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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)

US\$85 Million 11.0% Senior Notes Due 2022  
(Stock Code: 40498)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

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, 2021 (the “**Period**”).

#### FINANCIAL HIGHLIGHTS

	Six months ended				
	June 30, 2021 RMB million	June 30, 2020 RMB million	Change	December 31, 2020 RMB million	Change
<b>Total Income</b>	<b>1,880.0</b>	1,203.8	56.2%	1,369.3	37.3%
Interest type income	<b>825.0</b>	1,310.6	-37.1%	706.7	16.7%
Less: interest expenses	<b>(264.8)</b>	(446.5)	-40.7%	(269.4)	-1.7%
Loan facilitation service fees	<b>973.3</b>	238.2	308.7%	475.1	104.8%
Other income	<b>346.5</b>	101.5	241.1%	456.9	-24.2%
<b>Operating Profit/(Loss)</b>	<b>1,008.8</b>	(1,339.1)	NM	287.3	251.1%
<b>Net Profit/(Loss)</b>	<b>777.6</b>	(1,081.2)	NM	211.7	267.4%
<b>Non-IFRS Adjusted Operating Profit/ (Loss) <sup>(1)</sup></b>	<b>1,036.2</b>	(1,299.9)	NM	322.9	220.9%
<b>Non-IFRS Adjusted Net Profit/(Loss) <sup>(2)</sup></b>	<b>805.0</b>	(1,042.0)	NM	247.2	225.7%

Notes:

- (1) Non-IFRS Adjusted Operating Profit/(Loss) is defined as operating profit/(loss) for the Period excluding share-based compensation expenses. For more details, please see the section headed “Management Discussion and Analysis — Non-IFRS Measures”.
- (2) Non-IFRS Adjusted Net Profit/(Loss) is defined as net profit/(loss) for the Period excluding share-based compensation expenses. For more details, please see the section headed “Management Discussion and Analysis — Non-IFRS Measures”.

#### INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has recommended the distribution of an interim dividend of HK10 cents per ordinary share of the Company (the “**Share**”) and a special dividend of HK10 cents per Share for the Period (six months ended June 30, 2020: nil) to shareholders of the Company (the “**Shareholders**”), out of the share premium account of the Company, subject to the approval of the Shareholders at an extraordinary general meeting expected to be held on or around Tuesday, October 12, 2021 (the “**EGM**”).

## **BUSINESS REVIEW AND OUTLOOK**

The Company has delivered an outstanding operating performance and financial results for the Period, supported by continuing strong demand for consumer financing resulting from an orderly economic recovery in China and adjustments to our risk management strategy and customer focus.

### **Business Review**

Our operating environment remained competitive as progressive regulations tightened and limited certain practices, although market consolidation continued with the exit of remaining P2P lending platforms from the sector.

During the Period, we completed changes that we initiated in the second half of 2020 to adjust our risk management and shift our strategy focus towards better prime and near-prime customers. In addition, as a data intelligence-embraced organization, we have improved our operational efficiency and enhanced our target customer identification and market penetration through the use of dynamic data analytics and connecting with high-quality customer acquisition channels. We have been as well enriching our service to existing customers during each stage of their life time cycle, involving them within diversified channels and customer experience optimization.

We have, through the combination of these changes in our strategy focus and proactive management, expanded our user base, with the number of our registered users reaching 103.5 million, and achieved a significant increase in our loan facilitation volume. At the same time, we have been improving our delinquency ratios and asset quality metrics which are currently at levels that are considerably better than pre-COVID 19 pandemic levels, and which we believe demonstrates the effectiveness of our changes to our credit risk model and strategy.

To reach and stay connected with more of our target customers, we have expanded our network of customer acquisition channels and use of industry platforms with priority given to channels that capture high-quality customers. Our collaborations with newly-partnered channels, such as OPPO, Xiaomi and China Telecom, are proving mutually beneficial. To ensure we secure optimum return and gain market efficiency, we have reinforced feedback exchanges and analytics with our channel partners so we are able to better formulate more precise depictions of, and effective marketing to capture, prime customers. In order to improve customer experience on our digital platform, we continue to refine our online APP along with various loan facilitation and post-loan management services. Under our precise operation, targeted customers will bring more long-term value and profit to the Company.

Promising outcomes of asset quality are driven by the iteration of our credit risk model. Prime and near-prime customers are the targeted clusters. We have introduced multi-dimension data sources into our model to differentiate customers effectively and intelligently measure their creditworthiness. Besides, new generations of multi-source scorecards have been implemented, further boosting our risk management capability. At the same time, sophisticated testing was conducted throughout the Period based on the ever-changing macro environment and customer behavior, which brought more insights into our risk policy optimization strategy.

The Group's financial institutional partners are a crucial element of our business strategy, providing a stable funding source to ensure we fulfill the under-served borrowing needs of customers. By the end of the Period, we had long-term collaborative relationships with 64 external funding partners, including commercial banks, consumer finance companies and trusts. Through these solid cooperations, funding costs continue presenting a declining tendency. Furthermore, third-party guarantee companies and asset management companies secure the ecosystem in terms of funding flexibility and protection to our funding partners. Moreover, we have been exploring potential co-operation business opportunities with our partners, including offering our talents in product operation, marketing strategy and credit risk modelling.

## Operating Review

### *Products and Services*

We primarily offer installment based credit products through our pure online loan origination process. For the Period, the total number of transactions was 1.7 million and the average term of our credit products was approximately 9.6 months and the average loan size was approximately RMB13,091.

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

Loan Origination Volume	June 30, 2021		Six months ended December 31, 2020		June 30, 2020	
	RMB million	%	RMB million	%	RMB million	%
Direct lending	448.9	2.0%	155.0	0.9%	69.7	0.5%
Trust lending	7,673.7	34.1%	5,390.5	30.9%	5,049.4	37.9%
Credit-enhanced loan facilitation	14,403.1	63.9%	11,914.1	68.2%	8,055.1	60.5%
Pure loan facilitation	—	—	—	—	139.2	1.1%
<b>Total</b>	<b>22,525.7</b>	<b>100.0%</b>	<b>17,459.6</b>	<b>100.0%</b>	<b>13,313.4</b>	<b>100.0%</b>

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

Outstanding Balance of Loans to Customers	As at June 30, 2021		As at December 31, 2020	
	RMB million	%	RMB million	%
Online consumption products	19,079.9	99.8%	13,963.8	99.3%
Online-to-offline credit products	36.4	0.2%	101.6	0.7%
<b>Total</b>	<b>19,116.3</b>	<b>100.0%</b>	<b>14,065.4</b>	<b>100.0%</b>

## Asset Quality

Throughout the Period, we continued to explore new data sources to optimize our risk model and policies to better differentiate customers. New generations of multi-source scorecards have been implemented to further boost risk management capability. Among our key leading indicators of asset quality, our first payment delinquency ratio<sup>(1)</sup> remained at a similar level during the Period to the first payment delinquency ratio of around 0.4% for the fourth quarter of 2020. Meanwhile, our M1-M3 ratio<sup>(2)</sup> and M3+ ratio<sup>(3)</sup> reached their lowest levels ever in our history, declining to 2.06% and 1.40%, respectively, in the second quarter of 2021 from 2.50% and 2.86%, respectively, in the fourth quarter of 2020.

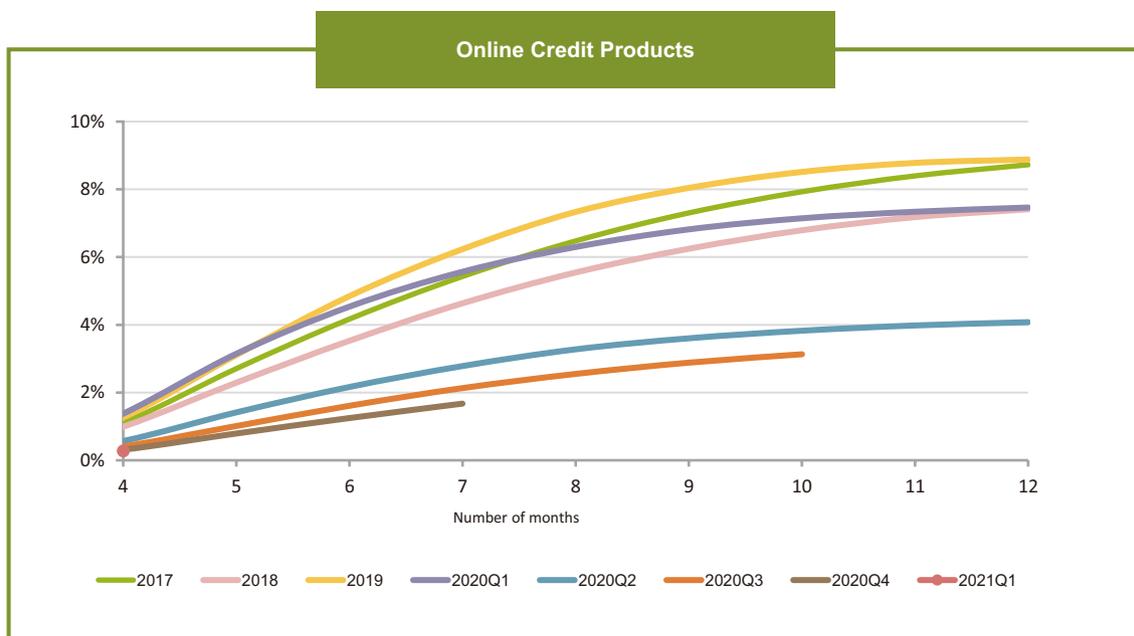
Given tighter regulations affecting collection and use of personal data, we continue to capture and assess additional external and internal data sources to enhance our understanding and better differentiate customers at each stage of their credit-life-cycle with the objective of iterating two more generations of scorecards by the end of 2021. Moreover, we continue to optimize customer life-time valuation models by adding more granular level channels to facilitate better marketing decisions.

	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2
First payment delinquency ratio <sup>(1)</sup>	2.35%	2.06%	2.04%	0.81%	0.55%	0.44%	0.40%	0.43%
M1-M3 ratio <sup>(2)</sup>	3.41%	4.30%	6.35%	7.35%	3.59%	2.50%	2.07%	2.06%
M3+ ratio <sup>(3)</sup>	2.96%	3.24%	4.72%	7.07%	5.56%	2.86%	1.81%	1.40%

### 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 online loans which have been delinquent up to 3 months, by (ii) the total outstanding balance of loans to customers (excluding offline credit products, which had a negligible balance of RMB36.4 million as at June 30, 2021).
- (3) M3+ ratio is calculated by dividing (i) the outstanding balance of online 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 (excluding offline credit products, which had a negligible balance of RMB36.4 million as at June 30, 2021).

The following diagram sets forth our latest Cohort-Based M3+ Delinquency Ratio <sup>(4)</sup>.



Note:

- (4) Cohort-Based M3+ Delinquency Ratio is defined as (i) the total amount of principal for the online 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 loans in such vintage (excluding offline credit products, which had a negligible balance of RMB36.4 million as at June 30, 2021).

### Outlook and Strategies

We operate in a rapidly-evolving market. As an innovation-oriented and technology-driven finance company, we will strive to maintain our agile, efficient and regulated business approach. Fulfilling our prime and near-prime customers under-served credit demands is our driving force to systemize marketing strategies, upgrade credit risk algorithms and models, and optimize product operation. Therefore, moving forward, we intend to continue to execute the following strategies to maintain our growth in the industry:

- streamline and extend our credit solutions to better serve our customers to improve brand recognition and their loyalty and creditworthiness
- enhance risk-centered technology capability through constant research and development
- consolidate regulated and long-term collaborations with licensed financial institutional partners and business partners
- compliance with the laws and regulations as the first priority to maintain the sustainability of business
- cultivate a dynamic enterprise value and culture and grow our in-house talents

## MANAGEMENT DISCUSSION AND ANALYSIS

The following selected consolidated statements of comprehensive income for the Period has been derived from our unaudited condensed consolidated interim financial information and related notes included elsewhere in this unaudited interim results announcement.

### Total Income

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 56.2% to RMB1,880.0 million for the Period, compared to RMB1,203.8 million for the six months ended June 30, 2020, and increased by 37.3% compared to RMB1,369.3 million for the six months ended December 31, 2020, primarily due to a significant increase in loan origination volume as a result of improvements in economic and market conditions and recovery in demand for consumer finance products in China and a significant improvement in delinquency rates as a result of effective strategic changes in credit and customer acquisition policies.

### 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, 2021 RMB'000	December 31, 2020 RMB'000	June 30, 2020 RMB'000
<b>Net Interest Type Income</b>			
Interest type income	<b>824,966</b>	706,740	1,310,586
Less: interest expenses	<b>(264,765)</b>	(269,431)	(446,484)
<b>Total</b>	<b><u>560,201</u></b>	<b><u>437,309</u></b>	<b><u>864,102</u></b>

For the Period, we recorded interest type income of RMB825.0 million, which was generated from loans to customers originated under direct lending and trust lending structures. The decrease in interest type income for the Period compared to RMB1,310.6 million for the six months ended June 30, 2020, was primarily due to a decrease in the average outstanding loan balance of our trust lending structure. However, interest type income increased by 16.7% for the Period compared to RMB706.7 million for the six months ended December 31, 2020, which was driven by the substantial increase in loan origination volume.

Interest expenses decreased by 40.7% to RMB264.8 million for the Period, compared to RMB446.5 million for the six months ended June 30, 2020 and decreased by 1.7% compared to RMB269.4 million for the six months ended December 31, 2020. The decrease in interest expenses primarily resulted from the decrease in the average borrowing balance and weighted interest rate 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.

Interest Type Income	June 30, 2021		Six months ended December 31, 2020		June 30, 2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Online consumption products	821,009	99.5%	697,032	98.6%	1,262,237	96.3%
Online-to-offline credit products	3,957	0.5%	9,708	1.4%	48,349	3.7%
<b>Total</b>	<b>824,966</b>	<b>100.0%</b>	<b>706,740</b>	<b>100.0%</b>	<b>1,310,586</b>	<b>100.0%</b>

### *Loan Facilitation Service Fees*

Loan facilitation service fees increased by 308.7% to RMB973.3 million for the Period, compared to RMB238.2 million for the six months ended June 30, 2020 and increased by 104.8% compared to RMB475.1 million for the six months ended December 31, 2020, primarily due to an increase of loan origination volume and improvement of asset quality.

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.

Loan Facilitation Service Fees	Six months ended		June 30, 2020
	June 30, 2021	December 31, 2020	
	RMB'000	RMB'000	RMB'000
Credit-enhanced loan facilitation	973,339	474,751	228,214
Pure loan facilitation	—	402	9,959
<b>Total</b>	<b>973,339</b>	<b>475,153</b>	<b>238,173</b>

The following table sets forth the allocation of our loan facilitation service fees for the periods indicated.

Loan Facilitation Service Fees	Six months ended		June 30, 2020
	June 30, 2021	December 31, 2020	
	RMB'000	RMB'000	RMB'000
Upfront loan facilitation service fees	764,223	418,951	159,983
Post loan facilitation service fees	209,116	56,202	78,190
<b>Total</b>	<b>973,339</b>	<b>475,153</b>	<b>238,173</b>

## ***Other Income***

Other income increased by 241.1% to RMB346.5 million for the Period, compared to RMB101.5 million for the six months ended June 30, 2020 and decreased by 24.2% compared to RMB456.9 million for the six months ended December 31, 2020. The increase in other income was primarily due to an increase in gains from guarantee and an improvement of asset quality, partially offset by the decrease in penalty and service charges.

The following table sets forth a breakdown of other income for the periods indicated.

	<b>Six months ended</b>		
	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
<b>Other Income</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Gains/(Losses) from guarantee	<b>293,894</b>	322,158	(421,526)
Penalty and service charges	<b>45,173</b>	131,489	183,419
Membership fees and referral fees	<b>4,948</b>	761	301,047
Government grants	<b>—</b>	—	34,975
Others	<b>2,421</b>	2,455	3,636
<b>Total</b>	<b><u>346,436</u></b>	<b><u>456,863</u></b>	<b><u>101,551</u></b>

## **Expenses**

### ***Origination and Servicing Expenses***

Our origination and servicing expenses increased by 37.4% to RMB509.0 million for the Period, compared to RMB370.3 million for the six months ended June 30, 2020, due to an increase in loan origination and servicing expenses and to better implementation of customer acquisition and risk management policies commensurate with retaining high-quality new and repeat customers on our platform that enhance our loan origination portfolio.

### ***Sales and Marketing Expenses***

Overall, our sales and marketing expenses increased by 50.1% to RMB13.2 million for the Period, compared to RMB8.8 million for the six months ended June 30, 2020, due to an increase in employee benefit and professional service fees to promote brand awareness.

### ***General and Administrative Expenses***

Our general and administrative expenses increased by 7.9% to RMB165.3 million for the Period, compared to RMB153.2 million for the six months ended June 30, 2020, mainly due to an increase in professional service fees to maintain and optimize operating efficiency.

### ***Research and Development Expenses***

Our research and development expenses increased by 5.1% to RMB38.8 million for the Period, compared to RMB36.9 million for the six months ended June 30, 2020, mainly due to an increase in employee benefit expenses to enhance technological capabilities.

### ***Operating Profit/(Loss)***

We recorded an operating profit of RMB1,008.8 million for the Period, compared to an operating loss of RMB1,339.1 million for the six months ended June 30, 2020 and our operating profit soared by 251.1% for the Period, compared to RMB287.3 million for the six months ended December 31, 2020. The significant turnaround from the operating loss is primarily attributable to the successful implementation of our business strategy in migrating to higher-quality customers and steady growth of our business scale commensurate with the recovery in demand for consumer finance products.

### ***Net Profit/(Loss)***

We recorded a net profit of RMB777.6 million for the Period, compared to a net loss of RMB1,081.2 million for the six months ended June 30, 2020, which is consistent with our operating profit/(loss) for the same period.

### ***Non-IFRS Adjusted Operating Profit/(Loss)***

Our Non-IFRS adjusted operating profit was RMB1,036.2 million for the Period, compared to our Non-IFRS adjusted operating loss of RMB1,299.9 million for the six months ended June 30, 2020. Our Non-IFRS adjusted operating profit improved significantly by 220.9% compared to RMB322.9 million for six months ended December 31, 2020. We benefitted from our successful strategic changes in credit and customer acquisition policies as well as adjustments to risk management policies. The Group has been able to maintain lower delinquency rates and achieve higher risk-adjusted returns on its credit portfolio during the Period while achieving sequential growth.

### ***Non-IFRS Adjusted Net Profit/(Loss)***

Our Non-IFRS adjusted net profit was RMB805.0 million for the Period, compared to our Non-IFRS adjusted net loss of RMB1,042.0 million for the six months ended June 30, 2020, which is in line with our Non-IFRS adjusted operating profit/(loss).

### ***Non-IFRS Measures***

To supplement our historical financial information, which is presented in accordance with International Financial Reporting Standards (“**IFRS**”), we also use Non-IFRS adjusted operating profit/(loss) and Non-IFRS adjusted net profit/(loss) 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/(loss) and Non-IFRS adjusted net profit/(loss) 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.

	<b>Six months ended</b>		
	<b>June 30, 2021 RMB'000</b>	December 31, 2020 RMB'000	June 30, 2020 RMB'000
<b>Operating Profit/(Loss)</b>	<b>1,008,756</b>	287,314	(1,339,063)
Add:			
Share-based compensation expenses	<u>27,409</u>	<u>35,543</u>	<u>39,180</u>
<b>Non-IFRS Adjusted Operating Profit/(Loss)</b>	<b><u>1,036,165</u></b>	<b><u>322,857</u></b>	<b><u>(1,299,883)</u></b>
<b>Non-IFRS Adjusted Operating Profit/(Loss) Margin <sup>(1)</sup></b>	<b><u>55.1%</u></b>	<b><u>23.6%</u></b>	<b><u>-108.0%</u></b>
	<b>Six months ended</b>		
	<b>June 30, 2021 RMB'000</b>	December 31, 2020 RMB'000	June 30, 2020 RMB'000
<b>Net Profit/(Loss)</b>	<b>777,624</b>	211,664	(1,081,228)
Add:			
Share-based compensation expenses	<u>27,409</u>	<u>35,543</u>	<u>39,180</u>
<b>Non-IFRS Adjusted Net Profit/(Loss)</b>	<b><u>805,033</u></b>	<b><u>247,207</u></b>	<b><u>(1,042,048)</u></b>
<b>Non-IFRS Adjusted Net Profit/(Loss) Margin <sup>(2)</sup></b>	<b><u>42.8%</u></b>	<b><u>18.1%</u></b>	<b><u>-86.6%</u></b>

Notes:

- (1) Non-IFRS adjusted operating profit/(loss) margin is calculated by dividing the Non-IFRS adjusted operating profit/(loss) by the total income.
- (2) Non-IFRS adjusted net profit/(loss) margin is calculated by dividing the Non-IFRS adjusted net profit/(loss) 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 increased by 67.7% to RMB6,757.2 million as at June 30, 2021, compared to RMB4,028.2 million as at December 31, 2020, primarily due to the increase in loan origination loan volume from our trust lending structure. Our loans to customers at fair value through profit or loss primarily represent the total balance of loans originated by us through our trust lending and direct lending structures.

	As at June 30, 2021		As at December 31, 2020	
	RMB'000	%	RMB'000	%
Online consumption products	6,715,564	99.4%	3,894,103	96.7%
Online-to-offline credit products	41,661	0.6%	134,062	3.3%
<b>Total</b>	<b>6,757,225</b>	<b>100.0%</b>	<b>4,028,165</b>	<b>100.0%</b>

### Contract Assets

Our contract assets increased by 75.0% to RMB598.3 million as at June 30, 2021, compared to RMB341.9 million as at December 31, 2020, attributable to an increase in credit-enhanced loan origination volume.

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Contract assets	664,176	389,568
Less: expected credit losses (“ECL”) allowance	(65,906)	(47,711)
	<b>598,270</b>	<b>341,857</b>

### Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables decreased by 13.6% to RMB612.1 million as at June 30, 2021, compared to RMB708.7 million as at December 31, 2020. Our guarantee liabilities decreased by 3.5% to RMB778.8 million as at June 30, 2021, compared to RMB807.4 million as at December 31, 2020. Our guarantee receivables and guarantee liabilities decreased due to improvements in our delinquency rate.

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
<b>Guarantee Receivables</b>		
Opening balance	708,703	621,248
Addition arising from new business	689,381	735,002
ECL	472	(108,579)
Reversal due to early repayment	(39,754)	(59,441)
Payment received from borrowers	(746,723)	(571,838)
<b>Ending Balance</b>	<b>612,079</b>	<b>616,392</b>

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Guarantee Liabilities</b>		
Opening balance	<b>807,421</b>	723,617
Addition arising from new business	<b>689,381</b>	735,002
Release of the margin	<b>(47,509)</b>	(41,606)
ECL	<b>(246,385)</b>	463,132
Reversal due to early repayment	<b>(39,754)</b>	(59,441)
Payouts during the period, net	<b>(384,372)</b>	(1,132,311)
<b>Ending Balance</b>	<b><u>778,782</u></b>	<b><u>688,393</u></b>

### **Borrowings and Senior Notes**

Our total borrowings and senior notes, as recorded in our consolidated statement of financial position, comprise (i) payable to trust plan holders, (ii) borrowings from corporations and (iii) senior notes. Our total borrowings and senior notes increased by 44.9% to RMB6,847.3 million as at June 30, 2021, compared to RMB4,724.1 million as at December 31, 2020, primarily due to increase of loans originated by us through our trust lending structure.

The senior notes are comprised of the US\$85,000,000 11.0% senior notes due 2022 issued on December 3, 2020.

In addition, in June 2021, we repaid the remaining principal amount of US\$17,750,000 of the outstanding US\$100,000,000 11.0% senior notes due 2021, issued on June 21, 2019.

	<b>As at June 30, 2021</b>		<b>As at December 31, 2020</b>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Payable to trust plan holders	<b>6,086,160</b>	<b>88.9%</b>	3,755,797	79.5%
Borrowings from corporations	<b>242,209</b>	<b>3.5%</b>	339,502	7.2%
	<b>6,328,369</b>	<b>92.4%</b>	4,095,299	86.7%
Senior notes	<b>518,891</b>	<b>7.6%</b>	628,834	13.3%
<b>Total</b>	<b><u>6,847,260</u></b>	<b><u>100.0%</u></b>	<b><u>4,724,133</u></b>	<b><u>100.0%</u></b>

### **Weighted Average Interest Rates of Borrowings and Senior Notes**

	<b>As at June 30, 2021</b>	<b>As at December 31, 2020</b>
Payable to trust plan holders	<b>9.3%</b>	10.3%
Borrowings from corporations	<b>11.9%</b>	12.1%
Senior notes	<b>11.0%</b>	11.0%

## 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.

	<b>Six months ended</b>		
	<b>June 30, 2021 RMB'000</b>	December 31, 2020 RMB'000	June 30, 2020 RMB'000
Net cash (outflow)/inflow from operating activities	<b>(1,666,819)</b>	1,451,165	3,818,076
Net cash outflow from investing activities	<b>(32,853)</b>	(24,188)	(3,171)
Net cash inflow/(outflow) from financing activities	<b>1,849,090</b>	(1,743,139)	(4,170,254)
Net increase/(decrease) in cash and cash equivalents	<b>149,418</b>	(316,162)	(355,349)
Cash and cash equivalents at the beginning of the periods	<b>1,501,835</b>	1,814,054	2,169,524
Effects of exchange rate changes on cash and cash equivalents	<b>(537)</b>	3,943	(121)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash and cash equivalents at the end of the periods	<b><u>1,650,716</u></b>	<b><u>1,501,835</u></b>	<b><u>1,814,054</u></b>

Our cash inflow generated from operating activities primarily consists of principal and interest, loan facilitation service fees and other service fees 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 outflow generated from operating activities of RMB1,666.8 million for the Period, as compared to net cash inflow generated from operating activities of RMB3,818.1 million for the six months ended June 30, 2020, primarily due to an increase of RMB2,624.3 million in loan volume originated by trust lending structure for the Period.

We had net cash outflow from investing activities of RMB32.9 million for the Period, as compared to net cash outflow of RMB3.2 million for the six months ended June 30, 2020. Net cash outflow increased primarily due to an increase of RMB17.6 million of financial assets at fair value through profit or loss for the Period.

We had net cash inflow from financing activities of RMB1,849.1 million for the Period, as compared to net cash outflow of RMB4,170.3 million for the six months ended June 30, 2020. For the Period, we had net cash inflow from borrowings and trust plans of RMB2,191.4 million and payment of interest expenses of RMB212.1 million, as compared to net cash outflow from borrowings and trust plans of RMB3,683.7 million and payment of interest expenses of RMB467.0 million for the six months ended June 30, 2020.

## **Capital Commitments**

The Group did not have any significant capital commitments contracted for at the end of the Period but not recognized as liabilities as at June 30, 2021.

## **Charges on Assets**

The Group did not have any charges on assets as at June 30, 2021.

## **Contingencies**

Save as disclosed in this unaudited interim results announcement, the Group did not have any significant contingent liabilities as at June 30, 2021.

## **ACQUISITIONS AND DISPOSALS**

### **Material Investments and Acquisitions**

Save as disclosed in this unaudited interim results announcement, the Group did not hold any material investments or make any material acquisitions during the Period.

### **Future Plans for Material Investments and Capital Assets**

Save as disclosed in this unaudited interim results announcement, the Group does not have any present plans for other material investments and capital assets.

## FINANCIAL RESULTS

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended June 30,</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Continuing operations</b>			
Interest type income	4	<b>824,966</b>	1,310,586
Less: interest expenses	4	<b>(264,765)</b>	(446,484)
Net interest type income	4	<b>560,201</b>	864,102
Loan facilitation service fees	5	<b>973,339</b>	238,173
Other income	6	<b>346,436</b>	101,551
<b>Total income</b>		<b>1,879,976</b>	1,203,826
Origination and servicing expenses	7	<b>(508,989)</b>	(370,340)
Sales and marketing expenses	7	<b>(13,182)</b>	(8,781)
General and administrative expenses	7	<b>(165,280)</b>	(153,200)
Research and development expenses	7	<b>(38,788)</b>	(36,900)
Credit impairment losses	8	<b>(32,555)</b>	(165,008)
Fair value change of loans to customers		<b>(129,155)</b>	(1,800,107)
Other gains/(losses), net	9	<b>16,729</b>	(8,553)
<b>Operating profit/(loss)</b>		<b>1,008,756</b>	(1,339,063)
Share of net profit/(loss) of associates accounted for using the equity method		<b>328</b>	(11,235)
<b>Profit/(Loss) before income tax</b>		<b>1,009,084</b>	(1,350,298)
Income tax (expense)/credit	10	<b>(231,460)</b>	269,070
<b>Profit/(Loss) for the period attributable to:</b>			
Owners of the Company		<b>777,633</b>	(1,081,240)
Non-controlling interests		<b>(9)</b>	12
		<b>777,624</b>	(1,081,228)

		<b>Six months ended June 30,</b>	
		<b>2021</b>	2020
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of financial statements		(1,750)	4,352
<b>Total comprehensive income/(loss) for the period, net of tax</b>		<u><b>775,874</b></u>	<u>(1,076,876)</u>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		775,883	(1,076,888)
Non-controlling interests		(9)	12
		<u><b>775,874</b></u>	<u>(1,076,876)</u>
<b>Basic earnings/(loss) per Share (RMB yuan)</b>	<i>11</i>	<u><b>1.59</b></u>	<u>(2.19)</u>
<b>Diluted earnings/(loss) per Share (RMB yuan)</b>	<i>11</i>	<u><b>1.58</b></u>	<u>(2.19)</u>
<b>Non-IFRS Measure</b>			
Non-IFRS adjusted operating profit/(loss) <sup>(1)</sup>		1,036,165	(1,299,883)
Non-IFRS adjusted net profit/(loss) <sup>(2)</sup>		805,033	(1,042,048)
Non-IFRS adjusted basic earnings/(loss) per Share (RMB yuan) <sup>(3)</sup>		1.65	(2.11)

*Notes:*

- (1) Non-IFRS adjusted operating profit/(loss) is defined as operating profit/(loss) for the Period excluding share-based compensation expenses of RMB27.4 million in 2021 (2020: RMB39.2 million). For more details, please see the section headed “Management Discussion and Analysis — Non-IFRS Measures”.
- (2) Non-IFRS adjusted net profit/(loss) is defined as net profit/(loss) for the Period excluded share-based compensation expenses of RMB27.4 million in 2021 (2020: RMB39.2 million). For more details, please see the section headed “Management Discussion and Analysis — Non-IFRS Measures”.
- (3) Non-IFRS adjusted basic earnings/(loss) per Share is calculated by dividing the Non-IFRS adjusted net profit/(loss) by the weighted average number of Shares outstanding during the Period.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION**

		As at <b>June 30, 2021</b>	As at December 31, 2020
	<i>Notes</i>	<i>RMB'000</i> <b>(Unaudited)</b>	<i>RMB'000</i> <b>(Audited)</b>
<b>Assets</b>			
Cash and cash equivalents	<i>12(a)</i>	<b>1,650,715</b>	1,501,830
Restricted cash	<i>12(b)</i>	<b>142,263</b>	236,280
Loans to customers at fair value through profit or loss	<i>13</i>	<b>6,757,225</b>	4,028,165
Contract assets	<i>14</i>	<b>598,270</b>	341,857
Guarantee receivables	<i>15</i>	<b>612,079</b>	708,703
Financial assets at fair value through profit or loss		<b>43,305</b>	20,285
Investments accounted for using the equity method		<b>20,954</b>	20,626
Deferred income tax assets		<b>574,838</b>	682,573
Right-of-use assets		<b>33,563</b>	45,907
Intangible assets		<b>40,515</b>	35,378
Property and equipment		<b>36,324</b>	39,358
Other assets		<b>814,664</b>	676,232
<b>Total assets</b>		<b><u>11,324,715</u></b>	<b><u>8,337,194</u></b>
<b>Liabilities</b>			
Borrowings	<i>16</i>	<b>6,328,369</b>	4,095,299
Senior notes		<b>518,891</b>	628,834
Lease liabilities		<b>34,920</b>	47,976
Guarantee liabilities	<i>15</i>	<b>778,782</b>	807,421
Tax payable		<b>46,745</b>	34,560
Deferred income tax liabilities		<b>146,936</b>	100,696
Other liabilities		<b>382,505</b>	336,064
<b>Total liabilities</b>		<b><u>8,237,148</u></b>	<b><u>6,050,850</u></b>
<b>Equity</b>			
Share capital		<b>40,370</b>	40,412
Share premium		<b>5,556,677</b>	5,558,958
Treasury shares		<b>(26,615)</b>	(37,747)
Reserves		<b>761,865</b>	747,075
Accumulated losses		<b>(3,247,738)</b>	(4,025,371)
Non-controlling interests		<b>3,008</b>	3,017
<b>Total equity</b>		<b><u>3,087,567</u></b>	<b><u>2,286,344</u></b>
<b>Total liabilities and equity</b>		<b><u>11,324,715</u></b>	<b><u>8,337,194</u></b>

## NOTES

### 1 General Information

The Company was incorporated in the British Virgin Islands (the “**BVI**”) on July 24, 2007 as an exempted company with limited liability under the laws of the BVI.

Pursuant to a Shareholders’ resolution dated February 6, 2018, the Company re-domiciled to the Cayman Islands by way of continuation as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented. The re-domiciliation was completed on February 26, 2018. The current address of the Company’s registered office is at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, 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**”, or the “**PRC**”). The Group offers consumer finance products by facilitating transactions between borrowers and financial institutions.

The 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 at June 30, 2021, the number of Shares in issue is 493,057,189, with a par value of HK\$0.10 per Share.

These interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

These interim condensed consolidated financial statements have been approved and authorised for issue by the Board on August 25, 2021.

### 2 Basis of Preparation

The interim condensed consolidated financial information for the Period has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim financial reporting” issued by the International Accounting Standards Board. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim condensed consolidated financial information is to be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2020, which has been prepared in accordance with IFRS, 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, 2020, except for the adoption of new or amended standards and interpretations that became applicable for annual reporting periods commencing on or after January 1, 2021.

The following new standards, amendments and interpretation of IFRSs have been adopted by the Group for the first time for the financial year beginning January 1, 2021:

		<i>Notes</i>
<b>Amendments to IFRS 16</b>	COVID-19-related Rent Concessions	(a)
<b>Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</b>	Interest Rate Benchmark Reform — Phase 2	(b)

#### (a) **Amendments to IFRS 16: COVID-19-related Rent Concessions**

The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before June 30, 2021; and c) there is no substantive change to other terms and conditions of the lease.

#### (b) **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform — Phase 2**

The amendments made to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 provide certain reliefs in relation to interest rate benchmark reforms. Entities with hedging relationships and entities that have exposure to interest rates where (i) the interest rates are dependent on interbank offered rates (IBORs), and (ii) these IBORs are subject to interest rate benchmark reform may need to explain the changes to their accounting policies arising from the adoption of the Interest Rate Benchmark Reform — Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 effective January 1, 2021. Affected entities that voluntarily provided Phase 2 disclosures in their most recent annual report should also consider to what extent information provided about IBOR reform may need to be updated or supplemented. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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

**4 Net interest type income**

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Interest type income</b>		
Loans to customers at fair value through profit or loss	<u>824,966</u>	<u>1,310,586</u>
<b>Less: interest expenses</b>		
Payable to trust plan holders	(201,209)	(368,018)
Senior notes	(47,563)	(45,226)
Borrowings from corporations	(15,757)	(32,104)
Others	<u>(236)</u>	<u>(1,136)</u>
	<u>(264,765)</u>	<u>(446,484)</u>
<b>Net interest type income</b>	<u><u>560,201</u></u>	<u><u>864,102</u></u>

**5 Loan facilitation service fees**

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Upfront loan facilitation service fees	764,223	159,983
Post loan facilitation service fees	<u>209,116</u>	<u>78,190</u>
	<u><u>973,339</u></u>	<u><u>238,173</u></u>

**6 Other income**

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Gains/(losses) from guarantee	293,894	(421,526)
Penalty and service charges	45,173	183,419
Membership fees and referral fees	4,948	301,047
Government grants	—	34,975
Others	<u>2,421</u>	<u>3,636</u>
	<u><u>346,436</u></u>	<u><u>101,551</u></u>

## 7 Expenses by nature

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Loan origination and servicing expenses	(443,613)	(316,551)
Employee benefit expenses	(157,663)	(132,766)
Professional service fees	(58,936)	(33,474)
Depreciation and amortization	(12,558)	(17,110)
Office expenses	(12,489)	(20,763)
Depreciation of right-of-use assets	(12,372)	(16,177)
Tax and surcharge	(8,134)	(15,350)
Branding expenses	(3,649)	(2,773)
Others	(16,825)	(14,257)
	<hr/>	<hr/>
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses	<b><u>(726,239)</u></b>	<b><u>(569,221)</u></b>

## 8 Credit impairment losses

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Cash and cash equivalents	4	(66)
Restricted cash	32	(102)
Contract assets	(31,171)	(53,853)
Guarantee receivables	472	(108,579)
Other assets	(1,892)	(2,408)
	<hr/>	<hr/>
	<b><u>(32,555)</u></b>	<b><u>(165,008)</u></b>

## 9 Other gains/(losses), net

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Exchange gains/(losses)	11,478	(10,216)
Bank interest income	6,356	10,494
Gain from financial assets at fair value through profit or loss	748	2
Gain from disposal of investments accounted for using the equity method	—	468
Bank charges	(643)	(7,717)
Interest expense on lease liabilities	(1,210)	(1,584)
	<hr/>	<hr/>
	<b><u>16,729</u></b>	<b><u>(8,553)</u></b>

**10 Income tax (expense)/credit**

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax	(77,485)	(68,534)
Deferred income tax	(153,975)	337,604
	<u>(231,460)</u>	<u>269,070</u>

**11 Earnings/(Loss) per Share/Non-IFRS Adjusted basic earnings/(loss) per Share**

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Earnings/(Loss) attributable to owners of the Company	777,633	(1,081,240)
Non-IFRS Adjusted net profit/(loss)	805,033	(1,042,048)
Weighted average number of Shares for calculation of the basic earnings per Share ('000)	<u>489,135</u>	<u>493,425</u>
Weighted average number of Shares for calculation of the diluted earnings per Share ('000)	<u>492,492</u>	<u>493,425</u>
Basic earnings/(loss) per Share (RMB yuan)	<u>1.59</u>	<u>(2.19)</u>
Diluted earnings/(loss) per Share (RMB yuan)	<u>1.58</u>	<u>(2.19)</u>
Non-IFRS Adjusted basic earnings/(loss) per Share (RMB yuan)	<u>1.65</u>	<u>(2.11)</u>

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 Shares in issue during the Period.

11.2 For the Period, diluted earnings per Share is calculated by adjusting the weighted average number of Shares outstanding by the assumption of the conversion of all potential dilutive Shares arising from share options and share awards 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, 2020, the potential Shares were share options and share awards granted by the Company. As the Group incurred loss for the six months ended June 30, 2020, the potential Shares were not included in the calculation of diluted losses per Share, as their inclusion would be anti-dilutive. Accordingly, diluted losses per Share for the six months ended June 30, 2020 was the same as basic losses per Share.

11.3 Non-IFRS Adjusted basic earnings/(loss) per Share is calculated by dividing the Non-IFRS adjusted net profit by the weighted average number of Shares in issue during the Period.

## 12 Cash and bank balances

### (a) Cash and cash equivalents

	As at <b>June 30,</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2020 <i>RMB'000</i> <b>(Audited)</b>
Cash at bank	1,478,769	1,139,148
Cash held through platform	171,947	362,687
Less: ECL allowance	<u>(1)</u>	<u>(5)</u>
	<b><u>1,650,715</u></b>	<b><u>1,501,830</u></b>

### (b) Restricted cash

	As at <b>June 30,</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2020 <i>RMB'000</i> <b>(Audited)</b>
Deposits	142,311	236,360
Less: ECL allowance	<u>(48)</u>	<u>(80)</u>
	<b><u>142,263</u></b>	<b><u>236,280</u></b>

## 13 Loans to customers at fair value through profit or loss

The composition of loans is as follows:

	As at <b>June 30,</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2020 <i>RMB'000</i> <b>(Audited)</b>
Unsecured	6,717,380	3,936,927
Pledged	<u>39,845</u>	<u>91,238</u>
	<b><u>6,757,225</u></b>	<b><u>4,028,165</u></b>

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

	As at <b>June 30,</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2020 <i>RMB'000</i> <b>(Audited)</b>
Within 1 year (including 1 year)	6,713,230	3,880,034
1 to 2 years (including 2 years)	3,504	15,145
2 to 5 years (including 5 years)	40,491	132,986
	<u>6,757,225</u>	<u>4,028,165</u>

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

	As at <b>June 30,</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2020 <i>RMB'000</i> <b>(Audited)</b>
Overdue	34,979	34,932
Within 1 year (including 1 year)	6,684,003	3,904,881
1 to 2 years (including 2 years)	37,718	10,244
2 to 5 years (including 5 years)	525	78,108
	<u>6,757,225</u>	<u>4,028,165</u>

#### 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 at <b>June 30,</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2020 <i>RMB'000</i> <b>(Audited)</b>
Contract assets	664,176	389,568
Less: ECL allowance	(65,906)	(47,711)
	<u>598,270</u>	<u>341,857</u>

15 **Guarantee receivables and guarantee liabilities**

	As at <b>June 30, 2021</b> <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
Guarantee receivables	685,917	822,776
Less: ECL allowance	<u>(73,838)</u>	<u>(114,073)</u>
	<b><u>612,079</u></b>	<b><u>708,703</u></b>

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

	<b>Six months ended June 30,</b>	
	<b>2021</b> <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
<b>Guarantee receivables</b>		
Opening balance	708,703	621,248
Addition arising from new business	689,381	735,002
ECL	472	(108,579)
Reversal due to early repayment	(39,754)	(59,441)
Payment received from borrowers	<u>(746,723)</u>	<u>(571,838)</u>
<b>Ending balance</b>	<b><u>612,079</u></b>	<b><u>616,392</u></b>

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

	<b>Six months ended June 30,</b>	
	<b>2021</b> <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
<b>Guarantee liabilities</b>		
Opening balance	807,421	723,617
Addition arising from new business	689,381	735,002
Release of the margin	(47,509)	(41,606)
ECL	(246,385)	463,132
Reversal due to early repayment	(39,754)	(59,441)
Payouts during the period, net	<u>(384,372)</u>	<u>(1,132,311)</u>
<b>Ending balance</b>	<b><u>778,782</u></b>	<b><u>688,393</u></b>

## 16 Borrowings

Our total borrowings, as recorded on our consolidated statement of financial position, comprise (i) payable to trust plan holders and (ii) borrowings from corporations. The following table sets forth a breakdown of our borrowings by nature as at the dates indicated.

	As at <b>June 30,</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2020 <i>RMB'000</i> <b>(Audited)</b>
Payable to trust plan holders	<b>6,086,160</b>	3,755,797
Borrowings from corporations	<b>242,209</b>	339,502
	<b><u>6,328,369</u></b>	<b><u>4,095,299</u></b>

The following table sets forth the effective interest rates of borrowings:

	As at <b>June 30,</b> <b>2021</b> <b>(Unaudited)</b>	As at December 31, 2020 <b>(Audited)</b>
Payable to trust plan holders	<b>8.00%~11.80%</b>	6.60%~13.00%
Borrowings from corporations	<b>12.00%</b>	6.25%~12.00%

The following table sets forth the contractual maturities of borrowings:

	As at <b>June 30,</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2020 <i>RMB'000</i> <b>(Audited)</b>
Within 1 year (including 1 year)	<b>2,687,845</b>	1,122,586
1 to 2 years (including 2 years)	<b>3,309,374</b>	2,641,563
2 to 5 years (including 5 years)	<b>331,150</b>	331,150
	<b><u>6,328,369</u></b>	<b><u>4,095,299</u></b>

The following table sets forth the repayment schedule of borrowings:

	As at <b>June 30,</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2020 <i>RMB'000</i> <b>(Audited)</b>
Within 1 year (including 1 year)	<b>6,001,459</b>	3,339,549
1 to 2 years (including 2 years)	<b>326,910</b>	755,750
	<b><u>6,328,369</u></b>	<b><u>4,095,299</u></b>

### ***Gearing ratio***

As at June 30, 2021, our gearing ratio, calculated as total liabilities divided by total assets, was approximately 72.7%, similar with 72.6% as at December 31, 2020.

As at June 30, 2021, our consolidated debt to equity ratio, calculated as sum of borrowings, senior notes, lease liabilities and guarantee liabilities divided by total equity, was approximately 2.5, as compared with 2.4 as at December 31, 2020.

### **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 the manager, is acting as an agent or a 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 guarantee, the Group has an obligation to fund the losses, if any, in accordance with the guarantee agreements although the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

As at June 30, 2021, the trust plans consolidated by the Group amounted to RMB7.09 billion (December 31, 2020: RMB4.54 billion).

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

### **18 Dividends**

On August 25, 2021, the Board has recommended the distribution of an interim dividend of HK10 cents per Share and a special dividend of HK10 cents per Share for the Period (six months ended June 30, 2020: nil) to Shareholders on the register of members of the Company (the "**Register of Members**") on October 21, 2021, amounting to approximately HK\$98.3 million out of the share premium account of the Company, subject to the approval of the Shareholders at the EGM expected to be held on or around October 12, 2021. If approved by Shareholders at the EGM, the interim dividend and special dividend will be payable on or around November 12, 2021. The interim dividend and special dividend have not been recognised as a liability as at June 30, 2021 (December 31, 2020: nil).

### **19 Subsequent events**

Since the end of the reporting period, the Board proposed an interim dividend and a special dividend. Further details are disclosed in note 18.

### **20 Foreign exchange exposure**

Foreign currency transactions during the Period 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 June 30, 2021. 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 at June 30, 2021. 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.

### **21 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.

## **INTERIM DIVIDEND AND SPECIAL DIVIDEND**

The Board has recommended the distribution of an interim dividend of HK10 cents per Share and a special dividend of HK10 cents per Share for the Period (six months ended June 30, 2020: nil) to Shareholders on the Register of Members on Friday, October 22, 2021, amounting to approximately HK\$98.3 million out of the share premium account of the Company, subject to the approval of the Shareholders in the EGM. If approved by Shareholders at the EGM, the interim dividend and special dividend will be payable on or around Friday, November 12, 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will not be closed for the purpose of ascertaining the right of Shareholders to attend and vote at the EGM. To be eligible and attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, October 6, 2021.

To determine the entitlement of the proposed interim dividend and special dividend, the Register of Members will be closed from Wednesday, October 20, 2021 to Friday, October 22, 2021, both days inclusive, during which period no transfers of Shares shall be effected. The record date will be Friday, October 22, 2021. To be eligible to receive the interim dividend and special dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, October 19, 2021.

## **DIRECTORS' AND EMPLOYEES' REMUNERATION AND POLICY**

Directors' and senior management's remuneration is determined by the remuneration committee and the Board. No Director has waived or agreed to waive any emoluments.

As at June 30, 2021, the Group had a total of 619 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 of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct to regulate dealings in the securities of the Company by Directors and senior management of the Company. Each Director has confirmed, following specific enquiry by the Company, that he or she has complied with the required standards set out in the Model Code throughout the Period.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the Period, the Company repurchased a total of 502,400 Shares on the Stock Exchange for an aggregate consideration of HK\$2,451,336 (before expenses). The repurchases were effected pursuant to the repurchase mandate granted to the Directors by the Shareholders on June 1, 2020, with a view to benefiting the Shareholders as a whole to enhance the net asset value per Share.

Particulars of the Shares repurchased are as follows:

<b>Month</b>	<b>Number of Shares Repurchased</b>	<b>Lowest Price Paid per Share (HK\$)</b>	<b>Highest Price Paid per Share (HK\$)</b>	<b>Aggregate Consideration (Before Expenses) (HK\$)</b>
January 2021	283,000	3.58	4.85	1,250,376
February 2021	219,400	4.82	6.40	1,200,960

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.

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 Period.

## **REVIEW OF UNAUDITED INTERIM FINANCIAL 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 25, 2021

*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. Yip Ka Kay as a non-executive Director; and Mr. Chen Penghui and Mr. Fang Yuan as independent non-executive Directors.*