VCREDIT 維信金科

VCREDIT Holdings Limited
維信金科控股有限公司

(registered by way of continuation in the Cayman Islands with limited liabilty)

Stock Code: 2003

INTERIM REPORT 2018

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Sai Wang Stephen
(Chief Executive Officer)
Mr. Liu Sai Keung Thomas
(Chief Operating Officer)

Non-executive Directors

Mr. Ma Ting Hung *(Chairman)*
Mr. Derek Chen
Ms. Liu Yang
Mr. Yip Ka Kay

Independent Non-executive Directors

Mr. Chen Penghui
Dr. Seek Ngee Huat
Mr. Wu Chak Man

AUDIT COMMITTEE

Mr. Wu Chak Man *(Chairman)*
Mr. Chen Penghui
Mr. Yip Ka Kay

REMUNERATION COMMITTEE

Mr. Chen Penghui *(Chairman)*
Mr. Liu Sai Wang Stephen
Mr. Wu Chak Man

NOMINATION COMMITTEE

Mr. Ma Ting Hung *(Chairman)*
Dr. Seek Ngee Huat
Mr. Wu Chak Man

AUTHORIZED REPRESENTATIVES

Mr. Ma Ting Hung
Mr. Cha Johnathan Jen Wah

COMPANY SECRETARY

Mr. Cha Johnathan Jen Wah

REGISTERED OFFICE

TMF Group (Cayman) Ltd
2nd Floor
The Grand Pavilion Commercial Center
802 West Bay Road
P.O. Box 10338
Grand Cayman KY1-1003
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

28/F, Tower 1
88 North Sichuan Road
Shanghai 200085
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1003B-1007, 10/F
Hutchison House
10 Harcourt Road Central, Hong Kong

Telephone	:	(852) 2918 5500
Facsimile	:	(852) 2918 0859
E-mail	:	ir@vcredit.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

TMF Group (Cayman) Ltd
2nd Floor
The Grand Pavilion Commercial Center
802 West Bay Road
P.O. Box 10338 Grand Cayman KY1-1003
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

HONG KONG LEGAL ADVISOR

Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central, Hong Kong

PRINCIPAL BANKERS

China Construction Bank,
Suzhou Yuanqu Branch

STOCK CODE

2003

WEBSITE

http://www.vcredit.com

Letter from the CEO

Dear Shareholders,

2018 marked a significant milestone for the Company. Our Company successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on June 21, 2018 (the "Listing"). We believe the Listing reflects our 12-year's collaboration with licensed financial institutions and market leading business partners dedicated to serving prime and near prime borrowers. At this juncture, we would like to extend our sincere gratitude to our users, funding partners, business partners, shareholders and employees. Your unwavering support has allowed our Company to navigate through various market changes and rise to its position today. As a listed company with enhanced capital strength, we have further refined our strategy and achieved solid operating and financial results. Therefore, I am pleased to present to you our first interim report as a publicly listed company for the six months ended June 30, 2018.

Business Highlights

Against the backdrop of a fluctuating market environment and ongoing regulatory developments, we have continued making excellent progress in developing partnerships with both funding and strategic business partners. We believe our ability to further extend our collaborative business network as well as sustain our existing business partnerships demonstrates our well recognized position among our existing and potential funding and business partners.

In March 2018, we entered into a strategic cooperation agreement with China Telecom BestPay Co., Ltd ("天翼電子商務有限公司" or "Tianyi"). Tianyi is a wholly-owned subsidiary of China Telecom Corporation Limited ("中國電信股份有限公司" or "China Telecom"), a leading telecommunications services provider in China. Under the cooperation, we have gradually rolled out our instalment loan products across China, currently in over 40 cities, to help borrowers finance their purchase of mobile phones with China Telecom when signing up for service contracts. Our tailor-made scorecards dedicated to this collaboration leverage China Telecom's colossal amount of multi-dimensional data to allow instantaneous online credit approval for potential clients.

In July 2018, we established a strategic cooperation with Sunshine Surety Insurance Company Limited ("陽光信用保證保險股份有限公司" or "Sunshine Surety Insurance"), the first professional surety insurance Company in China. We plan to collaborate with Sunshine Surety Insurance on a range of strategic initiatives, leveraging our technology as well as Sunshine Surety Insurance's strength in credit risk management and credit guarantee.

Meanwhile, we have also deepened our cooperation with existing business partners. In July 2018, we entered into a three-party cooperation agreement with our strategic business partner Baidu Financial Services Group ("度小滿金融" or "Baidu FSG") and funding partner China Foreign Economy and Trade Trust Co., Ltd. ("中國對外經濟貿易信託有限公司"or "FOTIC"). Under such collaboration, we will jointly develop credit assessment models with Baidu FSG and recommend borrowers to FOTIC. FOTIC will perform further credit assessments, and directly lend to the approved borrowers through its actively managed trust plans. The business model will materially shorten the borrowing process, improve user experience, and achieve rigorous governance with a closed funding loop.

In the past six months, we have further developed our technology, enhanced user experience and improved operating efficiency. Being a technology-driven company, we have continuously upgraded our proprietary *Hummingbird* system to assess, manage and price credit risk efficiently and accurately. Meanwhile, we also engaged business partners in various internet verticals to integrate diversified data sources and develop joint modelling cooperation. We are also empowering our funding partners with an online consumer finance business platform by sharing our proprietary *Hummingbird* system. We believe such mutually beneficial financial technology collaborations can further strengthen our funding partnerships and encourage both sides to explore new areas for collaboration.

Operating Performance

Building upon our sustainable business partnerships as well as robust credit risk management capability, we have been able to deliver a solid operating performance, amid a rapidly changing market environment, for the six months ended June 30, 2018.

In the first half of 2018, we have continued to grow our borrower base. As of June 30, 2018, our registered users exceeded 53.4 million, representing a 100% year-on-year growth. Our nominal balance of loans to customers also increased by 26.2% from RMB10.64 billion as of June 30, 2017 to RMB13.42 billion as of June 30, 2018. After the issuance of the Notice on Regulation and Rectification of "Cash Loan" Businesses (《關於規範整頓「現金貸」業務的通知》), or Circular 141, we strategically tightened our approval rate in the first quarter of 2018 to maintain our asset quality. We achieved total loan origination volume of RMB9.63 billion for the six months ended June 30, 2018, with strong resilience in the three months ended June 30, 2018, where loan origination volume increased by 54.2% quarter-on-quarter.

During the first half of 2018, our asset quality was temporarily affected by regulatory changes and market fluctuations. However, thanks to our timely and effective adjustments to our credit policy, we have observed significant asset quality recovery, evidenced by the normalization of our first payment delinquency ratio. For the first and second quarter of 2018, our first payment delinquency ratios have already reduced to 1.5% and 1.6% respectively, returning to pre-Circular 141 levels.

Financial Performance

For the six months ended June 30, 2018, our total revenue increased by 15.5% year-on-year to RMB1,270.6 million mainly due to the steady expansion of our business scale and borrower base. Driven by the significant expansion in our credit-enhanced loan facilitation structure, our loan facilitation service fees increased by 108.8% to RMB57.2 million for the six months ended June 30, 2018. In addition, benefiting from our enhanced collection efforts and platform monetization, we recorded other income of RMB157.6 million for the six months ended June 30, 2018.

In the first half of 2018, we continued our efforts to optimize our business structure, invest in technology advancement and recruit exceptional employees to improve our operating efficiency. As a result, we recorded Adjusted Operating Profit of RMB185.1 million for the six months ended June 30, 2018, representing a 59.1% year-on-year increase. Reflecting improved operating efficiency, our adjusted operating profit margin increased to 14.6% during the six months ended June 30, 2018 from 10.6% during the same period last year. Our Adjusted Net Profit also increased by 6.6% to RMB95.6 million for the six months ended June 30, 2018, compared to RMB89.7 million for the six months ended June 30, 2017, after taking into account our listing expenses and share-based compensation expenses which amounted to RMB108.7 million in total.

Business Segment Review

Credit Card Balance Transfer Products

For the six months ended June 30, 2018, our loan origination volume of credit card balance transfer products was RMB6.14 billion, representing a 19.8% year-on-year growth. To maintain our asset quality after the issuance of Circular 141, we have shifted focus to borrowers with better credit profiles. Benefiting from our proprietary *Hummingbird* system and strong credit assessment capability, we are able to be more selective by aiming at higher quality borrowers and offering them larger ticket size credit products through a purely online and fully automated transaction process. This has resulted in an increase in the average ticket size of our credit card balance transfer products to approximately RMB16,000 during the six months ended June 30, 2018. In addition, we have also streamlined our product offerings and granulated our credit policies to help our borrowers better manage their solvency and liquidity.

Consumption Credit Products

For the six months ended June 30, 2018, the loan origination volume of consumption credit products was RMB1.66 billion, representing a 39.9% year-on-year decrease. The decrease in loan origination volume was primarily driven by our internal strategic review of and adjustments to the product line. Since December 2017, we have internally reviewed all consumption credit products and strategically discontinued certain products to ensure full regulatory compliance and to focus on products with high profitability potential. Therefore, in the past six months, we have been concentrating on enhancing our proprietary product *DD Cash* and establishing collaborative consumption credit products with leading business partners such as China Telecom. We believe the strategic change was effective, demonstrated by the robust expansion of our collaborative consumption credit products. As of June 30, 2018, the number of registered users for our collaborative product with China Telecom, *Chengfenqi*, has already reached over 65,000 in almost 40 cities within the first three months since we launched the product.

Online-to-Offline Credit Products ("O2O credit products")

For the six months ended June 30, 2018, the loan origination volume of O2O credit products was RMB1.83 billion, representing a 23.1% year-on-year increase. The growth of O2O credit products was mainly driven by the expansion of our secured credit products, which have an average ticket size of approximately RMB500,000, and contributed to approximately 60% of O2O credit product loan origination volume for the six months ended June 30, 2018. We recorded RMB729.4 million loan origination volume for our unsecured credit products, representing a 49.1% year-on-year decrease. Despite the overall business expansion, we do foresee potential challenges under the current regulatory environment and market conditions in further expanding this segment. The latest regulatory guidance on asset management business has significantly impaired the availability of long term funding with 2 years or longer duration in the market. Moreover, the current overall macroeconomic environment has also suggested unsecured O2O credit products will become less financially attractive to us compared to our online business. Given these considerations, our management is actively exploring various options to shift our operations with a view to focus on pure online consumer finance business. These options may include reducing the operations, discontinuing or disposing of our O2O business unit.

Outlook and Strategies

Despite the market turbulence since the issue of Circular 141 in December 2017 and which have continued into the first half of 2018, we believe our business model has remained strong and intact. Leveraging our extensive industry know-how, we are well positioned to navigate these regulatory changes and capture potential opportunities. In addition, our management team is of the view that pure online credit products will be the key area of focus of our operations moving forward. Our ability to integrate and analyze both credit and alternative data through our purely automated *Hummingbird* system enables us to expedite our credit assessment process and better assess younger borrowers. We believe these abilities will allow us to capture demand from the younger population, who are more adaptive to an online lifestyle and are more willing to borrow for consumption. We remain cautious on the market in the short term as more specific regulatory requirements are expected in the P2P lending industry. Although, we operate in a different market segment to the P2P lending industry and regulatory changes affecting it should have limited impact on us, it will inevitably cause turbulences in the consumer lending industry in general. However, the tightened regulation framework will be beneficial to both the industry and us in the long run, as it encourages compliant market practices, supports development of reliable credit reference systems and suppresses irresponsible loan stacking activities. Through executing our strategies built around our strengths and leveraging our long-standing partnerships with institutional funding and business partners, we firmly believe that we will come out of the evolving regulatory environment with an even stronger position.

Appreciation

Once again, we are greatly gratified that our core constituencies – our shareholders, our funding partners, our business partners, and our employees – have remained close and committed to VCREDIT since our inception. Looking ahead, we will continue to build and expand our online consumer finance business upon our belief that finance is the core of financial technology and that risk management is the core of finance. More importantly, we will strive to provide meaningful contributions to the continuing growth and expansion of the online consumer finance value chain.

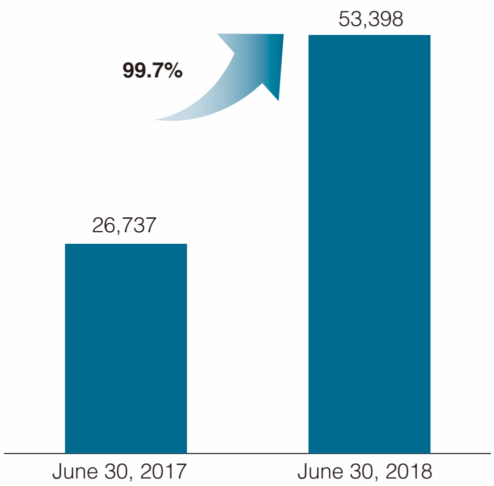
Sincerely,

Mr. Sai Wang Stephen Liu
Executive Director and Chief Executive Officer
Shanghai, China

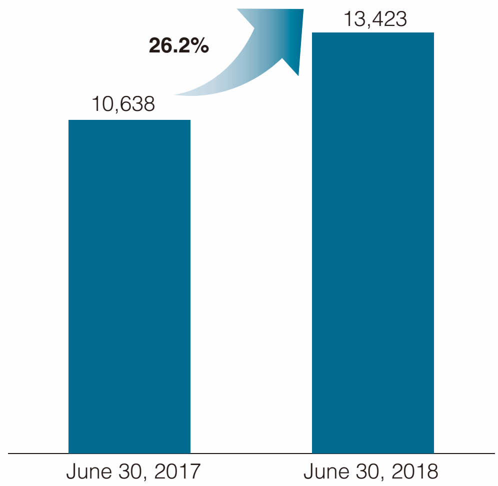
September 28, 2018

Operating Highlights

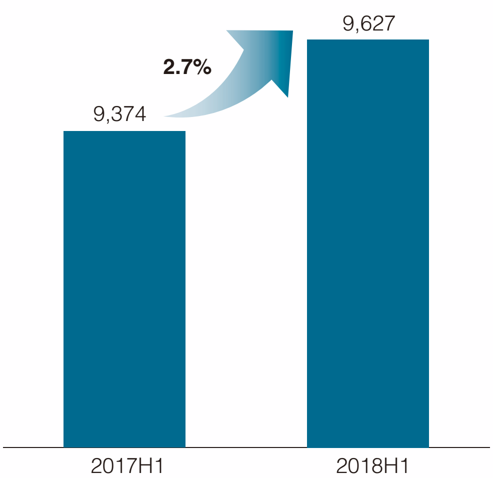
Number of Registered Users (in 000')

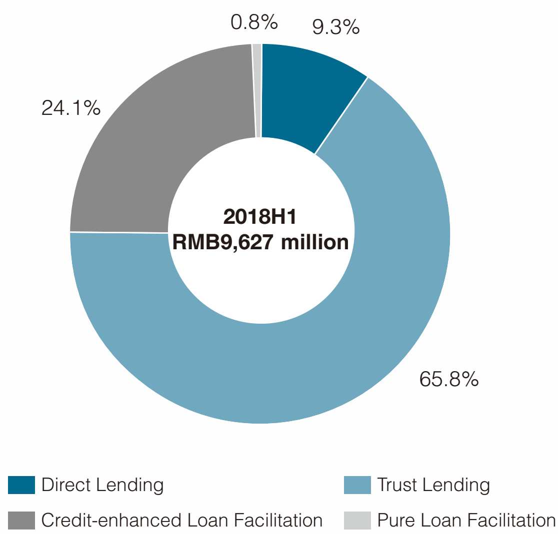


Nominal Balance of Loans to Customers[1] (in RMB million)



Loan Origination Volume (in RMB million)





Note:

(1) The outstanding loan principal calculated using straight-line payment schedule is defined as nominal balance of loans to customers.

Financial Highlights

	For the six months ended June 30,		
	2018	2017	Change
	RMB million	*RMB million*	
Total Income	**1,270.6**	1,100.4	15.5%
Net interest type income	**1,055.8**	995.6	6.1%
Loan facilitation service fees	**57.2**	27.4	108.8%
Other income	**157.6**	77.4	103.5%
Operating Profit	**76.4**	111.3	-31.4%
Adjusted Operating Profit [(1)]	**185.1**	116.3	59.1%
Adjusted Net Profit [(1)]	**95.6**	89.7	6.6%
Margins			
Adjusted operating profit margin [(2)]	**14.6%**	10.6%	4.0
Adjusted net profit margin [(3)]	**7.5%**	8.1%	(0.6)
Adjusted return on assets [(4)]	**0.7%**	1.0%	(0.3)
Adjusted return on equity [(5)]	**5.0%**	11.2%	(6.2)

Notes:

(1) Adjusted Operating Profit is defined as operating profit with share-based compensation expenses and listing expenses added back. Adjusted Net Profit is defined as loss for the period with fair value change of convertible redeemable preferred shares and share-based compensation expenses added back. For more details, please see the section headed "Management discussion and analysis — Non-IFRS Measures".

(2) Adjusted operating profit margin equals Adjusted Operating Profit divided by total income.

(3) Adjusted net profit margin equals Adjusted Net Profit divided by total income.

(4) Adjusted return on assets equals Adjusted Net Profit divided by beginning and ending balances of total assets of the period.

(5) Adjusted return on equity equals Adjusted Net Profit divided by beginning and ending balances of adjusted total equity of the period. Adjusted total equity is defined as total equity with preferred shares added back as if preferred shares had been converted into ordinary shares at each reporting date.

Business Review and Outlook

Operating Highlights

Products and Services

We primarily offer three lines of credit products, all of which are instalment-based:

(1) *Credit card balance transfer products ("KK Credit")*. Our credit card balance transfer products allow credit card holders to transfer the outstanding balances of their credit cards to our credit products to bridge their short-term liquidity management needs. For the loans of KK Credit originated from January to June 2018, the weighted average term was approximately 10 months, the weighted average loan size was approximately RMB16,000, and the weighted average Nominal APR[(1)] and the weighted average Effective APR[(2)] were approximately 19.8% and approximately 34.2%, respectively

(2) *Consumption credit products*. Our consumption credit products provide consumers with a variety of instalment credit solutions tailored for specific user cases. For the loans of consumption credit products originated from January to June 2018, the weighted average term was approximately 10 months, the weighted average loan size was approximately RMB2,000, and the weighted average Nominal APR and the weighted average Effective APR were approximately 21.5% and approximately 30.4%, respectively

(3) *Online-to-offline credit products*. Our online-to-offline credit products primarily serve consumers' larger financing needs. For the loans of online-to-offline credit products originated from January to June 2018, the weighted average term was approximately 47 months, the weighted average loan size was approximately RMB125,000, and the weighted average Nominal APR and the weighted average Effective APR were approximately 15.7% and approximately 26.6%, respectively

Notes:

(1) Nominal APR is defined as annualized rate for borrowing, calculated by dividing average monthly payment from borrowers during the applicable period by the initial loan origination amount, multiplied by 12.

(2) Effective APR is defined as adjusted annualized internal rate of return at which the net present value of all ordinary cash outflows (e.g., the principal of loans) and ordinary cash inflows (e.g., the principal repayment, the interest income, the loan facilitation service fees, and other income) from a credit product or a group of credit products equals zero, assuming all the cash inflows other than interest income are received at the beginning of the relevant period.

The following table sets forth a breakdown of loan origination volume and the number of our loan transactions by product line for the periods indicated.

	Six months ended June 30,			
	2018		2017	
Number of Transactions	***'000***	**%**	*'000*	*%*
Credit Card Balance Transfer Products	**376**	**35.1%**	620	43.3%
Consumption Credit Products	**681**	**63.5%**	785	54.9%
Online-to-Offline Credit Products	**15**	**1.4%**	26	1.8%
Total	**1,072**	**100.0%**	1,431	100.0%

	Six months ended June 30,			
	2018		2017	
Loan Origination Volume	***RMB million***	**%**	*RMB million*	*%*
Credit Card Balance Transfer Products	**6,136.3**	**63.7%**	5,121.0	54.6%
Consumption Credit Products	**1,663.4**	**17.3%**	2,769.8	29.6%
Online-to-Offline Credit Products	**1,826.8**	**19.0%**	1,483.5	15.8%
Total	**9,626.5**	**100.0%**	9,374.3	100.0%

The following table sets forth a breakdown of the loan origination volume by funding structure for the periods indicated.

	Six months ended June 30,			
	2018		2017	
Loan Origination Volume	***RMB million***	**%**	*RMB million*	*%*
Direct Lending	**894.7**	**9.3%**	517.0	5.5%
Trust Lending	**6,335.7**	**65.8%**	8,425.2	89.9%
Credit-Enhanced Loan Facilitation	**2,319.0**	**24.1%**	351.3	3.7%
Pure Loan Facilitation	**77.1**	**0.8%**	80.8	0.9%
Total	**9,626.5**	**100.0%**	9,374.3	100.0%

Out of all the loans originated by us, the outstanding loan principal calculated using straight-line payment schedule is defined as nominal balance of loans to customers. The nominal balance of loans to customers was RMB10.64 billion, and RMB13.42 billion as of June 30, 2017 and 2018 respectively, representing year-on-year growth of 26.2%. The following table sets forth a breakdown by product line of the nominal balance of loans to customers as of the dates indicated:

	As of June 30,		**As of December 31,**	
	2018	2017	2017	2016
Nominal Balance of Loans to Customers	***RMB million***	*RMB million*	*RMB million*	*RMB million*
Credit Card Balance Transfer Products	**7,000.4**	4,635.9	7,580.2	2,102.2
Consumption Credit Products	**2,389.7**	2,023.6	3,596.8	795.1
Online-to-Offline Credit Products	**4,032.6**	3,978.2	3,555.6	4,014.8
Total	**13,422.7**	10,637.7	14,732.6	6,912.1

Out of all the loans originated by us, in connection with our trust lending and direct lending structure, the outstanding loan principal calculated using amortized cost model together with accrued interests is defined as gross loans to customers. The gross balance of loans to customers was RMB11.08 billion and RMB11.82 billion as of June 30, 2017 and 2018 respectively, representing year-on-year growth of 6.7%. The following table sets forth a breakdown by product line of the gross balance of loans to customers as of the dates indicated:

	As of June 30,		**As of December 31,**	
	2018	2017	2017	2016
Gross Balance of Loans to Customers	***RMB million***	*RMB million*	*RMB million*	*RMB million*
Credit Card Balance Transfer Products	**4,763.6**	4,443.6	5,297.0	1,989.2
Consumption Credit Products	**2,482.4**	2,110.7	3,866.4	829.0
Online-to-Offline Credit Products	**4,576.0**	4,521.6	4,113.0	4,538.1
Total	**11,822.0**	11,075.9	13,276.4	7,356.3

Asset Quality

In light of regulatory developments in our industry, we observed behavioral changes in certain borrowers in our targeted segment in response to a perceived decrease in credit supply for these borrowers following the issuance of Regulation and Rectification of "Cash Loan" Businesses (《關於規範整頓「現金貸」業務的通知》), or Circular 141. Based on these observations and to maintain the quality of our new loans, we have actively adjusted our business strategy to focus more on borrowers with better credit profiles by adjusting the risk assessment parameters in our Hummingbird system. Therefore, we ceased offering credit products to our Class I and Class II borrowers since the beginning of 2018. Leveraging our Hummingbird system and business strategies, our asset quality remained relatively stable. The following table sets forth our first-payment delinquency ratios for the periods indicated.

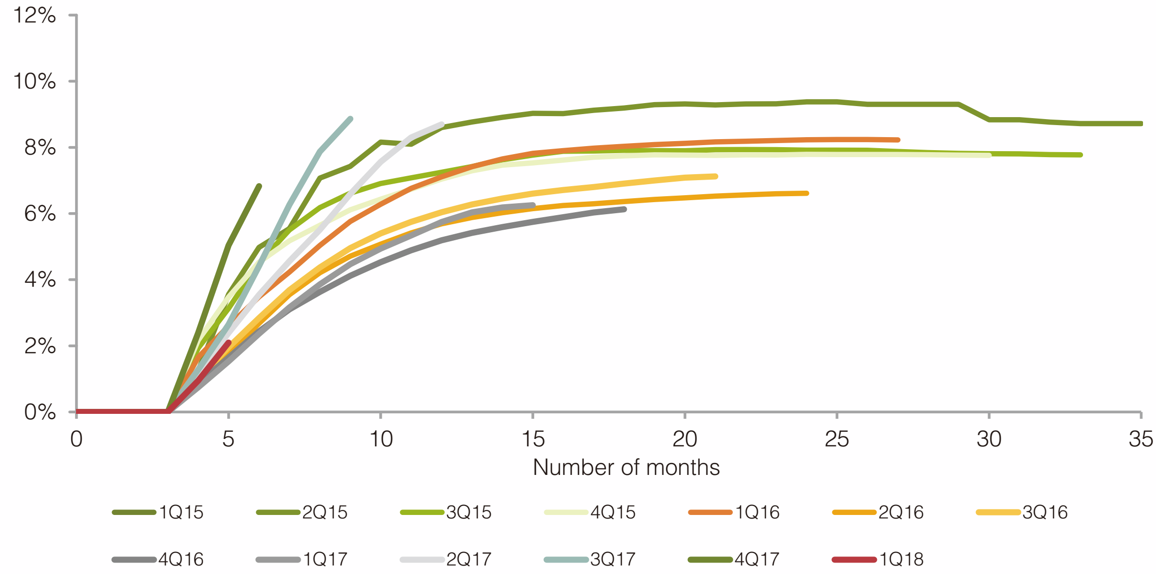
	Loan Origination Quarter					
	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2
First Payment Delinquency Ratio (1)	1.2%	1.6%	1.8%	3.1%	1.5%	1.6%
— Class I	2.4%	3.3%	3.4%	6.3%	N/A	N/A
— Class II	1.7%	1.9%	2.4%	4.7%	N/A	N/A
— Class III	1.2%	1.6%	2.0%	3.5%	1.7%	2.3%
— Class IV	0.9%	1.0%	1.3%	2.6%	1.4%	1.4%
— Class V	0.6%	0.6%	0.8%	1.5%	1.0%	0.9%
— Class VI	0.3%	0.5%	0.5%	1.0%	0.6%	0.7%

Note:

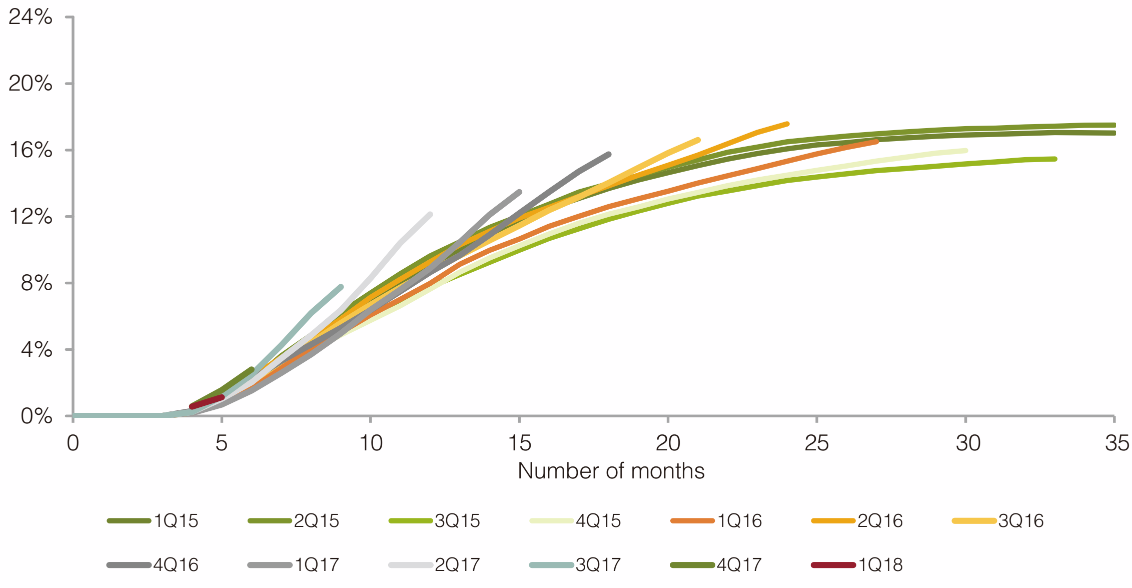
(1) First payment delinquency ratio is defined as total balance outstanding principal amount of the loans we originated in the applicable period that were delinquent on their first payment due dates divided by the aggregate loan origination volume in that period.

The following diagrams set forth our latest Cohort-Based M3+ Delinquency Ratios[1] by product groups.

Online Credit Products



Online-to-Offline Credit Products



Note:

(1) Cohort-Based M3+ Delinquency Ratios is defined as the Cohort-Based M3+ Delinquent Loans divided by the aggregate loan origination volume within the applicable cohort, as of a specified date.

The following table sets forth certain asset quality information of our loans to customers for the periods indicated.

	As of June 30,		As of December 31,	
	2018	2017	2017	2016
M1-M3 Ratio(1)	**5.7%**	4.4%	9.3%	4.9%
Impairment Allowance Ratio(2)	**N/A**	12.2%	13.5%	15.5%
Loans to Customers at Fair Value through Profit or Loss/Gross Balance of Loans to Customers	**84.7%**	N/A	N/A	N/A
Net Balance of Loans to Customers/Gross Balance of Loans to Customers	**N/A**	87.8%	86.5%	84.5%

Notes:

(1) Calculated by dividing loans to customers that have been delinquent for up to 3 months by the total ending balance of gross loans to customers that are not delinquent and have been delinquent for up to 6 months.

(2) Impairment allowance ratio is calculated by dividing ending balance of impairment allowance on loans to customers by the ending balance of gross loans to customers.

	As of June 30,		As of December 31,	
	2018	2017	2017	2016
Not delinquent(1)	**93.7%**	95.6%	90.3%	94.9%
Delinquent for				
1 month(2)	**2.5%**	2.2%	5.5%	2.2%
2 month(3)	**1.8%**	1.2%	2.2%	1.6%
3 month(4)	**2.0%**	1.0%	2.0%	1.3%

Notes:

(1) Calculated by dividing gross loans to customers that are not delinquent by the total ending balance of gross loans to customers that are not delinquent and have been delinquent for up to 3 months.

(2) Calculated by dividing gross loans to customers that are delinquent for 1 month by the total ending balance of gross loans to customers that are not delinquent and have been delinquent for up to 3 months.

(3) Calculated by dividing gross loans to customers that are delinquent for 2 months by the total ending balance of gross loans to customers that are not delinquent and have been delinquent for up to 3 months.

(4) Calculated by dividing gross loans to customers that are delinquent for 3 months by the total ending balance of gross loans to customers that are not delinquent and have been delinquent for up to 3 months.

Financial Review

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Continuing operations		
Interest type income	**1,569,770**	N/A
Interest income	**—**	1,371,249
Less: interest expenses	**(513,956)**	(375,682)
Net interest type income	**1,055,814**	995,567
Loan facilitation service fees	**57,180**	27,389
Other income	**157,591**	77,431
Total Income	**1,270,585**	1,100,387
Origination and servicing expenses	**(293,215)**	(256,526)
Sales and marketing expenses	**(102,025)**	(34,516)
General and administrative expenses	**(185,939)**	(66,429)
Research and development expenses	**(33,507)**	(36,984)
Credit impairment losses	**(27,003)**	(564,446)
Fair value change of loans to customers	**(540,583)**	N/A
Other losses, net	**(11,941)**	(30,234)
Operating profit	**76,372**	111,252
Share of net loss of associates accounted for using the equity method	**(4,082)**	(4,002)
Fair value change of convertible redeemable preferred shares	**(1,047,156)**	(406,453)
Loss before income tax	**(974,866)**	(299,203)
Income tax expense	**(35,507)**	(22,632)
Loss from continuing operations and loss for the period	**(1,010,373)**	(321,835)
Non-IFRS Measures		
Adjusted Operating Profit[1]	**185,067**	116,310
Adjusted Net Profit[1]	**95,608**	89,676

Note:

(1) Adjusted Operating Profit is defined as operating profit with share-based compensation expenses and listing expenses added back. Adjusted Net Profit is defined as loss for the period with fair value change of convertible redeemable preferred shares and share-based compensation expenses added back. For more details, please see the section headed "Management discussion and analysis — Non-IFRS Measures."

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2018 RMB'000 (Unaudited)	December 31, 2017 RMB'000 (Audited)
Assets		
Cash and cash equivalents	1,157,422	568,196
Restricted cash	135,737	143,570
Loans to customers at amortised cost	—	11,479,696
Loans to customers at fair value through profit or loss	10,015,729	N/A
Contract assets	69,886	98,845
Guarantee receivables	162,763	130,073
Financial assets at fair value through profit or loss	—	110,545
Investments accounted for using the equity method	26,052	30,784
Deferred income tax assets	337,934	279,860
Intangible assets	17,110	13,488
Property and equipment	72,709	74,355
Other assets	477,694	507,596
Total assets	12,473,036	13,437,008
Liabilities		
Borrowings	9,178,949	11,063,133
Guarantee liabilities	182,844	169,553
Taxes payable	195,855	108,338
Deferred income tax liabilities	—	122,314
Convertible redeemable preferred shares	—	3,042,173
Other liabilities	444,923	440,107
Total liabilities	10,002,571	14,945,618
Equity/(deficit)		
Share capital	40,755	394,462
Share premium	5,487,894	—
Reserves	143,828	60,951
Accumulated deficit	(3,202,012)	(1,964,023)
Total equity/(deficit)	2,470,465	(1,508,610)
Total liabilities and equity	12,473,036	13,437,008

Total Income

We offer three lines of credit products: (1) credit card balance transfer products, (2) consumption credit products and (3) online-to-offline credit products, and derive our total income through (i) net interest type income, (ii) loan facilitation service fees, and (iii) other income. Our total income increased by 15.5% to RMB1,271 million for the six months ended June 30, 2018, compared to RMB1,100 million RMB for the six months ended June 30, 2017, primarily due to the increase in loan origination volume through our credit-enhanced loan facilitation structure.

Net Interest Type Income

Our net interest type income is comprised of (i) interest type income and (ii) interest expenses. The following table sets forth our net interest type income for the periods indicated.

	Six months ended June 30,		
	2018	2017	**Change**
Net Interest Type Income	***RMB'000***	*RMB'000*	*%*
Interest type income	**1,569,770**	N/A	—
Interest income	**—**	1,371,249	—
Less: interest expenses	**(513,956)**	(375,682)	36.8%
Total	**1,055,814**	995,567	6.1%

Our net interest type income increased by 6.1% from RMB996 million for the six months ended June 30, 2017 to RMB1,056 million for the six months ended June 30, 2018. The moderate increase in net interest type income was primarily due to the growth of gross loan balance of loans to customers and increase in interest expenses. For the six months ended June 30, 2018, we recorded interest type income of RMB1,570 million, which is generated from gross balance of loans to customers. Gross loan balance of loans to customers as of June 30, 2018 increased by 6.7% compared to the gross loan balance of loans to customers as of June 30, 2017. Interest expense increased by 36.8% from RMB376 million for the six months ended June 30, 2017 to RMB514 million for the six months ended June 30, 2018. The increase in interest expenses primarily resulted from the increase of average borrowing balance in the past year.

The following table sets forth a breakdown of our interest type income by product line in absolute amounts and as percentages of our total interest type income for the periods indicated.

	Six months ended June 30,			
	2018		2017	
Interest type income/interest income	***RMB'000***	***%***	*RMB'000*	*%*
Credit Card Balance Transfer Products	**574,536**	**36.6%**	368,602	26.9%
Consumption Credit Products	**427,948**	**27.3%**	179,532	13.1%
Online-to-Offline Credit Products	**567,286**	**36.1%**	823,115	60.0%
Total	**1,569,770**	**100.0%**	1,371,249	100.0%

Loan facilitation service fee

Loan facilitation service fee increased by 108.8% from RMB27 million for the six months ended June 30, 2017 to RMB57 million for the six months ended June 30, 2018. The increase in loan facilitation service fee was driven by a significant increase in our loan origination volume through credit-enhanced loan facilitation structure. Loans originated under the form of credit-enhanced loan facilitation structure increased from RMB351 million to RMB2,319 million for the six months ended June 30, 2017 and the six months ended June 30, 2018, respectively. The following table sets forth a breakdown of our loan facilitation service fees for our credit-enhanced loan facilitation structure and our pure loan facilitation structure for the periods indicated.

	Six months ended June 30,		
	2018	2017	**Change**
Loan facilitation service fees	***RMB'000***	*RMB'000*	*%*
Credit-enhanced loan facilitation	**55,189**	5,279	945.5%
Pure loan facilitation	**1,991**	22,110	(91.0%)
Total	**57,180**	27,389	108.8%

We receive upfront payments at loan inception and subsequent payments over the term of the loan. For the six months ended June 30, 2018, the upfront loan facilitation fees increased by 76.2% from RMB23 million to RMB41 million from the corresponding period ended June 30, 2017. The following table sets forth the allocation of our loan facilitation service fees for the periods indicated.

	Six months ended June 30,		
	2018	2017	**Change**
Loan facilitation service fees	***RMB'000***	*RMB'000*	*%*
Upfront loan facilitation service fees	**40,848**	23,185	76.2%
Post facilitation service fees	**16,332**	4,204	288.6%
Total	**57,180**	27,389	108.8%

Other income

Other income increased by 103.5% from RMB77 million for the six months ended June 30, 2017 to RMB158 million for the six months ended June 30, 2018. The increase in other income was primarily due to an increase in overdue charges resulting from our enhanced efforts in collection on delinquent borrowers, and the user membership service we began to offer in 2018. The following table sets forth a breakdown of our other income for the periods indicated.

	Six months ended June 30,		
	2018	2017	**Change**
Other income	***RMB'000***	*RMB'000*	*%*
Overdue charges	**113,601**	74,157	53.2%
User membership fee	**67,742**	—	—
Gain/(loss) from guarantee contract	**(73,163)**	133	*
Others	**49,411**	3,141	*
Total	**157,591**	77,431	103.5%

Note:

* indicates that the ratio has exceeded the range of -1,000% to 1,000%.

Expense

Origination and servicing expense

Our origination and servicing expenses increased by 14.3% to RMB293 million for the six months ended June 30, 2018, compared to RMB257 million for the six months ended June 30, 2017, primarily due to the increase of loan vendor's charges, including credit record access charges and third-party loan servicing vendor charges, resulting from the growth of loan origination volume.

Sales and marketing expense

Our sales and marketing expenses increased by 195.6% to RMB102 million for the six months ended June 30, 2018, compared to RMB35 million for the six months ended June 30, 2017, primarily resulting from integration of user acquisition channels from outsourcing companies.

General and administrative expense

Our general and administrative expenses increased by 179.9% to RMB186 million for the six months ended June 30, 2018, compared to RMB66 million for the six months ended June 30, 2017, primarily due to (i) increase in personnel related expenses which include share-based compensation of RMB59 million for the six months ended June 30, 2018, compared to RMB5 million for the six months ended June 30, 2017 and (ii) RMB50 million listing expenses relating to the Listing.

Research and development expense

Our research and development expense decreased by 9.4% to RMB34 million for the six months ended June 30, 2018, compared to RMB37 million for the six months ended June 30, 2017, primarily due to a decrease in personnel expense.

Fair value losses

Our fair value losses and impairment losses together for the six months ended June 30, 2018 were RMB568 million. Our impairment losses for the six months ended June 30, 2017 were RMB564 million. Fair value losses primarily resulted from the change in value of our loans to customers measured at fair value. During the historical period, the ratios calculated by dividing loans to customers at fair value through profit or loss by gross balance of loans to customers as of June 30, 2018, or dividing net balance of loans to customers by gross balance of loans to customers as of December 31, 2016, June 30, 2017, and December 31, 2017, respectively, remained relatively stable. The following table sets forth such ratios for the periods indicated:

	As of June 30,		As of December 31,	
	2018	2017	2017	2016
Loans to Customers at Fair Value through Profit or Loss/Gross Balance of Loans to Customers	**84.7%**	N/A	N/A	N/A
Net Balance of Loans to Customers/Gross Balance of Loans to Customers	**N/A**	87.8%	86.5%	84.5%

Net loss

Net loss for the six months ended June 30, 2018 increased by 213.9% year-on-year to RMB1,010 million, compared to RMB322 million for the six months ended June 30, 2017, mainly due to a fair value loss on the convertible redeemable preferred shares of RMB1,047 million and listing expenses of RMB50 million relating to the Listing.

Adjusted net profit

Our adjusted net profit increased by 6.6% to RMB96 million for the six months ended June 30, 2018, compared to RMB90 million for the six months ended June 30, 2017, primarily due to steady growth of our business scale.

Non-IFRS measures

To supplement our historical financial information, which are presented in accordance with International Financial Reporting Standards ("IFRS"), we also use adjusted operating profit and adjusted net profit as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impact of items that our management do not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations and financial position in the same manner as they help our management. From time to time in the future, there may be other items that the Company may exclude in reviewing its financial results. Our presentation of the Adjusted Operating Profit and Adjusted Net Profit may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as analytical tools, and you should not consider them in isolation from, or as substitutes for analysis of, our results of operations or financial position as reported under IFRS.

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
Operating profit	**76,372**	111,252
Add:		
Share-based compensation expenses	**58,825**	5,058
Listing expenses	**49,870**	—
Adjusted Operating Profit	**185,067**	116,310

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
Net loss	**(1,010,373)**	(321,835)
Add:		
Fair value loss of convertible redeemable preferred	**1,047,156**	406,453
Share-based compensation expenses	**58,825**	5,058
Adjusted Net Profit	**95,608**	89,676

Loans to customers at fair value through profit or loss

Our loans to customers at fair value through profit or loss decreased by 11.2% to RMB10,016 million as of June 30, 2018, compared to RMB11,284 million as of January 1, 2018, primarily due to changes of funding structures. Our loans to customers at fair value through profit or loss primarily represent the total balance of loans originated by us through our trust lending and direct lending structures.

	As at June 30, 2018		As at January 1, 2018	
	RMB'000	%	*RMB'000*	%
Loans to customers at fair value through profit or loss				
Credit Card Balance Transfer Products	**3,889,161**	**38.8%**	4,377,675	38.8%
Consumption Credit Products	**1,737,930**	**17.4%**	3,195,278	28.3%
Online-to-offline Credit Products	**4,388,638**	**43.8%**	3,710,830	32.9%
Total	**10,015,729**	**100.0%**	11,283,783	100.0%

The age status for loans to customers at fair value through profit or loss is listed below.

	As of June 30, 2018
	RMB'000
Loans to customers at fair value through profit or loss	
Not overdue	**9,660,053**
Overdue	
Up to 3 months	**188,488**
More than 3 months, up to 12 months	**167,188**
Total	**10,015,729**

Contract assets

Our contract assets increased by 2.0% to RMB70 million as of June 30, 2018 compared to RMB68 million as of June 30, 2017, in accordance with our latest asset quality.

	As at June 30, 2018	As at June 30, 2017	Change
	RMB'000	*RMB'000*	%
Contract Assets	**69,886**	68,492	2.0%

Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables increased by 395.7% to RMB163 million as of June 30, 2018 compared to RMB33 million as of June 30, 2017. Our guarantee liabilities increased by 254.1% to RMB183 million as of June 30, 2018 compared to RMB52 million as of June 30, 2017. The change in guarantee receivables and guarantee liabilities are primarily due to the shift to credit-enhanced loan facilitation structure.

	As at June 30, 2018 *RMB'000*	As at June 30, 2017 *RMB'000*
Guarantee receivables		
Opening balance	**130,073**	23,681
Changes on initial application of IFRS 9	**(15,209)**	N/A
Addition arising from new business	**198,122**	22,686
Impairment loss	**N/A**	(1,444)
Expected credit loss	**(23,170)**	N/A
Reverse due to early repayment	**(23,893)**	(4,324)
Payment received from borrowers	**(103,160)**	(7,763)
Ending balances	**162,763**	32,836

	As at June 30, 2018 *RMB'000*	As at June 30, 2017 *RMB'000*
Guarantee liabilities		
Opening balance	**169,553**	31,276
Changes on initial application of IFRS 9	**65,299**	N/A
Addition arising from new business	**198,122**	22,686
Release of the margin	**(11,538)**	(133)
Expected credit loss	**84,701**	N/A
Payouts during the period, net	**(323,293)**	(2,186)
Ending balance	**182,844**	51,643

Borrowings

Our total borrowings, as recorded on our consolidated statements of financial position, comprises (i) payable to holders of trust plans and asset management plans, (ii) borrowings from corporations, (iii) borrowings from individuals, and (iv) bank borrowings. Our total borrowings decreased by 17% to RMB9,179 million as of June 30, 2018, compared to RMB11,063 million as of December 31, 2017, primarily due to (i) the repayment of expired debt and (ii) shift of funding structure to credit-enhanced loan facilitation structure. The following table sets forth a breakdown of our borrowings by nature as of the dates indicated.

	As at June 30, 2018		As at December 31, 2017	
	RMB'000	***%***	*RMB'000*	*%*
Borrowings				
Payable to holders of trust plans and asset management plans	**7,630,057**	**83.1%**	9,411,228	85.1%
Borrowings from individuals	**254,758**	**2.8%**	540,532	4.9%
Borrowings from corporations	**1,292,826**	**14.1%**	1,109,440	10.0%
Bank borrowings	**1,308**	**0.0%**	1,933	0.0%
Total	**9,178,949**	**100.0%**	11,063,133	100.0%

Weighted average interest rates of borrowings

	June 30, 2018	December 31, 2017
Payable to holders of trust plans and asset management plans	**10.10%**	10.00%
Borrowings from Corporations	**10.00%**	10.00%
Borrowings from Individuals	**10.00%**	10.00%
Bank borrowings	**6.18%**	7.40%

Liquidity and Source of Funding

We have historically funded our cash requirements principally from cash generated from operating activities and capital contribution from shareholders.

Cash Flows

The following table sets forth our cash flows for the periods indicated.

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash inflow/(outflow) from operating activities	**1,827,537**	(2,948,401)
Net cash inflow/(outflow) from investing activities	**94,051**	(23,056)
Net cash (outflow)/inflow from financing activities	**(1,331,416)**	3,368,018
Net increase in cash and cash equivalents	**590,172**	396,561
Cash and cash equivalents at the beginning of period	**568,196**	289,889
Effects of exchange rate changes on cash and cash equivalents	**(945)**	1,171
Cash and cash equivalents at the end of period	**1,157,423**	687,621

We generate cash from our various credit products and services, primarily including interest income and interest type income, loan facilitation service fees, and overdue charges. Our cash outflow in operating activities primarily consist of credit products provided for borrowers and payments of operating expenses. For the six months ended June 30, 2018, we recorded net operating cash inflow from operating activities of RMB1,827.5 million, primarily due to RMB1,454.5 million decrease of gross balance of loans to customers from December 31, 2017 to June 30, 2018.

We recorded net cash inflow from investing activities of RMB94.1 million in the six months ended June 30, 2018, compared with net cash outflow of RMB23.1 million in the six months ended June 30, 2017. For the six months ended June 30, 2018, the cash inflow in investing activities was primarily due to RMB231.9 million proceeds received from financial assets at fair value through profit or loss related to wealth management products we invested in. We also had RMB120 million cash outflow in investing activities, primarily due to payments for financial assets at fair value through profit or loss.

We had net cash outflow from financing activities of RMB1,331.4 million in the six months ended June 30, 2018, compared with net cash inflow of RMB3,368.0 million in the six months ended June 30, 2017. For the six months ended June 30, 2018, the cash outflow in financing activities was primarily due to RMB394.3 million repayment of borrowings and RMB3,831.3 million repayment of trust plans. We also had RMB2,050.1 million cash inflow in financing activities through proceeds from trust plans and RMB1,094.1 million cash inflow in financing activities from IPO proceeds.

Borrowings

Our total borrowings, as recorded on our consolidated statements of financial position, comprise (i) payables to holders of trust plans and asset management plans, (ii) borrowings from corporations, (iii) borrowings from individuals, and (iv) bank borrowings. The following table sets forth a breakdown of our borrowings by nature as of the dates indicated.

Borrowings

	June 30, 2018 ***RMB'000*** **(Unaudited)**	December 31, 2017 *RMB'000* (Audited)
Payable to holders of trust plans and asset management plans	**7,630,057**	9,411,228
Borrowings from corporations	**1,292,826**	1,109,440
Borrowings from individuals	**254,758**	540,532
Bank borrowings	**1,308**	1,933
	9,178,949	11,063,133
Denominated in:		
RMB	**8,617,765**	10,245,161
HKD	**544,643**	801,636
USD	**16,541**	16,336
	9,178,949	11,063,133

Security of borrowings

	June 30, 2018 ***RMB'000*** **(Unaudited)**	December 31, 2017 *RMB'000* (Audited)
Secured		
Bank borrowings	**1,308**	1,933
Unsecured		
Payable to holders of trust plans and asset management plans	**7,630,057**	9,411,228
Borrowings from corporations	**1,292,826**	1,109,440
Borrowings from individuals	**254,758**	540,532
	9,178,949	11,063,133

Gearing ratio

As at June 30, 2018, our gearing ratio, calculated as total liabilities (excluding convertible redeemable preferred shares) divided by total assets, was approximately 80.2%, representing a decrease of 8.4 percentage point as compared with 88.6% as at December 31, 2016. The decrease was primarily due to repayment of trust plans.

Share Capital

As of the date of Listing, the Company had 497,308,869 ordinary shares of HK$0.10 each ("Shares") in issue. There was no movement in the share capital of the Company during the period commencing from the date of the Listing and ending on June 30, 2018 (both dates inclusive) (the "Relevant Period").

New Investment

There was no new investment concluded during the Relevant Period.

Opinion

The board of directors of the Company (the "Board") is of the opinion that, after taking into account the existing available borrowing facilities and internal resources, the Company and its subsidiaries (the "Group") has sufficient resources to meet its foreseeable working capital requirements.

Employees and Remuneration Policies

As at June 30, 2018, the Group had a total of 1,697 employees.

The Group seeks to attract, retain and motivate high quality staff to be able to continuously develop its business. Remuneration packages are designed to ensure comparability within the market and competitiveness with other companies engaged in the same or similar industry with which the Group competes and other comparable companies. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's overall profits, performance and achievements.

The employees of the Group's subsidiaries which operate in China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

The Group operates a defined scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the scheme.

The Company operates a number of share option schemes for the purpose of providing incentives and rewards to eligible persons (see section headed "Share Option Schemes of the Company" below).

Corporate Governance Code

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has, throughout the Relevant Period, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the CG Code.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to regulate dealing in securities by directors and senior management of the Company.

Each of the directors of the Company has confirmed, following specific enquiry by the Company, that he or she has complied with the required standards set out in the Model Code during the Relevant Period.

Directors' and Chief Executive's Interests in Shares and Underlying Shares

As at June 30, 2018, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name of director or chief executive	Nature of Interest	Number of Shares	Number of Shares underlying share options	Percentage of total issued Shares [(1)]
Ma Ting Hung	Interest in controlled corporations [(2)]	176,922,097	4,000,000	36.38
Liu Sai Wang Stephen	Interest in controlled corporations [(3)]	59,942,173	46,978,816	21.50
Liu Sai Keung Thomas	Interest in controlled corporation [(4)]	6,828,585	5,000,000	2.80
	Beneficial Interest		2,100,000	
Liu Yang	Interest in controlled corporations [(5)]	34,718,590		6.98
Wu Chak Man	Beneficial Interest	2,730,289		0.55
Yip Ka Kay	Interest in controlled corporations [(6)]	13,574,502		2.73

Notes:

(1) The calculation is based on the total number of 497,303,869 Shares in issue as at June 30, 2018.

(2) Ma Ting Hung controls 100% of each of Skyworld-Best Limited, Wealthy Surplus Limited and Glory Global International Limited, each of which has a beneficial interest in 84,719,154 Shares, 46,607,010 Shares and 45,595,933 Shares, respectively.

(3) Liu Sai Wang Stephen controls 50% of Magic Mount Limited, which has a beneficial interest in 27,093,858 Shares, and controls 100% of each of Perfect Castle Development Limited and Union Fair International Limited, each of which has a beneficial interest in 27,523,810 Shares and 5,324,505 Shares, respectively. Perfect Castle Development Limited also a beneficial interest in 46,978,816 share options.

(4) Liu Sai Keung Thomas controls 100% of International Treasure Ltd. which has a beneficial interest in 6,828,585 Shares and 5,000,000 share options.

(5) Liu Yang controls 100% of each of Riverwood Asset Management (Cayman) Limited and Atlantis Investment Management Limited, each of which is an investment manager to Atlantis China Star Fund Limited and Atlantis China Star Fund II Limited, and each of which has a beneficial interest in 5,609,617 Shares and 29,108,973 Shares, respectively.

(6) Yip Ka Kay controls 50% of CPED (KY) Limited, which has a beneficial interest in 4,015,628 Shares. Yip Ka Kay is also the sole director and the sole shareholder of NM Strategic Partners, LLC which manages NM Strategic Focus Fund L.P., which has a beneficial interest in 9,558,874 Shares.

Save as disclosed herein and so far as is known to the directors of the Company, as at June 30, 2018, none of the directors or the chief executive of the Company had an interest or a short position 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 are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Share Option Schemes of the Company

Pre-IPO Share Option Schemes

The Company has adopted three pre-IPO share option schemes which were approved by the Board on March 1, 2016 (the "2016 ESOP"), March 1, 2018 (the "2017 ESOP I") and March 1, 2018 (the "2017 ESOP II", together with the 2016 ESOP and the 2017 ESOP I, the "Pre-IPO Share Option Schemes"), respectively. The Pre-IPO Share Option Schemes are not subject to the provisions of Chapter 17 of the Listing Rules.

The purpose of the Pre-IPO Share Option Schemes is to advance the interests of the Company and its shareholders by providing key employees, directors and consultants of the Group or such other employees in the same group as may be approved by the Board a performance incentive for the purpose of continuing and improving their services with the Group and a motivational force to improve the operating efficiency of the Group. The Pre-IPO Share Option Schemes also help to enhance the key employees, directors and consultants' contribution to profits of the Group by encouraging capital accumulation and share ownership and direct participation in the success of the Group and is an effective tool to retain such key employees.

The following table discloses in respect of the outstanding share options granted under the Pre-IPO Share Options:

(a) the name of the director of the Company, in the case of outstanding share options granted to a or companies controlled by such director and the category of persons, in the case of outstanding share options granted to persons who are not directors or companies controlled by directors;

(b) in the case of a director of the Company, the number of share options granted to such director or companies controlled by such director on an individual basis and in the case of other persons, the number of share options granted on an aggregate basis;

(c) the number of share options exercised during the Relevant Period;

(d) the date of grant of the share options;

(e) the exercise period (after taking into account any vesting period) of the share options;

(f) the exercise price of the share options; and

(g) the approximate percentage that the Shares issuable under the share options represent of the total Shares in issue.

Name or category of participant	At June 30, 2018	Exercised during the Relevant Period	Date of grant	Exercise period	Exercise Price per Share (US$)	Approximate percentage of issued Shares [1]
2016 ESOP						
Director						
Liu Sai Keung Thomas[2]	2,366,430	Nil	01-03-2016	31-12-2016 to 30-11-2021	0.8735	1.43%
	2,366,430	Nil	01-03-2016	31-12-2017 to 30-11-2021	0.8735	
	2,367,140	Nil	01-03-2016	31-12-2018 to 30-11-2021	0.8735	
Other employees						
In aggregate	171,850	Nil	20-11-2017	20-11-2018 to 19-11-2023	0.8735	0.10%
	171,850	Nil	20-11-2017	20-11-2019 to 19-11-2023	0.8735	
	171,902	Nil	20-11-2017	20-11-2020 to 19-11-2023	0.8735	
Other employees						
In aggregate	116,655	Nil	20-09-2016	20-09-2017 to 19-09-2022	0.8735	0.07%
	116,655	Nil	20-09-2016	20-09-2018 to 19-09-2022	0.8735	
	116,690	Nil	20-09-2016	20-09-2019 to 19-09-2022	0.8735	
Other employees						
In aggregate	3,919,675	Nil	01-03-2016	31-12-2016 to 30-11-2021	0.8735	2.36%
	3,919,675	Nil	01-03-2016	31-12-2017 to 30-11-2021	0.8735	
	3,920,850	Nil	01-03-2016	31-12-2018 to 30-11-2021	0.8735	

Name or category of participant	At June 30, 2018	Exercised during the Relevant Period	Date of grant	Exercise period	Exercise Price per Share (US$)	Approximate percentage of issued Shares [1]
Other employees						
In aggregate	166,650	Nil	17-10-2016	17-10-2017 to 16-10-2022	0.8735	0.10%
	166,650	Nil	17-10-2016	17-10-2018 to 16-10-2022	0.8735	
	166,700	Nil	17-10-2016	17-10-2019 to 16-10-2022	0.8735	
Other employees						
In aggregate	133,320	Nil	01-09-2017	01-09-2018 to 31-08-2023	0.8735	0.08%
	133,320	Nil	01-09-2017	01-09-2019 to 31-08-2023	0.8735	
	133,360	Nil	01-09-2017	01-09-2020 to 31-08-2023	0.8735	
Other employees						
In aggregate	18,898	Nil	01-04-2016	01-04-2017 to 31-03-2022	0.8735	0.01%
	18,898	Nil	01-04-2016	01-04-2018 to 31-03-2022	0.8735	
	18,904	Nil	01-04-2016	01-04-2019 to 31-03-2022	0.8735	
Other employees						
In aggregate	49,995	Nil	03-05-2016	03-05-2017 to 02-05-2022	0.8735	0.03%
	49,995	Nil	03-05-2016	03-05-2018 to 02-05-2022	0.8735	
	50,010	Nil	03-05-2016	03-05-2019 to 02-05-2022	0.8735	
Other employees						
In aggregate	33,330	Nil	20-03-2017	20-03-2018 to 19-03-2023	0.8735	0.02%
	33,330	Nil	20-03-2017	20-03-2019 to 19-03-2023	0.8735	
	33,340	Nil	20-03-2017	20-03-2020 to 19-03-2023	0.8735	
2017 ESOP I						
Director						
Liu Sai Wang Stephen[3]	8,954,665	Nil	10-05-2018	09-05-2019 to 09-05-2024	1.6123	5.40%
	8,954,665	Nil	10-05-2018	09-05-2020 to 09-05-2024	1.6123	
	8,954,667	Nil	10-05-2018	09-05-2021 to 09-05-2024	1.6123	
Other employees						
In aggregate	6,551,000	Nil	10-05-2018	09-05-2019 to 09-05-2024	1.6123	3.95%
	6,551,000	Nil	10-05-2018	09-05-2020 to 09-05-2024	1.6123	
	6,551,000	Nil	10-05-2018	09-05-2021 to 09-05-2024	1.6123	

Name or category of participant	At June 30, 2018	Exercised during the Relevant Period	Date of grant	Exercise period	Exercise Price per Share (US$)	Approximate percentage of issued Shares (1)
2017 ESOP II Series A						
Director						
Liu Sai Wang Stephen(3)	6,704,939	Nil	10-05-2018	09-05-2019 to 09-05-2024	1.6123	4.04%
	6,704,939	Nil	10-05-2018	09-05-2020 to 09-05-2024	1.6123	
	6,704,941	Nil	10-05-2018	09-05-2021 to 09-05-2024	1.6123	
Ma Ting Hung(4)	1,333,333	Nil	10-05-2018	09-05-2019 to 09-05-2024	1.6123	0.80%
	1,333,333	Nil	10-05-2018	09-05-2020 to 09-05-2024	1.6123	
	1,333,334	Nil	10-05-2018	09-05-2021 to 09-05-2024	1.6123	
Other employees						
In aggregate	666,666	Nil	10-05-2018	09-05-2019 to 09-05-2024	1.6123	0.40%
	666,666	Nil	10-05-2018	09-05-2020 to 09-05-2024	1.6123	
	666,668	Nil	10-05-2018	09-05-2021 to 09-05-2024	1.6123	
	93,564,318					

Notes:

(1) The calculation is based on the total number of 497,303,869 Shares in issue as at June 30, 2018.

(2) Liu Sai Keung Thomas has a beneficial interest in 2,100,000 share options granted under the Pre-IPO Share Options and an interest in 5,000,000 share options granted under the Pre-IPO Share Options which are held by International Treasure Ltd., a company that is 100% controlled by Liu Sai Keung Thomas.

(3) Liu Sai Wang Stephen has an interest in an aggregate of 46,978,816 share options granted under the Pre-IPO Share Options which are held by Perfect Castle Development Limited, a company that is 100% controlled by Liu Sai Wang Stephen.

(4) Ma Ting Hung has an interest in an aggregate of 4,000,000 share options granted under the Pre-IPO Share Options which are held by Skyworld-Best Limited, a company that is 100% controlled by Ma Ting Hung.

As disclosed in the prospectus of the Company dated June 7, 2018, the share options granted under the 2017 ESOP II are divided into three tranches being series A, B and C. As disclosed, the series B and series C options granted pursuant to the 2017 ESOP II lapsed upon Listing.

No share options were granted under the Pre-IPO Share Options during the Relevant Period and save as disclosed above, no share options granted under the Pre-IPO Share Options was exercised, lapsed or cancelled during the Relevant Period. The Company will not grant any further share options under the Pre-IPO Share Options.

Post-IPO Share Option Scheme

The Company has adopted a post-IPO share Option Scheme on May 10, 2018 (the "Post-IPO Share Option Scheme").

The Post-IPO Share Option Scheme is subject to the provisions of the Listing Rules.

The purpose of the Post-IPO Share Option Scheme is to provide selected participants, including employees, directors, officers, consultants, advisors, distributors, contractors, customers, suppliers, agents, business partners and service providers, with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

No share options have been granted or agreed to be granted under the Post-IPO Share Option Scheme as at June 30, 2018.

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

As at June 30, 2018, the interests and short positions of the substantial shareholders and other persons in the shares or underlying shares of the Company, as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of shareholder	Nature of interest	Number of Shares held as long positions	Percentage of the total issued share capital of the Company [1]	Number of Shares underlying share options	Percentage of the total issued share capital of the Company [1]
Ma Ting Hung	Interest in a controlled corporation[2]	176,922,097	35.58	4,000,000	0.80
Skyworld-Best Limited	Beneficial interest	84,719,154	17.04	4,000,000	0.80
Wealthy Surplus Limited	Beneficial interest	46,607,010	9.37		
Glory Global International Limited	Beneficial interest	45,595,933	9.17		
Liu Sai Wang Stephen	Interest in a controlled corporation[3][4]	59,942,173	12.05	46,978,816	9.45
Kwok Lim Ying	Interest in a controlled corporation[3]	27,093,858	5.45		
Magic Mount Limited	Beneficial interest	27,093,858	5.45		
Perfect Castle Development Limited	Beneficial interest	27,523,810	5.53	46,978,816	9.45
Kwok Peter Viem	Interest in a controlled corporation[5]	50,740,770	10.20		
Kwok Chang Shiu Feng	Interest in a controlled corporation[5]	50,740,770	10.20		
High Loyal Management Limited	Beneficial interest	50,740,770	10.20		

Name of shareholder	Nature of interest	Number of Shares held as long positions	Percentage of the total issued share capital of the Company [(1)]	Number of Shares underlying share options	Percentage of the total issued share capital of the Company [(1)]
EastWest Trust Company Limited	Interest in a controlled corporation[(6)]	41,339,885	8.32		
Cavamont Holdings Limited	Interest in a controlled corporation[(7)]	41,339,885	8.32		
Cavamont Investments Limited	Interest in a controlled corporation[(8)]	41,339,885	8.32		
Cavenham Private Equity And Directs	Interest in a controlled corporation[(9)]	41,339,885	8.32		
CPED Asia (No.1) Limited	Beneficial interest	37,324,257	7.51		
Liu Yang	Interest in a controlled corporation[(10)]	34,718,590	6.98		
Riverwood Asset Management (Cayman) Limited	Investment Manager[(11)]	34,718,590	6.98		
Atlantis Capital Holdings Limited	Interest in a controlled corporation[(12)]	34,718,590	6.98		
Atlantis Investment Management Limited	Investment Manager[(13)]	34,718,590	6.98		
Atlantis China Star Fund II Limited	Beneficial interest	29,108,973	5.85		
David Bonderman	Interest in a controlled corporation[(14)]	31,011,598	6.24		
James George Coulter	Interest in a controlled corporation[(14)]	31,011,598	6.24		
TPG Group Holdings (SBS) Advisors, Inc.	Interest in a controlled corporation[(15)]	31,011,598	6.24		
TPG Group Holdings (SBS) Advisors, LLC	Interest in a controlled corporation[(16)]	31,011,598	6.24		
TPG Group Holdings (SBS), L.P.	Interest in a controlled corporation[(17)]	31,011,598	6.24		
TPG Holding III-A, Inc.	Interest in a controlled corporation[(18)]	31,011,598	6.24		
TPG Holdings III-A, L.P.	Interest in a controlled corporation[(19)]	31,011,598	6.24		
TPG Holdings III, LP	Interest in a controlled corporation[(20)]	31,011,598	6.24		
TPG Growth III SF AIV GenPar Advisors, Inc.	Interest in a controlled corporation[(21)]	31,011,598	6.24		
TPG Growth III SF AIV GenPar, LP	Interest in a controlled corporation[(22)]	31,011,598	6.24		
TPG Growth III SF Finance, Limited Partnership	Interest in a controlled corporation[(23)]	31,011,598	6.24		
TPG Growth III SF Pte. Ltd	Beneficial interest	31,011,598	6.24		

Name of shareholder	Nature of interest	Number of Shares held as long positions	Percentage of the total issued share capital of the Company [1]	Number of Shares underlying share options	Percentage of the total issued share capital of the Company [1]
Central Huijin Investment Limited	Interest in a controlled corporation[24]	236,864,270	47.63		
Bank of China Limited	Interest in a controlled corporation[25]	236,864,270	47.63		
BOC International Holdings Limited	Interest in a controlled corporate[26]	236,864,270	47.63		
Baromon Co. Ltd.	Interest in a controlled corporation[27]	236,864,270	47.63		
BOCI Online Holdings Limited	Interest in a controlled corporation[28]	236,864,270	47.63		
BOCI Leveraged & Structured Finance Limited	Direct interest[29]	236,864,270	47.63		

Notes:

(1) The calculation is based on the total number of 497,303,869 Shares in issue as at June 30, 2018.

(2) Ma Ting Hung controls 100% of each of Skyworld-Best Limited, Wealthy Surplus Limited and Glory Global International Limited.

(3) Liu Sai Wang, Stephen and Kwok Lim Ying each control 50% of Magic Mount Limited.

(4) Liu Sai Wang, Stephen controls 100% of each of Perfect Castle Development Limited and Union Fair International Limited. Union Fair International Limited has a beneficial interest in 5,324,505 Shares.

(5) Kwok Peter Viem and Kwok Chang Shiu Feng each control 50% of High Loyal Management Limited.

(6) EastWest Trust Company Limited controls 64.17% of Cavamont Holdings Limited.

(7) Cavamont Holdings Limited controls 100% of Cavamont Investments Limited.

(8) Cavamont Investments Limited controls 100% of Cavenham Private Equity and Directs.

(9) Cavenham Private Equity and Directs controls 100% of CPED Asia (No.1) Limited. Cavenham Private Equity and Directs also controls 50% of CPED (KY) Limited which has a beneficial interest in 4,015,628 Shares.

(10) Liu Yang controls 100% of Atlantis Capital Holdings Limited and Riverwood Asset Management (Cayman) Limited.

(11) Riverwood Asset Management (Cayman) Limited is investment manager to Atlantis China Star Fund II Limited and Atlantis China Star Fund Limited. Atlantis China Star Fund Limited is beneficial owner of 5,609,617 Shares representing 1.13% of the issued Shares as at June 30, 2018.

(12) Atlantis Capital Holdings Limited controls 100% of Atlantis Investment Management Limited.

(13) Atlantis Investment Management Limited is sub-investment manager to Atlantis China Star Fund II Limited and Atlantis China Star Fund Limited.

(14) David Bonderman and James George Coulter each controls 50% of TPG Group Holdings (SBS) Advisors, Inc.

(15) TPG Group Holdings (SBS) Advisors, Inc. controls 100% of TPG Group Holdings (SBS) Advisors, LLC.

(16) TPG Group Holdings (SBS) Advisors, LLC controls 100% of TPG Group Holdings (SBS), L.P.

(17) TPG Group Holdings (SBS), L.P. controls 100% of TPG Holdings III-A, Inc.

(18) TPG Holdings III-A, Inc. controls 100% of TPG Holdings III-A, L.P.

(19) TPG Holdings III-A, L.P. controls 100% of TPG Holdings III, LP.

(20) TPG Holdings III, LP controls 100% of TPG Growth III SF AIV GenPar Advisors, Inc.

(21) TPG Growth III SF AIV GenPar Advisors, Inc. controls 100% of TPG Growth III SF AIV GenPar, LP.

(22) TPG Growth III SF AIV GenPar, LP controls 100% of TPG Growth III SF Finance, Limited Partnership.

(23) TPG Growth III SF Finance, Limited Partnership controls 100% of TPG Growth III SF Pte. Ltd.

(24) Central Huijin Investment Limited Controls 64.02% of Bank of China Limited.

(25) Bank of China Limited controls 100% of BOC International Holdings Limited.

(26) BOC International Holdings Limited controls 100% of Baromon Co. Ltd.

(27) Baromon Co. Ltd. Controls 100% of BOC Online Holdings Limited.

(28) BOC Online Holdings Limited controls 50% of BOCI Leveraged & Structured Finance Limited.

(29) BOCI Leveraged & Structured Finance Limited's interest in 236,864,270 Shares arises from its interest as a person having a security interest in respect of 59,942,173 Shares and as custodian (other than an exempt custodian interest) in 176,922,097 Shares.

Save as disclosed herein and in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above, and so far as is known to the directors of the Company, as at June 30, 2018, no person had an interest or a short position in the shares or underlying shares of the Company required to be recorded in the register to be kept under section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Relevant Period.

Update on Directors' Information

Set out below are changes in the information of directors of the Company which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

On June 22, 2018, Mr. Ma Ting Hung, a non-executive director and the Chairman of the Company, retired as a non-executive director of CITIC Resources Holdings Limited (Stock Code: 1205), a company listed on the Stock Exchange.

On June 30, 2018, Dr. Seek Ngee Huat, an independent non-executive director of the Company resigned from his position as the chairman of the Urban Land Institute Asia Pacific.

Review of Accounts

The audit committee has reviewed this interim report with senior management of the Company.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF VCREDIT HOLDINGS LIMITED
(Registered by way of continuation in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 40 to 80, which comprises the condensed consolidated statement of financial position of VCREDIT Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2018 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Other Matter

The comparative information for the condensed consolidated statement of financial position is based on the audited financial statements as at December 31, 2017. The comparative information for the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows, and related explanatory notes, for the six months ended June 30, 2017 has not been audited or reviewed.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 30, 2018

Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2018

	Note	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Continuing operations			
Interest type income	6	**1,569,770**	N/A
Interest income	6	**—**	1,371,249
Less: interest expenses	6	**(513,956)**	(375,682)
Net interest type income	6	**1,055,814**	995,567
Loan facilitation service fees	7	**57,180**	27,389
Other income	8	**157,591**	77,431
Total income		**1,270,585**	1,100,387
Origination and servicing expenses	9	**(293,215)**	(256,526)
Sales and marketing expenses	9	**(102,025)**	(34,516)
General and administrative expenses	9	**(185,939)**	(66,429)
Research and development expenses	9	**(33,507)**	(36,984)
Credit impairment losses	10	**(27,003)**	(564,446)
Fair value change of loans to customers		**(540,583)**	N/A
Other losses, net	11	**(11,941)**	(30,234)
Operating profit		**76,372**	111,252
Share of net loss of associates accounted for using the equity method		**(4,082)**	(4,002)
Fair value change of convertible redeemable preferred shares	21	**(1,047,156)**	(406,453)
Loss before income tax		**(974,866)**	(299,203)
Income tax expense	12	**(35,507)**	(22,632)
Loss from continuing operations and loss for the period		**(1,010,373)**	(321,835)

For the six months ended June 30, 2018

	Note	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange difference on translation of financial statements		**24,052**	52,555
Items that will not be reclassified to profit or loss			
Change in fair value attributable to change in the credit risk of financial liability designated at fair value through profit or loss		**(14,109)**	—
Total comprehensive loss from continuing operations for the period, net of tax		**(1,000,430)**	(269,280)
Loss per share for loss from continuing operations (expressed in RMB yuan)			
Basic loss per share	13	**(5.10)**	(2.25)
Diluted loss per share	13	**(5.10)**	(2.25)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As of June 30, 2018

	Note	**June 30, 2018 RMB'000 (Unaudited)**	December 31, 2017 RMB'000 (Audited)
Assets			
Cash and cash equivalents	14	**1,157,422**	568,196
Restricted cash	14	**135,737**	143,570
Loans to customers at amortised cost	15	**—**	11,479,696
Loans to customers at fair value through profit or loss	15	**10,015,729**	N/A
Contract assets	16	**69,886**	98,845
Guarantee receivables	17	**162,763**	130,073
Financial assets at fair value through profit or loss		**—**	110,545
Investments accounted for using the equity method	18	**26,052**	30,784
Deferred income tax assets		**337,934**	279,860
Intangible assets		**17,110**	13,488
Property and equipment		**72,709**	74,355
Other assets	19	**477,694**	507,596
Total assets		**12,473,036**	13,437,008
Liabilities			
Borrowings	20	**9,178,949**	11,063,133
Guarantee liabilities	17	**182,844**	169,553
Taxes payable		**195,855**	108,338
Deferred income tax liabilities		**—**	122,314
Convertible redeemable preferred shares	21	**—**	3,042,173
Other liabilities	22	**444,923**	440,107
Total liabilities		**10,002,571**	14,945,618
Equity/(deficit)			
Share capital	23	**40,755**	394,462
Share premium	23	**5,487,894**	—
Reserves		**143,828**	60,951
Accumulated deficit		**(3,202,012)**	(1,964,023)
Total equity/(deficit)		**2,470,465**	(1,508,610)
Total liabilities and equity		**12,473,036**	13,437,008

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2018

	Attributable to equity holders of the Company						
			Reserves				
	Share capital	Share premium	Share Option Reserves	Translation Reserve	Other Reserves	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)							
Balance at January 1, 2018	394,462	—	29,546	31,405	—	(1,964,023)	(1,508,610)
Change on initial application of IFRS 9 *(Note 3)*	—	—	—	—	(47,055)	(166,452)	(213,507)
Restated balance as at January 1, 2018	394,462	—	29,546	31,405	(47,055)	(2,130,475)	(1,722,117)
Loss for the period	—	—	—	—	—	(1,010,373)	(1,010,373)
Exchange difference on translation of financial statements	—	—	—	24,052	—	—	24,052
Change in fair value attributable to change in the credit risk of financial liability designated at fair value through profit or loss	—	—	—	—	(14,109)	—	(14,209)
Total comprehensive loss for the period	—	—	—	24,052	(14,109)	(1,010,373)	(1,000,430)
Transactions with owners, at their capacity as owners							
Changes on initial application of par value	(379,823)	379,823	—	—	—	—	—
Shares issued upon initial public offering	5,656	1,036,588	—	—	—	—	1,042,244
Conversion of preferred shares to ordinary shares	20,460	4,071,483	—	—	61,164	(61,164)	4,091,943
Share-based payment	—	—	58,825	—	—	—	58,825
Total transactions with owners, at their capacity as owners	(353,707)	5,487,894	58,825	—	61,164	(61,164)	5,193,012
Balance at June 30, 2018	40,755	5,487,894	88,371	55,457	—	(3,202,012)	2,470,465

For the six months ended June 30, 2018

	Attributable to equity holders of the Company				
		Reserves			
	Share capital	Share Option Reserves	Translation Reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)					
Balance at January 1, 2017	257,985	33,321	(139,968)	(960,890)	(809,552)
Profit for the period	—	—	—	(321,835)	(321,835)
Exchange difference on translation of financial statements	—	—	52,555	—	52,555
Total comprehensive loss for the period	—	—	52,555	(321,835)	(269,280)
Transactions with owners, at their capacity as owners					
Share-based payment	—	5,058	—	—	5,058
Total transactions with owners, at their capacity as owners	—	5,058	—	—	5,058
Balance at June 30, 2017	257,985	38,379	(87,413)	(1,282,725)	(1,073,774)

The above condensed consolidated statement of change in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Operating activities		
Cash generated from/(used in) operating activities	**1,862,992**	(2,910,224)
Income tax paid	**(35,455)**	(38,177)
Net cash inflow/(outflow) from operating activities	**1,827,537**	(2,948,401)
Investing activities		
Proceeds from sale of property, plant and equipment	**103**	122
Payments for property and equipment	**(9,863)**	(14,370)
Payments for intangible assets	**(4,712)**	(3,983)
Expenditure of construction in progress	**(3,381)**	(4,825)
Payments for financial assets at fair value through profit or loss	**(120,000)**	—
Proceeds from financial assets at fair value through profit or loss	**231,904**	—
Net cash inflow/(outflow) from investing activities	**94,051**	(23,056)
Financing activities		
Proceeds from borrowings	**293,610**	1,020,845
Proceeds from trust plans	**2,050,110**	4,110,565
Proceeds from issuance of ordinary shares relating to the initial public offering	**1,094,149**	—
Interest expenses paid	**(517,168)**	(461,054)
Repayment of borrowings	**(394,256)**	(130,594)
Repayment of trust plans	**(3,831,281)**	(1,159,760)
Repayment of asset management plans	**—**	(11,984)
Payment of listing expenses	**(26,580)**	—
Net cash (outflow)/inflow from financing activities	**(1,331,416)**	3,368,018
Net increase in cash and cash equivalents	**590,172**	396,561
Cash and cash equivalents at the beginning of the period	**568,196**	289,889
Effects of exchange rate changes on cash and cash equivalents	**(945)**	1,171
Cash and cash equivalents at end of the period	**1,157,423**	687,621

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

For the six months ended June 30, 2018

1 General information

VCREDIT Holdings Limited (formerly known as Vision Capital Group Limited, the "Company" or "VCREDIT") was incorporated in the British Virgin Islands ("BVI") on July 24, 2007 as an exempted company with limited liability under the laws of the BVI.

Pursuant to a shareholders' resolution dated February 6, 2018, the Company re-domiciled to the Cayman Islands by way of continuation as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented. The re-domiciliation was completed on February 26, 2018. The current address of the Company's registered office is at 2nd Floor, The Grand Pavilion Commercial Center, 802 West Bay Road, P.O. Box 10338 Grand Cayman KY1-1003, Cayman Islands.

The Company is an investment holding company. The Company together with its subsidiaries (the "Group") is a technology-driven consumer financial service provider in the People's Republic of China ("China", or the "PRC"). The Group offers tailored consumer finance products to prime and near-prime borrowers who are underserved by traditional financial institutions. The Group offers consumer finance products by facilitating transactions between borrowers and financial institutions and, to an increasingly lesser extent, directly to borrowers.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since June 21, 2018 by way of its initial public offering ("IPO"). Upon the completion of the IPO, all of the Company's outstanding convertible redeemable preferred shares were converted into the Company's ordinary shares on a one-to-one basis. As at June 30, 2018, the number of ordinary shares in issue is 497,303,869, with a par value of HK$0.10 per share.

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This interim condensed consolidated financial information have been approved and authorised for issue by the Board of Directors ("Board") of the Company on August 30, 2018.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended June 30, 2018 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim financial reporting" issued by the International Accounting Standards Board ("IASB"). The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information is be read in conjunction with the consolidated financial statements for the years ended December 31, 2015, 2016 and 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), and any public announcements made by the Group during the six months ended June 30, 2018.

3 Significant accounting policies

The accounting policies adopted are consistent with those set out in the consolidated financial statements for the years ended December 31, 2015, 2016 and 2017, except for the adoption of IFRS 9, "Financial Instruments", which became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting it.

The impact of the adoption of IFRS 9 and the new accounting policies are disclosed in note 3.1 below.

3.1 Changes in accounting policy and disclosures

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of January 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated losses and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in note 3.2.1 below.

(a) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at January 1, 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount *RMB'000*	Measurement Category	Carrying Amount *RMB'000*
Financial assets				
Cash and cash equivalents	Amortised cost	568,196	Amortised cost	568,192
Restricted cash	Amortised cost	143,570	Amortised cost	143,550
Loans to customers	Amortised cost	11,479,696	FVPL (Mandatory)	11,283,783
Guarantee receivables	Amortised cost	130,073	Amortised cost	114,864
Financial assets at fair value through profit or loss	FVPL (Designated)	110,545	FVPL (Mandatory)	110,545
Other assets	Amortised cost	450,933	Amortised cost	456,042

For the six months ended June 30, 2018

3 Significant accounting policies (continued)

3.1 Changes in accounting policy and disclosures (continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

	December 31, 2017 *RMB'000*	Reclassifications *RMB'000*	Remeasurements *RMB'000*	January 1, 2018 *RMB'000*
Financial assets				
Cash and cash equivalents	568,196	—	(4)	568,192
Restricted cash	143,570	—	(20)	143,550
Loans to customers at amortised cost	11,479,696	(11,479,696)	—	—
Loans to customers at fair value through profit or loss	N/A	11,478,005	(194,222)	11,283,783
Guarantee receivables	130,073	—	(15,209)	114,864
Financial assets at fair value through profit or loss	110,545	—	—	110,545
Other assets	450,933	—	5,109	456,042
Subtotal	12,883,013	(1,691)	(204,346)	12,676,976
Non-financial assets				
Contract assets	98,845	—	(14,990)	83,855
Deferred income tax assets	279,860	—	71,128	350,988
Other non-financial assets	175,290	—	—	175,290
Subtotal	553,995	—	56,138	610,133
Total assets	13,437,008	(1,691)	(148,208)	13,287,109
Financial liabilities				
Borrowings	11,063,133	—	—	11,063,133
Guarantee liabilities	169,553	—	65,299	234,852
Convertible redeemable preferred shares	3,042,173	—	—	3,042,173
Other liabilities — Others	182,896	(1,691)	—	181,205
Subtotal	14,457,755	(1,691)	65,299	14,521,363
Non-financial liabilities				
Other non-financial liabilities	487,863	—	—	487,863
Subtotal	487,863	—	—	487,863
Total liabilities	14,945,618	(1,691)	65,299	15,009,226
Share capital	394,462	—	—	394,462
Reserves	60,951	—	(47,055)	13,896
Accumulated losses	(1,964,023)	—	(166,452)	(2,130,475)
Total equity	(1,508,610)	—	(213,507)	(1,722,117)
Total equity and liabilities	13,437,008	(1,691)	(148,208)	13,287,109

3 Significant accounting policies (continued)

3.1 Changes in accounting policy and disclosures (continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

Please refer to note 3.2.1.1(i) for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on January 1, 2018:

	Ref	IAS 39 carrying amount December 31, 2017 *RMB'000*	Reclassifications *RMB'000*	Remeasurements *RMB'000*	IFRS 9 carrying amount January 1, 2018 *RMB'000*
Amortized Cost					
Cash and cash equivalents					
Opening balance under IAS 39		568,196			
Remeasurement: application of ECL allowance model				(4)	
Closing balance under IFRS 9					568,192
Restricted cash					
Opening balance under IAS 39		143,570			
Remeasurement: application of ECL allowance model				(20)	
Closing balance under IFRS 9					143,550
Loans to customers					
Opening balance under IAS 39		11,479,696			
Subtraction: To FVPL (IFRS 9)	(A)		(11,479,696)		
Closing balance under IFRS 9					—
Guarantee receivables					
Opening balance under IAS 39		130,073			
Remeasurement: application of ECL allowance model				(15,209)	
Closing balance under IFRS 9					114,864
Other assets					
Opening balance under IAS 39		450,933			
Remeasurement: application of ECL allowance model				5,109	
Closing balance under IFRS 9					456,042
Total financial assets measured at amortised cost		12,772,468	(11,479,696)	(10,124)	1,282,648

For the six months ended June 30, 2018

3 Significant accounting policies (continued)

3.1 Changes in accounting policy and disclosures (continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

	Ref	IAS 39 carrying amount December 31, 2017 *RMB'000*	Reclassifications *RMB'000*	Remeasurements *RMB'000*	IFRS 9 carrying amount January 1, 2018 *RMB'000*
Fair value through profit or loss (FVPL)					
Loans to customers					
Opening balance under IAS 39		—			
Addition: From amortised cost-Loans to customers (IAS 39)	(A)		11,479,696		
Addition: From amortised cost-Other liabilities (IAS 39)			(1,691)		
Remeasurement: from amortised cost to FV				(194,222)	
Closing balance under IFRS 9					11,283,783
Financial assets at fair value through profit or loss (mandatory)					
Opening balance under IAS 39		—			
Addition: From designated FVPL (IAS 39)	(B)			110,545	
Closing balance under IFRS 9					110,545
Financial assets at fair value through profit or loss (designated)					
Opening balance under IAS 39		110,545			
Subtraction: To mandatory FVPL (IAS 39)	(B)		(110,545)		
Closing balance under IFRS 9					—
Total financial assets measured at FVPL		110,545	11,478,005	(194,222)	11,394,328

The total remeasurement loss after tax of RMB213,507 thousand was recognised in opening accumulated losses at January 1, 2018. In addition, an amount of RMB47,055 thousand was reclassified from accumulated losses to other reserves at January 1, 2018.

3 Significant accounting policies (continued)

3.1 Changes in accounting policy and disclosures (continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Group as shown in the table above:

(A) Loans to customers previously measured at amortised cost but fail the 'solely payments of principal and interest' (SPPI) test

The Group holds a portfolio of loans to customers that failed to meet the SPPI requirement for amortised cost classification under IFRS 9 as the amount paid upon prepayment do not substantially represents unpaid amounts of principal and interests on the principal amount outstanding according to the early repayment clause in the loan contracts. As a result, these loans to customers, which amounted to RMB11,479,696 thousand, were classified as FVPL from the date of initial application.

(B) Investment in wealth management products previously designated at fair value through profit or loss

The Group holds investment of RMB110,545 thousand in wealth management products which had previously been designated at fair value through profit or loss because of its embedded derivative feature. As part of the transition to IFRS 9, this investment failed to meet SPPI requirement and so required to be classified as FVPL, instead of designated FVPL.

For the six months ended June 30, 2018

3 Significant accounting policies (continued)

3.1 Changes in accounting policy and disclosures (continued)

(c) *Reconciliation of impairment allowance balance from IAS 39 to IFRS 9*

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at January 1, 2018:

Measurement category	Impairment allowance under IAS 39/Provision under IAS 37 *RMB'000*	Reclassification *RMB'000*	Remeasurement *RMB'000*	Impairment allowance under IFRS 9 *RMB'000*
Contract assets				
Contract Assets	9,946	—	14,990	24,936
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Cash and cash equivalents	—	—	4	4
Restricted Cash	—	—	20	20
Loans to customers	1,796,711	(1,796,711)	—	—
Guarantee receivables	3,065	—	15,209	18,274
Total	1,799,776	(1,796,711)	15,233	18,298
Financial guarantee contracts				
Guarantee liabilities	169,553	—	65,299	234,852
Total	169,553	—	65,299	234,852

3 Significant accounting policies (continued)

3.2 Summary of significant accounting policies

3.2.1 Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets — assets that are credit-impaired at initial recognition — the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

For the six months ended June 30, 2018

3 Significant accounting policies (continued)

3.2 Summary of significant accounting policies (continued)

3.2.1 Financial assets and liabilities (continued)

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

3.2.1.1 Financial assets

(i) Classification and subsequent measurement
From January 1, 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans to customers and guarantee receivables.

Classification and subsequent measurement of debt instruments depend on:

(i) The Group's business model for managing the asset; and

(ii) The cash flow characteristics of the asset.

3 Significant accounting policies (continued)

3.2 Summary of significant accounting policies (continued)

3.2.1 Financial assets and liabilities (continued)

3.2.1.1 *Financial assets* (continued)

(i) Classification and subsequent measurement (continued)

Based on these factors, the Group classifies its debt instruments into one of the following two measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the condensed consolidated statement of comprehensive income within 'Fair value change of loans to customers' in the period in which it arises. Income from these financial assets is included in 'Interest type income' using the effective interest rate concept for calculation.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

For the six months ended June 30, 2018

3 Significant accounting policies (continued)

3.2 Summary of significant accounting policies (continued)

3.2.1 Financial assets and liabilities (continued)

3.2.1.1 *Financial assets* (continued)

(i) Classification and subsequent measurement (continued)
Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(ii) Impairment
The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and with the exposure arising from financial guarantee contracts and contract asset. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) Derecognition
Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

3 Significant accounting policies (continued)

3.2 Summary of significant accounting policies (continued)

3.2.1 *Financial assets and liabilities* (continued)

3.2.1.2 Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to convertible redeemable preferred shares and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial guarantee contracts (see note 3.2.2).

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3.2.2 *Financial guarantee contracts*

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and

- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

For financial guarantee contracts, the loss allowance is recognised as a provision.

For the six months ended June 30, 2018

4 Critical accounting estimates and judgements

The preparation of the interim financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the years ended December 31, 2015, 2016 and 2017, with the exception of changes in estimates that are required in measuring of the ECL allowance mentioned below.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

(i) Determining criteria for significant increase in credit risk;

- The financial instrument considered to have experienced a significant increase in credit risk if the borrower is past due on its contractual payments.

- Using other warning list as supplement criteria such as fraudulent list.

(ii) Choosing appropriate models and assumptions for the measurement of ECL;

- The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), or ECL=PD*LGD*EAD*discounted rate

- The calculation of PD and LGD started with company's historical information. They are further adjusted for the impacts from micro-economy conditions as well as observed industry experience. PD and LGD are calculated by type of products, internal risk grades and loan durations as appropriate.

- EAD is calculated based on the amounts the company expected to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

- The discounted rate (DF) used in the ECL calculation is the original effective interest rate or an approximation thereof.

4 Critical accounting estimates and judgements (continued)

Measurement of the expected credit loss allowance (continued)

(iii) Establishing the number and relative weighting of forward-looking scenarios for each type of product/market and the associated ECL;

- The Group used the Morten Model to estimate the relationship between ECL and forward-looking scenarios.

- Based on economic statistics, three different prospective scenarios, namely the "base", the "upside" and the "downside" are used with 80%, 10% and 10% weighting respectively.

- Other forward-looking considerations, such as the impact of any regulatory, legislative or political changes, have also been considered.

- The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses of each portfolio. The most significant assumptions used are CPI and PPI, given their impact they have on the loans provided by the Group.

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the years ended December 31, 2015, 2016 and 2017.

There have been no changes in the risk management policies since December 31, 2017.

5.2 Liquidity risk

Compared to December 31, 2017, there was no material change in the contractual undiscounted cash out flows for financial liabilities. The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

For the six months ended June 30, 2018

5 Financial risk management and financial instruments (continued)

5.3 Fair value measurement of financial instruments

5.3.1 Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at June 30, 2018, January 1, 2018 and December 31, 2017 on a recurring basis:

	Valuation techniques and key input	June 30, 2018 Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
(Unaudited)					
Assets					
Loans to customers at fair value through profit or loss	Discounted cash flow method (i)	—	—	10,015,729	10,015,729
		—	—	10,015,729	10,015,729

(i) Future cash flows are estimated based on key assumptions including growth rate, weighted average cost of capital.

		December 31, 2017 Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
(Audited)					
Assets					
Financial assets at fair value through profit or loss	Bank quoted expected return	—	—	110,545	110,545
Liabilities					
Convertible redeemable preferred shares	Discounted cash flow method (i)	—	—	3,042,173	3,042,173

(i) Future cash flows are estimated based on key assumptions including perpetual growth rate, inflation rate, weighted average cost of capital and liquidity discount.

For the six months ended June 30, 2018

5 Financial risk management and financial instruments (continued)

5.3 Fair value measurement of financial instruments (continued)

5.3.1 *Fair value hierarchy* (continued)

The following table presents the changes in level 3 asset instruments for the six months ended June 30, 2017 and 2018:

	RMB'000
(Unaudited)	
At January 1, 2017	—
At June 30, 2017	—
At December 31, 2017	110,545
Changes on initial application of IFRS 9	11,283,783
At January 1, 2018	11,394,328
Additions	7,279,821
Disposals	(8,119,197)
Losses recognized in fair value change of loans to customers	(540,583)
Gains recognized in other losses, net	1,360
At June 30, 2018	10,015,729

Other than the loans to customers are measured at fair value under IFRS 9 (Note 3.1), starting from January 1, 2018, there were no transfers between the levels of the fair value hierarchy in the six months to June 30, 2018. There were no changes made to any of the valuation techniques applied as of January 1, 2018.

For the six months ended June 30, 2018

5 Financial risk management and financial instruments (continued)

5.3 Fair value measurement of financial instruments (continued)

5.3.1 *Fair value hierarchy* (continued)

All of the level 3 liability instruments are convertible redeemable preferred shares. The changes in level 3 liability instruments for the six months ended June 30, 2017 and 2018 are showed at Note 21.

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at June 30, 2018.

Level 1: The fair value of financial instruments traded in active markets is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

For the six months ended June 30, 2018

5 Financial risk management and financial instruments (continued)

5.3 Fair value measurement of financial instruments (continued)

5.3.2 *Fair value measurements using significant unobservable inputs*

The Group has a team that performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The team manages the valuation exercise of the investments on a case by case basis. At least once every six months, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

As of June 30, 2018, the level 3 instruments was mainly loans to customers at fair value through profit or loss. As the loans to customers are not traded in an active market, its fair value have been determined using discounted cash flows. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of discount rate, and other exposure etc. Discount rate was estimated by weighted average cost of capital as of each reporting date. The managements estimated the risk-free interest rate based on the yield of China Government Bond with a maturity life equal to period from the respective reporting date to expected cash flow date.

The table below illustrates the impact to profit/(loss) before income tax for the six months ended June 30, 2018, if the discount rate used had increased/decreased by 100 basis points with all other variables held constant.

	Expected changes in profit/(loss) before income tax For the six months ended June 30, 2018
+100 basis points	(49,286)
-100 basis points	50,764

5.3.3 *Fair values of other financial instruments (unrecognised)*

The group also has a number of financial instruments which are not measured at fair value in the statement of financial position such as guarantee receivables, other receivables, and other payables. For these instruments, the fair values are not materially different to their carrying amounts.

For the six months ended June 30, 2018

6 Net interest type income

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest type income		
Loans to customers at fair value through profit or loss	**1,569,770**	N/A
Interest income		
Loans to customers at amortised cost	**—**	1,371,249
Less: Interest expense		
Holders of trust plans	**(431,134)**	(301,091)
Borrowings	**(78,914)**	(68,702)
Holders of assets management plans	**—**	(469)
Others	**(3,908)**	(5,420)
Net interest type income	**1,055,814**	995,567

7 Loan facilitation service fees

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Upfront loan facilitation service fees	**40,848**	23,185
Post loan facilitation service fees	**16,332**	4,204
	57,180	27,389

Note: The unsatisfied performance obligations as at June 30, 2018 is RMB24,287 thousands. Management expects that 89.6% of the transaction price allocated to the unsatisfied contracts as of June 30, 2018 will be recognized as revenue within the next 12 months.

For the six months ended June 30, 2018

8 Other income

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Overdue charges	**113,601**	74,157
User membership fees	**67,742**	—
Gain/(loss) from guarantee contract	**(73,163)**	133
Others	**49,411**	3,141
	157,591	77,431

Note: The Group receives membership fees from customers and provides services including credit assessment, daily maintenance of the account and loan origination. The fees received upfront are recognised as other income during the membership terms when the performance obligations are satisfied according to IFRS 15.

9 Expenses by nature

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**(268,419)**	(223,951)
Marketing and advertising fees	**(98,686)**	(27,417)
Loan servicing expenses	**(96,149)**	(76,756)
Listing expenses	**(49,870)**	—
Office rental	**(32,681)**	(27,370)
Office expenses	**(29,598)**	(15,146)
Depreciation and amortization	**(15,850)**	(9,999)
Professional service fees	**(6,574)**	(9,323)
Business tax and surcharge	**(5,956)**	(3,438)
Others	**(10,903)**	(1,055)
	(614,686)	(394,455)

For the six months ended June 30, 2018

10 Credit impairment losses

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash and bank balances	**3**	—
Restricted cash	**1**	—
Loans to customers at amortised cost	**—**	(556,541)
Contract assets	**(2,775)**	(5,207)
Guarantee receivables	**(23,170)**	(1,444)
Other assets	**(1,062)**	(1,254)
	(27,003)	(564,446)

11 Other losses, net

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Finance cost, net (i)	**(13,301)**	(2,731)
Gain from financial assets at fair value through profit or loss	**1,360**	—
Loss on early repayment (ii)	**N/A**	(27,503)
	(11,941)	(30,234)

(i) Finance cost, net

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Exchange losses	**(12,398)**	(3,716)
Bank interest income	**3,387**	1,314
Bank charges	**(4,290)**	(329)
	(13,301)	(2,731)

(ii) Loans to customers are classified as financial assets measured at FVPL, starting from January 1, 2018, under IFRS 9, the early repayment option associated with loans are no longer measured separately and the loss on early repayment are reclassified as fair value change of loans to customers.

For the six months ended June 30, 2018

12 Income tax expense

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current income tax	**(144,766)**	(65,306)
Deferred income tax	**109,259**	42,674
	(35,507)	(22,632)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Loss before income tax:	**(974,866)**	(299,203)
Tax calculated at income tax rates applicable to profits in the respective jurisdiction	**(11,421)**	(16,261)
Tax effects of:		
— Amounts not deductible in calculating taxable income	**(14,706)**	(1,280)
— Unused tax losses for which no deferred tax asset has been recognised	**(9,380)**	(5,091)
Income tax expense	**(35,507)**	(22,632)

For the six months ended June 30, 2018

13 Loss per share

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	**(1,010,373)**	(321,835)
Weighted average number of ordinary shares in issue ('000)	**198,197**	142,857
Basic loss per share (RMB yuan)	**(5.10)**	(2.25)
Diluted loss per share (RMB yuan)	**(5.10)**	(2.25)

(a) Basic loss per share is calculated by dividing the loss of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

(b) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended June 30, 2018 and 2017, the Group had two categories of potential ordinary shares, the share options awarded (Note 24) and convertible redeemable preferred shares (Note 21). As the Group incurred losses for the six months ended June 30, 2018 and 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the six months ended June 30, 2018 and 2017 are the same as basic losses per share of the respective periods.

14 Cash

(a) Cash and cash equivalents

	June 30, 2018	December 31, 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash on hand	**21**	—
Cash at bank	**1,076,848**	502,413
Cash held through platform	**80,554**	65,783
Less: impairment allowance	**(1)**	—
	1,157,422	568,196

For the six months ended June 30, 2018

14 Cash (continued)

(b) Restricted cash

	June 30, 2018 RMB'000 (Unaudited)	December 31, 2017 RMB'000 (Audited)
Pledged cash in banks	**135,756**	143,570
Less: impairment allowance	**(19)**	—
	135,737	143,570

Restricted cash is pledged in designated bank accounts that are constrained by the loan facilitation service contracts between the banks and the Group. According to these contracts, the Group cannot withdraw restricted cash without permission of the banks.

15 Loans to customers at fair value through profit or loss

The composition of loans is as follows:

	June 30, 2018 RMB'000 (Unaudited)	December 31, 2017 RMB'000 (Audited)
Credit loans	**8,580,262**	N/A
Pledged loans	**1,435,467**	N/A
Loans to customers at fair value through profit or loss	**10,015,729**	N/A

	June 30, 2018 RMB'000 (Unaudited)	December 31, 2017 RMB'000 (Audited)
Loans to customers at amortised cost — gross	**—**	13,276,407
Less: impairment allowances	**—**	(1,796,711)
Loans to customers at amortised cost — net	**—**	11,479,696

For the six months ended June 30, 2018

15 Loans to customers at fair value through profit or loss (continued)

Contractual maturities of loans to customers at fair value through profit and loss:

	June 30, 2018 *RMB'000* **(Unaudited)**
Within 1 year (including 1 year)	**5,483,749**
1 to 2 years (including 2 years)	**569,379**
2 to 5 years (including 5 years)	**3,962,601**
	10,015,729

Remaining period at the reporting date to the contractual maturity date of loans to customers at fair value through profit and loss:

	June 30, 2018 *RMB'000* **(Unaudited)**
Overdue	**355,676**
Within 1 year (including 1 year)	**5,755,604**
1 to 2 years (including 2 years)	**1,395,872**
2 to 5 years (including 5 years)	**2,508,577**
	10,015,729

16 Contract assets

The Group uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of the different deliverables as the basis for allocation. The service fee allocated to loan facilitation is recognized as revenue upon execution of loan agreements between investors and borrowers. When the fee allocated to the loan facilitation service is more than the cash received, a "Contract Asset" was recognized as follows:

	June 30, 2018 *RMB'000* **(Unaudited)**	December 31, 2017 *RMB'000* (Audited)
Contract assets	**96,995**	108,791
Less: Impairment allowances	**(27,109)**	(9,946)
Contract assets, net	**69,886**	98,845

For the six months ended June 30, 2018

16 Contract assets (continued)

The activities in the total loss allowance for the six months ended June 30, 2017 and 2018 consisted of the following:

	For the six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening balance	**(9,946)**	(3,981)
Changes on initial application of IFRS 9	**(14,990)**	N/A
Provisions for the period	**(2,775)**	(5,207)
Write-off	**602**	2,051
Ending balance	**(27,109)**	(7,137)

Note: The Group receives upfront payments from borrowers at loan inception and subsequent payments over the term of the loan. Contract asset represents the Group's right to consideration in exchange for services that the Group has provided. A substantial majority of the Group's contract assets as at June 30, 2018 would be realized within the next 12 months as the weighted average term of the arrangements where the Group is not the loan originator were less than 12 months. The Group determined there is no significant financing component for its arrangements where the Group is not the loan originator.

17 Guarantee receivables and guarantee liabilities

	June 30, 2018	December 31, 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Guarantee receivables	**202,894**	133,138
Less: Impairment allowances	**(40,131)**	(3,065)
Guarantee receivables, net	**162,763**	130,073

For the six months ended June 30, 2018

17 Guarantee receivables and guarantee liabilities (continued)

A summary of the Group's guarantee receivables movement is presented below:

	For the six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Guarantee receivables		
Opening balance	**130,073**	23,681
Changes on initial application of IFRS 9	**(15,209)**	N/A
Addition arising from new business	**198,122**	22,686
Impairment losses	**N/A**	(1,444)
Expected credit losses	**(23,170)**	N/A
Reversal due to early repayment	**(23,893)**	(4,324)
Payment received from borrowers	**(103,160)**	(7,763)
Ending balance	**162,763**	32,836

The activities in the total loss allowance for the six months ended June 30, 2017 and 2018 consisted of the following:

	For the six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening balance	**(3,065)**	(872)
Changes on initial application of IFRS 9	**(15,209)**	N/A
Provisions for the period	**(23,170)**	(1,444)
Write-offs	**1,313**	487
Ending balance	**(40,131)**	(1,829)

For the six months ended June 30, 2018

17 Guarantee receivables and guarantee liabilities (continued)

A summary of the Group's guarantee liabilities movement activities is presented below:

	For the six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Guarantee liabilities		
Opening balance	**169,553**	31,276
Changes on initial application of IFRS 9	**65,299**	N/A
Addition arising from new business	**198,122**	22,686
Release of the margin	**(11,538)**	(133)
Expected credit losses	**84,701**	N/A
Payouts during the period, net	**(323,293)**	(2,186)
Ending balance	**182,844**	51,643

18 Investments accounted for using the equity method

The following table sets forth the movement of Group's investments accounted for using the equity method:

	For the six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening balance	**30,784**	17,152
Share of net loss	**(4,082)**	(4,002)
Translation difference	**(650)**	—
Ending balance	**26,052**	13,150

For the six months ended June 30, 2018

19 Other assets

	June 30, 2018 ***RMB'000*** **(Unaudited)**	December 31, 2017 *RMB'000* (Audited)
Security deposits in financial institutions	**175,918**	145,544
Prepaid expense	**167,215**	55,399
Due from business partners	**118,842**	49,205
Rental deposits	**13,263**	10,354
Funds held in third party payment companies	**1,666**	72,241
Due from related parties	**—**	142,494
Other deposits and receivables	**4,966**	40,581
Less: Impairment allowances	**(4,176)**	(8,222)
Other assets, net	**477,694**	507,596

20 Borrowings

	June 30, 2018 ***RMB'000*** **(Unaudited)**	December 31, 2017 *RMB'000* (Audited)
Payable to holders of trust plans and asset management plans	**7,630,057**	9,411,228
Borrowings from corporations	**1,292,826**	1,109,440
Borrowings from individuals	**254,758**	540,532
Bank borrowings	**1,308**	1,933
	9,178,949	11,063,133
Denominated in:		
RMB	**8,617,765**	10,245,161
HKD	**544,643**	801,636
USD	**16,541**	16,336
	9,178,949	11,063,133

For the six months ended June 30, 2018

20 Borrowings (continued)

Security of borrowings

	June 30, 2018 RMB'000 (Unaudited)	December 31, 2017 RMB'000 (Audited)
Secured		
Bank borrowings	1,308	1,933
Unsecured		
Payable to holders of trust plans and asset management plans	7,630,057	9,411,228
Borrowings from corporations	1,292,826	1,109,440
Borrowings from Individuals	254,758	540,532
	9,178,949	11,063,133

Effective interest rates of borrowings

	June 30, 2018	December 31, 2017
Payable to holders of trust plans and asset management plans	7.00%~15.00%	6.00%~15.00%
Borrowings from corporations	10.00%~10.50%	10.00%
Borrowings from Individuals	10.00%	10.00%
Bank borrowings	6.18%	6.18%

Contractual maturities of borrowings

	June 30, 2018	December 31, 2017
Within 1 year	5,095,738	5,376,867
Between 1 and 2 years	4,081,903	5,684,333
Between 2 and 5 years	1,308	1,933
	9,178,949	11,063,133

For the six months ended June 30, 2018

21 Convertible redeemable preferred shares

The movement of the convertible redeemable preferred shares is set out as below:

	RMB'000
(Unaudited)	
At January 1, 2017	1,560,194
Changes in fair value of convertible redeemable preferred shares	406,453
Currency translation differences	(42,209)
At June 30, 2017	1,924,438
(Unaudited)	
At January 1, 2018	3,042,173
Changes in fair value of convertible redeemable preferred shares	1,047,156
Change in fair value attributable to change in the credit risk of financial liability designated at FVPL	14,109
Currency translation differences	(11,495)
Convert to ordinary shares	(4,091,943)
At June 30, 2018	—

Upon the completion of IPO on June 21, 2018, all the convertible redeemable preferred shares were automatically converted to ordinary shares. All preference rights entitled to the preferred shares holders lapsed. There was no further fair value change charged to profit or loss thereafter.

22 Other liabilities

	June 30, 2018 *RMB'000* **(Unaudited)**	December 31, 2017 *RMB'000* (Audited)
Security deposits collected from borrowers	**101,230**	125,313
Listing fee payable	**87,748**	8,099
Advance from customers	**56,846**	—
Due to business partners	**48,477**	4,603
Accrued service fees	**44,617**	153,604
Employee benefit liability	**43,523**	76,848
Interest payable	**39,937**	43,149
Due to financial institutions	**10,616**	12,040
Due to related parties	**—**	2,394
Others	**11,929**	14,057
	444,923	440,107

For the six months ended June 30, 2018

23 Share capital and share premium

	Number of Ordinary shares *Shares'000*	Share capital *RMB'000*	Share premium *RMB'000*
(Unaudited)			
At January 1, 2017	142,857	257,985	—
At June 30, 2017	142,857	257,985	—
At January 1, 2018	180,705	394,462	—
Change on initial application of par value	—	(379,823)	379,823
Shares issued upon Initial Public Offering	68,572	5,656	1,036,588
Conversion of preferred shares to ordinary shares	248,027	20,460	4,071,483
At June 30, 2018	497,304	40,755	5,487,894

24 Share-based payments

Pre-IPO share option schemes

The Board of the Group approved the establishment of three pre-IPO share option schemes respectively on March 1, 2016 (the "2016 ESOP") and March 1, 2018 (the "2017 ESOP I" and the "2017 ESOP II", together with the 2016 ESOP, the "Pre-IPO Share Option Schemes"). The purpose of the Pre-IPO Share Option Schemes is to provide an incentive for the key employees, directors and consultants of the Group or such other employees to continue and improve their services with the Group and to improve the operating efficiency of the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The overall limit on the number of underlying Shares which may be issued pursuant to each of the Pre-IPO Share Option Schemes are shown in the table below.

Pre-IPO Share Option Schemes	Number of Shares issuable under each pre-IPO share option scheme
2016 ESOP	20,932,502
2017 ESOP I	46,516,997
2017 ESOP II	158,507,724

The granted options have a contractual maximum option period of five years and the exercise prices are US$0.8735, US$1.6123 and US$1.6123 per share for 2016 ESOP, 2017 ESOP I and 2017 ESOP II, respectively.

For the six months ended June 30, 2018

24 Share-based payments (continued)

Pre-IPO share option schemes (continued)

Except as provided otherwise in the grant letters or offered in any other form by the Board, the vesting dates and proportion of shares that will vest on each vesting date are shown in the table below.

	Vesting date	Proportion of shares
2016 ESOP	December 31, 2016	One-third
	December 31, 2017	One-third
	December 31, 2018	One-third
2017 ESOP I and 2017 ESOP II	May 9, 2019	One-third
	May 9, 2020	One-third
	May 9, 2021	One-third

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Exercise Price in US$ per Share Option			Number of Share Options ('000)		
	2016 ESOP	2017 ESOP I	2017 ESOP II (i)	2016 ESOP	2017 ESOP I	2017 ESOP II (i)
(Unaudited)						
Outstanding balance as at January 1, 2018	0.8735	—	—	20,933	—	—
Granted	—	1.6123	1.6123	—	46,517	158,508
Lapsed	—	—	—	—	—	(132,393)
Outstanding balance as at June 30, 2018	0.8735	1.6123	1.6123	20,933	46,517	26,115

(i) Share options granted under the 2017 ESOP II are divided into three tranches, being Series A, Series B and Series C options, representing a total of 26,114,819 Shares, 29,016,466 Shares and 103,376,439 Shares, respectively. Each tranche of the options granted under the 2017 ESOP II shall vest upon the pre-listing market capitalization of the Group, immediately prior to listing of the Group on June 21, 2018 ("Listing"), meeting specified thresholds. Series A, series B and series C options shall vest if the pre-listing market capitalization of the Group immediately prior to Listing exceeds US$1.2 billion, US$1.6 billion and US$2.4 billion respectively. Such pre-listing market capitalization is calculated with reference to, among other things, the final Offer Price, the number of Shares in issue and the number of Shares to be issued pursuant to the exercise of the 2016 ESOP and 2017 ESOP I. Based on the Offer Price of HK$20.00 per Offer Share, the series B and series C options granted pursuant to the 2017 ESOP II was lapsed upon Listing.

For the six months ended June 30, 2018

24 Share-based payments (continued)

Fair value of share options granted under the Pre-IPO share option schemes

The Group estimated the risk-free interest rate based on the yield of US treasury bond with a maturity life equal to the option life of the share option. Volatility was estimated at the grant date based on average of historical volatilities of comparable companies with term commensurate with the time to maturity of the share option. Dividend yield, exercise multiple and post-vesting forfeiture rate are based on management estimation at the grant date.

Based on fair value of the underlying ordinary share, the Group has used Binomial option-pricing model to determine the fair value of the share options as at the grant date. The weighted average fair values of 2017 ESOP I and 2017 ESOP II granted on May 2018 were US$0.5041 per option. Key assumptions are set as below:

	May 2018
Option life (years)	5
Risk-free Interest rate	2.83%
Volatility	40.36%
Dividend yield	—

25 Commitments and contingencies

Capital commitments

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

	June 30, 2018 *RMB'000* **(Unaudited)**	December 31, 2017 *RMB'000* (Audited)
Within 1 year (including 1 year)	**40,077**	48,099
1 to 2 years (including 2 years)	**22,848**	29,869
Over 2 years	**10,518**	6,858
	73,443	84,826

Contingencies

The Group did not have any significant contingent liabilities as of June 30, 2018.

For the six months ended June 30, 2018

26 Consolidated structured entities

The Group has consolidated certain structured entities which are primarily trust plans and asset management plans. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those trust plans where the Group provides financial guarantee, the Group therefore has obligation to fund the losses, if any, in accordance with the guarantee agreements although the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

As at June 30, 2018, the trust plans and asset management plans consolidated by the Group amounted to RMB10.14 billion (December 31, 2017: RMB11.84 billion).

Interests held by other interest holders are included in payable to holders of trust plans and asset management plans.

27 Subsequent events

Pursuant to the partial exercise of the over-allotment option by the joint global coordinators of the IPO, the Company allotted and issued an additional 3,810,000 shares at the offer price of HK$20 per share, and raised funds of HK$ 73,908,132.60 on July 19, 2018.

On behalf of the Board
Ma Ting Hung
Chairman

Hong Kong, September 28, 2018