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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 ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

The board of directors (the “**Board**”) of VCREDIT Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2018.

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		Change
	2018 <i>RMB million</i>	2017 <i>RMB million</i>	
Total Income	2,737	2,706	1.1%
Net interest type income/net interest income	1,956	2,336	-16.3%
Loan facilitation service fees	270	84	221.6%
Adjusted Operating Profit ⁽¹⁾	427	364	17.2%
Adjusted Net Profit ⁽¹⁾	296	292	1.1%
Margins			
Adjusted operating profit margin	15.6%	13.5%	2.1
Adjusted net profit margin	10.8%	10.8%	0.0

Note:

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

BUSINESS REVIEW AND OUTLOOK

We are a leading player at the forefront of providing online inclusive consumer finance in China with a track record of over 10 years. We build and expand our online consumer finance business upon our belief that finance is the core of financial technology and that risk management is the core of finance. Positioned at the frontier of the online inclusive consumer finance value chain, we form mutually beneficial partnerships with our business and funding partners to address the credit needs of the underserved borrowers through mobile internet with unrivalled user experience. Through these partnerships, we provide state-of-the-art technology solutions to dramatically cut down operating costs, and flexible risk sharing arrangements, sometimes with credit enhancement, to cultivate a responsible and self-reinforced consumer finance universe endorsed by all the licensed finance institutions in China.

We primarily offer three lines of credit products, all of which are installment-based: (1) credit card balance transfer products, (2) consumption credit products, and (3) online-to-offline credit products. These products, which we developed based on our knowledge of China's evolving online consumer finance market, can be tailored according to our multi-dimensional scorecards to the individual needs and credit profiles of each borrower, and matched with our risk and return appetite and those of our funding partners through sustainable and scalable funding structures.

During the year, we reviewed and concluded the disposal of Hangzhou Vision Financial Servicing Co., Ltd., which operated our online-to-offline business platform, since we see long-term growth and profitability being better served through focusing on our online business platform. Going forward, we will focus on our pure online products, which are (1) credit card balance transfer products and (2) consumption credit products, to achieve long-term growth.

Business Highlights

On June 21, 2018 (the “**Listing Date**”), we successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), setting a significant milestone for the Company (the “**Listing**”).

In 2018, we established mutually beneficial partnerships with 10 new funding partners, including licensed consumer finance companies, a national level joint-stock bank and regional commercial banks. As of December 31, 2018, we formed sustainable and scalable partnerships with 30 funding partners. Leveraging our continuing and deepening integration between our risk management capabilities and our funding partners' in-house risk management systems, we are able to recommend prospective borrowers to our funding partners based on their specific risk preferences. Among these funding partners, with a few licensed consumer finance companies, we have developed pure loan facilitation partnerships which demonstrates our ability to introduce inclusive consumer finance through technology for the underserved to traditional financial institutions.

In 2018, we also formed strategic cooperations with all three mobile carriers in China. In March 2018, we entered into a strategic cooperation agreement with China Telecom, a leading telecommunications services provider in China. Through this cooperation, we have successfully launched our installment loan products to China Telecom's customers in more than 150 cities in China and accumulated more than 280,000 borrowers within 9 months after launch. This is a strong testimony of our ability to turn our capabilities and resources into successful cross-industry cooperation. In the fourth quarter of 2018, we also entered into similar collaborations with China Mobile Group and China Unicom Group. Under these collaborations, we brought in our long-term funding partners, such as FOTIC, to provide installment loan products to help borrowers finance their mobile phone purchases. As of December 31, 2018, our installment loan products were available to China Mobile customers across 14 provinces in China. These consumer vertical specific collaborations create perfect bonding among business partners, funding partners and us, with which all of us have perfectly aligned interests.

During the second half of 2018, we also initiated partnerships with leading players in various verticals including wellness and education. We entered into negotiations with vocational education institutions to provide installment loans for job training. Such cross-industry collaborations allow us to access a greater number of high quality borrowers and to further develop and enhance our risk management capabilities through variable sharing and joint modelling cooperation. Together with our business and funding partners, we provide customers with unrivaled user experiences by expediting the financing process without any compromise in risk tolerances, owing to our technology infrastructure for transaction processing and automated credit risk management, and our long-established relationships with some of the largest licensed institutional consumer finance funding partners.

In 2018, we increased our efforts in further strengthening our technological capabilities. We enhanced our risk management capabilities, through upgrading our purely automated *Hummingbird* system, engaging with diversified data sources and developing joint modeling cooperations with our business partners. Benefiting from these initiatives, we have developed the ability to integrate and analyze both credit and alternative data of borrowers through our *Hummingbird* system without the need to conduct offline verification. This technology development enables us to expedite our credit assessment process, provide borrowers with more convenient borrowing experience and substantially improve our operating efficiency. Through these efforts and the disposal of the O2O Business Platform from October 10, 2018, we have successfully transformed to a pure online consumer finance platform, better placed to offer inclusive consumer finance services to capture a greater market share of the young working population with an online lifestyle in China, who are more willing to borrow for consumption and are underserved by traditional financial institutions in China.

Operating Highlights

Products and Services

We primarily offer three lines of credit products (1) credit card balance transfer products, (2) consumption credit products, and (3) online-to-offline credit products, all of which are installment-based. For the year ended December 31, 2018, the average term of our credit products was approximately 13 months, the average loan size was approximately RMB9,000, and the average APR⁽¹⁾ was approximately 21.1%.

Our credit card balance transfer products (“**KK Credit**”) 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 automated process utilizing our proprietary *Hummingbird* system. The average term and average loan size of our online products were approximately 10 months and RMB8,000 respectively, in 2018.

Our online-to-offline credit products primarily serve consumers’ larger financing needs. For these products, we require additional risk management procedures at our offline outlets to enhance our credit risk control. For online-to-offline credit product loans originated from January to October 2018⁽²⁾, the average term was approximately 38 months and the average loan size was approximately RMB118,000.

Notes:

- (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 equivalent weighted average internal rate of return is 35.0%.
- (2) On October 10, 2018, the Group entered into an agreement in relation to the disposal of the O2O Business Platform and gradually ceased to originate online-to-offline credit products from such date. Therefore, the operating data reflects all online-to-offline credit product loans originated by the Group prior to October 10, 2018.

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

	For the Year Ended December 31,			
	2018		2017	
Number of Transactions	'000	%	'000	%
Credit Card Balance Transfer Products	993	44.5%	1,399	41.6%
Consumption Credit Products	1,217	54.5%	1,930	57.3%
Online-to-Offline Credit Products	22	1.0%	38	1.1%
Total	2,232	100.0%	3,367	100.0%

	For the Year Ended December 31,			
	2018		2017	
Loan Origination Volume	RMB million	%	RMB million	%
Credit Card Balance Transfer Products	13,498	65.0%	14,168	57.7%
Consumption Credit Products	4,652	22.4%	7,860	32.0%
Online-to-Offline Credit Products	2,606	12.6%	2,516	10.3%
Total	20,756	100.0%	24,544	100.0%

	For the Year Ended December 31,			
	2018		2017	
Loan Origination Volume	RMB million	%	RMB million	%
Direct Lending	1,279	6.2%	1,258	5.1%
Trust Lending	12,447	60.0%	19,475	79.4%
Credit-Enhanced Loan Facilitation	5,055	24.3%	2,920	11.9%
Pure Loan Facilitation	1,975	9.5%	891	3.6%
Total	20,756	100.0%	24,544	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.

Outstanding Balance of Loans to Customers	As at December 31,			
	2018		2017	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Credit Card Balance Transfer Products	6,882	49.9%	7,678	48.3%
Consumption Credit Products	2,629	19.0%	3,668	23.1%
Online-to-Offline Credit Products	4,285	31.1%	4,546	28.6%
Total	13,796	100.0%	15,892	100.0%

Asset Quality

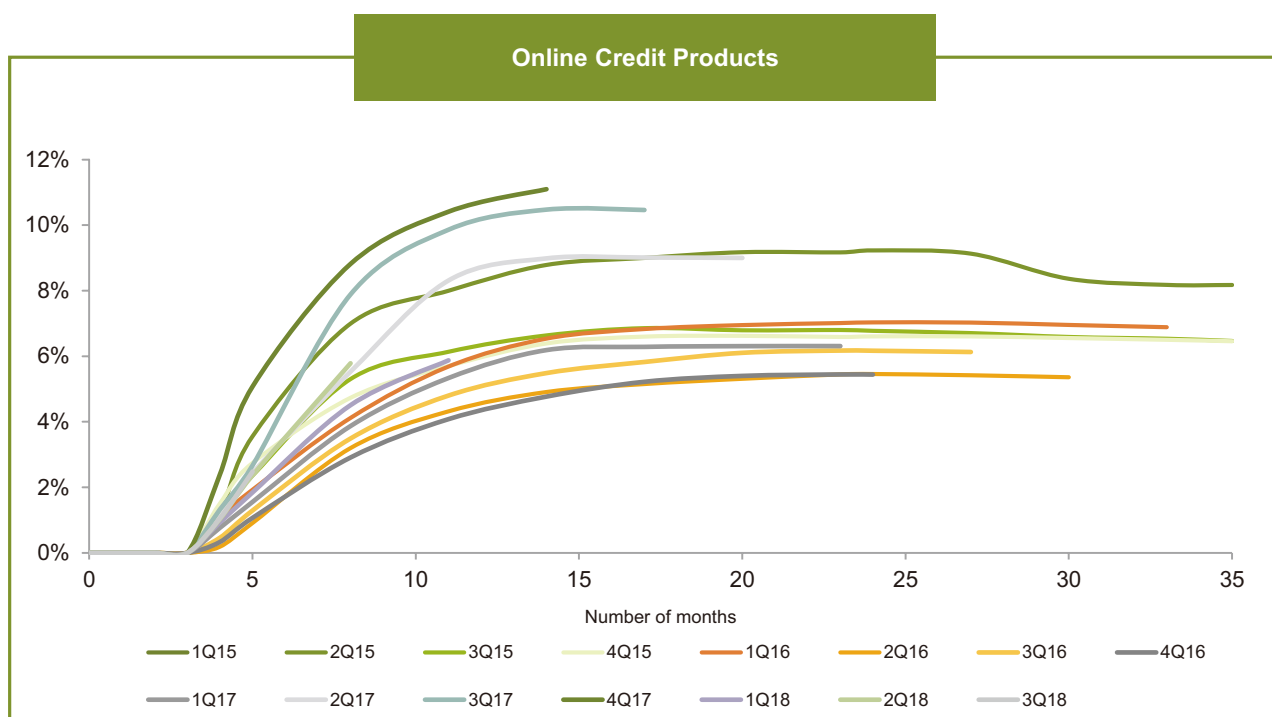
We spent most of our time throughout 2018 navigating through the evolvments in regulatory environment and consequent turbulences in asset quality. Nevertheless, we have managed to strike a balance between defending our asset quality performances and restoring our business momentum along with our proactive business transformation. Our first payment delinquency ratio, a more leading indicator of asset quality, returned to a comfort level below 2% when we quickly responded to the market changes and subsequently maintained at the level as we gradually implement changes in credit policy and product offerings to adapt to the new market norm. Our cohort vintage curves have echoed similar trends as 2017/18 portfolios matured through the year. The following table sets forth our key asset quality indicators for the periods indicated.

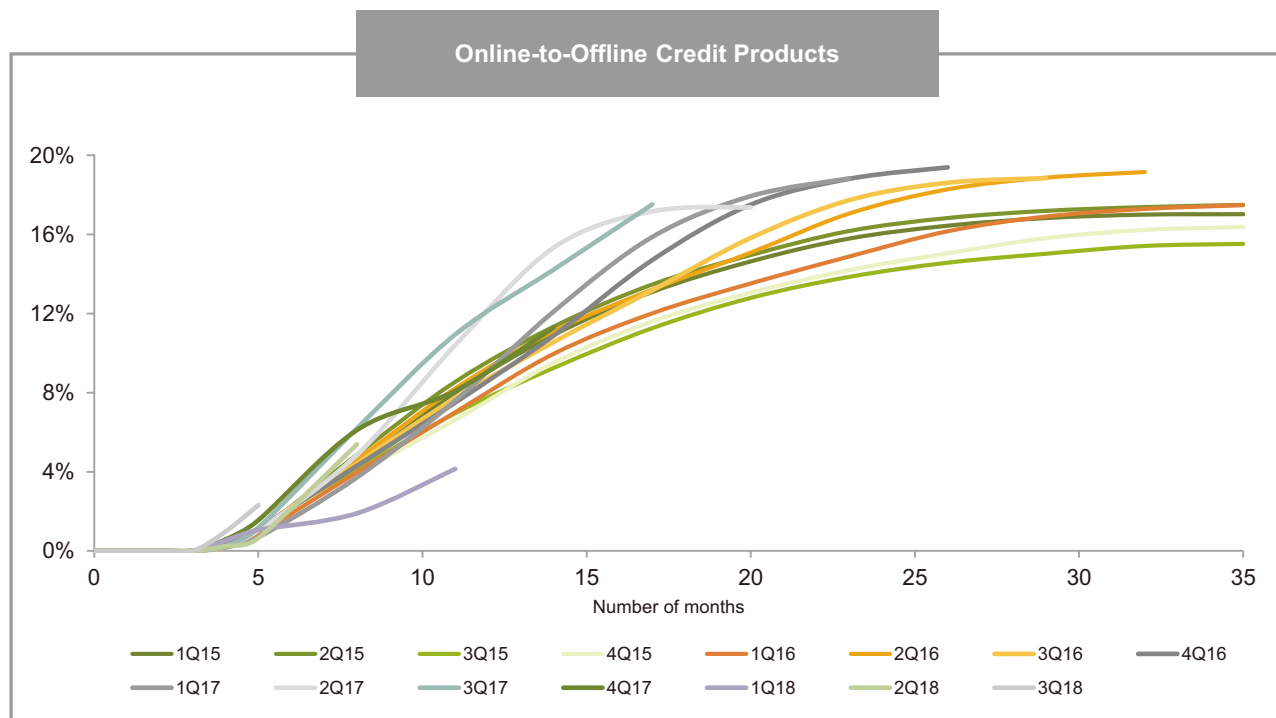
	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4
First Payment Delinquency Ratio ⁽¹⁾	1.2%	1.6%	1.8%	3.1%	1.5%	1.6%	1.7%	1.6%
M1-M3 Ratio ⁽²⁾	1.7%	1.5%	1.7%	2.4%	6.2%	4.5%	3.7%	3.5%
Non-Performing Loan Ratio ⁽³⁾	3.9%	3.3%	2.8%	3.0%	4.8%	7.7%	6.2%	5.0%

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) total outstanding balance of loans to customers.
- (3) Non-Performing Loan 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) 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 the (i) the total amount of principal for all the loans in a vintage that has become delinquent for more than 3 months, less (ii) 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. After much deliberation, we believe we will achieve greater operating and financial performance in the long run by focusing on pure online consumer finance. Therefore, moving forward, we intend to execute the following strategies to maintain our leading market position:

- Continue to strengthen our risk-based pricing capabilities
- Expand our borrower base by enriching our tailored product offerings that track our scorecard development
- Increase our value proposition to our existing borrowers
- Strengthen mutually beneficial relationships with our funding partners and broaden our capital light operation
- Continue to attract, retain and motivate high quality employees

MANAGEMENT DISCUSSION AND ANALYSIS

Total Income

We offered three lines of credit products in 2018: (1) credit card balance transfer products, (2) consumption credit products, and (3) online-to-offline credit products. We derived our total income through (i) net interest type income, (ii) loan facilitation service fees, and (iii) other income. Our total income increased by 1.1% to RMB2,736.6 million for the year ended December 31, 2018, compared to RMB2,706.4 million for the year ended December 31, 2017, primarily due to the increase in loan origination volume through our credit-enhanced loan facilitation structure.

Net Interest Type Income

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

	For the Year Ended	
	December 31,	
	2018	2017
	RMB'000	RMB'000
Net Interest Type Income/Net Interest Income		
Interest type income	2,930,339	N/A
Interest income	N/A	3,254,516
Less: interest expenses	(974,770)	(918,226)
Total	<u>1,955,569</u>	<u>2,336,290</u>

Our net interest type income decreased by 16.3% from RMB2,336.3 million for the year ended December 31, 2017 to RMB1,955.6 million for the year ended December 31, 2018.

For the year ended December 31, 2018, we recorded interest type income of RMB2,930.3 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 was primarily due to the shift to facilitation funding structure. The outstanding balance of on-balance sheet loans as of December 31, 2018 was RMB9.31 billion, a decrease of 28.9% compared to RMB13.09 billion as of December 31, 2017. The decrease in the outstanding balance of on-balance sheet loans primarily resulted from: (1) the shift of focus from direct and trust lending structure to credit-enhanced loan facilitation structure; (2) reduced loan origination volume due to tightened credit policy; and (3) shortened average loan tenor. Interest expense increased moderately by 6.2% from RMB918.2 million for the year ended December 31, 2017 to RMB974.8 million for the year ended December 31, 2018. The increase in interest expenses primarily resulted from the increase in the average borrowing balance during the year.

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

	For the Year Ended December 31,			
	2018		2017	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Interest type income/interest income				
Credit Card Balance Transfer Products	1,119,175	38.2%	1,012,398	31.1%
Consumption Credit Products	731,735	25.0%	814,992	25.0%
Online-to-Offline Credit Products	1,079,429	36.8%	1,427,126	43.9%
Total	<u>2,930,339</u>	<u>100.0%</u>	<u>3,254,516</u>	<u>100.0%</u>

Loan facilitation service fees

Loan facilitation service fees increased by 221.6% from RMB83.9 million for the year ended December 31, 2017 to RMB269.8 million for the year ended December 31, 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 and pure loan facilitation structure. Loans originated under the credit-enhanced loan facilitation structure and pure loan facilitation structure together increased by 84.5% from RMB3.81 billion for the year ended December 31, 2017 to RMB7.03 billion for the year ended December 31, 2018. The following table sets forth a breakdown of our loan facilitation service fees generated from our credit-enhanced loan facilitation structure and pure loan facilitation structure for the periods indicated.

	For the Year Ended	
	December 31,	
	2018	2017
	RMB'000	RMB'000
Loan facilitation service fees		
Credit-enhanced loan facilitation	214,273	69,102
Pure loan facilitation	55,559	14,814
	<hr/>	<hr/>
Total	<u>269,832</u>	<u>83,916</u>

We receive upfront payments at loan inception and subsequent payments over the term of the loan. For the year ended December 31, 2018, the upfront loan facilitation fees increased by 233.7% from RMB69.1 million for the year ended December 31, 2017 to RMB230.6 million for the year ended December 31, 2018. The following table sets forth the allocation of our loan facilitation service fees for the periods indicated.

	For the Year Ended	
	December 31,	
	2018	2017
	RMB'000	RMB'000
Loan facilitation service fees		
Upfront loan facilitation service fees	230,560	69,102
Post facilitation service fees	39,272	14,814
	<hr/>	<hr/>
Total	<u>269,832</u>	<u>83,916</u>

Other income

Other income increased by 78.6% from RMB286.2 million for the year ended December 31, 2017 to RMB511.2 million for the year ended December 31, 2018. The increase in other income was primarily due to fees received from the user membership service we began to offer in 2018. In 2018, we established a membership system by offering users services including, tailored credit reference reports, coupons for online video streaming websites and vouchers for phone plans. To further explore the value of our platform, we began to collaborate with business partners and offer cross-selling opportunities, from which we recorded total referral fees of RMB93.6 million in 2018. The following table sets forth a breakdown of our other income for the periods indicated.

	For the Year Ended	
	December 31,	
	2018	2017
	RMB'000	RMB'000
Membership fees	258,033	—
Penalty charges	240,832	248,068
Referral fees	93,620	—
Risk management system service fees	39,896	13,091
Other consulting service fees	24,976	—
(Losses)/gains from guarantee	(160,436)	9,211
Others	14,261	15,806
	<hr/>	<hr/>
Total	<u>511,182</u>	<u>286,176</u>

Expense

Origination and servicing expenses

Our origination and servicing expenses increased by 12.7% to RMB684.6 million for the year ended December 31, 2018, compared to RMB607.6 million for the year ended December 31, 2017, primarily due to increases in loan servicing expenses, including credit record access charges and third-party loan servicing vendor charges. The increase in loan servicing expenses resulted from our enhanced collection efforts and strict emphasis on credit assessments.

Sales and marketing expenses

Our sales and marketing expenses increased by 199.0% to RMB206.2 million for the year ended December 31, 2018, compared to RMB69.0 million for the year ended December 31, 2017, primarily resulting from the integration of user acquisition processes from outsourcing companies.

General and administrative expenses

Our general and administrative expenses increased by 176.9% to RMB503.3 million for the year ended December 31, 2018, compared to RMB181.7 million for the year ended December 31, 2017, primarily due to (i) increases in personnel related expenses which include share-based compensation of RMB275.6 million for the year ended December 31, 2018, compared to RMB10.1 million for the year ended December 31, 2017 and (ii) RMB49.9 million listing expenses relating to the Listing.

Research and development expenses

We recorded research and development expenses of RMB74.1 million for the year ended December 31, 2018, which is broadly in line with the RMB74.4 million for the year ended December 31, 2017.

Net loss

Net loss for the year ended December 31, 2018 increased by 2.4% to RMB1,027.0 million, compared to RMB1,003.1 million for the year ended December 31, 2017, mainly due to a fair value loss on the convertible redeemable preferred shares of RMB1,047.2 million and listing expenses of RMB49.9 million relating to the Listing. As all the convertible redeemable preferred shares have been converted to ordinary shares upon completion of the Listing, fair value losses on the convertible redeemable preferred shares are only recorded up to the date of Listing. Therefore, the total fair value losses on the convertible redeemable preferred shares recorded in the year ended December 31, 2018 is the same as the fair value losses on the convertible redeemable preferred shares recorded during the six months ended June 30, 2018.

Adjusted operating profit

Our adjusted operating profit increased by 17.2% to RMB427.1 million for the year ended December 31, 2018, compared to RMB364.4 million for the year ended December 31, 2017. Our adjusted operating profit margin improved by 2.1 percentage points due to our continued effort in improving our operating efficiency through streamlining our organization structure, adjusting our product strategy and maintaining a stable asset quality.

Adjusted net profit

Our adjusted net profit increased by 1.1% to RMB295.8 million for the year ended December 31, 2018, compared to RMB292.5 million for the year ended December 31, 2017. Although we strategically constrained our loan origination in 2018, we still delivered solid financial results in 2018 by proactively monitoring our asset quality and improving operating efficiency.

Non-IFRS measures

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

	For the Year Ended December 31,	
	2018	2017
	RMB'000	RMB'000
Operating profit	101,635	347,400
Add:		
Share-based compensation expenses	275,610	10,126
Listing expenses	49,870	6,869
Adjusted operating profit	<u>427,115</u>	<u>364,395</u>
Adjusted operating profit margin	15.6%	13.5%
	For the Year Ended December 31,	
	2018	2017
	RMB'000	RMB'000
Net loss	(1,026,953)	(1,003,133)
Add:		
Fair value loss of convertible redeemable preferred shares	1,047,156	1,285,496
Share-based compensation expenses	275,610	10,126
Adjusted net profit	<u>295,813</u>	<u>292,489</u>
Adjusted net profit margin	10.8%	10.8%

Loans to customers at fair value through profit or loss

Our loans to customers at fair value through profit or loss decreased by 21.5% to RMB8,863.2 million as of December 31, 2018, compared to RMB11,283.8 million as of January 1, 2018, primarily due to changes of funding structures. Our loans to customers at fair value through profit or loss primarily represent the total balance of loans originated by us through our trust lending and direct lending structures.

	As of December 31, 2018		As of January 1, 2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Loans to customers at fair value through profit or loss				
Credit Card Balance Transfer Products	2,670,922	30.1%	4,377,675	38.8%
Consumption Credit Products	2,202,984	24.9%	3,195,278	28.3%
Online-to-Offline Credit Products	3,989,340	45.0%	3,710,830	32.9%
Total	<u>8,863,246</u>	<u>100.0%</u>	<u>11,283,783</u>	<u>100.0%</u>

Contract assets

Our contract assets increased by 55.9% to RMB154.1 million as of December 31, 2018 compared to RMB98.8 million as of December 31, 2017, in accordance with the development of our loan facilitation model.

	For the Year Ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Contract Assets	<u>154,143</u>	<u>98,845</u>

Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables increased by 58.5% to RMB206.1 million as of December 31, 2018 compared to RMB130.1 million as of December 31, 2017. Our guarantee liabilities increased by 20.6% to RMB204.5 million as of December 31, 2018 compared to RMB169.6 million as of December 31, 2017. The changes 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.

For the Year Ended
December 31,
2018 2017
RMB'000 *RMB'000*

Guarantee receivables

Opening balance	130,073	23,681
Changes on initial application of IFRS 9	(15,209)	N/A
Addition arising from new business	430,777	185,916
Impairment losses	N/A	(3,562)
Expected credit losses	(35,998)	N/A
Reversal due to early repayment	(50,172)	(16,815)
Payment received from borrowers	(253,325)	(59,147)

Ending balances

206,146	130,073
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For the Year Ended
December 31,
2018 2017
RMB'000 *RMB'000*

Guarantee liabilities

Opening balance	169,553	31,276
Changes on initial application of IFRS 9	65,299	N/A
Addition arising from new business	430,777	185,916
Release of the margin	(27,459)	(9,211)
Expected credit losses	137,723	N/A
Payouts during the period, net	(571,397)	(38,428)

Ending balances

204,496	169,553
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Borrowings

Our total borrowings, as recorded on our consolidated statements of financial position, comprise (1) payable to holders of trust plans and asset management plans, (2) borrowings from corporations, (3) borrowings from individuals, and (4) bank borrowings. Our total borrowings decreased by 26.5% to RMB8,131.3 million as of December 31, 2018, compared to RMB11,063.1 million as of December 31, 2017, primarily due to (i) the repayment of expired debt and (ii) shift of funding from trust lending and direct lending structures to credit-enhanced loan facilitation structure. The following table sets forth a breakdown of our borrowings by nature as of the dates indicated.

	For the Year Ended December 31,			
	2018		2017	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Borrowings				
Payable to holders of trust plans and asset management plans	6,918,969	85.1%	9,411,228	85.1%
Borrowings from corporations	1,073,126	13.2%	1,109,440	10.0%
Borrowings from individuals	138,517	1.7%	540,532	4.9%
Bank borrowings	664	0.0%	1,933	0.0%
Total	<u>8,131,276</u>	<u>100.0%</u>	<u>11,063,133</u>	<u>100.0%</u>

	For the Year Ended December 31,	
	2018	2017
Weighted average interest rates of borrowings		
Payable to holders of trust plans and asset management plans	11.0%	10.0%
Borrowings from corporations	10.0%	10.0%
Borrowings from individuals	10.0%	10.0%
Bank borrowings	6.2%	7.4%

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.

	For the Year Ended	
	December 31,	
	2018	2017
	RMB'000	RMB'000
Net cash inflow/(outflow) from operating activities	3,128,239	(4,163,479)
Net cash inflow/(outflow) from investing activities	123,435	(190,027)
Net cash (outflow)/inflow from financing activities	(2,765,474)	4,634,202
Net increase in cash and cash equivalents	486,200	280,696
Cash and cash equivalents at the beginning of the financial year	568,196	289,889
Effects of exchange rate changes on cash and cash equivalents	(4,284)	(2,389)
Cash and cash equivalents at end of the year	<u>1,050,112</u>	<u>568,196</u>

Our cash inflow generated from operating activities primarily consists of principal and interest, loan facilitation service fees and other penalty charges 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 RMB3,128.2 million for the year ended December 31, 2018 compared with net cash outflow used in operating activities of RMB4,163.5 million for year ended December 31, 2017, primarily due to the shift to facilitation funding structures.

We had net cash inflow generated from investing activities of RMB123.4 million for the year ended December 31, 2018, compared with net cash outflow of RMB190.0 million for the year ended December 31, 2017, primary due to the cash inflow of RMB231.9 million proceeds received from wealth management products we invested in.

We had net cash outflow from financing activities of RMB2,765.5 million for the year ended December 31, 2018, compared with net cash inflow of RMB4,634.2 million for the year ended December 31, 2017. For the year ended December 31, 2018, the cash outflow from financing activities was primarily due to RMB776.1 million repayment of borrowings and RMB9,030.3 million repayment of trust plans. We also had cash inflow from financing activities of RMB6,538.0 million through proceeds from trust plans and RMB1,157.3 million through proceeds from the Listing, for the year ended December 31, 2018.

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

Capital Commitments

The Group did not have any significant capital contracted for at the end of the reporting period but not recognised as liabilities as of December 31, 2018.

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Group has entered into outstanding operating lease commitments for certain office rentals under non-cancellable leases. The lease terms are between 1 to 5 years, and the majority of lease agreements are renewable at the end of their term.

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

	As at December 31	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year (inclusive)	46,963	48,099
1 to 2 years (inclusive)	17,140	29,869
More than 2 years	12,216	6,858
	<hr/>	<hr/>
	76,319	84,826
	<hr/> <hr/>	<hr/> <hr/>

Contingencies

The Group did not have any significant contingent liabilities as of December 31, 2018.

ACQUISITIONS AND DISPOSALS

As at December 31, 2018, the Group has completed the disposal of Hangzhou Vision Financial Servicing Co., Ltd.* (杭州維仕金融服務有限公司), an indirect wholly-owned subsidiary of the Company, which operated the online-to-offline business platform (“**O2O Business Platform**”) of the Group including leases of offline branch offices and outlets, intangible assets, such as certain intellectual property registration rights and personnel relating to the O2O Business Platform for a consideration of approximately RMB11.8 million. Further details of the disposal of the O2O Business Platform are set out in the Company’s announcements dated October 10, 2018 and December 31, 2018.

Material Investments

The Group did not hold any material investments during the year ended December 31, 2018.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this announcement, we do not have any present plans for other material investments and capital assets.

On January 11, 2019, the Board adopted a share award scheme, pursuant to which all employees (including without limitation any directors) of the Group will be entitled to participate, as determined by the Board. Pursuant to the scheme rules, shares of the Company (the “**Shares**”) will be acquired by an independent trustee from the market, at the cost of the Company and held on trust for the selected participants until the Shares vest. Vested Shares will be transferred at no cost to the selected participants. The maximum number of Shares that may be awarded under the scheme throughout its duration is 24,974,369 shares. For further details, please refer to the announcement of the Company dated 11 January 2019.

FINANCIAL RESULTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2018	2017
	Note	RMB'000	RMB'000
Continuing operations			
Interest type income	5	2,930,339	N/A
Interest income	5	N/A	3,254,516
Less: interest expenses	5	(974,770)	(918,226)
Net interest type income		1,955,569	N/A
Net interest income		N/A	2,336,290
Loan facilitation service fees	6	269,832	83,916
Other income	7	511,182	286,176
Total Income		2,736,583	2,706,382
Origination and servicing expenses	8	(684,580)	(607,614)
Sales and marketing expenses	8	(206,218)	(68,963)
General and administrative expenses	8	(503,269)	(181,747)
Research and development expenses	8	(74,058)	(74,379)
Credit impairment losses/Impairment losses	9	(54,348)	(1,417,439)
Fair value change of loans to customers		(1,130,058)	N/A
Other gains/(losses), net	10	17,583	(8,840)
Operating profit		101,635	347,400
Share of net loss of associates accounted for using the equity method		(2,900)	(6,368)
Fair value loss of convertible redeemable preferred shares	18	(1,047,156)	(1,285,496)
Loss before income tax		(948,421)	(944,464)
Income tax expense	11	(78,532)	(58,669)
Loss for the year attributable to owners of the Company		(1,026,953)	(1,003,133)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME **(CONTINUED)**

		Year ended December 31,	
		2018	2017
	<i>Note</i>	RMB'000	RMB'000
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of financial statements		44,105	171,373
<i>Items that will not be reclassified to profit or loss</i>			
Change in fair value attributable to change in the credit risk of financial liability designated at fair value through profit or loss		<u>(14,109)</u>	<u>N/A</u>
Total comprehensive loss for the year attributable to owners of the Company, net of tax		<u>(996,957)</u>	<u>(831,760)</u>
Loss per share for loss the from continuing operations attributable to owners of the Company (expressed in RMB yuan per share)			
Basic loss per share	12	<u>(2.93)</u>	<u>(6.96)</u>
Diluted loss per share	12	<u>(2.93)</u>	<u>(6.96)</u>
Non-IFRS Measure			
Adjusted operating profit ⁽¹⁾		427,115	364,395
Adjusted net profit ⁽²⁾		295,813	292,489
Adjusted basic earning per share ⁽³⁾	12	0.84	N/M

Note:

- (1) Adjusted Operating Profit is defined as operating profit with share-based compensation expenses of RMB275.6 million (2017:RMB10.1 million) and listing expenses of RMB49.9 million (2017:RMB6.9 million) added back. For more details, please see the section headed “Management discussion and analysis — Non-IFRS Measures”.
- (2) Adjusted Net Profit is defined as loss for the period with fair value change of convertible redeemable preferred shares of RMB1,047.2 million (2017: RMB1,285.5 million) and share-based compensation expenses of RMB275.6 million (2017:RMB10.1 million) added back. For more details, please see the section headed “Management discussion and analysis — Non-IFRS Measures”.
- (3) Adjusted basic earnings per share is calculated by dividing the adjusted net profit by the weighted average number of ordinary shares in issue during the year.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31, 2018	2017
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Cash and cash equivalents	13(a)	1,050,111	568,196
Restricted cash	13(b)	127,902	143,570
Loans to customers at amortized cost		—	11,479,696
Loans to customers at fair value through profit or loss	14	8,863,246	N/A
Contract assets	15	154,143	98,845
Guarantee receivables	16	206,146	130,073
Financial assets at fair value through profit or loss		—	110,545
Investments accounted for using the equity method		27,684	30,784
Deferred income tax assets		413,117	279,860
Intangible assets		16,814	13,488
Property and equipment		59,066	74,355
Other assets		759,446	507,596
Total assets		11,677,675	13,437,008
Liabilities			
Borrowings	17	8,131,276	11,063,133
Guarantee liabilities	16	204,496	169,553
Tax payable		85,400	108,338
Deferred income tax liabilities		77,734	122,314
Convertible redeemable preferred shares	18	—	3,042,173
Other liabilities		394,042	440,107
Total liabilities		8,892,948	14,945,618
Equity/(deficit)			
Share capital		40,938	394,462
Share premium		5,581,926	—
Reserves		380,455	60,951
Accumulated deficit		(3,218,592)	(1,964,023)
Total equity/(deficit)		2,784,727	(1,508,610)
Total liabilities and equity		11,677,675	13,437,008

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Reserves						
	Share capital	Share premium	Share Option Reserves	Translation Reserve	Other Reserves	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 as at January 1, 2018	394,462	—	29,546	31,405	(47,055)	(2,130,475)	(1,722,117)
Loss for the year	—	—	—	—	—	(1,026,953)	(1,026,953)
Exchange difference on translation of financial statements	—	—	—	44,106	—	—	44,106
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 year	—	—	—	44,106	(14,109)	(1,026,953)	(996,956)
Transactions with owners, in their capacity as owners							
Changes on initial application of par value	(379,823)	379,823	—	—	—	—	—
Issuance of ordinary shares relating to initial public offering and over-allotment, net of underwriting commissions and other issuance costs	5,982	1,145,200	—	—	—	—	1,151,182
Conversion of preferred shares to ordinary shares	20,460	4,071,483	—	—	61,164	(61,164)	4,091,943
Shares repurchased and cancelled	(155)	(15,580)	—	—	—	—	(15,735)
Issuance of ordinary shares to employees	12	1,000	(212)	—	—	—	800
Share-based payment	—	—	275,610	—	—	—	275,610
Total transactions with owners, in their capacity as owners	(353,524)	5,581,926	275,398	—	61,164	(61,164)	5,503,800
Balance at December 31, 2018	40,938	5,581,926	304,944	75,511	—	(3,218,592)	2,784,727

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the Company				
		Reserves			
	Share capital	Share Option	Translation	Accumulated	
	<i>RMB'000</i>	Reserves	Reserve	losses	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2017	257,985	33,321	(139,968)	(960,890)	(809,552)
Loss for the year	—	—	—	(1,003,133)	(1,003,133)
Exchange difference on translation of financial statements	—	—	171,373	—	171,373
Total comprehensive loss for the period	—	—	171,373	(1,003,133)	(831,760)
Transactions with owners, at their capacity as owners					
Share-based payment	—	10,126	—	—	10,126
Issuance of ordinary shares to employees	136,477	(13,901)	—	—	122,576
Total transactions with owners, at their capacity as owners	136,477	(3,775)	—	—	132,702
Balance at December 31, 2017	394,462	29,546	31,405	(1,964,023)	(1,508,610)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Operating activities		
Cash generated from/(used in) operating activities	3,329,945	(4,130,495)
Income tax paid	(201,706)	(32,984)
Net cash inflow/(outflow) from operating activities	3,128,239	(4,163,479)
Investing activities		
Payments for property and equipment	(14,557)	(39,899)
Payments for intangible assets	(5,865)	(5,229)
Payments for construction in progress	(3,973)	(14,899)
Payments for acquisition of associate	—	(20,000)
Payments for financial assets designated at fair value through profit or loss	(120,000)	(110,000)
Proceeds from disposal of financial assets at fair value through profit or loss	231,905	—
Proceeds from disposal of subsidiaries, net of cash disposal	8,425	—
Dividends from disposed subsidiaries	27,500	—
Net cash inflow/(outflow) from investing activities	123,435	(190,027)
Financing activities		
Proceeds from issuance of convertible redeemable preferred shares	—	332,464
Proceeds from borrowings	280,296	1,321,369
Cash received from trust plans holders	6,537,995	8,088,745
Proceeds from issuance of ordinary shares to employees	123,376	—
Proceeds from issuance of ordinary shares relating to the initial public offering and over-allotment, net of underwriting commissions and other issuance costs	1,157,300	—
Interest expenses paid	(978,218)	(890,994)
Repayment of borrowings	(776,146)	(708,515)
Cash paid to trust plans holders	(9,030,254)	(3,492,683)
Cash paid to asset management plans holders	—	(16,184)
Payment for shares repurchased	(15,735)	—
Payment of listing expenses	(64,088)	—
Net cash (outflow)/inflow from financing activities	(2,765,474)	4,634,202

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Net increase in cash and cash equivalents	486,200	280,696
Cash and cash equivalents at the beginning of the financial year	568,196	289,889
Effects of exchange rate changes on cash and cash equivalents	<u>(4,284)</u>	<u>(2,389)</u>
Cash and cash equivalents at end of the year	<u>1,050,112</u>	<u>568,196</u>

NOTES

1 General Information

VCREDIT Holdings Limited (“維信金科控股有限公司”) (formerly known as Vision Capital Group Limited, the “**Company**” or “**VCREDIT**”) was incorporated in the British Virgin Islands (“**BVI**”) on July 24, 2007 as an exempted company with limited liability under the laws of the BVI.

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

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

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since June 21, 2018 (the “**Listing**”). Upon the completion of the Listing, all of the Company’s outstanding convertible redeemable preferred shares were converted into ordinary shares on a one-to-one basis.

2 Basis of Presentation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

This annual consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated.

3 Significant Accounting Policies

- 3.1 The accounting policies adopted in the preparation of this consolidated financial information are consistent with those set out in the consolidated financial statements for the years ended December 31, 2016 and 2017, except for the adoption of IFRS 9, “Financial Instruments” as at January 1, 2018.

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

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

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

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

Save as disclosed above, there has been no significant changes to the accounting policies adopted by the Group.

- 3.2 The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

Effective for annual periods beginning on or after		
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group has set up a project team which has reviewed all of the Group’s leasing arrangements over the year ended December 31, 2018 in light of the new lease accounting rules in IFRS 16. IFRS 16 will affect primarily the accounting for the Group’s operating leases.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB76.3 million. Of these commitments, there are short-term leases of RMB4.0 million which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately RMB50,870,654 on 1 January 2019, lease liabilities of RMB51,249,208 (after adjustments for prepayments and accrued lease payments recognised as at December 31, 2018) on 1 January 2019 and deferred tax assets of RMB14,398 on 1 January 2019. Overall net assets as at 1 January 2019 will be approximately RMB364,156 lower.

Operating cash flows will increase and financing cash flows decrease by approximately RMB43.0 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities for the year ended 2019.

4 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker. As a result of this evaluation, the chief operating decision-maker of the Group considers that the Group's operations are operated and managed as a single segment; accordingly no segment information is presented.

The Company is registered in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of its revenues from customers in the PRC.

As of December 31, 2018 and 2017, respectively, substantially all of the non-current assets of the Group, other than certain long-term receivables and term deposits, were located in the PRC.

5 Net interest type income

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Interest type income		
Loans to customers at fair value through profit or loss	<u>2,930,339</u>	<u>N/A</u>
Interest income		
Loans to customers at amortised cost	<u>—</u>	<u>3,254,516</u>
Including: Interest income on impaired financial assets	<u>—</u>	<u>19,178</u>
Less: Interest expense		
Payable to holders of trust plans and asset management plans	(817,766)	(814,031)
Borrowings from corporations	(116,458)	(40,754)
Borrowings from individuals	(33,174)	(55,154)
Bank borrowings	(93)	(915)
Others	<u>(7,279)</u>	<u>(7,372)</u>
	<u>(974,770)</u>	<u>(918,226)</u>
Net interest type income	<u><u>1,955,569</u></u>	<u><u>N/A</u></u>
Net interest income	<u><u>N/A</u></u>	<u><u>2,336,290</u></u>

6 Loan facilitation service fees

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Upfront loan facilitation service fees	230,560	69,102
Post loan facilitation service fees	<u>39,272</u>	<u>14,814</u>
	<u><u>269,832</u></u>	<u><u>83,916</u></u>

7 Other income

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Membership fees	258,033	—
Penalty charges	240,832	248,068
Referral fees	93,620	—
Risk management system service fees	39,896	13,091
Other consulting service fees	24,976	—
(Losses)/gains from guarantee	(160,436)	9,211
Others	14,261	15,806
	<u>511,182</u>	<u>286,176</u>

8 Expenses by nature

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	(704,552)	(473,776)
Loan servicing expenses	(306,022)	(217,185)
Marketing and advertising fees	(193,907)	(55,326)
Office rental	(57,534)	(59,722)
Office expenses	(50,339)	(33,378)
Professional service fees	(81,322)	(30,775)
Depreciation and amortization	(31,430)	(24,335)
Tax and surcharge	(12,827)	(12,343)
Audit remuneration		
— Audit service fees	(9,406)	(794)
— Non-audit service fees	(792)	(143)
Others	(19,994)	(24,926)
	<u>(1,468,125)</u>	<u>(932,703)</u>

9 Credit impairment losses/Impairment losses

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Cash and bank balances	3	—
Restricted cash	1	—
Loans to customers at amortised cost	N/A	(1,397,199)
Contract assets	(17,293)	(11,872)
Guarantee receivables	(35,998)	(3,562)
Other assets	(1,061)	(4,806)
	<u>(54,348)</u>	<u>(1,417,439)</u>

10 Other gains/(losses), net

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Finance cost (i)	(19,366)	27,353
Gain from financial assets at fair value through profit or loss	1,360	545
Gain from disposal of subsidiary	35,589	—
Loss on early repayment (ii)	N/A	(36,738)
	<u>17,583</u>	<u>(8,840)</u>

(i) Finance cost, net

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Exchange (losses)/gains	(25,718)	25,460
Bank charges	(999)	(771)
Bank interest income	7,351	2,664
	<u>(19,366)</u>	<u>27,353</u>

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

11 Income tax expense

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	(185,241)	(98,127)
Deferred income tax	<u>106,709</u>	<u>39,458</u>
	<u>(78,532)</u>	<u>(58,669)</u>

12 Loss per share/ Adjusted basic earning per share

Weighted average number of shares used as the denominator

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Loss attributable to owners of the Company	(1,026,953)	(1,003,133)
Adjusted net profit	295,813	292,489
Weighted average number of ordinary shares in issue ('000)	<u>350,239</u>	<u>144,205</u>
Basic loss per share	<u>(2.93)</u>	<u>(6.96)</u>
Diluted loss per share	<u>(2.93)</u>	<u>(6.96)</u>
Adjusted basic earning per share	<u>0.84</u>	<u>N/M</u>

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

- (b) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. For the years ended December 31, 2018 and 2017, the Group had two categories of potential ordinary shares, the share options awarded and convertible redeemable preferred shares (Note 18). As the Group incurred losses for the years ended December 31, 2018 and 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the year ended December 31, 2018 and 2017 are the same as basic losses per share of the respective years.
- (c) Adjusted basic earnings per share is calculated by dividing the adjusted net profit by the weighted average number of ordinary shares in issue during the year.

13 Cash and bank balances

(a) Cash and cash equivalents

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank	839,324	502,413
Cash held through platform	210,788	65,783
Less: impairment allowance	(1)	N/A
	<u>1,050,111</u>	<u>568,196</u>

(b) Restricted cash

Pledged cash in banks	127,921	143,570
Less: impairment allowance	(19)	—
	<u>127,902</u>	<u>143,570</u>

14 Loans to customers at fair value through profit or loss

The composition of loans is as follows:

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Credit loans	7,288,408	N/A
Pledged loans	1,574,838	N/A
Loans to customers at fair value through profit or loss	<u>8,863,246</u>	<u>N/A</u>
	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Loans to customers at amortised cost		
— gross	—	13,276,407
Less: impairment allowance	—	(1,796,711)
Loans to customers at amortised cost		
— net	<u>—</u>	<u>11,479,696</u>

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

	As at December 31, 2018 <i>RMB'000</i>
Within 1 year (including 1 year)	5,026,719
1 to 2 years (including 2 years)	716,378
2 to 5 years (including 5 years)	<u>3,120,149</u>
	<u>8,863,246</u>

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

	As at December 31, 2018 RMB'000
Overdue	485,282
Within 1 year (including 1 year)	5,261,049
1 to 2 years (including 2 years)	1,579,993
2 to 5 years (including 5 years)	1,536,922
	<u>8,863,246</u>

15 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 at December 31, 2018 RMB'000	2017 RMB'000
Contract assets	174,039	108,791
Less: expected credit losses allowance	(19,896)	N/A
Less: impairment allowance	N/A	(9,946)
Contract assets, net	<u>154,143</u>	<u>98,845</u>

16 Guarantee receivables and guarantee liabilities

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Guarantee receivables	235,934	133,138
Less: expected credit losses allowance	(29,788)	N/A
Less: impairment allowance	N/A	(3,065)
Guarantee receivables, net	206,146	130,073

	For the Year Ended December 31,	
	2018	2017
	RMB'000	RMB'000
Guarantee receivables		
Opening balance	130,073	23,681
Changes on initial application of IFRS 9	(15,209)	N/A
Addition arising from new business	430,777	185,916
Impairment losses	N/A	(3,562)
Expected credit losses	(35,998)	N/A
Reversal due to early repayment	(50,172)	(16,815)
Payment received from borrowers	(253,325)	(59,147)
Ending balances	206,146	130,073

	For the Year Ended December 31,	
	2018	2017
	RMB'000	RMB'000
Guarantee liabilities		
Opening balance	169,553	31,276
Changes on initial application of IFRS 9	65,299	N/A
Addition arising from new business	430,777	185,916
Release of the margin	(27,459)	(9,211)
Expected credit losses	137,723	N/A
Payouts during the period, net	(571,397)	(38,428)
Ending balance	204,496	169,553

17 Borrowings

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

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Payable to holders of trust plans and asset management plans	6,918,969	9,411,228
Borrowings from corporations	1,073,126	1,109,440
Borrowings from individuals	138,517	540,532
Bank borrowings	664	1,933
	<u>8,131,276</u>	<u>11,063,133</u>

The following table sets forth the effective interest rates of borrowings

	As at December 31,	
	2018	2017
Payable to holders of trust plans and asset management plans	7.0%~15.0%	6.0%~15.0%
Borrowings from corporations	6.3%~10.5%	10.0%
Borrowings from individuals	10.0%	10.0%
Bank borrowings	6.2%	6.2%

The following table sets forth the security of borrowings

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Secured		
Bank borrowings	664	1,933
Unsecured		
Payable to holders of trust plans and asset management plans	6,918,969	9,411,228
Borrowings from corporations	1,073,126	1,109,440
Borrowings from individuals	138,517	540,532
	<u>8,131,276</u>	<u>11,063,133</u>

The following table sets forth the contractual maturities of borrowings

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	4,015,282	5,376,867
Between 1 and 2 years	4,065,760	5,684,333
Between 2 and 5 years	50,234	1,933
	<u>8,131,276</u>	<u>11,063,133</u>

The following table sets forth the repayment schedule of borrowings

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	6,884,796	8,221,263
Between 1 and 2 years	1,196,910	2,841,870
Between 2 and 5 years	49,570	—
	<u>8,131,276</u>	<u>11,063,133</u>

Gearing ratio

As at December 31, 2018, our gearing ratio, calculated as total liabilities (excluding convertible redeemable preferred shares) divided by total assets, was approximately 76.2%, representing a decrease of 12.4% as compared with 88.6% as at December 31, 2017. The decrease was primarily due to repayment of trust plans.

18 Convertible redeemable preferred shares

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

	<i>RMB'000</i>
At January 1, 2018	3,042,173
Changes in fair value of preferred shares	1,047,156
Other comprehensive income result from credit risk (Reclassified from fair value change)	14,109
Currency translation differences	(11,495)
Convert to ordinary shares	(4,091,943)
At December 31, 2018	—
At January 1, 2017	1,560,194
Issuance of series C convertible redeemable preferred shares	332,465
Changes in fair value of convertible redeemable preferred shares	1,285,496
Currency translation differences	(135,982)
At December 31, 2017	3,042,173

19 Consolidated structured entities

The Group has consolidated certain structured entities which are primarily trust plans and asset management plans. When assessing whether to consolidate such structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. The 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 guarantees, the Group has obligations to fund the losses (if any) in accordance with the guarantee agreements but the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

As at December 31, 2018, the trust plans and asset management plans consolidated by the Group amounted to RMB9.30 billion (December 31, 2017: RMB11.84 billion).

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

20 Subsequent events

The following significant events took place subsequent to December 31, 2018:

On January 11, 2019, the Board adopted a share award scheme, pursuant to which all employees (including without limitation any directors) of the Group will be entitled to participate, as determined by the Board. Pursuant to the scheme rules, shares of the Company (the “**Shares**”) will be acquired by an independent trustee from the market, at the cost of the Company and be held on trust for the selected participants until the Shares vest. Vested Shares will be transferred at no cost to the selected participants. The maximum number of Shares that may be awarded under the scheme throughout its duration is 24,974,369 shares. For further details, please refer to the announcement of the Company dated 11 January 2019.

21 Foreign Exchange Exposure

Foreign currency transactions during the six months ended December 31, 2018 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 at December 31, 2018. 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 statements of financial position items are translated into RMB at the closing foreign exchange rates prevailing as at December 31, 2018. 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.

22 Approval of the Consolidated Financial Information

This annual consolidated financial information has been approved and authorized for issue by the Board on March 25, 2019.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board does not recommend the payment of a final dividend for the year ended December 31, 2018.

MOVEMENTS IN SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in the consolidated statement of change in equity to the financial statements above.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Following the Listing and the exercise of the over-allotment option granted to the underwriters in respect of the Listing, the Company had a total of 501,113,869 ordinary shares of HK\$0.10 each ("**Shares**") in issue as of July 19, 2018.

During the period commencing from the Listing Date and ending on December 31, 2018 (both dates inclusive) (the “**Relevant Period**”):

- (1) the Company repurchased a total of 1,759,800 Shares on the Stock Exchange for an aggregate consideration of HK\$18,009,229.31 (including expenses). The repurchases were effected pursuant to the repurchase mandate granted to the directors of the Company by shareholders of the Company on May 10, 2018, with a view to benefiting shareholders as a whole to enhance the net asset value per Share.

Date	Number of Shares Repurchased	Lowest Price Paid (HK\$)	Highest Price Paid (HK\$)	Aggregate Consideration (HK\$)
September 3, 2018	10,200	10.50	11.00	109,272.94
September 4, 2018	74,800	10.56	11.00	815,867.37
September 5, 2018	188,200	10.60	10.90	2,044,826.83
September 6, 2018	145,400	10.70	10.90	1,574,721.74
September 7, 2018	55,400	10.26	10.86	589,839.55
September 10, 2018	24,400	10.24	10.74	254,315.23
September 11, 2018	200,000	10.16	10.42	2,067,371.51
September 12, 2018	77,400	10.24	10.56	806,734.05
September 13, 2018	81,400	10.40	10.60	859,057.52
September 14, 2018	100,000	10.46	10.60	1,055,543.02
September 17, 2018	100,000	10.16	10.52	1,050,297.15
September 18, 2018	15,200	10.38	10.46	159,594.91
September 19, 2018	50,000	10.18	10.56	519,852.61
September 20, 2018	50,000	10.18	10.40	518,583.99
September 21, 2018	50,000	10.30	10.44	521,858.76
September 24, 2018	35,600	10.28	10.52	371,680.93
September 26, 2018	30,800	10.24	10.44	320,263.08
September 27, 2018	50,000	10.16	10.38	520,540.03
September 28, 2018	50,000	9.81	10.36	509,962.13
October 2, 2018	50,000	9.91	10.14	502,449.57
October 3, 2018	18,000	9.92	10.00	180,414.32
October 4, 2018	25,000	9.91	10.00	250,196.16
October 5, 2018	25,000	9.75	9.95	249,082.85
October 8, 2018	25,000	9.67	9.90	246,683.38
October 9, 2018	50,000	8.90	9.66	458,795.19
October 10, 2018	50,000	8.21	8.97	430,353.29
October 11, 2018	128,000	7.65	8.10	1,021,071.22

All of the repurchased Shares have been cancelled. The issued share capital of the Company was accordingly reduced by the par value of the repurchased Shares so cancelled; and

- (2) the Company issued and allotted a total of 133,320 new Shares pursuant to the exercise of certain employee share options for an aggregate issue price of HK\$909,242.40.

As at December 31, 2018, the Company had a total of 499,487,389 Shares in issue.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

USE OF PROCEEDS FROM LISTING

The net proceeds from 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 issued in respect of the Listing. The actual use of net proceeds up to December 31, 2018 are set out below:

	Planned amount		Utilized amount		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	111	128	169	117
General corporate purposes	140	122	140	122	—	—
Total	<u>1,400</u>	<u>1,222</u>	<u>1,231</u>	<u>1,105</u>	<u>169</u>	<u>117</u>

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2018, the Group had a total of 812 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.

CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL RESULTS

The Company has an audit committee established in compliance with rule 3.21 of the Listing Rules, with responsibility for reviewing and supervising the Group’s financial reporting process, risk management and internal controls. The audit committee comprises two independent non-executive directors of the Company, Mr. Wu Chak Man (chairman) and Mr. Chen Penghui and one non-executive director of the Company, Mr. Yip Ka Kay.

The audit committee has conducted an audit committee meeting with the external auditor, PricewaterhouseCoopers, and the management team to review the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control, risk management and financial reporting, including a review of the audited consolidated financial information of the Group for the year ended December 31, 2018.

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

* *for identification purposes only*

Hong Kong, March 25, 2019

As at the date of this announcement, the board of directors of the Company 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. Derek Chen, Ms. Liu Yang 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.