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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

The board (the "**Board**") of directors (the "**Directors**") of VCREDIT Holdings Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2019 (the "**Period**").

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, we have 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 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, 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*.

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%

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 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%

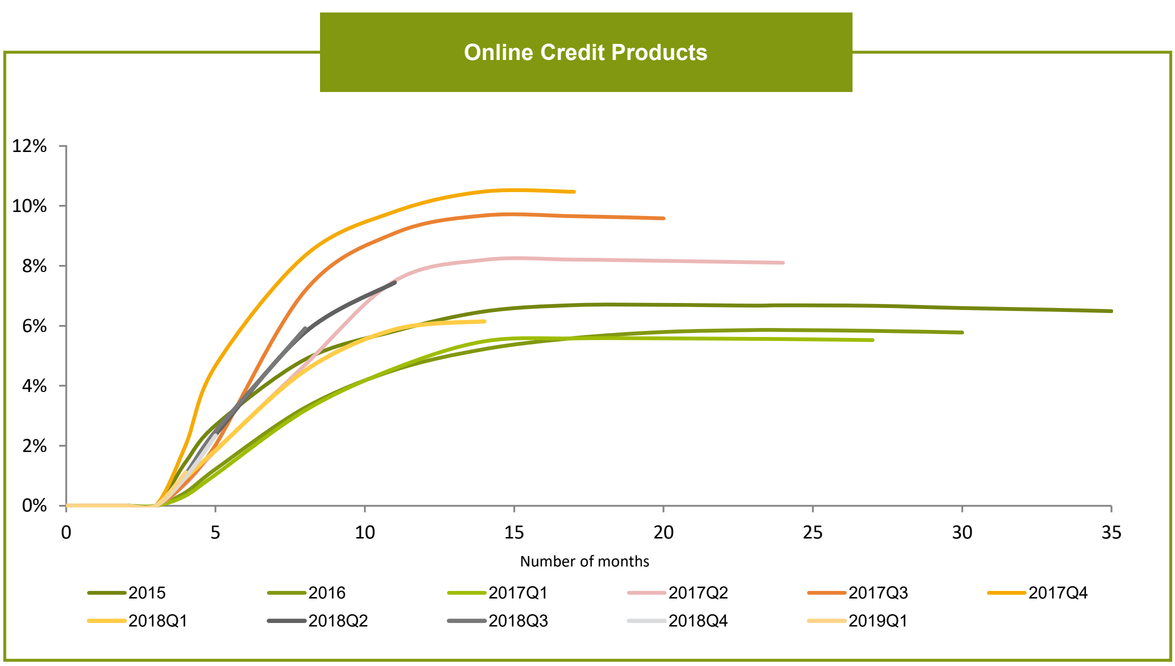
Notes:

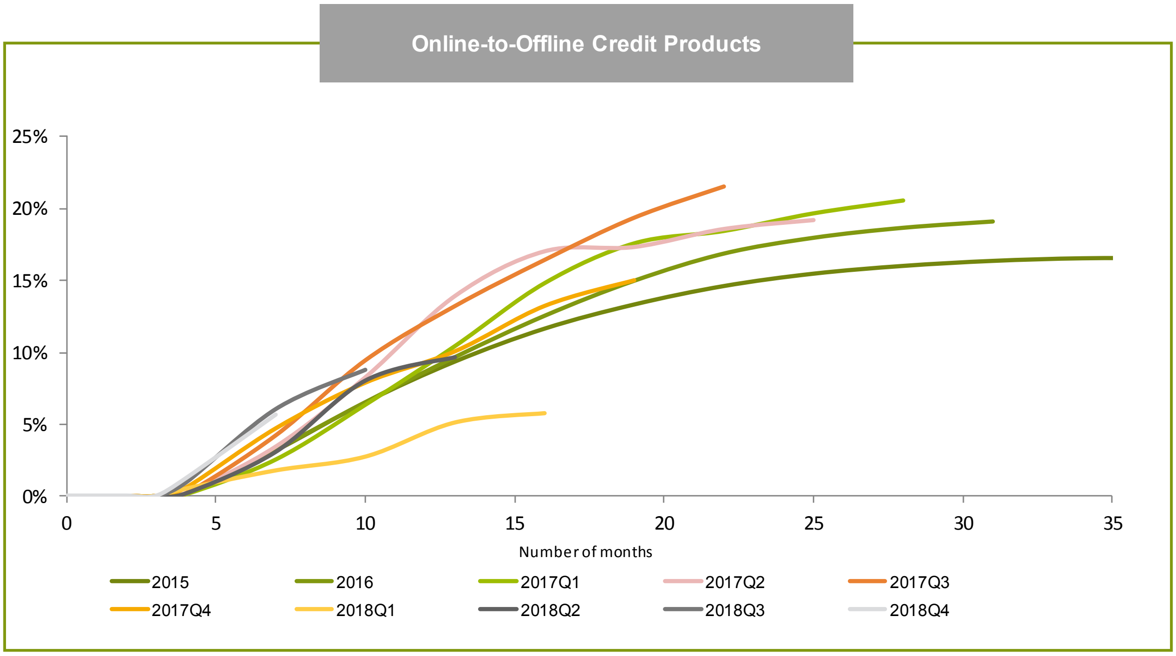
(1) First payment delinquency ratio is defined as the total balance of outstanding principal amount of the loans we originated in the applicable period that were delinquent on their first payment due dates divided by the aggregate loan origination volume in that period.

(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

MANAGEMENT DISCUSSION AND ANALYSIS

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 of 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 RMB 76.4 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%

	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[2]	**10.4%**	7.5%

Notes:

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

(2) 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	As of December 31, 2018
	RMB'000	*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	2018
	RMB'000	*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	2018
	RMB'000	*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 US$100 million 11.0% senior notes due 2021 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%

	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

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 amount of RMB660.6 million, attributable to the issue of US$100 million 11.0% senior notes due 2021. In addition, the decrease of borrowings also resulted in the decrease of net cash outflow.

FINANCIAL RESULTS

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Interest type income	*4*	**1,152,633**	1,569,770
Less: interest expenses	*4*	**(395,939)**	(513,956)
Net interest type income	*4*	**756,694**	1,055,814
Loan facilitation service fees	*5*	**572,865**	57,180
Other income	*6*	**530,660**	157,591
Total income		**1,860,219**	1,270,585
Origination and servicing expenses	*7*	**(276,013)**	(293,215)
Sales and marketing expenses	*7*	**(45,430)**	(102,025)
General and administrative expenses	*7*	**(274,019)**	(185,939)
Research and development expenses	*7*	**(41,059)**	(33,507)
Credit impairment losses	*8*	**(124,161)**	(27,003)
Fair value change of loans to customers		**(1,040,106)**	(540,583)
Other losses, net	*9*	**(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	*10*	**(52,181)**	(35,507)
Profit/(Loss) for the period attributable to owners of the Company		**6,174**	(1,010,373)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Six months ended June 30,	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(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	*11*	**0.01**	(5.10)
Diluted earnings/(loss) per share	*11*	**0.01**	(5.10)
Non-IFRS Measure			
Non-IFRS Adjusted Operating Profit(1)		**243,969**	185,067
Non-IFRS Adjusted Net Profit(2)		**192,780**	95,608
Non-IFRS Adjusted Basic Earning per Share(3)	*11*	**0.39**	0.48

Notes:

(1) Non-IFRS adjusted Operating Profit is defined as operating profit with share-based compensation expenses of RMB186.6 million (2018: RMB58.8 million) in 2019 and listing expenses of RMB49.9 million in 2018 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 net profit for the period with fair value loss of convertible redeemable preferred shares of RMB1,047.2 million in 2018 and share-based compensation expenses of RMB186.6 million (2018: RMB58.8 million) in 2019 added back. For more details, please see the section headed "Management discussion and analysis — Non-IFRS Measures".

(3) Non-IFRS adjusted basic earnings per share is calculated by dividing the Non-IFRS adjusted net profit by the weighted average number of ordinary shares outstanding during the Period.

UNAUDITED 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	*12(a)*	**1,889,821**	1,050,111
Restricted cash	*12(b)*	**196,042**	127,902
Loans to customers at fair value through profit or loss	*13*	**7,203,309**	8,863,246
Other financial assets at fair value through profit or loss		**80,374**	—
Contract assets	*14*	**526,020**	154,143
Guarantee receivables	*15*	**452,586**	206,146
Investments accounted for using the equity method		**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		**833,101**	759,446
Total assets		**11,755,304**	11,677,675
Liabilities			
Borrowings	*16*	**7,110,736**	8,170,224
Senior notes issued		**662,478**	—
Lease liabilities	*3*	**46,163**	—
Guarantee liabilities	*15*	**610,464**	204,496
Tax payable		**81,651**	85,400
Deferred income tax liabilities		**71,138**	77,734
Other liabilities		**244,202**	355,094
Total liabilities		**8,826,832**	8,892,948
Equity			
Share capital		**40,938**	40,938
Share premium		**5,581,926**	5,581,926
Treasury shares		**(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

NOTES

1 General Information

VCREDIT Holdings Limited 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 Group is a technology-driven consumer financial service provider in the People's Republic of China ("**China**"). 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 has been approved and authorised for issue by the Board 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. This 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 Period.

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 IFRS 16, "**Lease**", as of January 1, 2019.

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 unaudited 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%.

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 beginning after January 1, 2019	(16,956)
(Less): others	(2,957)
	52,393
Discounted using the lessee's incremental borrowing rate of 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

The change in accounting policy affected the following items in the 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.*

(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 Net interest type income

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(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

5 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

6 Other income

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
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
	530,660	157,591

7 Expenses by nature

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(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 expenses	**—**	(49,870)
Others	**(10,167)**	(10,903)
	(636,521)	(614,686)

8 Credit impairment losses

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(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)

9 Other losses, net

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(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	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank charges	**(4,011)**	(4,290)
Interest expense on senior notes issued	**(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)

10 Income tax expense

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

11 Earnings/(Loss) per share/Non-IFRS Adjusted basic earnings 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)
Non-IFRS Adjusted net profit	**192,780**	95,608
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)
Non-IFRS Adjusted basic earnings per share (RMB yuan)	**0.39**	0.48

11.1 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.

11.2 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 granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

For the six months ended June 30, 2018, the Group had two categories of potential ordinary shares, the share options awarded 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.

11.3 Non-IFRS Adjusted basic earnings per share is calculated by dividing the Non-IFRS adjusted net profit by the weighted average number of ordinary shares outstanding during the Period.

12 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	**422,059**	210,788
Less: ECL allowance	**(1)**	(1)
	1,889,821	1,050,111

(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

13 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

14 Contract assets

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

	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

15 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

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

	Six months ended June 30,	
	2019 *RMB'000* **(Unaudited)**	2018 *RMB'000* (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

16 Borrowings

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

	As of June 30, 2019 *RMB'000* (Unaudited)	As of December 31, 2018 *RMB'000* (Audited)
Payable to holders of trust plans	**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

The following table sets forth the 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%

The following table sets forth the 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

The following table sets forth the repayment schedule of borrowings:

	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

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.

17 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 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.

18 Subsequent events

Up to the date of this announcement, the Group has no material events for disclosure after the end of the Period.

19 Foreign exchange exposure

Foreign currency transactions during the six months ended June 30, 2019 are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing as of June 30, 2019. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating to the foreign exchange rates prevailing at the dates of translation. Consolidated statement of financial position items are translated into RMB at the closing foreign exchange rates prevailing as of June 30, 2019. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than RMB, the cumulative amount of the exchange differences relating to that operation with functional currency other than RMB is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

20 Opinion

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

SHARE CAPITAL

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

EMPLOYEES' REMUNERATION AND POLICY

As of 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**").

INTERIM DIVIDEND

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

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). 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.

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 the trustees of the VCREDIT No. 1 Share Award Scheme (the "**Share Award Scheme**"), pursuant to the terms of the rules and trust deeds of the Share Award Scheme, purchased on the Stock Exchange a total of 5,869,200 shares of the Company at a total consideration of HK$54,144,000.

REVIEW OF UNAUDITED INTERIM RESULTS

The audit committee of the Company has reviewed these unaudited interim results, including the accounting principles and practices adopted by the Company, and discussed these unaudited interim results with senior management of the Company. These unaudited interim results have been reviewed by the auditor of the Company.

By Order of the Board
VCREDIT Holdings Limited
Ma Ting Hung
Chairman

Hong Kong, August 22, 2019

As at the date of this announcement, the Board comprises Mr. Ma Ting Hung as the chairman and a non-executive Director; Mr. Liu Sai Wang Stephen and Mr. Liu Sai Keung Thomas as executive Directors; Mr. Chen Derek and Mr. Yip Ka Kay as non-executive Directors; and Mr. Chen Penghui, Dr. Seek Ngee Huat and Mr. Wu Chak Man as independent non-executive Directors.