



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8207)

**ANNOUNCEMENT OF FIRST QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors of Credit China FinTech Holdings Limited (the “Company” or “Credit China FinTech” 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 and its subsidiaries. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

First Quarter of 2017

	For the three months ended 31 March		Period-on- period changes
	2017 (Unaudited) <i>RMB'000</i>	2016 (Unaudited) <i>RMB'000</i>	
Operating Results			
Turnover	722,915	181,659	298.0%
Profit for the period	161,975	50,327	221.8%
Profit attributable to owners of the Company	100,867	53,361	89.0%
Non-GAAP profit attributable to owners of the Company	145,449	77,265	88.2%
	<i>RMB</i>	<i>RMB</i> (Restated)	
Earnings per share (<i>Note</i>)			
– basic	0.47 cents	0.28 cents	67.9%
– diluted	0.44 cents	0.27 cents	63.0%
Non-GAAP earnings per share			
– basic	0.67 cents	0.40 cents	67.5%
– diluted	0.64 cents	0.39 cents	64.1%

Note:

The calculation of the basic and diluted earnings per share for the three months ended 31 March 2016 have been adjusted as a result of the share subdivision effective on 19 September 2016.

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2017 together with the comparative unaudited figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	Notes	For the three months ended 31 March	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Turnover	3	722,915	181,659
Interest income	3	119,697	76,512
Interest expenses	6	(94,047)	(37,769)
Net interest income		25,650	38,743
Financial consultancy service income	3	11,132	11,474
Third party payment service income	3	62,008	39,493
Online investment and technology-enabled lending service income	3	474,904	54,180
Gain on transfer of rights on interests on loan receivables	3	30,461	–
Others	3	24,713	–
		628,868	143,890
Other income	5	3,362	5,133
Other gains and losses		(2,952)	–
Handling charges for third party payment service		(6,523)	(7,377)
Administrative and other operating expenses		(356,958)	(57,388)
Share-based payment expenses		(45,498)	(21,095)
Share of results of associates		19,863	2,083
Share of results of joint ventures		–	13
Gain on disposal of subsidiaries		–	37
Gain on deemed disposal of subsidiaries		916	–
Loss on deemed disposal of an associate		–	(2,029)
Loss on disposal of an associate		–	(817)
Profit before tax	7	241,078	62,450
Income tax	8	(79,103)	(12,123)
Profit for the period		161,975	50,327

		For the three months ended 31 March	
		2017	2016
		(Unaudited)	(Unaudited)
<i>Notes</i>		RMB'000	RMB'000
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
	Exchange differences on translating foreign operations	(14,139)	(3,392)
	Change in fair value of available-for-sale investments	<u>—</u>	<u>8</u>
	Other comprehensive expense for the period, net of income tax	<u>(14,139)</u>	<u>(3,384)</u>
	Total comprehensive income for the period	<u>147,836</u>	<u>46,943</u>
Profit (loss) for the period attributable to:			
	Owners of the Company	100,867	53,361
	Non-controlling interests	<u>61,108</u>	<u>(3,034)</u>
		<u>161,975</u>	<u>50,327</u>
Total comprehensive income (expense) for the period attributable to:			
	Owners of the Company	89,800	55,666
	Non-controlling interests	<u>58,036</u>	<u>(8,723)</u>
		<u>147,836</u>	<u>46,943</u>
		<i>RMB</i>	<i>RMB</i> (Restated)
Earnings per share			
		<i>10</i>	
	Basic	<u>0.47 cents</u>	<u>0.28 cents</u>
	Diluted	<u>0.44 cents</u>	<u>0.27 cents</u>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2017 have been prepared in accordance with the Hong Kong Accounting Standards and Interpretations and have complied with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these results are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 third party payment service, online investment and technology-enabled lending service and related activities on loan portfolio management, as well as provision of social gaming services and provision of IT solution services.

Turnover represents interest income (either from entrusted loans, real estate-backed loans, pawn loans, other loans and micro loans) and financial consultancy service income, third party payment service income, online investment and technology-enabled lending service, social gaming service income and IT solution service income, 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 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest income		
Entrusted loan service income	22,416	32,303
Other loan service income	97,272	44,200
Real estate-backed loan service and microfinance service income	9	9
	119,697	76,512
Financial consultancy service income	11,132	11,474
Third party payment service income	62,008	39,493
Online investment and technology-enabled lending service income	474,904	54,180
Gain on transfer of rights on interests on loan receivables	30,461	–
Others	24,713	–
Turnover	722,915	181,659

4. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the condensed consolidated financial statements, are identified from the financial data and information provided regularly to the Group's chief operation decision maker, who is 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.

The Directors have organised the Group into different segments by the types of services provided.

Specifically, the Group's reportable segments are as follows:

1. Traditional loans and financing – provision of financing services in the People's Republic of China (the "PRC") and Hong Kong;
2. Third party payment service – provision of online third party payment service and prepaid card issue business;
3. Online investment and technology-enabled lending service – provision of internet loan services in the PRC; and
4. Others – provision of social gaming service in the PRC, provision of IT solution service in Vietnam and property investment.

Segment revenue and results

For the three months ended 31 March 2017 (Unaudited)

	Traditional loans and financing RMB'000	Third party payment service RMB'000	Online investment and technology- enabled lending service RMB'000	Others RMB'000	Total RMB'000
REVENUE					
External income and gain	<u>161,290</u>	<u>62,008</u>	<u>474,904</u>	<u>24,713</u>	<u>722,915</u>
Segment results	<u>35,882</u>	<u>39,852</u>	<u>199,563</u>	<u>206</u>	<u>275,503</u>
Share of results of associates					19,863
Unallocated other income					2,583
Other gains or losses					(2,952)
Gain on deemed disposal of subsidiaries					916
Share-based payment expenses					(45,498)
Interest expenses					(4,816)
Unallocated expenses					<u>(4,521)</u>
Profit before tax					<u>241,078</u>

For the three months ended 31 March 2016 (Unaudited)

	Traditional loans and financing RMB'000	Third party payment service RMB'000	Online investment and technology- enabled lending service RMB'000	Others RMB'000	Total RMB'000
REVENUE					
External income and gain	<u>87,986</u>	<u>39,493</u>	<u>54,180</u>	<u>-</u>	<u>181,659</u>
Segment results	<u>31,805</u>	<u>24,039</u>	<u>26,630</u>	<u>-</u>	<u>82,474</u>
Share of results of associates					2,083
Share of results of joint ventures					13
Unallocated other income					3,893
Loss on disposal of an associate					(817)
Loss on deemed disposal of an associate					(2,029)
Gain on disposal of subsidiaries					37
Share-based payment expenses					(21,095)
Unallocated expenses					<u>(2,109)</u>
Profit before tax					<u>62,450</u>

5. OTHER INCOME

	For the three months ended 31 March	
	2017	2016
	(Unaudited) RMB'000	(Unaudited) RMB'000
Government grants (<i>Note</i>)	271	110
Bank interest income	2,312	3,063
Interest income on convertible bonds	–	720
Others	779	1,240
	<u>3,362</u>	<u>5,133</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 31 March	
	2017	2016
	(Unaudited) RMB'000	(Unaudited) RMB'000
Interest on bank and other borrowings	39,052	23,916
Interest on corporate bonds	3,325	5,855
Interest on convertible bonds	51,670	7,998
	<u>94,047</u>	<u>37,769</u>

7. PROFIT BEFORE TAX

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

	For the three months ended 31 March	
	2017	2016
	(Unaudited) RMB'000	(Unaudited) RMB'000
(a) Staff costs, including directors' remuneration		
Salaries, wages and other benefits	51,802	13,573
Contribution to defined contribution retirement benefits scheme	3,303	1,249
Share-based payment expenses	45,498	21,095
	<u>100,603</u>	<u>35,917</u>
(b) Other items		
Auditors' remuneration	442	428
Depreciation	2,263	700
Amortisation (included in administrative and other operating expense)	10,473	–
Impairment recognised on loan receivables	–	605
Net exchange difference	1,790	(73)
Operating lease charges in respect of properties	7,181	3,294
	<u>7,181</u>	<u>3,294</u>

8. INCOME TAX

	For the three months ended 31 March	
	2017	2016
	(Unaudited) RMB'000	(Unaudited) RMB'000
Current tax		
Provision for Hong Kong Profits Tax	4,259	1,580
Provision for PRC Enterprise Income Tax (the "EIT")	74,844	10,543
	<u>79,103</u>	<u>12,123</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The applicable tax rate for the subsidiaries incorporated in Hong Kong is 16.5% for the three months ended 31 March 2017 and 2016.

- (iii) Profits of the subsidiaries established in the PRC are subject to PRC EIT.

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

Several subsidiaries established in the PRC were approved by the local tax bureau and the taxable income of these subsidiaries shall be the total revenue of such subsidiaries, deducted by any non-assessable revenue, exempted revenue, other deductions and amount of offsetting any accumulated losses.

During the three months ended 31 March 2017 and 2016, several subsidiaries established in the PRC were recognised as High Technology Enterprises and subject to PRC income tax at 15% in accordance with the EIT Law.

- (iv) According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (the “LAT”) (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995 as well, all income from the sale or transfer of land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as calculated according to the Provisional Regulations of the PRC on LAT and its Detailed Implementation Rules.

9. DIVIDEND

The Board has resolved not to pay an interim dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2017 is based on the profit attributable to owners of the Company of RMB100,867,000 (three months ended 31 March 2016: RMB53,361,000) and the weighted average of 21,647,374,767 (three months ended 31 March 2016: 19,376,276,650) ordinary shares in issue during the three months ended 31 March 2017.

Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 31 March 2017 is based on the profit attributable to owners of the Company of RMB100,867,000 (three months ended 31 March 2016: RMB53,361,000) and the weighted average of 22,815,519,249 (three months ended 31 March 2016: 19,737,608,785) ordinary shares in issue during the three months ended 31 March 2017.

For the three months ended 31 March 2017 and 2016, the computation of diluted earnings per share does not assume the conversion of the Company’s outstanding convertible bonds since their exercise would result in an increase in earnings per share.

With effect from 19 September 2016, each of the existing issued and unissued ordinary shares of par value of HK\$0.10 each in the share capital of the Company was subdivided into five (5) subdivided ordinary shares of par value of HK\$0.02 each. The calculation of the basic and diluted earnings per share for the three months ended 31 March 2016 have been adjusted as a result of the share subdivision.

11. RESERVES

	Attributable to owners of the Company												Total equity RMB'000	
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Equity component of convertible bonds RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Consideration payables reserve RMB'000	Total RMB'000		Non-controlling interests RMB'000
At 1 January 2017 (Audited)	358,259	2,920,079	36,569	887,660	-	72,641	151,279	165,583	(591,729)	40,000	155,502	4,195,843	45,737	4,241,580
Profit for the period	-	-	-	100,867	-	-	-	-	-	-	-	100,867	61,108	161,975
Other comprehensive income (expense)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange differences on translating foreign operations	-	-	-	-	-	(11,067)	-	-	-	-	-	(11,067)	(3,072)	(14,139)
Total comprehensive income (expense) for the period	-	-	-	100,867	-	(11,067)	-	-	-	-	-	89,800	58,036	147,836
Issue of shares upon exercise of share options	595	13,887	-	-	-	-	(2,841)	-	-	-	-	11,641	-	11,641
Lapse of share options	-	-	-	272	-	-	(272)	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	45,498	-	-	-	-	45,498	-	45,498
Appropriation to statutory reserve funds	-	-	255	(255)	-	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	1,016	34,653	-	-	-	-	(3,005)	-	-	-	-	32,664	-	32,664
Acquisition of an available-for-sale investment by issue of shares	2,204	113,510	-	-	-	-	-	-	-	-	-	115,714	-	115,714
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	46,695	46,695
At 31 March 2017 (Unaudited)	362,074	3,082,129	36,824	988,544	-	61,574	193,664	162,578	(591,729)	40,000	155,502	4,491,160	150,468	4,641,628
At 1 January 2016 (Audited)	321,642	1,665,026	33,106	588,524	2,892	11,549	47,300	23,206	(125,035)	40,000	-	2,608,210	24,376	2,632,586
Profit for the period	-	-	-	53,361	-	-	-	-	-	-	-	53,361	(3,034)	50,327
Other comprehensive income (expense)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange differences on translating foreign operations	-	-	-	-	-	2,297	-	-	-	-	-	2,297	(5,689)	(3,392)
- Change in fair value of available-for-sale investments	-	-	-	-	8	-	-	-	-	-	-	8	-	8
Total comprehensive income (expense) for the period	-	-	-	53,361	8	2,297	-	-	-	-	-	55,666	(8,723)	46,943
Issue of shares upon exercise of share options	21	443	-	-	-	-	(84)	-	-	-	-	380	-	380
Lapse of share options	-	-	-	66	-	-	(66)	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	21,095	-	-	-	-	21,095	-	21,095
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(4,618)	(4,618)
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	5,297	5,297
Appropriation to statutory reserve funds	-	-	175	(175)	-	-	-	-	-	-	-	-	-	-
At 31 March 2016 (Unaudited)	321,663	1,665,469	33,281	641,776	2,900	13,846	68,245	23,206	(125,035)	40,000	-	2,685,351	16,332	2,701,683

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Industry Trends

In the first quarter of 2017, the reform and healthy development of China's FinTech industry continued. With the implementation of regulations, according to the statistics of Wangdaizhijia, the number of new online investment platforms in China in the first quarter of 2017 was further lowered to 11 (38 in the fourth quarter of 2016), as industry rectification progresses. Despite this, the total transaction volume of the online lending industry in the first quarter of 2017 reached RMB676.2 billion, representing a significant growth of about 78.0% compared to RMB379.8 billion in the first quarter of 2016. Of which, the transaction volume in March 2017 reached a new monthly high to RMB250.8 billion. In March 2017, the number of investors and borrowers was 4.20 million and 2.39 million, increasing by 2% and 17% as compared to the number in December 2016 respectively.

By leveraging on its comprehensive business qualifications and risk management capabilities, the Group's various FinTech platforms have received affirmation and recognition from regulatory authorities (such as the People's Bank of China) and industry associations (such as the National Internet Finance Association of China). We believe that Credit China FinTech will remain as a key player and is well-positioned to solidify its market leadership during the industry consolidation stage with our expanding FinTech service ecosystem. We shall continue to focus on the five revenue streams of (1) traditional loans, (2) third party payment, (3) online investment, (4) technology-enabled lending, and (5) social gaming to further strengthen our market position.

Operational Highlights

- *Third party payment*

UCF Pay Limited ("UCF Pay") has maintained its leading position in the online third party payment service sector in China. The total transaction volume in the first quarter of 2017 reached RMB101.7 billion, representing a growth of 197% period-on-period (total transaction volume in the first quarter of 2016: RMB34.2 billion), of which, the transaction volume in March 2017 reached a new monthly high to RMB42.1 billion. UCF Pay's accumulated active users reached 3.46 million as at the end of March 2017. UCF Pay diversified its merchant customer base through the rollout of cross-border payment solutions. It also introduced new services, such as direct banking solutions and cloud wallet services, to satisfy emerging customer demands.

Shanghai Jifu Xinxi Jishu Fuwu Co., Ltd.* (上海即富信息技術服務有限公司) (“Shanghai Jifu”), our mobile point of sale (“POS”) provider in which the Group has a 35% interest, recorded a total transaction volume of RMB234.1 billion in the first quarter of 2017, representing a growth of 74.5% period-on-period (total transaction volume in the first quarter of 2016: RMB134.1 billion). Total registered users reached 10.04 million as at the end of March 2017, compared to 7.53 million as at 31 December 2016. Accumulated active users reached 3.82 million as at the end of March 2017, compared to 3.24 million as at 31 December 2016. The major product “DianPOS (點刷)” launched by Shanghai Jifu in October 2016 achieved remarkable performance. In the first quarter of 2017, DianPOS’s accumulated handling charges accounted for 24% of Shanghai Jifu’s total handling charges (2% in 2016). The product takes the lead in introducing “flex pricing” and other functions in China, which reflects Shanghai Jifu’s technological advantage.

Amigo Technologies Joint Stock Company (“Amigo Technologies”)(in which the Group holds a 51% interest), our payment services provider in Vietnam, recorded total transaction volume of VND34.2 trillion in the first quarter of 2017, representing a growth of 27.9% period-on-period (total transaction volume in the first quarter of 2016: VND26.7 trillion). In the first quarter of 2017, Amigo Technologies’ total number of transactions was 27.8 million, representing a growth of 55.3% as compared to 17.9 million in the first quarter of 2016. In the first quarter of 2017, Amigo Technologies started rolling out collection services for public administrative agencies and tax departments. This opened up new business collaborations with government agencies whereas end users can pay taxes, ticket fines as well as other public administrative fees via Amigo Technologies’ payment system.

- ***Online investment***

First P2P, a comprehensive financial asset investment platform, achieved strong operating results in the first quarter of 2017. In the period, First P2P’s total accumulated transaction volume reached RMB23.6 billion, increased by 23.3% period-on-period (total transaction volume in the first quarter of 2016 was RMB19.2 billion). In the first quarter of 2017, its annualized transaction volume reached RMB10.1 billion, increased by 88.9% period-on-period (its annualized transaction volume in the first quarter of 2016 was RMB5.4 billion). The average term of products in the first quarter of 2017 was about 154 days, increased by approximately 53 days as compared with 101 days in the first quarter of 2016. First P2P’s registered users reached 8.24 million as at the end of March 2017 as compared to 7.55 million at the end of December 2016.

* *the English translation of Chinese names or words is for information purpose only and should not be regarded as the official English translation of such Chinese names or words*

In the first quarter of 2017, the total transaction volume of Financial Workshop reached RMB1.46 billion, and its annualized transaction volume reached RMB570 million. The average term of investments in the first quarter of 2017 was about 141 days, increased by approximately 31 days as compared with 110 days in the first quarter of 2016. As at the end of March 2017, Financial Workshop's registered users reached 953,000. As at the end of March 2017, its accumulated investment users reached 292,000, with approximately 9,000 new investment users in the first quarter of 2017.

- ***Technology-enabled lending***

In the first quarter of 2017, First House Loan's total transaction volume reached RMB3.25 billion, and its annualized transaction volume reached RMB1.61 billion. The average term of products in the first quarter of 2017 was approximately 178 days, up by about 31 days as compared with 147 days in the first quarter of 2016. First House Loan will continue to expand its businesses, and explore alternative lower-cost funding sources through cooperation with banks, insurance companies and trusts, aiming at building its platform with multi-asset channels and multi-funding sources.

Weshare, which is an online consumer lending platform operated by Leyu Limited, achieved a significant growth in the first quarter of 2017. As at the end of March 2017, Weshare had 12.95 million accumulated registered users, as compared to 9.09 million accumulated registered users (including its strategic cooperation based on financial cloud platforms) as at the end of December 2016. In the first quarter of 2017, the accumulated transaction value reached RMB7.04 billion, representing 6.4 times of such value in the first quarter of 2016, and the lending value and number of transactions in March 2017 alone reached over RMB3.0 billion and 1.90 million respectively.

- ***Others***

As at the end of March 2017, Shenzhen Qiyuan Tianxia Technology Company Limited* (深圳起源天下科技有限公司) ("Qiyuan"), a social gaming services provider owned by the Group, recorded an accumulated gross billings of approximately RMB145 million through its popular mobile game named Jidou Xiyou (激鬥西遊). As at the end of March 2017, the registered users of Jidou Xiyou surpassed 7.45 million and Qiyuan's accumulated registered users reached 9.93 million.

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Strategic Highlights

On 25 January 2017, the Group completed the acquisition of an indirect 51% equity interest in Amigo Technologies for the Group's expansion outside China. Amigo Technologies is currently a strategic partner of many of the world's leading providers of IT solutions. It also offers system solutions and maintenance services for the largest payment system in Vietnam. The Group is of the view that the acquisition has enabled the Group to strengthen its competitive edge in providing fintech solutions and broadening the Group's customer base with optimised business structure in Vietnam.

On 30 March 2017, the Group entered into an agreement (the "Agreement") to dispose of all its 100% shareholding of 9888.CN Limited at a consideration of HK\$580 million, which is expected to be completed on 30 September 2017 (the "Disposal"). 9888.CN Limited is principally engaged in the operation of Financial Workshop, an online investment platform controlled by the Group. The Group is of the view that the Disposal represents a strategic opportunity to optimise the Group's business portfolio while realising substantial value from the transaction. The Group intends to deploy the proceeds from the Disposal towards funding any possible future investments as and when opportunities arise as well as for general working capital purposes. The Directors are of the view that the terms of the Agreement are fair and reasonable and in the interests of the shareholders of the Company (the "Shareholders") as a whole. The Disposal is expected to generate a gain of approximately HK\$539 million to the Company, which is estimated based on the difference between the consideration and the net asset value of 9888.CN Limited as at the end of December 2016.

Financial Review

Revenues

For the three months ended 31 March 2017, the Group reported revenues of approximately RMB722.9 million, representing an approximately 3-fold increase period-on-period. The increase was primarily attributable to the growth in revenues from online investment and technology-enabled lending services, driven by a strong growth in transaction volumes on our key online consumer lending platform Weshare which was acquired in November 2016, and a significant growth in payment transaction volume on our core third party payment platform UCF Pay, as well as a healthy growth in interest and financial consultancy service income driven by an increase in the average size of our loan portfolio during the three months ended 31 March 2017. The following table sets forth the Group's revenues by segment of business for the three months ended 31 March 2017 and 2016.

	For the three months ended 31 March			
	2017		2016	
	<i>RMB'000</i>	<i>% of total revenues</i>	<i>RMB'000</i>	<i>% of total revenues</i>
Traditional loans and financing	161,290	22.3	87,986	48.4
Third party payment service	62,008	8.6	39,493	21.8
Online investment and technology-enabled lending service	474,904	65.7	54,180	29.8
Others	24,713	3.4	–	–
Total	722,915	100.0	181,659	100.0

Traditional loans and financing income

Traditional loans and financing income mainly included interest income, financial consultancy service income and gain on transfer of rights on interest on loan receivables, which were derived from the Group's loan financing services including entrusted loans, pawn loans and other loans secured with assets or guarantees. It generated approximately 22.3% of the Group's total revenues and recorded an increase of approximately 83.3% to approximately RMB161.3 million for the three months ended 31 March 2017. The significant increase in traditional loans and financing income was primarily due to the increase in the average size of our loan portfolio during the three months ended 31 March 2017 as we had deployed our excess capital raised from capital raising activities for short-term lending before investment opportunities were subsequently identified and financed.

Third party payment service income

The third party payment business, which included the provision of online payment transactions, payment system consultancy and related services of UCF Pay and payment transaction service of Amigo Technologies, generated revenues of approximately RMB62.0 million for the three months ended 31 March 2017, an increase of approximately 57.0% period-on-period. It represented approximately 8.6% of the Group's total revenues, of which UCF Pay reported revenue of approximately RMB60.4 million and Amigo Technologies reported revenue of approximately RMB1.6 million. The increase reflected a significant growth in the total transaction volume on our core third party payment platform UCF Pay to RMB101.6 billion for the three months ended 31 March 2017, an increase of approximately 197.1% period-on-period.

Online investment and technology-enabled lending service income

Our online investment and technology-enabled lending service income mainly included income generated by our online property loan platform First House Loan, P2P platform Financial Workshop, as well as our 48%-owned online consumer lending platform Weshare. For the three months ended 31 March 2017, the Group's online investment and technology-enabled lending business recorded revenues of approximately RMB474.9 million, representing approximately a 7.8-fold increase period-on-period. It represented approximately 65.7% of the Group's total revenues, of which Financial Workshop reported revenues of approximately RMB14.2 million, First House Loan reported revenues of approximately RMB23.1 million, and Weshare reported revenues of approximately RMB432.7 million. The increase in the business segment's revenues was driven by continued strong growth in transaction volumes across the online consumer lending platform Weshare.

Others

Others included social gaming service income and IT solution service income generated by our 51%-owned subsidiary Qiyuan and 51%-owned subsidiary Amigo Technologies respectively. The social gaming business contributed approximately RMB14.6 million of revenues to the Group while IT solution business contributed approximately RMB10.1 million of revenues to the Group for the three months ended 31 March 2017.

Interest expenses

Interest expenses mainly comprised interest due on bank and other loans, Hong Kong dollar-denominated convertible bonds, United States ("US") dollar-denominated convertible bonds, RMB-denominated corporate bonds and Hong Kong dollar-denominated corporate bonds. The Group's interest expenses increased by approximately 149.0% period-on-period to approximately RMB94.0 million for the three months ended 31 March 2017. As at 31 March 2017, the Group's external funding increased by approximately 127.2% period-on-period to approximately RMB3,309.3 million, of which bank and other borrowings amounted to approximately RMB1,757.0 million (31 March 2016: approximately RMB895.9 million) and corporate bonds and convertible bonds amounted to approximately RMB1,552.3 million (31 March 2016: RMB560.9 million).

Other income

Other income mainly comprised bank interest income, convertible bond interest income and government grants. The Group's other income decreased by approximately 34.5% period-on-period to approximately RMB3.4 million for the three months ended 31 March 2017. It was mainly due to the settlement of a matured convertible bond in 2016.

Handling charges, administrative and other operating expenses

The Group's handling charges, administrative and other operating expenses primarily comprised salaries and staff welfare, intermediary handling charges for third party payment services, bank and financing charges, sales and marketing related expenses, provision for financial guarantee and rental expenses. In line with the significant increase in the scale and staff headcount of our online investment and technology-enabled lending and third party payment businesses, the Group's handling charges, administrative and other operating expenses increased by approximately 461.2% to approximately RMB363.5 million for the three months ended 31 March 2017 period-on-period. The increase was partly offset by an approximately 11.6% decrease period-on-period in handling charges for third party payment services to approximately RMB6.5 million for the three months ended 31 March 2017, due to a fall in the average handling fee rates charged by banks, as well as period-on-period lower number of verification payments as a result of higher average per transaction volume. As a percentage of revenues, handling charges, administrative and other operating expenses increased to approximately 50.3% for the three months ended 31 March 2017 from approximately 35.7% for the three months ended 31 March 2016.

Share-based payment expenses

Share-based payment expenses of the Group for the three months ended 31 March 2017 increased by approximately 115.7% to approximately RMB45.5 million. The increase in such expenses represented the fair value of all share options granted in July 2016, November 2016, December 2016, and March 2017 respectively over the vesting periods.

Share of results of associates

Share of results of associates for the three months ended 31 March 2017 increased to approximately RMB19.9 million. The period-on-period increase was mainly attributable to the contribution from our 35% interest in Shanghai Jifu, which was acquired in April 2016.

Profit for the three months ended 31 March 2017

The profit for the three months ended 31 March 2017 was approximately RMB162.0 million, representing an increase of approximately 221.8% period-on-period as compared to approximately RMB50.3 million for the three months ended 31 March 2016.

The increase was mainly due to a significant increase in turnover of approximately RMB541.3 million despite an increase in interest expenses of approximately RMB56.3 million, handling charges, administrative and other operating expenses of approximately RMB298.7 million, share-based payment expenses of approximately RMB24.4 million and income tax of approximately RMB67.0 million.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the three months ended 31 March 2017 was approximately RMB100.9 million, an increase of approximately 89.0% as compared to approximately RMB53.4 million for the three months ended 31 March 2016. Excluding the non-recurring gain on disposal of subsidiaries, gain on deemed disposal of subsidiaries, loss on deemed disposal of an associate, loss on disposal of an associate, share-based payment expenses and certain other non-cash items, profit attributable to owners of the Company under non-generally accepted accounting principles (“GAAP”) for the three months ended 31 March 2017 was approximately RMB145.4 million, an increase of approximately 88.2% as compared to approximately RMB77.3 million for the three months ended 31 March 2016.

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

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

	For the three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit attributable to owners of the Company	100,867	53,361
Adjustments for:		
Share-based payment expenses	45,498	21,095
Gain on disposal of subsidiaries	–	(37)
Gain on deemed disposal of subsidiaries	(916)	–
Loss on deemed disposal of an associate	–	2,029
Loss on disposal of an associate	–	817
	<hr/>	<hr/>
Non-GAAP profit attributable to owners of the Company	<u>145,449</u>	<u>77,265</u>

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

Liquidity, Financial Resources and Capital Structure

During the three months ended 31 March 2017, the Group's source of funds was mainly from cash generated from operations. As at 31 March 2017, the Group had bank balances and cash of approximately RMB943.1 million (31 December 2016: approximately RMB1,233.3 million), of which approximately 52.3%, approximately 6.5% and approximately 41.2% were denominated in RMB, US dollars and HK\$ respectively.

As at 31 March 2017, the Group's interest-bearing borrowings, which mainly comprised corporate bonds, convertible bonds, bank and other borrowings, amounted to approximately RMB3,309.3 million (31 December 2016: approximately RMB3,367.8 million). The gearing ratio, representing the ratio of total borrowings to total assets of the Group, was 0.34 as at 31 March 2017 (31 December 2016: 0.38).

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

OUTLOOK AND STRATEGIES FOR 2017

• Third party payment

China's online payment market has become relatively mature through many years of development. With a modest growth rate within the overall market, UCF Pay has developed a number of new services and will continue to proactively expand its businesses in 2017 to capture new growth opportunities:

- Approved by the People's Bank of China in October 2015, UCF Pay obtained the qualifications to conduct cross-border RMB settlement business and promoted the cross-border payment solutions. Such product provides cross-border merchants with a convenient payment solution that supports domestic RMB collections and overseas RMB settlement. Currently, it has offered such services to over 20 customers including Amazon and Qunar;
- P2P fund custody solutions are a range of services offered to commercial banks involved in custodian banking services for P2P lending platforms. Leveraging on its strong technological capabilities and industry expertise, UCF Pay provides consultancy and technology support services to commercial banks to ensure P2P lending platforms to have access to commercial banks' fund custody system in an efficient and rapid manner. Currently, UCF Pay has provided services to two commercial banks.

With the rapid penetration of smart phones, the mobile POS payment market possesses tremendous growth potential. To meet the needs of small and micro-sized enterprises, Shanghai Jifu will make full use of its distribution resources to offer specialized financial services to improve its revenue model. At the same time, Shanghai Jifu will continue to focus on the individual and small and micro-sized market segments, dive into the specialized segments through smart POS, increase investments for market integration to enlarge market share, and further explore the financial needs of existing customers by leveraging on its existing merchant base and transaction data.

In 2017, Amigo Technologies expects strong growth both in terms of transaction volume and revenue, thanks to the successful introduction of collection services for public administrative agencies. Amigo Technologies is also actively preparing to apply for a third-party payment licence in the coming months. The successful application of third-party payment licence will enable Amigo Technologies to cooperate with banks and launch new services that boost future performance.

- **Online investment**

According to Wangdaizhijia, in 2016, the transaction volume of online lending industry amounted to RMB2,063.7 billion, representing a year-on-year growth of 110%, reflecting the fact that the online lending industry is still favoured by a large number of investors. Since the second half of 2016, with the release of a series of regulatory measures, the online lending industry entered into a consolidation stage, and we expect that the number of online investment platforms will continue to decrease for a period of time. Hence, we remain cautiously optimistic towards the online investment and lending industry in China and will focus on improving our existing business operation. In 2017, First P2P will continue to enrich its financial products mix, improve user's experience and keep on maintaining its leading industry position and market recognition. Financial Workshop will continue to focus on compliance rectification, expand the scale of consumer finance assets, further improve its platforms, refine its functions and explore new marketing channels to strengthen its competitiveness.

- **Technology-enabled lending**

In 2017, First House Loan will continue to develop its key customers and expand its retail business. The corporate business will remain First House Loan's core business, and its strategies are to establish business relationship with tens of top 100 national and local high-quality property developers, and to explore low-cost funding sources with banks, trust companies as well as other FinTech platforms, thus achieving a win-win situation from both investment and financing perspectives. On retail business, its strategy is to expand its footprints in major first- and second-tier cities, build up market share and develop new customers, as well as accumulate data and develop mortgage, bridging and credit products, through cooperation with real estate brokers.

In 2017, the online consumer finance industry is expected to experience a significant growth, with more internet players participating. Weshare will capitalize on its strong cloud finance platform capabilities and establish collaboration with other online platforms and funding sources. Weshare will also optimize product mix that was originally comprised of cash loans and instalment loans to diversify the loan product portfolio and achieve business expansion with larger customer base and more diversified product offerings, further enhancing its leading position.

- **Others**

In 2017, Qiyuan plans to roll out new games such as The New Three Swordsmen (刀劍笑新傳), Monkey King's Legend (大聖傳), Texas Hold'em (德州撲克), Prisoners in Dream (夢境囚徒) and other games in domestic and overseas channels. The mobile game featuring the Hollywood IP "The Hunger Games" (飢餓遊戲) signed by Qiyuan will also be launched into the market in the Greater China region. At the same time, the new live video platform established by Qiyuan will also broadcast live globally, which is expected to change the traditional profitability model of live streaming industry, thus acquiring a diversified source of income and user base.

Purchase, Sale or Redemption of Listed Securities

Save as disclosed below, the Company did not redeem any of its shares (the "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 three months ended 31 March 2017.

During the three month ended 31 March 2017, the Company issued 124,397,247 Shares as the consideration for the subscription of 68,639 Series A Preferred shares in BitFury Group Limited.

Corporate Governance

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules and all the requirements of the GEM Listing Rules during the three months ended 31 March 2017.

Following the resignation of Mr. Wang Wei as an independent non-executive Director (the "INED(s)") on 1 April 2017, the Company failed to have sufficient INEDs representing at least one-third of the Board pursuant to Rule 5.05A of the GEM Listing Rules.

The Company will take all necessary measures to comply with the above requirement within three months from 1 April 2017. Further announcement(s) will be made by the Company when the relevant change(s) to the Board, including the appointment of a new chairman of the remuneration committee of the Board are made.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted its securities dealing code (the “Own Code”) regarding dealings in the Company’s securities by the 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 “Required Standard of Dealings”). A specific enquiry has been made by the Company with all those who were the Directors during the three months ended 31 March 2017 and all of them have confirmed that they had complied with the required standards set out in the Required Standard of Dealings and the Own Code during such period.

Events after the Reporting Period

Details of the significant events after the three months ended 31 March 2017 are set out below:

Agreement for disposal of a 100% equity interest in 9888.CN Limited and its subsidiaries (the “Target Group”)

On 30 March 2017, the Group entered into the Agreement with Decade Elite Global Limited (the “Purchaser”), a third party independent to the Group, to dispose of 100% interest in the Target Group. Pursuant to the Agreement, the Group has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase 100% of the issued share capital of 9888.CN Limited at a cash consideration of HK\$580 million.

Please refer to the Company’s announcement dated 30 March 2017 for details.

Agreement for subscription of approximately 33.8% equity interest in Singapore Life Pte. Ltd. (“Singapore Life”)

On 26 April 2017, Impact Capital Holdings Limited, an indirect wholly-owned subsidiary of the Company (the “Subsidiary”), as investor, and the Company together with Ever Step Holdings Limited, a direct wholly-owned subsidiary of the Company (“Ever Step”) as guarantors to the Subsidiary, entered into a subscription and shareholders’ agreement (the “Subscription Agreement”) with Singapore Life and other shareholders or potential shareholders of Singapore Life. Pursuant to the Subscription Agreement, among other matters, the Subsidiary has conditionally agreed to subscribe for new shares of Singapore Life at an aggregate subscription price of US\$21.3 million (the “Investment”) and the Company and Ever Step have conditionally agreed to guarantee to Singapore Life the due and punctual performance and observance by the Subsidiary of all of its obligations, commitments and undertakings under certain provisions of the Subscription Agreement (including the subscription for shares, payment of consideration and provision of additional finance). Upon completion of the Investment and the subscription of new shares by the other co-investors, the Subsidiary will be holding approximately 33.8% of the issued shares of Singapore Life and the Company will account Singapore Life as an associate. The Investment is conditional upon approval from the Monetary Authority of Singapore.

Please refer to the Company’s announcement dated 26 April 2017 for details.

Review by Audit Committee

The audit committee of the Board (the “Audit Committee”) comprises three members, namely Mr. Ge Ming (Chairman), Dr. Ou Minggang and Dr. Yin Zhongli, all of them being INEDs.

The Group’s unaudited condensed consolidated results for the three months ended 31 March 2017 and this announcement have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 9 May 2017

As at the date of this announcement, the Directors are:–

Executive Directors:

Mr. Phang Yew Kiat (*Vice-Chairman and Chief Executive Officer*)
Mr. Chng Swee Ho
Mr. Sheng Jia

Non-executive Directors:

Mr. Li Mingshan (*Chairman*)
Mr. Li Gang
Mr. Wong Sai Hung
Mr. Zhang Zhenxin
Ms. Zhou Youmeng

INEDs:

Mr. Ge Ming
Dr. Ou Minggang
Dr. Yin Zhongli

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company (www.creditchina.hk).