash of approximately RMB191.7 million (31 December 2014: approximately RMB265.5 million), of which approximately 75.7%, 7.2%, 17.1% were denominated in Renminbi, US dollars and Hong Kong dollars respectively. As at 30 June 2015, the Group had interest bearing borrowings, which mainly comprised corporate bonds, convertible bonds, bank borrowings and other borrowings, amounting to approximately RMB1,122.2 million (31 December 2014: approximately RMB492.2 million). The gearing ratio, representing the ratio of total borrowings to total assets of the Group, was 0.31 as at 30 June 2015 (31 December 2014: 0.18).

* *For identification purpose only*

FUND RAISING ACTIVITIES

On 12 February 2015, the Company completed the issue of HK\$10,000,000 5.5% per annum bonds due 2022 pursuant to a placing agreement entered into between the Company and Orient Securities (Hong Kong) Limited (as placing agent) on 11 September 2014. On 15 June 2015, the Company completed the issue of three-year convertible bonds in the principal amount of HK\$300,000,000 which bear interest at a rate of 6% per annum payable semi-annually. There was no conversion or redemption of the 2015 convertible bonds during the six months ended 30 June 2015.

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

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

INDEBTEDNESS AND CHARGES ON ASSETS

As at 30 June 2015, the Group had long-term borrowing of RMB150.0 million (31 December 2014: Nil) and short term borrowings amounting to RMB548.6 million (2014: RMB288.4 million), of which RMB325.6 million (2014: RMB211.8 million) were secured by the investment property of the Group with a carrying amount of approximately RMB575.0 million (2014: approximately RMB575.0 million). The secured borrowings of RMB211.8 million (2014: RMB211.8 million) were interest-bearing at floating rates and the remaining RMB113.8 million (2014: Nil) were interest-bearing at fixed rates. The remaining borrowings amounting to RMB373.0 million (2014: RMB76.6 million) were unsecured and interest-bearing at fixed rates. Details of borrowings of the Group during the period are set out in note 18 to the condensed financial information in this interim report.

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

INDEBTEDNESS AND CHARGES ON ASSETS *(Continued)*

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, AFFILIATED COMPANIES AND JOINT VENTURES

- On 28 January 2015, the Group acquired a 100% equity interest in Beijing Phoenix through structured contracts at a consideration of RMB50.0 million which was satisfied in cash. The principal business of Beijing Phoenix is operating an online P2P lending business with collateralised financial assets.
- On 27 May 2015, the Group acquired a 51% equity interest in Zhejiang Rongniu at a consideration of RMB18.0 million which was satisfied in cash. The principal business of Zhejiang Rongniu is providing online share pledge financing services to individual investors in the PRC.
- On 20 March 2015, the Group acquired a 49% equity interest in 海南先鋒網信小額貸款有限公司 (Hainan Pioneer Internet Microfinance Limited*) ("Hainan Pioneer") at a consideration of RMB49.0 million which was satisfied in cash. The principal business of Hainan Pioneer include not only providing financing services to small and medium-sized enterprises and individuals within the Hainan Province, the PRC, but also has a license to offer small loans to enterprises and individuals nation-wide via the internet, which differs from traditional micro finance lending licenses which are limited geographically.
- On 9 June 2015, the Group disposed of a 66.25% equity interest in Shanghai Feng Zhi Xing at a consideration of RMB44.0 million. The Group's equity interest in Shanghai Feng Zhi Xing was consequently reduced from 80% to 13.75% and was reclassified from being a subsidiary to an available-for-sale investment.

MAJOR INVESTMENTS

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

STRUCTURED CONTRACTS

For the period ended 30 June 2015, the Group had a number of operations which were conducted pursuant to structured contracts which allowed the Group to indirectly own and control such operations:

(A) Shanghai Yintong Dian Dang Company Limited* (上海銀通典當有限公司) **(“Shanghai Yintong”)**

Shanghai Yintong recorded revenue and a net loss of nil and RMB883,000, respectively, for the six months ended 30 June 2015 (for the year ended 31 December 2014: revenue and a net loss of RMB2,351,000 and RMB2,212,000, respectively). As at 30 June 2015, the total assets and net assets of Shanghai Yintong were RMB50,446,000 and RMB45,141,000, respectively (as at 31 December 2014: RMB45,701,000 and RMB46,025,000, respectively).

(B) Beijing Phoenix Credit Management Corporation* (北京鳳凰信用管理有限公司) **(“Beijing Phoenix”)**

For the six months ended 30 June 2015, Beijing Phoenix recorded revenue of RMB4,126,000 and a net profit of RMB793,000, respectively (for the year ended 31 December 2014: Nil for both). As at 30 June 2015, the total assets and net assets of Beijing Phoenix were RMB10,030,000 and RMB8,672,000, respectively (as at 31 December 2014: Nil for both).

STRUCTURED CONTRACTS *(Continued)*

(C) UCF Pay Limited* (先鋒支付有限公司) (“**UCF Pay**”) (Formerly named as **Dalian UCF Business Services Co., Limited*** 大連先鋒商務服務有限公司)

For the six months ended 30 June 2015, UCF Pay recorded revenue and a net profit of RMB57,906,000 and RMB34,308,000, respectively (for the year ended 31 December 2014: RMB66,316,000 and RMB33,516,000, respectively). As at 30 June 2015, the total assets and the net assets of UCF pay were RMB862,993,000 and RMB168,964,000 respectively (as at 31 December 2014: RMB444,647,000 and RMB134,658,000, respectively).

The Group in October 2013 entered into structured contracts with 聯合創業集團有限公司 (United Venture Guarantee Group Co. Ltd.*), a company established in the PRC with limited liability and 98.17% indirectly owned by Mr. Zhang Zhenxin (“**UVG Group**”) and with 國融聯合中小企業投資顧問(北京)有限公司 (Guorong United SME Investment Consultancy (Beijing) Co. Ltd.*), a company established in the PRC with limited liability and owned by an independent third party (“**Guorong Investment**”). The structured contracts relate to the effective control over and the rights to enjoy the economic benefits in and/or assets of UCF Pay which is principally engaged in the provision of online third-party payment services and prepaid card issuance business in the PRC and which has a third-party payment license issued by the People’s Bank of China. Online payment profit is primarily obtained from transaction fee and interest income from reserve fund accounts.

STRUCTURED CONTRACTS *(Continued)*

(C) UCF Pay Limited* (先鋒支付有限公司) (**"UCF Pay"**) (**Formerly named as Dalian UCF Business Services Co., Limited*** 大連先鋒商務服務有限公司)

(Continued)

The Group is not able to acquire the equity interests in UCF Pay because foreign invested enterprises in the PRC are not granted approval and licences to engage in online payment services. The structured contracts include an exclusive management and operation contract, an exclusive call option contract, a shareholders' entrustment contract and an equity pledge contract, together with powers of attorney ancillary to such agreements (collectively, the "**Control Contracts**"). Taken as a whole, the Control Contracts allow the Group to effectively control UCF Pay and therefore recognise and receive substantially all of the economic benefits of the business and operations of UCF Pay. The following is a summary of the principal terms of the Control Contracts:

- (a) UCF Pay agreed to (i) engage the Group to provide exclusive and comprehensive management and operation services to UCF Pay; and (ii) pay an annual management service fee to the Group equal to the revenue generated by UCF Pay after deducting all relevant costs and expenses (including taxes), losses and related reserve funds;
- (b) UVG Group and Guorong Investment (i) have granted the Group the exclusive right to acquire any or all the equity interests in UCF Pay at the lowest price as and when permitted under the relevant PRC laws and regulations on the condition that such acquisition shall be in compliance with relevant PRC laws and regulations; (ii) have pledged their entire equity interests in UCF Pay to the Group for the purpose of securing the performance of their and UCF Pay's respective contractual obligations under the Control Contracts; and (iii) have entrusted the Group or its designated party to exercise all their respective rights as shareholders of UCF Pay including but not limited to the rights to vote in a shareholders' meeting, sign shareholders' resolutions and file documents with the relevant registration authority and the rights to receive the remaining assets of UCF Pay upon the winding-up of UCF Pay. The Control Contracts shall be legally binding on the successors of UVG Group and Guorong Investment in the event of any change in their holding of the "equity interest of UCF Pay due to bankruptcy, winding-up, termination of operation or any other reason."; and

STRUCTURED CONTRACTS *(Continued)*

(C) UCF Pay Limited* (先鋒支付有限公司) (**“UCF Pay”**) (**Formerly named as Dalian UCF Business Services Co., Limited*** 大連先鋒商務服務有限公司)

(Continued)

- (c) in case of a dispute in relation to the Control Contracts, the parties to the Control Contracts shall negotiate in good faith to resolve the dispute. If the dispute cannot be settled through negotiation within 45 days, any party may refer the dispute to the Dalian Arbitration Commission for an arbitration award which shall be final and binding on the parties concerned. In addition, pursuant to the terms of the Control Contracts, the Dalian Arbitration Commission has the power to effect actions or arbitral awards on any shares, assets or business of UCF Pay, including the grant of compensation orders, restraining orders or winding up order. Such arbitration awards will be enforced by the People's Courts of the PRC with jurisdiction.

The Control Contracts are valid for a term of ten years commencing on 21 November 2013 and may be extended for such further ten-year periods as may be requested by the Group. The Group is entitled to effect the early termination of the Control Contracts at its own discretion. Neither UCF Pay nor its shareholders may vary or terminate the Control Contracts. There were no material changes to the Control Contracts and/or the circumstances under which they were adopted, nor was there any unwinding of them or of a failure to do the same due to the restrictions that led to their adoption being removed. The Group intends to unwind the Control Contracts arrangement and directly hold the equity interests of UCF Pay when the relevant restrictions no longer exist. For further details, including the risks associated with the Control Contracts as well as actions taken by the Group to mitigate such risks, please refer to the Company's announcement dated 9 October 2013.



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

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

INTERIM DIVIDEND

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

FOREIGN EXCHANGE EXPOSURE

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



FOREIGN EXCHANGE EXPOSURE *(Continued)*

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

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION POLICIES

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

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors, employees and contractors of the Group, who contribute to the success of the Group's operations. Details of the Group's share option scheme are set out under the heading "Share Option Scheme" below.

OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2015, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Ordinary Shares of the Company (the "Shares")

| Name of Directors/ Chief executive | Capacity/Nature of interests | Number of Shares/ underlying Shares interested | Notes | Total interests | Approximate percentage of the Company's issued Shares* |
|---------------------------------------|---------------------------------|---|-------|-----------------|---|
| Mr. Phang Yew Kiat | Beneficial owner | 10,000,000 | 1 | 10,000,000 | 0.31% |
| Mr. Chng Swee Ho | Beneficial owner | 3,000,000 | 1 | 3,000,000 | 0.09% |
| Mr. Sheng Jia | Beneficial owner | 3,000,000 | 1 | 3,080,000 | 0.10% |
| | Family interest | 80,000 | 2 | | |
| Mr. Li Gang | Beneficial owner | 2,000,000 | 1 | 2,000,000 | 0.06% |
| Mr. Wong Sai Hung | Beneficial owner | 2,000,000 | 1 | 2,000,000 | 0.06% |
| Mr. Ge Ming | Beneficial owner | 1,000,000 | 1 | 1,000,000 | 0.03% |
| Mr. Peter Z Kuk | Beneficial owner | 1,000,000 | 1 | 2,000,000 | 0.06% |
| | Beneficial owner | 1,000,000 | | | |
| Mr. Wang Wei | Beneficial owner | 1,000,000 | 1 | 1,500,000 | 0.05% |
| | Beneficial owner | 500,000 | | | |

OTHER INFORMATION *(Continued)*

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations *(Continued)*

Notes:

- (1) These interests represent the underlying Shares comprised in the share options granted by the Company on 11 December 2014.
 - (2) These interests represent the Shares held by Ms. Hu Haichen, the wife of Mr. Sheng Jia. Therefore, Mr. Sheng Jia was deemed to be interested in these Shares under the SFO.
 - (3) All interests stated above are long positions.
- * *The percentage represents the number of underlying shares interested divided by the number of issued Shares as at 30 June 2015 (i.e. 3,235,646,000 Shares).*

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

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

OTHER INFORMATION (Continued)

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2015, so far as is known to the Directors, the following persons and entities, other than the Directors and the chief executive of the Company, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in Shares – Long Position

| Name | Capacity/ Nature of interests | Number of Shares/ underlying Shares interested | Notes | Total Interests | Approximate percentage of the Company's issued Shares ¹ |
|---|--------------------------------------|--|-------|-----------------|--|
| First Pay Limited ("First Pay") | Beneficial owner | 649,232,000 | | 649,232,000 | 20.06% |
| Mr. Zhang Zhenxin ("Mr. Zhang") | Beneficial owner | 13,916,000 | 1 | 681,148,000 | 21.05% |
| | Interest in a controlled corporation | 649,232,000 | | | |
| | Family interest | 18,000,000 | 3 | | |
| Ms. Zhang Xiaomin ("Ms. Zhang") | Beneficial owner | 18,000,000 | 1, 2 | 681,148,000 | 21.05% |
| | Family interest | 663,148,000 | | | |
| Silver Paragon Limited | Beneficial owner | 211,790,000 | | 211,790,000 | 6.55% |
| Ms. So Naoko ("Ms. So") | Interest in a controlled corporation | 211,790,000 | 4 | 211,790,000 | 6.55% |
| Jiefang Media (UK) Co. Limited ("Jiefang Media") | Beneficial owner | 336,222,400 | | 336,222,400 | 10.39% |
| Shanghai Xinhua Publishing Group Limited ("Xinhua Publishing") | Interest in a controlled corporation | 336,222,400 | 5 | 336,222,400 | 10.39% |
| Jiefang Daily Group ("Jiefang Group") | Interest in controlled corporations | 336,222,400 | 5 | 336,222,400 | 10.39% |
| Shanghai Greenland Group Company Limited ("Greenland Group") | Interest in controlled corporations | 336,222,400 | 5 | 336,222,400 | 10.39% |
| Kaiser Capital Holdings Limited ("Kaiser Capital") | Beneficial owner | 300,470,000 | | 300,470,000 | 9.29% |
| Mr. Ting Pang Wan, Raymond ("Mr. Ting") | Beneficial owner | 20,490,000 | | 320,960,000 | 9.92% |
| | Interest in a controlled corporation | 300,470,000 | 6 | | |
| Integrated Asset Management (Asia) Limited ("Integrated Asset") | Beneficial owner | 223,825,600 | | 223,825,600 | 6.92% |
| Mr. Yam Tak Cheung ("Mr. Yam") | Interest in a controlled corporation | 223,825,600 | 7 | 223,825,600 | 6.92% |

OTHER INFORMATION *(Continued)*

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

Notes:

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

* *The percentage represents the number of Shares interested divided by the number of issued Shares as at 30 June 2015 (i.e. 3,235,646,000 Shares).*

Save as disclosed above, as at 30 June 2015, according to the register required to be kept by the Company under section 336 of the SFO, there was no person or entity who/which had any interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the SFO.

OTHER INFORMATION (Continued)

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to written resolutions of its 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, customers of the Group, consultants, advisers, managers, officers or entities that provide research, development or other technological support to the Group.

As at 30 June 2015, the total number of securities available for issue under the Share Option Scheme pursuant to its terms was 315,450,600 Shares, representing in aggregate approximately 9.75% of the Company's issued share capital (as at 31 December 2014: 315,450,600 Shares, representing approximately 9.79% of the Company's then issued share capital).

Details of movements of the share options granted under the Share Option Scheme for the six months ended 30 June 2015 were as follows:

| Category | Date of grant | Exercise period | Exercise price per Share HK\$ | Weighted average closing price of shares HK\$ | Number of underlying Shares comprised in the share options | | | | | As at 30 June 2015 |
|----------------------------|------------------|--------------------------------------|----------------------------------|--|--|---------------------------|-----------------------------|-----------------------------|--------------------------|--------------------|
| | | | | | As at 1 January 2015 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | |
| Directors | | | | | | | | | | |
| Mr. Phang Yew Kiat | 11 December 2014 | 11 December 2015 to 10 December 2024 | 1.814 | - | 10,000,000 ⁽³⁾ | - | - | - | - | 10,000,000 |
| Mr. Chng Swee Ho | 11 December 2014 | 11 December 2015 to 10 December 2024 | 1.814 | - | 3,000,000 ⁽³⁾ | - | - | - | - | 3,000,000 |
| Mr. Sheng Jia | 11 December 2014 | 11 December 2015 to 10 December 2024 | 1.814 | - | 3,000,000 ⁽³⁾ | - | - | - | - | 3,000,000 |
| Mr. Li Gang | 11 December 2014 | 11 December 2015 to 10 December 2024 | 1.814 | - | 2,000,000 ⁽³⁾ | - | - | - | - | 2,000,000 |
| Mr. Wong Sai Hung | 11 December 2014 | 11 December 2015 to 10 December 2024 | 1.814 | - | 2,000,000 ⁽³⁾ | - | - | - | - | 2,000,000 |
| Mr. Ge Ming | 11 December 2014 | 11 December 2015 to 10 December 2024 | 1.814 | - | 1,000,000 ⁽³⁾ | - | - | - | - | 1,000,000 |
| Mr. Peter Z Kuk | 11 December 2014 | 11 December 2015 to 10 December 2024 | 1.814 | - | 1,000,000 ⁽³⁾ | - | - | - | - | 1,000,000 |
| Mr. Wang Wei | 11 December 2014 | 11 December 2015 to 10 December 2024 | 1.814 | - | 1,000,000 ⁽³⁾ | - | - | - | - | 1,000,000 |
| Former Director | | | | | | | | | | |
| Mr. Ting Ping Wan, Raymond | 12 July 2013 | 12 April 2014 to 11 July 2018 | 0.74 | 2.150 | 14,490,000 ⁽²⁾ | - | 14,490,000 | - | - | - |
| | | | | | 37,490,000 | - | 14,490,000 | - | - | 23,000,000 |

OTHER INFORMATION (Continued)

Share Option Scheme (Continued)

| Category | Date of grant | Exercise period | Exercise price per Share HK\$ | Weighted average closing price of shares HK\$ | Number of underlying Shares comprised in the share options | | | | | |
|---|------------------|--------------------------------------|----------------------------------|--|--|---------------------------|-----------------------------|-----------------------------|--------------------------|--------------------|
| | | | | | As at 1 January 2015 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | As at 30 June 2015 |
| Employees (in aggregate) | 11 December 2014 | 11 December 2015 to 10 December 2024 | 1.814 | - | 39,300,000 ⁽¹⁾ | - | - | - | 6,100,000 | 33,200,000 |
| Employees (in aggregate) | 8 June 2015 | 8 June 2016 to 7 June 2025 | 2.13 | - | - | 36,550,000 ⁽¹⁾ | - | - | 100,000 | 36,450,000 |
| Former Employees (in aggregate) | 12 July 2013 | 12 April 2014 to 11 July 2018 | 0.74 | - | 500,000 ⁽¹⁾ | - | - | - | - | 500,000 |
| | | | | | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | | | | | 39,800,000 | 36,550,000 | - | - | 6,200,000 | 70,150,000 |
| Consultants (in aggregate) | 11 December 2014 | 11 December 2015 to 10 December 2024 | 1.814 | - | 131,500,000 ⁽¹⁾ | - | - | - | - | 131,500,000 |
| | | | | | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | | | | | 131,500,000 | - | - | - | - | 131,500,000 |
| Total | | | | | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | | | | | 208,790,000 | 36,550,000 | 14,490,000 | - | 6,200,000 | 224,650,000 |

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 immediately before the date on which the share options were granted was HK\$0.75 per Share.
- (3) The share options are exercisable according to the following vesting schedule:
 - (i) one-fourth of the share options shall vest on 10 December 2015;
 - (i) one-fourth of the share options shall vest on 10 December 2016;
 - (iii) one-fourth of the share options shall vest on 10 December 2017; and
 - (iv) one-fourth of the share options shall vest on 10 December 2018.

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

OTHER INFORMATION (Continued)

Share Option Scheme (Continued)

Notes: (Continued)

- (4) The share options are exercisable according to the following vesting schedule:
- (i) one-fourth of the share options shall vest on 7 June 2016;
 - (i) one-fourth of the share options shall vest on 7 June 2017;
 - (iii) one-fourth of the share options shall vest on 7 June 2018; and
 - (iv) one-fourth of the share options shall vest on 7 June 2019.

The closing price of the Shares immediately before the date on which the share options were granted was HK\$2.10 per Share.

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

| | 12 July 2013 | 11 December 2014 | 8 June 2015 |
|------------------------------|-------------------------|-----------------------------|------------------------|
| Inputs into the model | | | |
| Exercise price | HK\$0.74 | HK\$1.814 | HK\$2.13 |
| Expected volatility | 67.71% | 41.71%-42.35% | 44.56%-49.47% |
| Expected life | 2.875 years | 2-5 years | 2-5 years |
| Expected dividend yield | 2.095% | 0.676% | 0.219% |
| Risk-free rate | 0.507% | 0.43%-1.237% | 0.479%-1.314% |

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 recognised total expenses of approximately RMB19.3 million for the six months ended 30 June 2015 (Six months ended 30 June 2014: RMB2.6 million) in relation to the share options granted by the Company.

OTHER INFORMATION (Continued)

Purchase, Sale or Redemption of Listed Securities

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

For illustrative purpose, set out below are the shareholding structure of the Company (i) as at the date of the announcement of the issue of the convertible bonds (the "Announcement") dated 11 May 2015 and (ii) immediately after full conversion of the convertible bonds at the initial conversion price (assuming that there is no change in the issued share capital of the Company other than the issue of the conversion shares since the date of the Announcement up to the date of the full conversion of the convertible bonds nor any change in the shareholdings as described below):

| Name of Shareholders | As at the date of the Announcement | | Immediately after full conversion of the convertible bonds | |
|--|---------------------------------------|-----------|--|-----------|
| | No. of | | No. of | |
| | Shares held | Approx. % | Shares held | Approx. % |
| Mr. Zhang Zhenxin ⁽¹⁾ | 717,536,000 | 22.18 | 717,536,000 | 21.41 |
| Ms. So Naoko ⁽²⁾ | 211,790,000 | 6.55 | 211,790,000 | 6.32 |
| Shanghai Xinhua Publishing Group Limited ("Xinhua Publishing") ⁽³⁾ | 336,222,400 | 10.39 | 336,222,400 | 10.03 |
| Mr. Ting Pang Wan, Raymond ⁽⁴⁾ | 341,500,000 | 10.55 | 341,500,000 | 10.19 |
| Mr. Yam Tak Cheung ⁽⁵⁾ | 223,825,600 | 6.92 | 223,825,600 | 6.68 |
| Others: | | | | |
| Subscriber | – | – | 115,384,615 | 3.44 |
| Public | 1,404,772,000 | 43.41 | 1,404,772,000 | 41.92 |
| Total | 3,235,646,000 | 100.0 | 3,351,030,615 | 100.0 |

OTHER INFORMATION *(Continued)*

Purchase, Sale or Redemption of Listed Securities *(Continued)*

Notes:

- (1) Of these Shares, 21,736,000 Shares were held by Mr. Zhang Zhenxin beneficially, 677,800,000 Shares by First Pay Limited (the entire issued share capital of which was owned by Mr. Zhang) and by 18,000,000 Shares Ms. Zhang Xiaomin, who is the wife of Mr. Zhang. Therefore, Mr. Zhang was deemed to be interested in these Shares under the SFO.
- (2) These Shares were held by Silver Paragon Limited, the entire issued share capital of which was owned by Ms. So Naoko. Therefore, Ms. So was deemed to be interested in these Shares under the SFO.
- (3) These Shares were held by Jiefang Media (UK) Co. Limited. Jiefang Media (UK) Co. Limited was wholly-owned by Xinhua Publishing which was in turn owned by Jiefang Daily Group and its associates as to approximately 50.8% and Shanghai Greenland Group Company Limited as to approximately 39%. Therefore, under the SFO, Xinhua Publishing was deemed to be interested in all the Shares held by Jiefang Media (UK) Co. Limited, and each of Jiefang Daily Group and Shanghai Greenland Group Company Limited were deemed to be interested in all the Shares which Xinhua Publishing was deemed to be interested in.
- (4) Of these Shares, 20,490,000 Shares were held by Mr. Ting Pang Wan, Raymond beneficially and 321,010,000 Shares by Kaiser Capital Holdings Limited, 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.
- (5) These Shares were held by Integrated Asset Management (Asia) Limited, the entire issued share capital of which was owned by Mr. Yam Tak Cheung. Therefore, Mr. Yam was deemed to be interested in these Shares under the SFO.

Save as disclosed herein, the Company did not redeem any of its Shares listed and traded on the Stock Exchange, nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the six months ended 30 June 2015.

Corporate Governance

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules during the six months ended 30 June 2015.

OTHER INFORMATION *(Continued)*

Corporate Governance *(Continued)*

According to Rule 5.05A of the GEM Listing Rules, the Company must appoint independent non-executive Directors (the "INEDs") representing at least one-third of the Board. Upon the appointment of Dr. Wong, Kennedy Ying Ho ("Dr. Wong") as an INED on 16 February 2015, there were sufficient INEDs in compliance with Rule 5.05A of the GEM Listing Rules. However, upon the appointment of Mr. Zhang Zhenxin as a non-executive Director on 12 July 2015, the Board comprised ten Directors, of which three were INEDs, which fell below the one-third INED requirement under Rule 5.05A of the GEM Listing Rules.

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

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

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 enquiries with all those who were the Directors during the six months ended 30 June 2015 and each of them confirmed that he/she had complied with the required standard of securities transactions by the Directors during such period.

OTHER INFORMATION *(Continued)*

Competing Interest

The Directors were not aware of any business or interest of the Directors, the controlling shareholders (as defined under the GEM Listing Rules) of the Company nor their respective close associates (as defined under the GEM Listing Rules) that competed or might, directly or indirectly, compete with the Group's business during the six months ended 30 June 2015.

Review by Audit Committee

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

The Group's unaudited results for the six months ended 30 June 2015 and this report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

Change of Directors' and Chief Executive's Information

Ms. Shen Li resigned as an Executive Director on 30 June 2015.

Mr. Peter Z Kuk resigned as an INED and ceased to act as the chairman of the Nomination Committee and a member of each of the Nomination Committee, the Audit Committee and the Remuneration Committee of the Company on 10 July 2015.

Dr. Wong, Kennedy Ying Ho was appointed as the chairman of the Nomination Committee on 10 July 2015 but resigned as an INED and ceased to act as the chairman of the Nomination Committee and as a member of each of the Nomination Committee, the Audit Committee and the Remuneration Committee on 3 August 2015.

Mr. Zhang Zhenxin was appointed as a non-executive Director on 12 July 2015.

OTHER INFORMATION *(Continued)*

Subsequent Event After the Reporting Period

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

By order of the Board

Credit China Holdings Limited

Li Mingshan

Chairman

Hong Kong, 10 August 2015

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