VCREDIT Holdings Limited
維信金科控股有限公司

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

Stock Code: 2003

INTERIM REPORT 2019

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. Chen Derek
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

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PRINCIPAL PLACE OF BUSINESS IN PRC

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88 North Sichuan Road
Shanghai 200085
PRC

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 54, Hopewell Centre
183 Queen's Road East, Hong Kong

HONG KONG LEGAL ADVISER

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 ADVISER

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,

It is my pleasure to report a solid business performance by VCREDIT Holdings Limited for the six months ended June 30, 2019, as we carry out our planned strategies to remain a dedicated technology — driven practitioner at the forefront of the inclusive consumer finance market in China. With the disposal of our legacy online to offline business platform in the second half of 2018, we have refined our business strategies, product range and offering, organizational structure and talent pool to complete our transformation and move our operations onto a pure online consumer finance platform founded on a three-pillar long-term strategy centered on growth, efficiency and talent. Over the past three quarters, we have focused our resources on our online business and we have already begun to see a significant return on our business and performance.

OPERATIONAL PERFORMANCE

As demonstrated by our strong operational performance in the first half of 2019, we have been successfully executing our business strategies by driving growth from a pure online consumer finance platform supported by leading edge technology and technology — driven data integration and analytics, allied with a shift in focus from direct lending and trust lending structures to credit-enhanced loan facilitation structure.

As the Chinese online consumer lending market, especially servicing borrowers underserved by traditional financial institutions, contracted during the first half of 2019 with the number of P2P lending platforms dropping significantly during the period, we have seen the opening up of opportunities that allows us as a non-P2P company to attract selected borrowers previously loyal to other platforms and increase our customer base and market share. We have therefore been prioritizing the expansion of our customer base by increasing our efforts on customer acquisition through the adoption of advanced targeted marketing algorithms. Hence, we have been able to effectively expand our cumulative registered users base by 30.4% to 69.7 million customers year-on-year during the period.

To improve our services and customer experience, we have also streamlined our customer categorizations and corresponding product offerings. Our loan origination volume for the first half of 2019 was RMB14,402.9 million, growing 49.6% as compared to the same period last year and representing a 29.4% increase from loan origination volume of RMB11,129.7 million for the second half of 2018.

Of equal importance to supporting the growth of our business is our sustainable and scalable funding. In promoting technology-based inclusive consumer finance in China, we have also continued to cultivate and foster long-term funding partnerships with licensed financial institutions. The source of our funding differentiates us from many of our online competitors and places us on a better footing to deal with the challenges of recent regulatory changes and regulatory uncertainties. In the first half of 2019, we successfully connected 8 new funding partnerships, bringing the total number of our licensed financial institution funding partners to 38. The majority of our incremental funding partnerships are with banks and licensed consumer finance companies. Our funding partners are supportive of and recognize mutual benefits from our strategic initiative into servicing consumer finance needs with credit-enhanced and pure loan facilitation structure. The total loan origination volume consummated through credit-enhanced and pure loan facilitation structures amounted to RMB9,130.6 million or 63.4% of total loan origination volume in the first half of 2019, representing a RMB6,734.5 million increase in amount and 38.5% increase in loan origination volume contribution respectively, as compared to that for the period ended June 30, 2018.

Talent acquisition and retention is a strategic priority. During the period, our Chief Risk Officer, Mr. Luo Sheng, retired and has been succeeded by Mr. Ethan Gong. Mr. Gong comes with extensive experience in consumer lending risk managements having spent 10 years at Capital One in the US before returning to China to spearhead risk management at two independent consumer finance lenders during the past 3 years.

Our performance for the first six months of 2019 has been achieved without any compromise in our asset quality. Our M3+ ratios flattened during the period against a relatively flat total average outstanding loan balance of around RMB14,784.8 million. Cumulative life-cycle credit losses for recent vintages have come at expected levels, indicating the effectiveness of our latest credit policies. Overall first payment delinquency ratio increased slightly in the past six months, hovering around the 2.0% level, consistent with our latest product strategies as the mix of shorter tenor products, whose first payment delinquency ratios tend to be higher, are taken into greater account.

FINANCIAL PERFORMANCE

Our total income saw a year-on-year increase of 46.4% to RMB1,860.2 million in the first half of 2019. The surge in total income during the period was directly attributable to the growth in loan origination volume through our credit-enhanced and pure loan facilitation business and corresponding increase in loan facilitation service fees which soared by 901.9% to RMB572.9 million. Our total interest type income from direct lending and trust lending structures decreased by RMB417.1 million during the period, in line with the shift in our business strategy from direct lending and trust lending structures to credit-enhanced loan facilitation structure.

To aid our overall financial performance, we are committed to continuously improving our operating efficiencies. Our operating expenses, excluding share-based compensation expenses and non-recurring items, decreased 11.1% to RMB449.9 million during the period. As a result, our Non-IFRS Adjusted Operating Profit and Non-IFRS Adjusted Net Profit for the six months ended June 30, 2019 rose 31.8% and 101.6% to RMB244.0 million and RMB192.8 million, respectively, as compared to that for the period ended June 30, 2018.

To further strengthen our capitalization, expand our institutionalized funding sources and fund our business and operations, we successfully issued US$100 million 11.0% senior notes due 2021, which are listed on The Stock Exchange of Hong Kong Limited, in June 2019.

OUTLOOK AND STRATEGIES

The regulatory environment has been stable during the first half of 2019, which helped our operations. More consistent messaging and action has been emanating from state and local government agencies and regulators in different regions providing less uncertainty to the regulation of the consumer lending sector. The ongoing orderly exits of P2P platforms and clean-up of unlawful activities, such as abuse of privacy and questionable debt collection practices, among unqualified consumer lenders by the government have started showing benefits. Borrowers are becoming better educated and aware of the need for and the benefits of clean or good PBOC credit histories and records and of their responsibility for repaying loans. Market consolidation among the leading players in the Chinese consumer finance market is taking place, especially those targeting borrowers underserved by traditional financial institutions. We will continue to monitor and refine and adapt our business strategies as necessary to respond to market developments and challenges in a sustainable manner, whilst continuing to deliver growth and profitability. With the regulatory framework heading into the next phase with the launch of "regulation pilot programs" expected in Q4 2019 as indicated in the notes from the latest central government-level working meeting, we are confident in our ability to continue to evolve and further execute our business strategies and capture opportunities as the consumer finance industry transforms.

Our management remains optimistic about the market potential of consumer finance in China and we are committed to further improve from our encouraging performance achieved during the period. We believe that, as we continue executing our strategies with our vision and aspiration, we are poised to unlock long term and sustainable value for all our stakeholders.

Sincerely,

Liu Sai Wang Stephen
Executive Director and Chief Executive Officer

Shanghai, August 22, 2019

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		
	2019	2018	Change
	RMB million	*RMB million*	
Total income	**1,860.2**	1,270.6	46.4%
Interest type income	**1,152.6**	1,569.8	-26.6%
Less: Interest expenses	**(395.9)**	(514.0)	-23.0%
Loan facilitation service fees	**572.9**	57.2	901.9%
Other income	**530.6**	157.6	236.7%
Operating Profit	**57.4**	76.4	-24.9%
Net Profit/(Loss)	**6.2**	(1,010.4)	—
Non-IFRS Adjusted Operating Profit(1)	**244.0**	185.1	31.8%
Non-IFRS Adjusted Net Profit(2)	**192.8**	95.6	101.6%

Notes:

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

(2) Non-IFRS Adjusted Net Profit is defined as profit for the period with fair value loss 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".

BUSINESS REVIEW AND OUTLOOK

Over the past decade, VCREDIT Holdings Limited (the "**Company**", together with its subsidiaries the "**Group**") has grown to become a leading independent player at the forefront of China's consumer finance industry. With a conscious focus on accessibility and inclusivity, and through the application of our proprietary credit risk assessment and management technology, we have gained invaluable experiences serving borrowers underserved by traditional financial institutions. The tremendous growth in mobile internet and corresponding big data explosion have also prompted our transformation into a pure online consumer finance provider offering an unparalleled user experience. We are positioned with the fundamental belief that the convergence of technology, data analytics and mobile internet is integral to consumer finance going forward in China.

Increased government regulations in recent years have caused periodic disruption to the consumer finance sector in China and prompted many of its industry players to undergo business model legitimization. Whilst these regulatory changes have created temporary challenges for our business such as tightening liquidity, fluctuating asset quality, etc., we have nevertheless been able to weather these new regulations as our overall group structure and business strategy differ to many of our competitors given our long-standing partnerships with licensed financial institutions. Our experience from these recent industry events has affirmed our perseverance on institutional funding as being a key strength to the integrity and sustainability of our business. We will continue cultivating and fostering additional cooperation with like-minded financial institutions and further strengthen our relationships with existing funding partners, some of whom are long-standing partners, by developing greater risk sharing collaborations for our mutual benefit.

As China's technological progression advances and in certain key areas has become increasingly cutting-edge, the scale of our consumer outreach capabilities is also expanding exponentially. We encourage our talent base to constantly push these boundaries, further innovate and set the curve for technological development, to benefit and improve our business and operations, and more importantly, our range of products and offerings for our customers. Our revolutionary, state of the art credit scoring system allows us to tailor each user's experience precisely with their unique backgrounds and needs, pairing multi-dimensional factors of each borrower profile with those of our licensed institutional funding partners through sustainable and scalable funding structures, which is key to our business and its sustainability.

We have also become a SaaS (Software-as-a-Service) provider of risk management systems for several funding partners. By connecting various engines in the *Hummingbird system* (scorecard, anti-fraud, etc.) with the SaaS clients' information technology system using API (Application Programming Interface), we have empowered them to enhance their risk management and compliance capability. Such cooperation has strengthened and deepened our collaboration and relationship with our existing funding partners and as a result allowed us together with our funding partners to better serve our customers.

Business Highlights

We witnessed robust growth and completed our transformation into a pure online consumer finance business during the six months ended June 30, 2019 (the "**Period**").

Our products have continued to flourish as they undergo continuous refinements from our highly automated and intelligent credit and risk management system, whilst newly established targeted customer acquisition algorithms have been deployed to extend our customer reachability and efficiency, all of which have allowed us to increase customer acquisition and nationwide recognition.

Through technological advancements and our open platform approach, and together with our funding partners, we believe we have successfully improved the range, efficiency and quality of consumer financing and expanded the inclusivity of credit access. Since the beginning of 2019, we have established mutually beneficial cooperations with 15 new institutional partners, including a strategic agreement with a national joint-stock commercial bank, aimed at expanding our intelligent consumer finance ecosystem. At the same time, we have maintained our cooperative relationships with 30 existing licensed institutional funding partners. Moreover, we have begun to establish strategic cooperation agreements with third-party guarantee institutions which will allow us greater flexibility in working with licensed financial institutions and is a testimony of our origination and risk management capabilities in the market.

In the first six months of 2019, we have built upon our cooperation with China Telecom Corporation Limited (中國電信股份有限公司) ("**China Telecom**") by enlarging our installment loan product offerings to their customers, a major contributing factor to our increased loan origination volume of RMB468.2 million for the Period (RMB150.0 million for the whole year of 2018).

Through our collaboration with China Telecom, we provide coverage to their customers located across 25 different provinces and 228 cities who are in need of mobile phones, but lack the financing power to purchase them.

In June 2019, we began a strategic investment with Chengdu Financial DreamWorks Investment Management Co., Ltd., ("**Chengdu Financial DreamWorks**") pursuant to which we and Chengdu Financial DreamWorks will establish VCREDIT Jiaozi Digital Technology Co., Ltd. ("**VCREDIT Jiaozi**") in Chengdu, China. Chengdu Financial DreamWorks is the first financial technology creation space designed to serve small and medium sized micro-finance enterprises, and was established with the support of the Chengdu Municipal Party Committee and Government and the Chengdu Branch of the People's Bank of China. VCREDIT Jiaozi will be market-oriented and tailored to serve traditional financial institutions by providing financial services technology aimed at enhancing these institutions' risk prevention and artificial intelligence capabilities. Our fintech product offers an all-in-one solution for data collection, third party data integration, machine learning, business intelligence analytics and model building. With the insightful financial information (credit scores, risk control reports, etc.) provided through our technology, financial institutions that partner with us are able to lower their customer acquisition costs and improve the operating efficiency of their SME (small and medium enterprises) lending, consumer credit lending and agricultural related lending businesses. VCREDIT Jiaozi will help building and be part of a new ecosystem of financial technology and promote the rapid and quality development of the financial center in Western China.

To further strengthen our capitalization and expand our institutionalized funding sources and fund our business and operations, we successfully launched and completed the issue of US$100 million 11.0% senior notes due 2021 (the "**Senior Notes**"), which are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), in June 2019.

Operating Highlights

Products and Services

We primarily offer two credit products through our pure online loan origination processes: (1) credit cards balance transfer products, and (2) consumption credit products, both of which are installment-based. For the Period, the average term of our credit products was approximately 9 months, the average loan size was approximately RMB7,796 and the average APR(1) was approximately 24.4%.

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. Our consumption credit products provide consumers with a variety of installment credit solutions tailored to their specific user cases. Credit card balance transfer products and consumption credit products are both purely originated and assessed online through an automated process utilizing our proprietary *Hummingbird system*.

Note:

(1) 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.

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

	Six months ended June 30,			
	2019		2018	
Number of Transactions	***'000***	**%**	*'000*	%
Credit card balance transfer products	**592**	**32.1%**	376	35.1%
Consumption credit products	**1,255**	**67.9%**	681	63.5%
Online-to-offline credit products	**—**	**—**	15	1.4%
Total	**1,847**	**100.0%**	1,072	100.0%

	Six months ended June 30,			
	2019		2018	
Loan Origination Volume	***RMB million***	**%**	*RMB million*	%
Credit card balance transfer products	**6,663.7**	**46.3%**	6,136.3	63.7%
Consumption credit products	**7,739.2**	**53.7%**	1,663.4	17.3%
Online-to-offline credit products	**—**	**—**	1,826.8	19.0%
Total	**14,402.9**	**100.0%**	9,626.5	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,			
	2019		2018	
Loan Origination Volume	***RMB million***	**%**	*RMB million*	%
Direct lending	**215.4**	**1.5%**	894.7	9.3%
Trust lending	**5,056.9**	**35.1%**	6,335.7	65.8%
Credit-enhanced loan facilitation	**7,757.5**	**53.9%**	2,319.0	24.1%
Pure loan facilitation	**1,373.1**	**9.5%**	77.1	0.8%
Total	**14,402.9**	**100.0%**	9,626.5	100.0%

Out of all the loans originated by us, the outstanding loan principal calculated using amortization schedule is defined as outstanding balance of loans to customers. The table below sets forth the breakdown of outstanding balance of loans to customers by product line as of the dates indicated.

	As of June 30, 2019		As of December 31, 2018	
Outstanding Balance of Loans to Customers	***RMB million***	**%**	*RMB million*	%
Credit card balance transfer products	**6,400.8**	**40.6%**	6,881.5	49.9%
Consumption credit products	**6,496.5**	**41.2%**	2,629.4	19.0%
Online-to-offline credit products	**2,875.8**	**18.2%**	4,285.5	31.1%
Total	**15,773.1**	**100.0%**	13,796.4	100.0%

Asset Quality

We from time to time update our customer segmentation methodologies in underwriting to include more effective risk-based pricing and more prudent credit limit assignments based on prevailing market environment. Additionally, we incorporate industry leading practices as exhibited by the recent adoption of customer level, account level, risk monitoring and decisioning frameworks. Our M3+ ratios flattened during the Period against a relatively flat total average outstanding balance of around RMB14,784.8 million during the Period. Cumulative life-cycle credit losses for recent vintages have come in at expected levels against the backdrop of loan volume expansion, indicating the effectiveness of our latest credit policies. Overall first payment delinquency ratio increased slightly in the latest quarter of the Period hovering around the 2.0% level, which is consistent with our latest product strategies having a higher mix of shorter tenor products, which tend to have higher first payment delinquency ratios. Excluding the shorter tenor products, the first payment delinquency ratios were well below 2.0% from the last quarter of 2018 through the first and second quarters of 2019. We believe an ongoing overall first payment delinquency ratio of about 2.0% is sustainable at our current growth pace.

	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	**2019Q1**	**2019Q2**
First payment delinquency ratio[(1)]	1.8%	3.1%	1.5%	1.6%	1.7%	1.6%	**1.7%**	**2.1%**
M1-M3 ratio[(2)]	1.7%	2.4%	6.2%	4.5%	3.7%	3.5%	**3.9%**	**3.6%**
M3+ ratio[(3)]	2.8%	3.0%	4.8%	7.7%	6.2%	5.0%	**5.0%**	**4.7%**

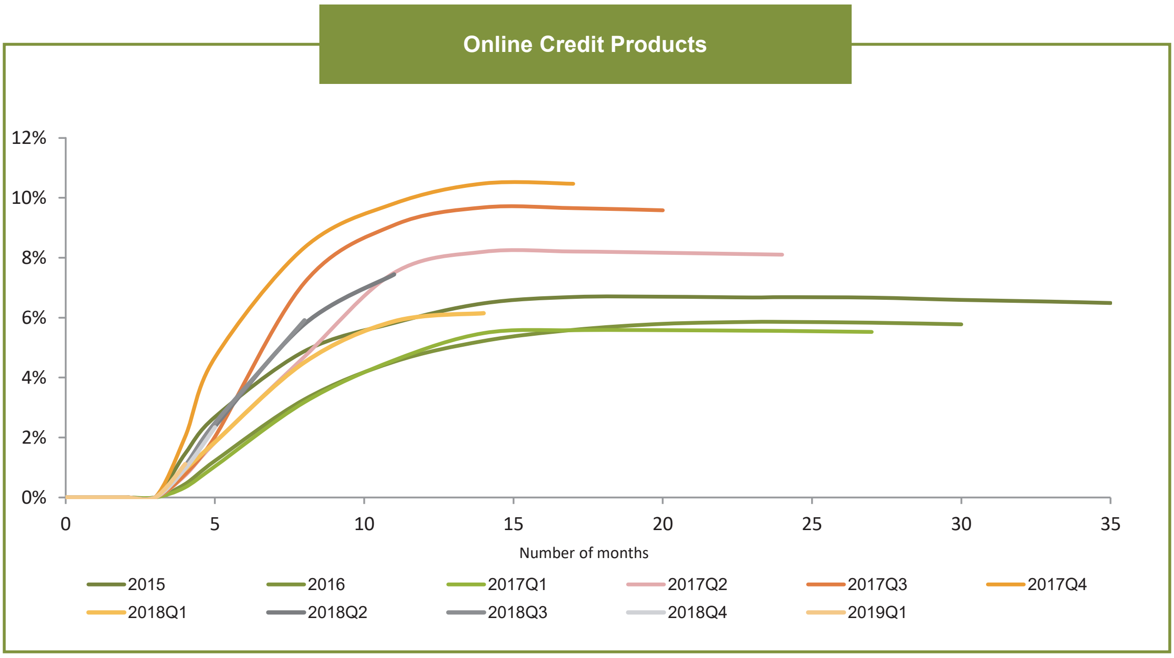
Notes:

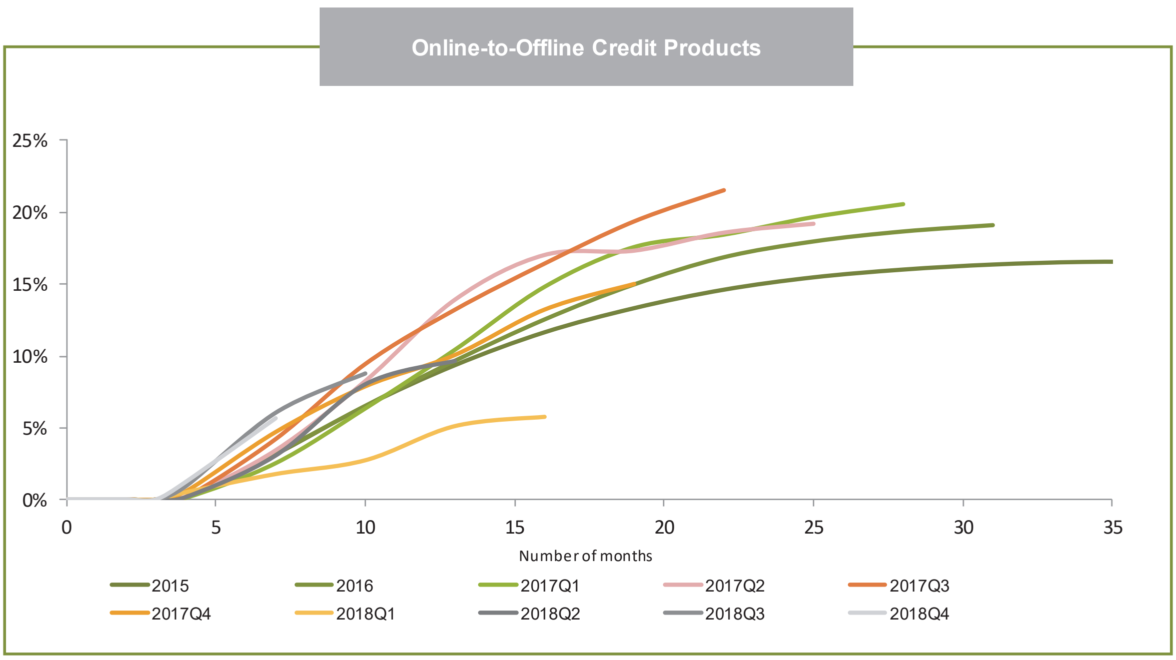
(1) First payment delinquency ratio is defined as the total balance of outstanding principal amount of the loans we originated in the applicable period that were delinquent on their first payment due dates divided by the aggregate loan origination volume in that period.

(2) M1–M3 ratio is calculated by dividing (i) the outstanding balance of loans which have been delinquent up to 3 months, by (ii) the total outstanding balance of loans to customers.

(3) M3+ ratio is calculated by dividing (i) the outstanding balance of loans which have been delinquent for more than 3 months and have not been written off by (ii) the total outstanding balance of loans to customers.

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





Note:

(1) Cohort-Based M3+ Delinquency Ratios is defined as (i) the total amount of principal for all the loans in a vintage that have become delinquent for more than 3 months, less (ii) the total amount of recovered past due principal, and then divided by (iii) the total amount of initial principal for all loans in such vintage.

Outlook and Strategies

We are committed to further building and expanding our online consumer finance business and our product offering to better serve our borrowers, funding partners and business partners, as well as to bring value to our shareholders. Therefore, moving forward, we intend to execute the following strategies to maintain our leading market position:

- Further develop our risk-based pricing technology capabilities
- Expand our borrower base by enriching our tailored product offerings
- Increase value proposition to our existing borrowers
- Continue to invest in research and development to improve our risk management capability
- Continue the development of an AI (artificial intelligence) platform for our customer service department and collection department to standardize our process in the long-run
- Strength compliance under changing regulatory environment

Total Income

We derive our total income through (i) net interest type income, (ii) loan facilitation service fees, and (iii) other income. Our total income increased by 46.4% to RMB1,860.2 million for the six months ended June 30, 2019, compared to RMB1,270.6 million for the six months ended June 30, 2018, 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,	
	2019	2018
Net Interest Type Income	***RMB'000***	*RMB'000*
Interest type income	**1,152,633**	1,569,770
Less: interest expenses	**(395,939)**	(513,956)
Total	**756,694**	1,055,814

For the Period, we recorded interest type income of RMB1,152.6 million, which was generated from the outstanding balance of loans to customers originated under direct lending and trust lending structures. The decrease in interest type income, compared to RMB1,569.8 million for the six months ended June 30, 2018, was primarily due to the shift to the credit-enhanced loan facilitation funding structure. The outstanding balance of on-balance sheet loans as of June 30, 2019 was RMB7,749.5 million, a decrease of 16.7%, compared to RMB9,308.3 million as of June 30, 2018. The decrease in the outstanding balance of on-balance sheet loans primarily resulted from: (i) the shift of focus from direct and trust lending structure to credit-enhanced loan facilitation structure; and (ii) the shortened average loan tenor as we transform into a pure online business. Interest expenses decreased by 23.0% to RMB395.9 million for the six months ended June 30, 2019, compared to RMB514.0 million for the six months ended June 30, 2018. The decrease in interest expenses primarily resulted from the decrease in the average borrowing balance during the Period.

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,			
	2019		2018	
Interest Type Income	***RMB'000***	**%**	*RMB'000*	%
Credit card balance transfer products	**387,034**	**33.6%**	574,536	36.6%
Consumption credit products	**443,774**	**38.5%**	427,948	27.3%
Online-to-offline credit products	**321,825**	**27.9%**	567,286	36.1%
Total	**1,152,633**	**100.0%**	1,569,770	100.0%

Loan Facilitation Service Fees

Loan facilitation service fees increased by 901.9% to RMB572.9 million for the six months ended June 30, 2019, compared to RMB57.2 million for the six months ended June 30, 2018. The increase in loan facilitation service fees 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 by 234.5% to RMB7,757.5 million for the six months ended June 30, 2019, compared to RMB2,319.0 million for the six months ended June 30, 2018. 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,	
	2019	2018
Loan Facilitation Service Fees	***RMB'000***	*RMB'000*
Credit-enhanced loan facilitation	**516,834**	55,189
Pure loan facilitation	**56,031**	1,991
Total	**572,865**	57,180

For the Period, the upfront loan facilitation service fees increased RMB494.2 million to RMB535.0 million, compared to RMB40.8 million for the corresponding period ended June 30, 2018. The following table sets forth the allocation of our loan facilitation service fees for the periods indicated.

	Six months ended June 30,	
	2019	2018
Loan Facilitation Service Fees	***RMB'000***	*RMB'000*
Upfront loan facilitation service fees	**534,996**	40,848
Post loan facilitation service fees	**37,869**	16,332
Total	**572,865**	57,180

Other Income

Other income increased by 236.7% to RMB530.6 million for the six months ended June 30, 2019, compared to RMB157.6 million for the six months ended June 30, 2018. The increase in other income was primarily due to an increase in referral fees resulting from our enhanced efforts in cooperating with our business partners and offering cross-selling opportunities. The following table sets forth a breakdown of our other income for the periods indicated.

	Six months ended June 30,	
	2019	2018
Other Income	***RMB'000***	*RMB'000*
Membership fees and referral fees	**500,525**	70,128
Penalty and service charges	**125,094**	113,601
Losses from guarantee	**(116,192)**	(73,163)
Others	**21,233**	47,025
Total	**530,660**	157,591

Expenses

Origination and Servicing Expenses

Our origination and servicing expenses decreased by 5.9% to RMB276.0 million for the six months ended June 30, 2019 in comparison to RMB293.2 million for the six months ended June 30, 2018, due to (i) the disposal of our O2O (online-to-offline) Business Platform in the second half of 2018, our employee benefit expenses decreased substantially and (ii) the increase of loan origination and servicing expenses during the Period in order to expand the customer base through an increased overall loan origination volume.

Sales and Marketing Expenses

Our sales and marketing expenses decreased by 55.5% to RMB45.4 million for the six months ended June 30, 2019, compared to RMB102.0 million for the six months ended June 30, 2018, which primarily resulted from precision marketing strategies in acquiring borrowers thus enhancing efficiency and reducing costs.

General and Administrative Expenses

Our general and administrative expenses increased by 47.4% to RMB274.0 million for the six months ended June 30, 2019, compared to RMB185.9 million for the six months ended June 30, 2018, primarily due to an increase in personnel related expenses which include share-based compensation of RMB186.6 million for the six months ended June 30, 2019, compared to RMB58.8 million for the six months ended June 30, 2018.

Research and Development Expenses

Our research and development expenses increased by 22.5% to RMB41.1 million for the six months ended June 30, 2019, compared to RMB33.5 million for the six months ended June 30, 2018, primarily due to an increase in employee benefit expenses.

Operating Profit

Operating profit was RMB57.4 million for the six months ended June 30, 2019, compared to RMB76.4 million for the six months ended June 30, 2018, mainly due to an increase in share-based compensation expenses.

Net Profit/(Loss)

Net profit was RMB6.2 million for the six months ended June 30, 2019, compared to a net loss of RMB1,010.4 million for the six months ended June 30, 2018, mainly due to no more fair value loss of convertible redeemable preferred shares in 2019.

Non-IFRS Adjusted Operating Profit

Our Non-IFRS adjusted operating profit increased by 31.8% to RMB244.0 million for the six months ended June 30, 2019, compared to RMB185.1 million for the six months ended June 30, 2018, primarily due to our effective growth strategies and streamlining of the business thanks to our constant push in technology implementation and advancements in our operations. We have therefore successfully achieved greater operation efficiencies in all aspects of our business.

Non-IFRS Adjusted Net Profit

Our Non-IFRS adjusted net profit increased by 101.6% to RMB192.8 million for the six months ended June 30, 2019, compared to RMB95.6 million for the six months ended June 30, 2018, which is in line with our Non-IFRS adjusted operating profit.

Non-IFRS Measures

To supplement our historical financial information, which are presented in accordance with International Financial Reporting Standards ("**IFRS**"), we also use Non-IFRS adjusted operating profit and Non-IFRS 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 Non-IFRS adjusted operating profit and Non-IFRS 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 should not be considered 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,	
	2019	2018
	RMB'000	*RMB'000*
Operating Profit	**57,363**	76,372
Add:		
Share-based compensation expenses	**186,606**	58,825
Listing expenses	**—**	49,870
Non-IFRS Adjusted Operating Profit	**243,969**	185,067
Non-IFRS Adjusted Operating Profit Margin(1)	**13.1%**	14.6%

Note:

(1) Non-IFRS adjusted operating profit margin is calculated by dividing the Non-IFRS adjusted operating profit by the total income.

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
Net Profit/(Loss)	**6,174**	(1,010,373)
Add:		
Fair value loss of convertible redeemable preferred shares	**—**	1,047,156
Share-based compensation expenses	**186,606**	58,825
Non-IFRS Adjusted Net Profit	**192,780**	95,608
Non-IFRS Adjusted Net Profit Margin[1]	**10.4%**	7.5%

Note:

(1) Non-IFRS adjusted net profit margin is calculated by dividing the Non-IFRS adjusted net profit by the total income.

Loans to Customers at Fair Value through Profit or Loss

Our loans to customers at fair value through profit or loss decreased by 18.7% to RMB7,203.3 million as of June 30, 2019, compared to RMB8,863.2 million as of December 31, 2018, primarily due to changes in 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 of June 30, 2019		As of December 31, 2018	
	RMB'000	***%***	*RMB'000*	*%*
Loans to Customers at Fair Value through Profit or Loss				
Credit card balance transfer products	**1,661,587**	**23.1%**	2,670,922	30.1%
Consumption credit products	**3,028,645**	**42.0%**	2,202,984	24.9%
Online-to-offline credit products	**2,513,077**	**34.9%**	3,989,340	45.0%
Total	**7,203,309**	**100.0%**	8,863,246	100.0%

Contract Assets

Our contract assets increased sharply by 241.3% to RMB526.0 million as of June 30, 2019, compared to RMB154.1 million as of December 31, 2018, as a result of the development of the credit-enhanced and pure loan facilitation funding structures.

	As of June 30, 2019 *RMB'000*	As of December 31, 2018 *RMB'000*
Contract assets	**601,050**	174,039
Less: expected credit loss ("**ECL**") allowance	**(75,030)**	(19,896)
Contract Assets, net	**526,020**	154,143

Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables increased by 178.1% to RMB452.6 million as of June 30, 2019 compared to RMB162.8 million as of June 30, 2018. The change in guarantee receivables and guarantee liabilities are primarily due to the shift of funding from trust lending and direct lending structures to credit-enhanced loan facilitation structure.

	Six months ended June 30,	
	2019 *RMB'000*	2018 *RMB'000*
Guarantee Receivables		
Opening balance	**206,146**	130,073
Changes on initial application of IFRS 9	**N/A**	(15,209)
Addition arising from new business	**611,209**	198,122
ECL	**(62,364)**	(23,170)
Reversal due to early repayment	**(32,903)**	(23,893)
Payment received from borrowers	**(269,502)**	(103,160)
Ending Balance	**452,586**	162,763

	Six months ended June 30, 2019 RMB'000	2018 RMB'000
Guarantee Liabilities		
Opening balance	**204,496**	169,553
Changes on initial application of IFRS 9	**N/A**	65,299
Addition arising from new business	**611,209**	198,122
Release of the margin	**(34,141)**	(11,538)
ECL	**117,430**	84,701
Payouts during the period, net	**(288,530)**	(323,293)
Ending Balance	**610,464**	182,844

Borrowings and Senior Notes Issued

Our total borrowings, as recorded in our interim condensed consolidated statement of financial position, comprise (i) payable to holders of trust plans, (ii) borrowings from corporations, (iii) borrowings from individuals, and (iv) mortgage loans. Our total borrowings decreased by 13.0% to RMB7,110.7 million as of June 30, 2019, compared to RMB8,170.2 million as of December 31, 2018, 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.

The senior notes issued comprises of the Senior Notes issued on June 21, 2019.

	As of June 30, 2019		As of December 31, 2018	
	RMB'000	%	RMB'000	%
Borrowings and Senior Notes Issued				
Payable to holders of trust plans	**6,122,598**	**78.8%**	6,952,645	85.1%
Borrowings from corporations	**870,716**	**11.2%**	1,077,789	13.2%
Borrowings from individuals	**117,422**	**1.5%**	139,124	1.7%
Mortgage loans	**—**	**—**	666	0.0%
	7,110,736	**91.5%**	8,170,224	100.0%
Senior notes issued	**662,478**	**8.5%**	—	—
Total	**7,773,214**	**100.0%**	8,170,224	100.0%

Gearing ratio

As of June 30, 2019, our gearing ratio, calculated as total liabilities divided by total assets, was approximately 75.1%, which is stable compared with 76.2% as of December 31, 2018.

	As of June 30, 2019	As of December 31, 2018
Weighted Average Interest Rates of Borrowings and Senior Notes Issued		
Payable to holders of trust plans	**11.16%**	11.00%
Borrowings from corporations	**10.02%**	10.00%
Borrowings from individuals	**10.00%**	10.00%
Mortgage loans	**6.18%**	6.20%
Senior notes issued	**11.00%**	N/A

Details of the maturity profile of borrowings and the currencies in which borrowings are made are set out in Note 20 to the unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2019.

LIQUIDITY AND CAPITAL RESOURCES

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,	
	2019	2018
	RMB'000	*RMB'000*
Net cash inflow from operating activities	**1,791,972**	1,827,537
Net cash (outflow)/inflow from investing activities	**(89,755)**	94,051
Net cash outflow from financing activities	**(862,493)**	(1,331,416)
Net increase in cash and cash equivalents	**839,724**	590,172
Cash and cash equivalents at the beginning of the period	**1,050,112**	568,196
Effects of exchange rate changes on cash and cash equivalents	**(14)**	(945)
Cash and cash equivalents at the end of the period	**1,889,822**	1,157,423

Our cash inflow generated from operating activities primarily consists of principal and interest, loan facilitation service fees and other services received from the consumer finance products we offered. Our cash outflow used in operating activities primarily consists of cash payment of guarantee indemnification, employee salaries and benefits, taxes and surcharges, and other operating expenses. We had net cash inflow generated from operating activities of RMB1,792.0 million for the six months ended June 30, 2019, as compared to net cash inflow generated from operating activities of RMB1,827.5 million for six months ended June 30, 2018, primarily due to the increase in security deposit payment which resulted from business growth.

We had net cash outflow used in investing activities of RMB89.8 million for the six months ended June 30, 2019, as compared to net cash inflow of RMB94.1 million for the six months ended June 30, 2018, due to the cash outflow from wealth management products RMB265.0 million we invested in.

We had net cash outflow used in financing activities of RMB862.5 million for the six months ended June 30, 2019, as compared to net cash outflow of RMB1,331.4 million for the six months ended June 30, 2018. The decrease of net cash outflow is primarily due to the increase of cash inflow in the amount of RMB660.6 million, attributable to the issue of the Senior Notes. In addition, the decrease of borrowings also resulted in the decrease of net cash outflow.

Use of Proceeds from the Listing

The net proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange on June 21, 2018 (the "**Listing**"), after deducting related expenses and underwriting fees, were approximately HK$1,400 million. After the Listing, the proceeds have been applied for the purposes described in the "Future Plans and Use of Proceeds" as set out in the prospectus of the Company dated June 7, 2018. The utilization breakdown of the net proceeds up to June 30, 2019 are set out below:

	Planned amount		As of June 30, 2019 Utilized amount		As of June 30, 2019 Unutilized amount	
	HK$ million	*RMB million*	*HK$ million*	*RMB million*	*HK$ million*	*RMB million*
Capital base strengthening	980	855	980	855	—	—
Research and technology capabilities enhancement	280	245	237	206	43	39
General corporate purposes	140	122	140	122	—	—
Total	1,400	1,222	1,357	1,183	43	39

We will gradually apply the unutilized net proceeds in the manner set out in the prospectus.

Share Capital

There was no significant movement in the share capital of the Company during the Period.

New Investment

There was no significant new investment concluded during the Period.

Opinion

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

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the Period.

Charges on Assets

The Group did not have any charges on assets as of June 30, 2019.

Significant Investments

The Group did not hold any significant investments during the Period.

Future Plans for Material Investments and Capital Assets

Saved as disclosed in this interim report, the Group does not have any present plans for other material investments and capital assets.

Foreign Exchange Risk

Our business operations are conducted in China and are exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the United States dollar and the Hong Kong dollar. Therefore, foreign exchange risk primarily arose from those of our borrowings and the Senior Notes issued which are United States dollar denominated. We did not hedge against any fluctuation in foreign currency rates nor did we use any financial instruments for hedging purposes during the Period and in the year ended December 31, 2018.

Other Information

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Period (six months ended June 30, 2018: Nil).

Employees' Remuneration and Policy

As at June 30, 2019, the Group had a total of 703 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 incentive schemes for the purpose of providing share based incentives and rewards to eligible persons.

CORPORATE GOVERNANCE CODE

The Company has, throughout the Period, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Corporate Governance 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**").

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 the Directors and senior management of the Company.

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

On May 23, 2019, the Company received notification from Ms. Liu Yang, a former non-executive Director, that, during the period commencing from February 27, 2019 and ending on May 14, 2019, certain funds of which Ms. Liu Yang is the chief investment officer of the investment manager (the "**Funds**") sold an aggregate of 33,557,573 shares in the Company (the "**Disposed Shares**") in which Ms. Liu Yang was deemed to have an interest pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). Ms. Liu Yang notified the Stock Exchange and the Company that:

(A) she did not obtain clearance from the chairman of the Board to deal with the Disposed Shares before the Funds proceeded with the sale of the Disposed Shares; and

(B) 740,200 of the Disposed Shares were sold by the Funds during the black out period preceding the publication of the announcement of the annual results of the Company for the year ended December 31, 2018 on March 25, 2019.

The Company takes steps to ensure Directors comply with the Model Code. The Company notifies the Directors of the black out periods preceding the announcement of annual and interim results for ensuring compliance with the Model Code by the Directors. The Company has, following the notification from Ms. Liu Yang, reminded the Directors that the Company has adopted the Model Code to regulate dealings in securities of the Company by the Directors and senior management of the Company and further informed them of the requirements of the Model Code including but not limited to restrictions from dealing in any securities of the Company during the black out periods. The Directors believe that the Company has complied with its obligations under the Listing Rules in respect of the Funds' dealings in the Disposed Shares.

Ms. Liu Yang retired as a Director at the conclusion of the annual general meeting of the Company held on June 28, 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at June 30, 2019, the interests and short positions of the Directors and the chief executive of the Company in shares, underlying shares and debentures of the Company and 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 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:

Long positions in shares and underlying shares of the Company:

Name of Directors	Nature of interest	Number of shares	Number of underlying shares pursuant to share options	Number of underlying shares pursuant to share awards	Percentage of total issued shares[(1)]
Ma Ting Hung	Personal interest	8,450,000			37.91%
	Interest in controlled corporations[(2)]	176,922,097	4,000,000		
Liu Sai Wang Stephen	Personal interest			1,200,000	21.65%
	Interest in controlled corporations[(3)]	59,942,173	46,978,816		
Liu Sai Keung Thomas	Personal interest		2,100,000	600,000	2.91%
	Interest in controlled corporations[(4)]	6,828,585	5,000,000		
Yip Ka Kay	Interest in controlled corporations[(5)]	13,574,502			2.72%
Wu Chak Man	Personal interest	2,730,289			0.55%

Notes:

(1) The calculation is based on (i) the aggregate number of shares of the Company ("**Shares**") and, if any, underlying Shares pursuant to share options and share awards and (ii) the total number of 499,487,389 Shares in issue as at June 30, 2019.

(2) Ma Ting Hung controls 100% of, and is a director 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. Skyworld-Best Limited also has a beneficial interest in share options to subscribe for 4,000,000 Shares.

(3) Liu Sai Wang Stephen controls 50% of, and is a director of, Magic Mount Limited, which has a beneficial interest in 27,093,858 Shares, and controls 100% of, and is a director 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 has a beneficial interest in share options to subscribe for 46,978,816 Shares.

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

(5) Yip Ka Kay controls 50% of, and is a director 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, as at June 30, 2019, none of the Directors or the chief executive of the Company had an interest or a short position in 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 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 Option Schemes:

(a) the name of the Director, in the case of outstanding share options granted to a Director or a company 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, 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 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 as of June 30, 2019.

Name or category of participant	Options outstanding as at June 30, 2019	Exercised/ lapsed/ cancelled during the 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	1.42%
	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	2.35%
	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	
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	01-09-2019 to 31-08-2023	0.8735	0.05%
	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	

Name or category of participant	Options outstanding as at June 30, 2019	Exercised/ lapsed/ cancelled during the Period	Date of grant	Exercise period	Exercise price per Share (US$)	Approximate percentage of issued Shares[1]
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	5.38%
	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	3.93%
	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	
2017 ESOP II						
Director						
Liu Sai Wang Stephen [3]	6,704,939	Nil	10-05-2018	09-05-2019 to 09-05-2024	1.6123	4.03%
	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	

Notes:

(1) The percentage calculations are based on the total number of 499,487,389 Shares in issue as at June 30, 2019.

(2) Liu Sai Keung Thomas has a personal interest in 2,100,000 share options and a corporate interest in 5,000,000 share options, granted under the 2016 ESOP. The corporate interest is held through International Treasure Limited, a company that is 100% controlled by Liu Sai Keung Thomas.

(3) Liu Sai Wang Stephen has a corporate interest in an aggregate of 46,978,816 share options granted under the 2017 ESOP I and the 2017 ESOP II. The corporate interest is held through Perfect Castle Development Limited, a company that is 100% controlled by Liu Sai Wang Stephen.

(4) Ma Ting Hung has a corporate interest in 4,000,000 share options granted under the 2017 ESOP II. The corporate interest is held through Skyworld-Best Limited, a company that is 100% controlled by Ma Ting Hung.

The share options granted under the 2017 ESOP II were divided into three tranches, being series A, B and C. The series B and series C share options granted pursuant to the 2017 ESOP II lapsed upon completion of the Listing.

No share options have been granted under the Pre-IPO Share Option Schemes after Listing and, save as disclosed above, no share option granted under the Pre-IPO Share Option Schemes was exercised, lapsed or cancelled during the Period. The Company will not grant any further share options under the Pre-IPO Share Option Schemes.

Post-IPO Share Option Scheme

The Company 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 Chapter 17 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 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 eligible persons.

No share options have been granted or agreed to be granted under the Post-IPO Share Option Scheme as at June 30, 2019.

Share Award Scheme

The Company adopted the VCREDIT No. 1 Share Award Scheme on January 11, 2019 (the "**Share Award Scheme**"), pursuant to which the Company may grant share awards ("**Awards**") in respect of up to 24,974,369 Shares ("**Award Shares**"). The Share Award Scheme is a discretionary scheme of the Company and does not constitute a share option scheme under and is not subject to the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Award Scheme is to align the interests of eligible persons with those of the Group and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. Further details of the Share Award Scheme are set out in the announcement of the Company dated January 11, 2019.

During the Period, a total of 6,530,360 Award Shares were awarded to eligible persons pursuant to the Share Award Scheme, and out of which 1,800,000 Award Shares were awarded to connected persons.

As at June 30, 2019, the trustees of the trusts established to administer the Share Award Scheme held a total of 1,629,600 Shares which can be applied to satisfy Awards granted under the Share Award Scheme to connected persons and 4,239,600 Shares which can be applied to satisfy Awards granted under the Share Award Scheme to non-connected persons.

The movements in the Award Shares under the Share Award Scheme during the Period are as follows:

		Number of Award Shares		
Grantees	**Date of award**	**Granted during the Period**	**Vested during the Period**	**As at June 30, 2019**
Liu Sai Wang Stephen	26–03–2019	1,200,000*	Nil	1,200,000
Liu Sai Keung Thomas	26–03–2019	600,000*	Nil	600,000
Non-connected Persons	26–03–2019	4,730,360*	Nil	4,730,360

* The Award Shares shall vest in four tranches as follows:

(a) one-quarter, on March 25, 2020;

(b) one-quarter, on March 25, 2021;

(c) one-quarter, on March 25, 2022; and

(d) one-quarter, on March 25, 2023.

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

As at June 30, 2019, the interests and short positions of the substantial shareholders and other persons in Shares or underlying Shares, as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long positions in Shares and underlying Shares:

Name of shareholder	Nature of interest	Number of Shares	Number of underlying Shares pursuant to share options/ share awards*	Percentage of total issued Shares (1)
Ma Ting Hung	Beneficial interest	8,450,000		37.91%
	Interest in a controlled corporation (2)	176,922,097	4,000,000	
Skyworld-Best Limited	Beneficial interest (2)	84,719,154	4,000,000	17.76%
Wealthy Surplus Limited	Beneficial interest (2)	46,607,010		9.33%
Glory Global International Limited	Beneficial interest (2)	45,595,933		9.13%
Liu Sai Wang Stephen	Beneficial interest		1,200,000*	21.65%
	Interest in a controlled corporation (3)	59,942,173	46,978,816	
Kwok Lim Ying	Interest in a controlled corporation (4)	27,093,858		5.42%
Perfect Castle Development Limited	Beneficial interest (3)	27,523,810	46,978,816	14.92%
Magic Mount Limited	Beneficial interest (3) (4)	27,093,858		5.42%
Kwok Peter Viem	Interest in a controlled corporation (5)	50,740,770		10.16%
Kwok Chang Shiu Feng	Interest in a controlled corporation (5)	50,740,770		10.16%
High Loyal Management Limited	Beneficial interest	50,740,770		10.16%
EastWest Trust Company Limited	Interest in a controlled corporation (6)	41,339,885		8.28%
Cavamont Holdings Limited	Interest in a controlled corporation (7)	41,339,885		8.28%
Cavamont Investments Limited	Interest in a controlled corporation (8)	41,339,885		8.28%
Cavenham Private Equity and Directs	Interest in controlled corporations (9)	41,339,885		8.28%
CPED Asia (No.1) Limited	Beneficial interest (9)	37,324,257		7.47%
David Bonderman	Interest in a controlled corporation (10)	31,011,598		6.21%
James George Coulter	Interest in a controlled corporation (10)	31,011,598		6.21%
TPG Group Holdings (SBS) Advisors, Inc.	Interest in a controlled corporation (11)	31,011,598		6.21%
TPG Group Holdings (SBS) Advisors, LLC	Interest in a controlled corporation (12)	31,011,598		6.21%
TPG Group Holdings (SBS), L.P.	Interest in a controlled corporation (13)	31,011,598		6.21%
TPG Holding III-A, Inc.	Interest in a controlled corporation (14)	31,011,598		6.21%
TPG Holdings III-A, L.P.	Interest in a controlled corporation (15)	31,011,598		6.21%
TPG Holdings III, LP	Interest in a controlled corporation (16)	31,011,598		6.21%
TPG Growth III SF AIV GenPar Advisors, Inc.	Interest in a controlled corporation (17)	31,011,598		6.21%
TPG Growth III SF AIV GenPar, LP	Interest in a controlled corporation (18)	31,011,598		6.21%
TPG Growth III SF Finance, Limited Partnership	Interest in a controlled corporation (19)	31,011,598		6.21%
TPG Growth III SF Pte. Ltd	Beneficial interest	31,011,598		6.21%
Acheson Limited	Trustee (20)		28,185,502	5.64%
Chan Kin	Interest in a controlled corporation (21)	59,942,173		12.00%
Argyle Street Management Holdings Limited	Interest in controlled corporations (22)	59,942,173		12.00%
Argyle Street Management Limited	Interest in controlled corporations (23)	59,942,173		12.00%

Name of shareholder	Nature of interest	Number of Shares	Number of underlying Shares pursuant to share options/ share awards*	Percentage of total issued Shares [1]
ASM Connaught House General Partner II Limited	Interest in a controlled corporation [24]	59,942,173		12.00%
ASM Connaught House Fund II LP	Interest in a controlled corporation [24]	59,942,173		12.00%
ASM Connaught House General Partner Limited	Interest in a controlled corporation [25]	59,942,173		12.00%
ASM Connaught House Fund LP	Interest in a controlled corporation [25]	59,942,173		12.00%
Yinchuan Street Limited	Security interest in shares [26]	59,942,173		12.00%

Notes:

(1) The calculation is based on (i) the aggregate number of Shares and, if any, underlying Shares pursuant to share options and share awards, and (ii) the total number of 499,487,389 Shares in issue as at June 30, 2019.

(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 controls 100% of Perfect Castle Development Limited and Union Fair International Limited, which has a beneficial interest in 5,324,505 Shares. Liu Sai Wang, Stephen also controls 50% of Magic Mount Limited.

(4) Kwok Lim Ying controls 50% of Magic Mount Limited.

(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 and 50% of CPED (KY) Limited, which has a beneficial interest in 4,015,628 Shares.

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

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

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

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

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

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

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

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

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

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

(20) Acheson Limited is an independent trustee which holds Shares and share options relating to Shares on trust for beneficiaries who are eligible persons under the Company's share option schemes and Share Award Scheme.

(21) Chan Kin owns 50.43% of Argyle Street Management Holdings Limited.

(22) Argyle Street Management Holdings Limited owns 100% of each of Argyle Street Management Limited and ASM Connaught House General Partner Limited, and 70% of ASM Connaught House General Partner II Limited.

(23) Argyle Street Management Limited controls each of ASM Connaught House General Partner Limited, ASM Connaught House Fund LP, ASM Connaught House General Partner II Limited, ASM Connaught House Fund II LP and ASM Connaught House (Master) Fund II LP by virtue of its position as an investment manager.

(24) ASM Connaught House General Partner II Limited is the general partner of ASM Connaught House Fund II LP and ASM Connaught House (Master) Fund II LP, and owns 58.06% of ASM Connaught House Fund II LP.

(25) ASM Connaught House General Partner Limited is general partner of ASM Connaught House Fund LP.

(26) Yinchuan Street Limited is owned by Caroline Hill Limited as to 66% and Albany Road Limited as to 34%. Caroline Hill Limited is wholly-owned by ASM Connaught House (Master) Fund II LP, which is wholly-owned by ASM Connaught House Fund II LP. Albany Road Limited is wholly owned by ASM Connaught House Fund LP.

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, as at June 30, 2019, no other person had an interest or a short position in Shares or underlying Shares 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

During the Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that (i) the Company issued the Senior Notes and (ii) the trustees of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 5,869,200 Shares at a total consideration of HK$54,144,000.

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 35 to 69, which comprises the interim condensed consolidated statement of financial position of VCREDIT Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim 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.

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 22, 2019

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Continuing operations			
Interest type income	6	**1,152,633**	1,569,770
Less: interest expenses	6	**(395,939)**	(513,956)
Net interest type income	6	**756,694**	1,055,814
Loan facilitation service fees	7	**572,865**	57,180
Other income	8	**530,660**	157,591
Total income		**1,860,219**	1,270,585
Origination and servicing expenses	9	**(276,013)**	(293,215)
Sales and marketing expenses	9	**(45,430)**	(102,025)
General and administrative expenses	9	**(274,019)**	(185,939)
Research and development expenses	9	**(41,059)**	(33,507)
Credit impairment losses	10	**(124,161)**	(27,003)
Fair value change of loans to customers	5.2	**(1,040,106)**	(540,583)
Other losses, net	11	**(2,068)**	(11,941)
Operating profit		**57,363**	76,372
Share of net profit/(loss) of associates accounted for using the equity method		**992**	(4,082)
Fair value loss of convertible redeemable preferred shares		**—**	(1,047,156)
Profit/(Loss) before income tax		**58,355**	(974,866)
Income tax expense	12	**(52,181)**	(35,507)
Profit/(Loss) for the period attributable to owners of the Company		**6,174**	(1,010,373)

	Notes	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange difference on translation of financial statements		**(571)**	24,052
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 income/(loss) for the period attributable to owners of the Company, net of tax		**5,603**	(1,000,430)
Earnings/(Loss) per share for the profit/(loss) from continuing operations attributable to owners of the Company (expressed in RMB yuan)			
Basic earnings/(loss) per share	*13*	**0.01**	(5.10)
Diluted earnings/(loss) per share	*13*	**0.01**	(5.10)

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

Interim Condensed Consolidated Statement of Financial Position

	Notes	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Assets			
Cash and cash equivalents	14(a)	**1,889,821**	1,050,111
Restricted cash	14(b)	**196,042**	127,902
Loans to customers at fair value through profit or loss	15	**7,203,309**	8,863,246
Other financial assets at fair value through profit or loss		**80,374**	—
Contract assets	16	**526,020**	154,143
Guarantee receivables	17	**452,586**	206,146
Investments accounted for using the equity method	18	**28,681**	27,684
Deferred income tax assets		**428,816**	413,117
Right-of-use assets	3	**46,070**	—
Intangible assets		**19,788**	16,814
Property and equipment		**50,696**	59,066
Other assets	19	**833,101**	759,446
Total assets		**11,755,304**	11,677,675
Liabilities			
Borrowings	20	**7,110,736**	8,170,224
Senior notes issued	21	**662,478**	—
Lease liabilities	3	**46,163**	—
Guarantee liabilities	17	**610,464**	204,496
Tax payable		**81,651**	85,400
Deferred income tax liabilities		**71,138**	77,734
Other liabilities	22	**244,202**	355,094
Total liabilities		**8,826,832**	8,892,948
Equity			
Share capital	23	**40,938**	40,938
Share premium	23	**5,581,926**	5,581,926
Treasury shares	24	**(46,476)**	—
Reserves		**566,490**	380,455
Accumulated losses		**(3,214,406)**	(3,218,592)
Total equity		**2,928,472**	2,784,727
Total liabilities and equity		**11,755,304**	11,677,675

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

The interim condensed consolidated financial information and the accompanying notes starting from page 35 to page 69 are signed by:

Ma Ting Hung
Director

Liu Sai Wang Stephen
Director

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners 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	—	—	—	—	(47,055)	(166,452)	(213,507)
Restated balance 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)	—	(14,109)
Total comprehensive loss for the period	—	—	—	24,052	(14,109)	(1,010,373)	(1,000,430)
Transactions with owners in 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 in 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

	Attributable to owners of the Company						
				Reserves			
	Share capital	Share premium	Treasury shares	Share option reserves	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)							
Balance at December 31, 2018	40,938	5,581,926	–	304,945	75,510	(3,218,592)	2,784,727
Change on initial application of IFRS 16 *(Note 3.1(a))*	–	–	–	–	–	(1,988)	(1,988)
Restated balance at January 1, 2019	40,938	5,581,926	–	304,945	75,510	(3,220,580)	2,782,739
Profit for the period	–	–	–	–	–	6,174	6,174
Exchange difference on translation of financial statements	–	–	–	–	(571)	–	(571)
Total comprehensive income for the period	–	–	–	–	(571)	6,174	5,603
Transactions with owners in their capacity as owners							
Shares repurchased for share award scheme	–	–	(46,476)	–	–	–	(46,476)
Share-based payment	–	–	–	186,606	–	–	186,606
Total transactions with owners in their capacity as owners	–	–	(46,476)	186,606	–	–	140,130
Balance at June 30, 2019	40,938	5,581,926	(46,476)	491,551	74,939	(3,214,406)	2,928,472

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

Interim Condensed Consolidated Statement of Cash Flows

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Operating activities		
Cash generated from operating activities	1,869,898	1,862,992
Income tax paid	(77,926)	(35,455)
Net cash inflow from operating activities	1,791,972	1,827,537
Investing activities		
Proceeds from sale of property, plant and equipment	—	103
Payments for property and equipment	(4,092)	(9,863)
Payments for intangible assets	(4,200)	(4,712)
Payments for construction in progress	(1,574)	(3,381)
Payments for other financial assets at fair value through profit or loss	(265,000)	(120,000)
Proceeds from other financial assets at fair value through profit or loss	185,111	231,904
Net cash (outflow)/inflow from investing activities	(89,755)	94,051
Financing activities		
Proceeds from borrowings	8,797	293,610
Cash received from trust plans holders	1,895,960	2,050,110
Proceeds from issuance of ordinary shares relating to the initial public offering, net of underwriting commissions and other issuance costs	—	1,094,149
Proceeds from issuance of senior notes	660,602	—
Interest expenses paid	(398,461)	(517,168)
Payments for borrowings	(244,412)	(394,256)
Cash paid to trust plans holders	(2,718,589)	(3,831,281)
Payments for shares repurchased	(46,476)	—
Payments for lease liabilities	(19,914)	—
Payments of listing expenses	—	(26,580)
Net cash outflow from financing activities	(862,493)	(1,331,416)
Net increase in cash and cash equivalents	839,724	590,172
Cash and cash equivalents at the beginning of the period	1,050,112	568,196
Effects of exchange rate changes on cash and cash equivalents	(14)	(945)
Cash and cash equivalents at the end of the period	1,889,822	1,157,423

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

1 GENERAL INFORMATION

VCREDIT Holdings Limited (the "**Company**") was incorporated in the British Virgin Islands (the "**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 also offers consumer finance products by facilitating transactions between borrowers and financial institutions.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since June 21, 2018 by way of its initial public offering. As of June 30, 2019, the number of ordinary shares in issue was 499,487,389, 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 (the "**Board**") of the Company on August 22, 2019.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended June 30, 2019 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim financial reporting" issued by the International Accounting Standards Board. 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 to be read in conjunction with the annual report for the year ended December 31, 2018, which has 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, 2019.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018, except for the adoption of new or amended standards and interpretations as of January 1, 2019.

The following new standards, amendments and interpretation of IFRSs have been adopted by the Group for the first time for the financial year beginning January 1, 2019:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement

The adoption of these revised IFRSs except for IFRS 16 currently were irrelevant or has had no significant impact on these interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

The impact of the adoption of IFRS 16 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 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening of interim condensed consolidated statement of financial position on January 1, 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.18%.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policy and disclosures (continued)

(a) Adjustments recognised on adoption of IFRS 16 (continued)

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	RMB'000
Operating lease commitments disclosed as of December 31, 2018	76,319
(Less): short-term leases recognised on a straight-line basis as expense	(4,013)
(Less): lease commitments that begin after January 1, 2019	(16,956)
(Less): others	(2,957)
	52,393
Discounted using the lessee's incremental borrowing rate at the date of initial application	49,179
Lease liability recognised as of January 1, 2019	**49,179**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of assets:

	As of June 30, 2019 *RMB'000*	As of January 1, 2019 *RMB'000*
Properties	**46,070**	49,336
Total right-of-use assets	**46,070**	49,336

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policy and disclosures (continued)

(a) *Adjustments recognised on adoption of IFRS 16* (continued)

The change in accounting policy affected the following items in the interim condensed consolidated statement of financial position on January 1, 2019:

- right-of-use assets — increase by RMB49,336,000
- deferred tax assets — increase by RMB476,000
- prepayments — decrease by RMB2,621,000
- lease liabilities — increase by RMB49,179,000

The adoption of IFRS 16 increased accumulated losses on January 1, 2019 by RMB1,988,000.

(i) Impact on earnings per share

Earnings per share increased by RMB0.001 per share for the six months to June 30, 2019 as a result of the adoption of IFRS 16.

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policy and disclosures (continued)

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 year ended December 31, 2018.

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, 2018.

There have been no changes in the risk management policies since December 31, 2018.

5.2 Fair value measurement of financial instruments

5.2.1 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, 2019 and December 31, 2018 on a recurring basis:

		As of June 30, 2019			
	Valuation techniques and key input	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]	—	—	7,203,309	7,203,309
Other financial assets at fair value through profit or loss	Quoted market price	80,374	—	—	80,374
		80,374	—	7,203,309	7,283,683

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Fair value measurement of financial instruments (continued)

5.2.1 *Fair value hierarchy* (continued)

	Valuation techniques and key input	As of December 31, 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)]	—	—	8,863,246	8,863,246
		—	—	8,863,246	8,863,246

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

The following table presents the changes in level 3 asset instruments for the six months ended June 30, 2018 and 2019:

	RMB'000
(Unaudited)	
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
At January 1, 2019	8,863,246
Additions	5,275,292
Disposals	(5,895,123)
Losses recognized in fair value change of loans to customers	(1,040,106)
At June 30, 2019	7,203,309

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Fair value measurement of financial instruments (continued)

5.2.1 *Fair value hierarchy* (continued)

There were no transfers between the levels of the fair value hierarchy in the six months ended June 30, 2019. There were no changes made to any of the valuation techniques applied as of December 31, 2018.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as of June 30, 2019.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) 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.

5.2.2 *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, 2019, 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, their fair values 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 the period from the respective reporting date to expected cash flow date.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Fair value measurement of financial instruments (continued)

5.2.2 *Fair value measurements using significant unobservable inputs* (continued)

The table below illustrates the impact to profit/(loss) before income tax for the six months ended June 30, 2019, 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	Six months ended June 30, 2019 RMB'000	2018 RMB'000
+ 100 basis points	**(29,605)**	(49,286)
– 100 basis points	**33,567**	50,764

5.2.3 *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 interim condensed consolidated statement of financial position such as guarantee receivables, other receivables, senior notes issued, borrowings and other payables. For these instruments, the fair values are not materially different to their carrying amounts, since the interest rate is close to current market rates, or the instruments are short-term in nature, or the Senior Notes were issued on June 21, 2019, which is close to the end of the reporting period.

6 NET INTEREST TYPE INCOME

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest type income		
Loans to customers at fair value through profit or loss	**1,152,633**	1,569,770
Less: Interest expenses		
Payable to holders of trust plans and asset management plans	**(342,007)**	(431,134)
Borrowings from corporations	**(44,304)**	(54,110)
Borrowings from individuals	**(6,639)**	(24,764)
Mortgage loans	**(13)**	(40)
Others	**(2,976)**	(3,908)
	(395,939)	(513,956)
Net interest type income	**756,694**	1,055,814

7 LOAN FACILITATION SERVICE FEES

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Upfront loan facilitation service fees	**534,996**	40,848
Post loan facilitation service fees	**37,869**	16,332
	572,865	57,180

Note: The unsatisfied performance obligations as of June 30, 2019 is RMB85.1 million. Management expects that 95.1% of the transaction price allocated to the unsatisfied contracts as of June 30, 2019 will be recognized as revenue within the next 12 months.

8 OTHER INCOME

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Membership fees and referral fees[i]	**500,525**	70,128
Penalty and service charges	**125,094**	113,601
Losses from guarantee	**(116,192)**	(73,163)
Others	**21,233**	47,025
	530,660	157,591

(i) Membership fees for the six months ended June 30, 2019 are RMB56.1 million (for the six months ended June 30, 2018: RMB67.7 million). Referral fees for the six months ended June 30, 2019 are RMB444.4 million (for the six months ended June 30, 2018: RMB2.4 million).

9 EXPENSES BY NATURE

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Employee benefit expenses	**(291,579)**	(268,419)
Loan origination and servicing expenses	**(250,127)**	(198,779)
Office expenses	**(19,125)**	(22,690)
Professional service fees	**(19,090)**	(6,574)
Depreciation of right-of-use assets	**(18,520)**	—
Depreciation and amortization	**(15,134)**	(15,850)
Tax and surcharge	**(8,881)**	(5,956)
Branding expenses	**(3,871)**	(2,964)
Office rental	**(27)**	(32,681)
Listing expense	**—**	(49,870)
Others	**(10,167)**	(10,903)
	(636,521)	(614,686)

10 CREDIT IMPAIRMENT LOSSES

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cash and cash equivalents	**—**	3
Restricted cash	**(33)**	1
Contract assets	**(64,392)**	(2,775)
Guarantee receivables	**(62,364)**	(23,170)
Other assets	**2,628**	(1,062)
	(124,161)	(27,003)

11 OTHER LOSSES, NET

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Finance cost, net[(i)]	**(2,553)**	(13,301)
Gain from other financial assets at fair value through profit or loss	**485**	1,360
	(2,068)	(11,941)

(i) Finance cost, net

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Bank charges	**(4,011)**	(4,290)
Interest expense on senior notes issued *(Note 21)*	**(2,372)**	—
Interest expense on lease liabilities	**(1,636)**	—
Exchange losses	**(88)**	(12,398)
Bank interest income	**5,554**	3,387
	(2,553)	(13,301)

12 INCOME TAX EXPENSE

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current income tax	**(73,605)**	(144,766)
Deferred income tax	**21,424**	109,259
	(52,181)	(35,507)

12 INCOME TAX EXPENSE (continued)

The tax on the Group's profit/(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, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit/(Loss) before income tax:	**58,355**	(974,866)
Tax calculated at PRC statutory income tax rate of 25%	**(14,589)**	243,717
Tax effects of:		
— Differential income tax rates applicable to subsidiaries(i)	**12,552**	8,045
— Expenses not deductible for income tax purpose	**(47,975)**	(16,100)
Share-based compensation	**(46,652)**	(14,706)
Others	**(1,323)**	(1,394)
— Effect from fair value change of preferred shares	**—**	(261,789)
— No recognition of deferred tax assets on tax losses	**(2,169)**	(9,380)
Income tax expense	**(52,181)**	(35,507)

(i) The Group's main applicable taxes and tax rates are as follows:

British Virgin Islands
Enterprise incorporated in the BVI is not subject to tax on income or capital gains.

Cayman Islands
The Company re-domiciled from the BVI and registered by way of continuation into the Cayman Islands prior to the Listing. The Company is governed by the laws of the Cayman Islands after completion of the continuation. Accordingly the Company is not subject to income tax under Cayman Companies Law.

China
The PRC Enterprise Income Tax Law (the "**EIT Law**") applies an income tax rate of 25% to all enterprises but grants preferential tax treatments to High and New Technology Enterprises ("**HNTEs**"). Under these preferential tax treatments, HNTEs can enjoy a preferential income tax rate of 15% for three years, but need to re-apply after the end of the three-year period. Vision Credit Financial Technology Company, an indirect wholly-owned subsidiary of the Company, was approved as HNTE under the EIT Law in November 2017 and was entitled to a preferential income tax rate of 15% from 2018 to 2020.

Hong Kong
Enterprise incorporated in Hong Kong is subject to Corporate Income Tax rate of 16.5%.

Withholding Tax on Undistributed Profits
Under the EIT Law, dividends, interests, rent, royalties and gains on transfers of property payable by a foreign-invested enterprise in the PRC to its foreign lender who is a non-resident enterprise will be subject to withholding tax of 10%, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with the PRC that provides for a reduced rate of withholding taxes. The withholding tax rate is 5% for the parent company incorporated in certain qualified jurisdictions if the parent company is the beneficial owner of the dividend and approved by the PRC tax authority to enjoy the preferential tax benefit.

The Group does not have any present plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on withholding tax was accrued as at the end of each reporting period.

13 EARNINGS/(LOSS) PER SHARE

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings/(Loss) attributable to owners of the Company	**6,174**	(1,010,373)
Weighted average number of ordinary shares for calculation of the basic earnings per share ('000)	**496,977**	198,197
Weighted average number of ordinary shares for calculation of the diluted earnings per share ('000)	**503,755**	198,197
Basic earnings/(loss) per share (RMB yuan)	**0.01**	(5.10)
Diluted earnings/(loss) per share (RMB yuan)	**0.01**	(5.10)

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

(b) For the six months ended June 30, 2019, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and restricted share units ("**RSUs**") granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	Six months ended June 30, 2019 Number of ordinary shares ('000) (Unaudited)
Weighted average number of ordinary shares for calculation of the basic earnings per share	**496,977**
Adjustments for share options and RSUs granted	**6,778**
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	**503,755**

For the six months ended June 30, 2018, the Group had two categories of potential ordinary shares, the share options awarded (Note 24) and convertible redeemable preferred shares. As the Group incurred loss for the six months ended June 30, 2018, the potential ordinary shares were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended June 30, 2018 was the same as basic loss per share.

14 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As of June 30, 2019 *RMB'000* (Unaudited)	As of December 31, 2018 *RMB'000* (Audited)
Cash at bank	**1,467,763**	839,324
Cash held through platform[(i)]	**422,059**	210,788
Less: Expected credit loss ("**ECL**") allowance	**(1)**	(1)
	1,889,821	1,050,111

(i) Cash held through platform is the cash balance held by the Group in third party payment companies.

(b) Restricted cash

	As of June 30, 2019 *RMB'000* (Unaudited)	As of December 31, 2018 *RMB'000* (Audited)
Pledged cash in banks	**196,094**	127,921
Less: ECL allowance	**(52)**	(19)
	196,042	127,902

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:

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Unsecured	6,174,268	7,288,408
Pledged	1,029,041	1,574,838
	7,203,309	8,863,246

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

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Within 1 year (including 1 year)	4,677,585	5,026,719
1 to 2 years (including 2 years)	493,788	716,378
2 to 5 years (including 5 years)	2,031,936	3,120,149
	7,203,309	8,863,246

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

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Overdue	473,442	485,282
Within 1 year (including 1 year)	5,048,046	5,261,049
1 to 2 years (including 2 years)	1,052,747	1,579,993
2 to 5 years (including 5 years)	629,074	1,536,922
	7,203,309	8,863,246

16 CONTRACT ASSETS

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Contract assets	601,050	174,039
Less: ECL allowance	(75,030)	(19,896)
Contract assets, net	526,020	154,143

Movement of gross carrying amount

Contract assets	Six months ended June 30, 2019			
	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance at January 1, 2019	162,776	5,528	5,735	174,039
New financial assets originated	505,635	—	—	505,635
Transfer for the period:				
From stage 1 to stage 2	(11,156)	11,156	—	—
From stage 1 to stage 3	(13,669)	—	13,669	—
From stage 2 to stage 1	12	(12)	—	—
From stage 2 to stage 3	—	(3,509)	3,509	—
From stage 3 to stage 2	—	2	(2)	—
Asset derecognised (including final repayment)	(67,061)	(1,998)	(307)	(69,366)
Asset written off	—	—	(9,258)	(9,258)
Ending balance at June 30, 2019	576,537	11,167	13,346	601,050

16 CONTRACT ASSETS (continued)

Movement of gross carrying amount (continued)

Contract assets	Six months ended June 30, 2018			
	Stage 1 *RMB'000* (Unaudited)	Stage 2 *RMB'000* (Unaudited)	Stage 3 *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Opening balance at January 1, 2018	95,945	3,928	8,918	108,791
New financial assets originated	65,615	—	—	65,615
Transfer for the period:				
From stage 1 to stage 2	(3,228)	3,228	—	—
From stage 1 to stage 3	(9,736)	—	9,736	—
From stage 2 to stage 1	21	(21)	—	—
From stage 2 to stage 3	—	(2,654)	2,654	—
From stage 3 to stage 2	—	7	(7)	—
Asset derecognised (including final repayment)	(69,282)	(1,254)	(6,273)	(76,809)
Asset written off	—	—	(602)	(602)
Ending balance at June 30, 2018	79,335	3,234	14,426	96,995

Movement of ECL allowance

ECL allowance	**Six months ended June 30, 2019**			
	Stage 1 ***RMB'000*** **(Unaudited)**	**Stage 2** ***RMB'000*** **(Unaudited)**	**Stage 3** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Opening balance at January 1, 2019	**(9,364)**	**(5,013)**	**(5,519)**	**(19,896)**
New financial assets originated	**(36,715)**	**—**	**—**	**(36,715)**
Transfer for the period:				
From stage 1 to stage 2	**810**	**(10,084)**	**—**	**(9,274)**
From stage 1 to stage 3	**993**	**—**	**(13,026)**	**(12,033)**
From stage 2 to stage 1	**(1)**	**11**	**—**	**10**
From stage 2 to stage 3	**—**	**3,172**	**(3,344)**	**(172)**
From stage 3 to stage 2	**—**	**(2)**	**2**	**—**
Asset derecognised (including final repayment)	**4,869**	**1,806**	**292**	**6,967**
Changes to risk parameters (model inputs)	**(12,966)**	**46**	**(255)**	**(13,175)**
Asset written off	**—**	**—**	**9,258**	**9,258**
Ending balance at June 30, 2019	**(52,374)**	**(10,064)**	**(12,592)**	**(75,030)**

16 CONTRACT ASSETS (continued)

Movement of ECL allowance (continued)

ECL allowance	Six months ended June 30, 2018			
	Stage 1 *RMB'000* (Unaudited)	Stage 2 *RMB'000* (Unaudited)	Stage 3 *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Opening balance at January 1, 2018	(13,737)	(3,487)	(7,712)	(24,936)
New financial assets originated	(7,847)	—	—	(7,847)
Transfer for the period:				
From stage 1 to stage 2	386	(2,941)	—	(2,555)
From stage 1 to stage 3	1,164	—	(9,002)	(7,838)
From stage 2 to stage 1	(3)	19	—	16
From stage 2 to stage 3	—	2,418	(2,454)	(36)
From stage 3 to stage 2	—	(6)	6	—
Asset derecognised (including final repayment)	8,285	1,142	5,800	15,227
Changes to risk parameters (model inputs)	1,867	(166)	(1,443)	258
Asset written off	—	—	602	602
Ending balance at June 30, 2018	(9,885)	(3,021)	(14,203)	(27,109)

Note: Contract assets originated and derecognised or written off in the same year are not included in the above movements.

ECL allowance	**Six months ended June 30, 2019**			
	Stage 1 ***RMB'000*** **(Unaudited)**	**Stage 2** ***RMB'000*** **(Unaudited)**	**Stage 3** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
ECL charged for the period	**(43,010)**	**(5,051)**	**(16,331)**	**(64,392)**

ECL allowance	Six months ended June 30, 2018			
	Stage 1 *RMB'000* (Unaudited)	Stage 2 *RMB'000* (Unaudited)	Stage 3 *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
ECL charged for the period	3,852	466	(7,093)	(2,775)

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 of June 30, 2019 would be realized within the next 12 months as the weighted average term of the arrangements where the Group is not the loan originator was 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

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Guarantee receivables	526,904	235,934
Less: ECL allowance	(74,318)	(29,788)
Guarantee receivables, net	452,586	206,146

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

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Guarantee receivables		
Opening balance	206,146	130,073
Changes on initial application of IFRS 9	N/A	(15,209)
Addition arising from new business	611,209	198,122
ECL	(62,364)	(23,170)
Reversal due to early repayment	(32,903)	(23,893)
Payment received from borrowers	(269,502)	(103,160)
Ending balance	452,586	162,763

Movement of gross carrying amount

Guarantee receivables	Six months ended June 30, 2019 Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance at January 1, 2019	216,453	9,077	10,404	235,934
New financial assets originated	469,229	—	—	469,229
Transfer for the period:				
From stage 1 to stage 2	(13,342)	13,342	—	—
From stage 1 to stage 3	(18,331)	—	18,331	—
From stage 2 to stage 3	—	(5,816)	5,816	—
Asset derecognised (including final repayment)	(157,020)	(3,256)	(149)	(160,425)
Asset written off	—	—	(17,834)	(17,834)
Ending balance at June 30, 2019	496,989	13,347	16,568	526,904

17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES (continued)

Movement of gross carrying amount (continued)

Guarantee receivables	Six months ended June 30, 2018			
	Stage 1 *RMB'000* (Unaudited)	Stage 2 *RMB'000* (Unaudited)	Stage 3 *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Opening balance at January 1, 2018	127,833	2,601	2,704	133,138
New financial assets originated	153,151	—	—	153,151
Transfer for the period:				
From stage 1 to stage 2	(4,901)	4,901	—	—
From stage 1 to stage 3	(12,855)	—	12,855	—
From stage 2 to stage 1	11	(11)	—	—
From stage 2 to stage 3	—	(2,536)	2,536	—
From stage 3 to stage 2	—	1	(1)	—
Asset derecognised (including final repayment)	(82,009)	(52)	(21)	(82,082)
Asset written off	—	—	(1,313)	(1,313)
Ending balance at June 30, 2018	181,230	4,904	16,760	202,894

Movement of ECL allowance

ECL allowance	**Six months ended June 30, 2019**			
	Stage 1 ***RMB'000*** **(Unaudited)**	**Stage 2** ***RMB'000*** **(Unaudited)**	**Stage 3** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Opening balance at January 1, 2019	**(11,419)**	**(8,302)**	**(10,067)**	**(29,788)**
New financial assets originated	**(34,555)**	**—**	**—**	**(34,555)**
Transfer for the period:				
From stage 1 to stage 2	**983**	**(12,154)**	**—**	**(11,171)**
From stage 1 to stage 3	**1,350**	**—**	**(17,622)**	**(16,272)**
From stage 2 to stage 3	**—**	**5,298**	**(5,591)**	**(293)**
Asset derecognised (including final repayment)	**11,563**	**2,966**	**143**	**14,672**
Changes to risk parameters (model inputs)	**(14,307)**	**83**	**(521)**	**(14,745)**
Asset written off	**—**	**—**	**17,834**	**17,834**
Ending balance at June 30, 2019	**(46,385)**	**(12,109)**	**(15,824)**	**(74,318)**

17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES (continued)

Movement of ECL allowance (continued)

ECL allowance	Six months ended June 30, 2018			
	Stage 1 *RMB'000* (Unaudited)	Stage 2 *RMB'000* (Unaudited)	Stage 3 *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Opening balance at January 1, 2018	(13,555)	(2,281)	(2,438)	(18,274)
New financial assets originated	(16,175)	—	—	(16,175)
Transfer for the period:				
From stage 1 to stage 2	518	(4,455)	—	(3,937)
From stage 1 to stage 3	1,358	—	(12,106)	(10,748)
From stage 2 to stage 1	(1)	10	—	9
From stage 2 to stage 3	—	2,305	(2,388)	(83)
From stage 3 to stage 2	—	(1)	1	—
Asset derecognised (including final repayment)	8,661	47	20	8,728
Changes to risk parameters (model inputs)	131	(239)	(856)	(964)
Asset written off	—	—	1,313	1,313
Ending balance at June 30, 2018	(19,063)	(4,614)	(16,454)	(40,131)

Note: Guarantee receivables originated in 2018 and derecognised or written off in the same year are not included in the above movements.

ECL allowance	**Six months ended June 30, 2019**			
	Stage 1 ***RMB'000*** **(Unaudited)**	**Stage 2** ***RMB'000*** **(Unaudited)**	**Stage 3** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
ECL income statement charge for the period	**(34,966)**	**(3,807)**	**(23,591)**	**(62,364)**

ECL allowance	Six months ended June 30, 2018			
	Stage 1 *RMB'000* (Unaudited)	Stage 2 *RMB'000* (Unaudited)	Stage 3 *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
ECL income statement charge for the period	(5,508)	(2,333)	(15,329)	(23,170)

17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES (continued)

Movement of ECL allowance (continued)

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Guarantee liabilities		
Opening balance	**204,496**	169,553
Changes on initial application of IFRS 9	**N/A**	65,299
Addition arising from new business	**611,209**	198,122
Release of the margin	**(34,141)**	(11,538)
ECL	**117,430**	84,701
Payouts during the period, net	**(288,530)**	(323,293)
Ending balance	**610,464**	182,844

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:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening balance	**27,684**	30,784
Share of net gain/(loss)	**992**	(4,082)
Translation difference	**5**	(650)
Ending balance	**28,681**	26,052

19 OTHER ASSETS

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Security deposits in financial institutions	**385,613**	280,887
Due from business partners	**245,867**	314,710
Funds held in third party payment companies	**91,690**	80,319
Prepaid expense	**64,340**	53,564
Rental deposits	**10,113**	9,679
Other receivables	**37,024**	24,461
	834,647	763,620
Less: ECL allowance	**(1,546)**	(4,174)
Other assets, net	**833,101**	759,446

20 BORROWINGS

	As of June 30, 2019 RMB'000 (Unaudited)	As of December 31, 2018 RMB'000 (Audited)
Payable to holders of trust plans[(i)]	**6,122,598**	6,952,645
Borrowings from corporations	**870,716**	1,077,789
Borrowings from individuals	**117,422**	139,124
Mortgage loans	**—**	666
	7,110,736	8,170,224
Denominated in:		
RMB	**6,808,506**	7,838,730
HKD	**302,230**	313,820
USD	**—**	17,674
	7,110,736	8,170,224

(i) The holders of trust plans have priority of the repayments from the loans to customers originated by those trust plans. The fair value of those loans to customers is RMB66.9 million as of June 30, 2019.

20 BORROWINGS (continued)

Effective interest rates of borrowings

	As of June 30, 2019 (Unaudited)	As of December 31, 2018 (Audited)
Payable to holders of trust plans	7.03%~13.00%	7.03%~15.00%
Borrowings from corporations	6.25%~12.00%	6.25%~10.50%
Borrowings from Individuals	10.00%	10.00%
Mortgage loans	—	6.18%

Contractual maturities of borrowings

	As of June 30, 2019 *RMB'000* (Unaudited)	As of December 31, 2018 *RMB'000* (Audited)
Within 1 year	4,619,199	4,054,230
Between 1 and 2 years	2,491,537	4,065,760
Between 2 and 5 years	—	50,234
	7,110,736	8,170,224

Borrowings by repayment schedule

	As of June 30, 2019 *RMB'000* (Unaudited)	As of December 31, 2018 *RMB'000* (Audited)
Within 1 year	6,468,206	6,923,744
Between 1 and 2 years	642,530	1,196,910
Between 2 and 5 years	—	49,570
	7,110,736	8,170,224

21 SENIOR NOTES ISSUED

On June 21, 2019, the Company issued 2-year senior notes with an aggregate principal amount of US$100 million listed on the Stock Exchange, which will mature on June 20, 2021, unless earlier redeemed pursuant to the terms thereof. The coupon rate of the senior notes is 11% per annum, payable semi-annually in arrears on June 20 and December 20 of each year, beginning on December 20, 2019. From the date of issuance, guarantees will be provided by Vision Credit Limited and Asia Jumbo Group Limited, which are wholly owned subsidiaries of the Company.

RMB'000	2018/12/31	Issuance	Accrued interest	Discount amortization	Exchange loss	2019/6/30
VCREDIT N2106 (Code: 5064)	—	660,602	2,037	335	(496)	662,478

22 OTHER LIABILITIES

	As of June 30, 2019 *RMB'000* (Unaudited)	As of December 31, 2018 *RMB'000* (Audited)
Other payables[i]	237,621	304,602
Contract liabilities[ii]	6,581	50,492
	244,202	355,094

(i) OTHER PAYABLES

	As of June 30, 2019 *RMB'000* (Unaudited)	As of December 31, 2018 *RMB'000* (Audited)
Accrued service fees	88,799	97,929
Due to business partners	54,264	81,636
Deposits collected from borrowers	54,112	85,181
Employee benefit liability	12,957	11,615
Due to related parties	—	752
Others	27,489	27,489
	237,621	304,602

(ii) CONTRACT LIABILITIES

	As of June 30, 2019 *RMB'000* (Unaudited)	As of December 31, 2018 *RMB'000* (Audited)
Membership fees received in advance	6,581	50,492

23 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares *Shares '000*	Share capital *RMB'000*	Share premium *RMB'000*
(Unaudited)			
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
At January 1, 2019	**499,487**	**40,938**	**5,581,926**
At June 30, 2019	**499,487**	**40,938**	**5,581,926**

24 TREASURY SHARES

	As of June 30, 2019		As of December 31, 2018	
	Shares '000	***RMB'000***	*Shares '000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Treasury shares held under share award scheme	**(5,869)**	**(46,476)**	—	—

These shares are held by the VCREDIT No. 1 Share Award Scheme Trusts for the purpose of share award scheme mentioned in note 25.

Movements in treasury shares during the half-year are as follows:

	Six months ended June 30,			
	2019		2018	
	Shares '000	***RMB'000***	*Shares '000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Opening balance	**—**	**—**	—	—
Acquisition of shares by the VCREDIT No. 1 Share Award Scheme Trusts	**(5,869)**	**(46,476)**	—	—
Ending balance	**(5,869)**	**(46,476)**	—	—

25 SHARE-BASED PAYMENTS

Share options

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**	**2016 ESOP**	**2017 ESOP I**	**2017 ESOP II**
(Unaudited)						
Outstanding balance at January 1, 2019	**0.8735**	**1.6123**	**1.6123**	**20,799**	**46,517**	**26,115**
Outstanding balance at June 30, 2019	**0.8735**	**1.6123**	**1.6123**	**20,799**	**46,517**	**26,115**

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

Share award schemes

On January 11, 2019, the Board approved a share award scheme, in which all employees (including without limitation any directors) of the Group will be entitled to participate. Pursuant to the scheme rules, shares will be acquired by the independent trustees from the market, at the cost of the Company and be held on trust for the selected participants until they vest. Vested shares will be transferred at no cost to the selected participants. The maximum number of RSUs to be awarded under the scheme throughout its duration is 24,974,369 shares.

The granted RSUs have a contractual maximum vesting period of four years, one-fourth of shares will be vested each year.

25 SHARE-BASED PAYMENTS (continued)

Share award schemes (continued)

Movement in the number of RSUs for the six months ended June 30, 2019 is as follows:

	Number of RSUs *('000)*
(Unaudited)	
Outstanding balance as of January 1, 2019	—
Granted	6,530
Outstanding balance as of June 30, 2019	6,530

The fair value of each RSUs at the grant dates, determined by reference to the market price of the ordinary share of the Company, is recognised over the vesting period as employee benefit expense.

26 CONTINGENCIES

The Group did not have any significant contingent liabilities as of June 30, 2019.

27 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are primarily trust 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 of June 30, 2019, total assets under management of the trust plans consolidated by the Group amounted to RMB8.17 billion (December 31, 2018: RMB9.30 billion).

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

28 DIVIDENDS

No Dividends have been paid or declared by the Company during the six months ended June 30, 2019 (for the six months ended June 30, 2018: nil).

29 SUBSEQUENT EVENTS

Up to the date of this report, the Group had no material events for disclosure after the end of the period.

30 COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the interim condensed consolidated financial information's presentation.