



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

Interim Report 2021



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Sai Wang Stephen
(Chief Executive Officer)

Mr. Liu Sai Keung Thomas
(Chief Operating Officer)

Non-Executive Directors

Mr. Ma Ting Hung (Chairman)
Mr. Yip Ka Kay

Independent Non-Executive Directors

Mr. Chen Penghui
Mr. Fang Yuan

AUDIT COMMITTEE

Mr. Fang Yuan (Chairman)
Mr. Chen Penghui
Mr. Yip Ka Kay

REMUNERATION COMMITTEE

Mr. Chen Penghui (Chairman)
Mr. Liu Sai Wang Stephen
Mr. Fang Yuan

NOMINATION COMMITTEE

Mr. Ma Ting Hung (Chairman)
Mr. Chen Penghui
Mr. Fang Yuan

AUTHORIZED REPRESENTATIVES

Mr. Ma Ting Hung
Mr. Cha Johnathan Jen Wah

COMPANY SECRETARY

Mr. Cha Johnathan Jen Wah

REGISTERED OFFICE

4th Floor
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103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Harbour Place
103 South Church Street
P.O. Box 10240
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

HONG KONG LEGAL ADVISER

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

AUDITOR

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

PRINCIPAL BANKER

China Construction Bank
(Suzhou Yuanqu Branch)

STOCK CODES

2003 (shares)
40498 (US\$85 million 11.0% senior notes due 2022)

WEBSITE

<https://www.vcredit.com>

Letter from the CEO

Dear Shareholders,

I am delighted to report that we achieved an outstanding financial performance for the six months ended June 30, 2021 (the “**Period**”).

Through our high-growth intelligent fintech platform, we have been able to successfully navigate the challenges of the COVID-19 pandemic as well as regulatory changes and grow our business and adroitly serve our prime and near prime customer base to record a net profit of RMB777.6 million for the Period.

Our significant return has been aided by an expanding Chinese economy and high demand for consumer finance products and our ability to proactively flex our business strategy and adjust our credit models to target, engage, attract and retain better prime and near prime customers. Following a period of consolidation, we have acquitted our operations and practices with the laws promulgated in the last few years and the Chinese consumer finance market is now operating under a clearer and more transparent regulatory framework, to the benefit of lenders and borrowers alike. Under this environment, VCREDIT Holdings Limited (“**VCREDIT**” or the “**Company**”) has further achieved our mission of offering technology-driven financial services to under-served consumers in China. As a reflection of these efforts, our operating and financial performance, including loan origination volume and asset quality, all reached historical record levels during the Period.

OPERATIONAL PERFORMANCE

Our business performed strongly in the Period as confidence and demand for consumer products returned and grew in line with a return of confidence and an expansion in the Chinese economy, which rebounded robustly following the initial impact of the COVID-19 pandemic. We quickly realized and initiated important changes to our business strategy, customer focus and credit models to enable us to proactively manage the challenges of the COVID-19 pandemic to limit its impact to our asset quality, delinquency rates and credit risk metrics.

During the Period, we successfully completed the transition in our credit policies and reiteration of our credit risk model which has seen our business migrating to and focusing on higher end more reliable prime and near prime borrowers, and from whom we are also generating more repeat business. To achieve this, we reiterated our credit risk model to encompass and assess even more aspects of applicants’ profiles (online & offline), introduced multi-dimension data sources to facilitate more precise differentiation and measurement and implement multi-source scorecards. We reiterate our credit risk model at least twice a year, to adapt to new trends and different customer behavior driven by ever-changing market and regulatory environment. Additionally, we reached out and connected with more of our target customers through an expanded network of customer acquisition channels and industry platforms and reinforced feedback exchanges. All of these initiatives have greatly assisted us in achieving record-high loan origination volume for the Period, and achieved best ever asset quality and delinquency metrics with our M1-M3 ratio and M3+ ratio falling to 2.06% and 1.40%, respectively, by the end of the Period and our first payment delinquency ratio stabilized at 0.43% for the Period. Furthermore, we have significantly improved our brand recognition and increased customer loyalty for our consumer finance products by proactively reaching out to existing credit-worthy customers with favorable pre-approved credit lines. Total loan origination volume was RMB22.5 billion for the Period, representing a substantial increase of 69.2% compared to RMB13.3 billion for the six months ended June 30, 2020 (the “**Corresponding Period**”). The average loan ticket size for the Period was RMB13,091, representing a 17.0% increase compared to RMB11,192 for the Corresponding Period.

Working with licensed financial and institutional funding partners is an essential part of our business model for satisfying the financing needs of our customers. Our stable funding structure, currently supported by 64 external licensed funding partners, affords us flexibility in the application of our capital structure to facilitate loans through an off-balance sheet model. Total loan origination volume consummated through loan facilitation structures amounted to RMB14.4 billion for the Period, representing a significant rise of 75.8% compared to RMB8.2 billion for the Corresponding Period. Moreover, we are exploring more business opportunities with our existing institutional partners, such as offering fintech turnkey solutions. Empowered by our 15 years' experience in the industry, we are able to provide market-proven processes and systems, specifically tailored or off-the-shelf, catering to real-life business needs, which can help funding partners reach their goals for their own online lending businesses. In the long term, in-depth collaboration will strengthen our relationship and trust, benefiting us through lower funding costs and higher customer satisfaction.

FINANCIAL PERFORMANCE

Our financial performance in the Period represents a significant turnaround compared with our net loss in the Corresponding Period. We recorded a net profit of RMB777.6 million and an adjusted net profit of RMB805.0 million for the Period, compared with a net loss of RMB1,081.2 million and an adjusted net loss of RMB1,042.0 million for the Corresponding Period. Our net profit and adjusted net profit also increased by 267.4% to RMB777.6 million and by 225.7% to RMB805.0 million, respectively, for the Period, compared with a net profit and adjusted net profit of RMB211.7 million and RMB247.2 million, respectively, for the six months ended December 31, 2020.

Due to our augmented credit and customer acquisition strategies that target higher quality prime and near-prime customers, as well as risk management policies that optimize post-loan portfolio management and enhance loan payment collection efficiency, we have been able to achieve lower delinquency rates for loan repayments in 2021. Our fair value loss of loans to customers decreased by 92.8% to RMB129.2 million for the Period, compared with RMB1,800.1 million for the Corresponding Period and we realised a gain from guarantee of RMB293.9 million for the Period compared to a loss from guarantee of RMB421.5 million for the Corresponding Period.

Our total income increased by 56.2% to RMB1,880.0 million for the Period, compared to RMB1,203.8 million for the Corresponding Period. We have seen a sustained rise in total income since the second half of 2020, attributable to further improvement in asset quality and the growth in loan origination volume, especially under our credit-enhanced loan facilitation structure. Our loan facilitation service fees grew four times to RMB973.3 million for the Period, compared to RMB238.2 million for the Corresponding Period.

Our operating expenses, excluding share-based compensation expenses, increased by 31.8% to RMB698.8 million for the Period, compared to RMB530.0 million for the Corresponding Period, reflecting higher online customer acquisition costs mainly due to a much more proactive customer acquisition strategy.

In light of our financial performance for the Period, the board of directors of the Company (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 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**").

OUTLOOK AND STRATEGIES

During the Period, VCREDIT achieved robust results, both operationally and financially. Going forward, we will continue to adhere to our core business — of being a technology-driven consumer finance online platform targeting under-served individuals. Against changing macro-economic and market conditions, we strive to constantly optimize our models and strategies to be able to offer our customers better loan facilitation and post-loan management services, and expand our profitability as a result. Meanwhile, we have started exploring new business opportunities, domestic and overseas, to leverage our proprietary top-notch technology, risk management experience and in-house talents to drive synergies across different business lines and regions.

With a series of new regulations promulgated in China in the past few years, the government has shaped the online lending industry into a well-balanced sector with clearer boundaries. In January 2021, the People's Bank of China announced the draft interim version of the Measures for the Administration of Credit Business (《徵信業務管理辦法(徵求意見稿)》) to regulate the collection and utilization of credit data. There is further ongoing regulation guidance on loan facilitators taking more balanced risks, as well as on data sharing with financial institutions. Our interpretation is that the guidance is mainly to regulate the pure loan facilitating process, when facilitators do not bear asset risk while transferring a variety of customer information to funding institutions. In contrast, the vast majority of our business is currently through credit-enhanced loan facilitation structure where we bear credit and asset risk in case of borrower default, and which does not involve customer data transfer other than bare minimum customer identity information. Therefore, we consider our business model to be in line with regulation directions. In February 2021, the China Banking and Insurance Regulatory Commission promulgated the Notice on Further Regulation of Internet Loans by Commercial Banks (《關於進一步規範商業銀行互聯網貸款業務的通知》) to establish the framework on joint lending. In March 2021, the Cyberspace Administration of China issued the Regulation of Necessary Personal Information Scope by Common Mobile Internet Application (《常見類型移動互聯網應用程序必要個人信息範圍規定》) which is expected to tighten up collection of personal information. We believe these ongoing regulations will achieve more clarity and discipline within the online lending industry, and further consolidate the sector as non-compliant participants exit the market. VCREDIT has moved to ensure its operations are compliant, and the robust results in this Period are a reflection and endorsement of our efforts.

I look forward to delivering more value to our customers, Shareholders, employees and the society as a whole.

Sincerely,

Liu Sai Wang Stephen

Executive Director and Chief Executive Officer

Shanghai, August 25, 2021

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

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

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.

Management Discussion and Analysis

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%
Total	22,525.7	100.0%	17,459.6	100.0%	13,313.4	100.0%

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%
Total	19,116.3	100.0%	14,065.4	100.0%

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⁽¹⁾ 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⁽²⁾ and M3+ ratio⁽³⁾ 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.

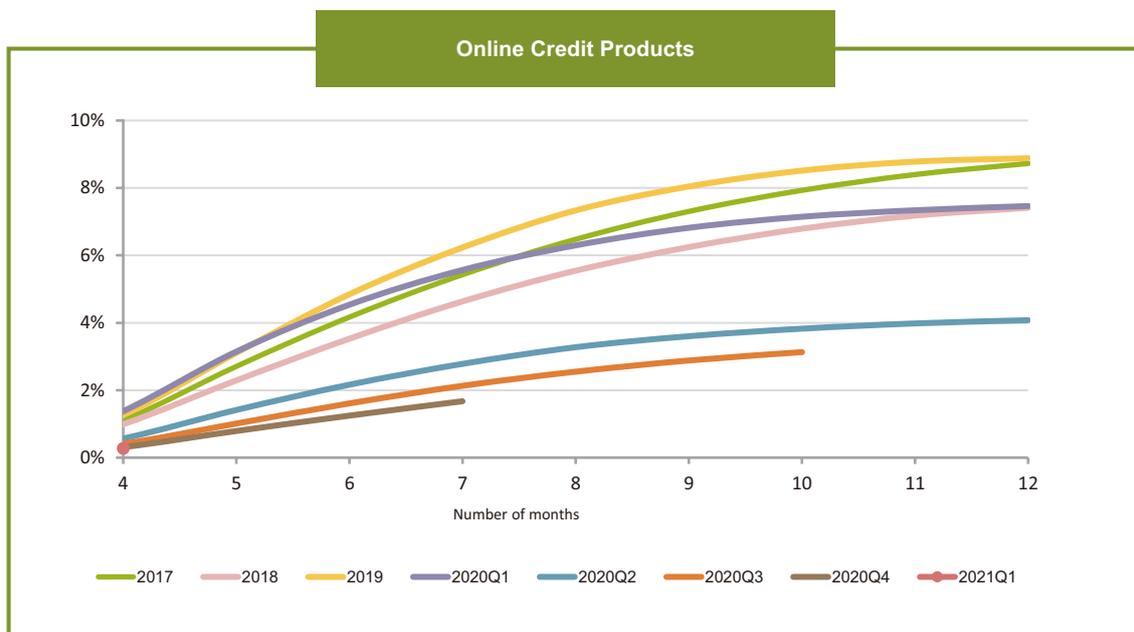
	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2
First payment delinquency ratio ⁽¹⁾	2.35%	2.06%	2.04%	0.81%	0.55%	0.44%	0.40%	0.43%
M1-M3 ratio ⁽²⁾	3.41%	4.30%	6.35%	7.35%	3.59%	2.50%	2.07%	2.06%
M3+ ratio ⁽³⁾	2.96%	3.24%	4.72%	7.07%	5.56%	2.86%	1.81%	1.40%

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).

Management Discussion and Analysis

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



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

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 report.

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
Net Interest Type Income			
Interest type income	824,966	706,740	1,310,586
Less: interest expenses	<u>(264,765)</u>	<u>(269,431)</u>	<u>(446,484)</u>
Total	<u>560,201</u>	<u>437,309</u>	<u>864,102</u>

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.

Management Discussion and Analysis

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%
Total	824,966	100.0%	706,740	100.0%	1,310,586	100.0%

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, 2021 RMB'000	December 31, 2020 RMB'000	June 30, 2020 RMB'000
Credit-enhanced loan facilitation	973,339	474,751	228,214
Pure loan facilitation	—	402	9,959
Total	973,339	475,153	238,173

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, 2021 RMB'000	December 31, 2020 RMB'000	June 30, 2020 RMB'000
Upfront loan facilitation service fees	764,223	418,951	159,983
Post loan facilitation service fees	209,116	56,202	78,190
Total	973,339	475,153	238,173

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.

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

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.

Management Discussion and Analysis

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.

	Six months ended		
	June 30, 2021 RMB'000	December 31, 2020 RMB'000	June 30, 2020 RMB'000
Operating Profit/(Loss)	1,008,756	287,314	(1,339,063)
Add:			
Share-based compensation expenses	<u>27,409</u>	<u>35,543</u>	<u>39,180</u>
Non-IFRS Adjusted Operating Profit/(Loss)	1,036,165	322,857	(1,299,883)
Non-IFRS Adjusted Operating Profit/(Loss) Margin ⁽¹⁾	55.1%	23.6%	-108.0%

	Six months ended		
	June 30, 2021 RMB'000	December 31, 2020 RMB'000	June 30, 2020 RMB'000
Net Profit/(Loss)	777,624	211,664	(1,081,228)
Add:			
Share-based compensation expenses	<u>27,409</u>	<u>35,543</u>	<u>39,180</u>
Non-IFRS Adjusted Net Profit/(Loss)	805,033	247,207	(1,042,048)
Non-IFRS Adjusted Net Profit/(Loss) Margin ⁽²⁾	42.8%	18.1%	-86.6%

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.

Management Discussion and Analysis

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%
Total	6,757,225	100.0%	4,028,165	100.0%

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)
	598,270	341,857

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
Guarantee Receivables		
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)
Ending Balance	612,079	616,392

Six months ended June 30,

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Guarantee Liabilities		
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	(384,372)	(1,132,311)
Ending Balance	778,782	688,393

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 (“**Senior Notes**”).

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.

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

Weighted Average Interest Rates of Borrowings and Senior Notes

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

Management Discussion and Analysis

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 the 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.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows

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

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

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 interim report, 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 interim report, 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 interim report, the Group does not have any present plans for other material investments and capital assets.

Other Information

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 of the Company (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 at 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, 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 of the Company (the “**Directors**”) 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 (see section headed “Share Incentive Schemes” below).

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 has complied with the required standards set out in the Model Code throughout the Period.

UPDATE ON DIRECTORS’ INFORMATION

The following changes in the information of a Director occurred on or after the date of the 2020 annual report of the Company, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

On March 31, 2021, Mr. Fang Yuan (“**Mr. Fang**”), an independent non-executive Director, was appointed an independent non-executive director of Zhengzhou Coal Mining Machinery Group Company Limited (Stock Code: 564), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

On June 19, 2021, Mr. Fang was appointed a member and chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company.

NON-COMPLIANCE WITH RULE 3.10(1) OF THE LISTING RULES

Pursuant to Rule 3.10(1) of the Listing Rules, the Board must include at least three independent non-executive Directors.

At the annual general meeting of the Company held on June 18, 2021, Mr. Wu Chak Man (“**Mr. Wu**”) retired as an independent non-executive Director and, as from such date, the Board had two (2) independent non-executive Directors.

The Company is in the process of identifying and shall appoint a suitable candidate to fill the vacancy arising from Mr. Wu’s retirement as soon as practicable.

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

As at June 30, 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Long positions in Shares and underlying Shares:

Name of Directors	Nature of interest	Number of Shares	Number of underlying Shares pursuant to		Percentage of total issued Shares ⁽¹⁾
			share options	share awards	
Ma Ting Hung	Personal interest	8,450,000			38.41%
	Interest in controlled corporations ⁽²⁾	176,922,097	4,000,000		
Liu Sai Wang Stephen	Personal interest	600,000		600,000	21.93%
	Interest in controlled corporations ⁽³⁾	59,942,173	46,978,816		
Liu Sai Keung Thomas	Personal interest	300,000	2,100,000	300,000	2.95%
	Interest in controlled corporations ⁽⁴⁾	6,828,585	5,000,000		
Yip Ka Kay	Interest in controlled corporations ⁽⁵⁾	13,574,502			2.75%
Fang Yuan	Personal interest	103,200			0.02%

Notes:

- (1) The calculation is based on (i) the aggregate number of Shares and, if any, underlying Shares pursuant to share options and share awards and (ii) the total number of 493,057,189 Shares in issue as at June 30, 2021.
- (2) Ma Ting Hung controls 100%, and is a director, of each of Skyworld-Best Limited, Wealthy Surplus Limited and Glory Global International Limited, each of which has a beneficial interest in 84,719,154 Shares, 46,607,010 Shares and 45,595,933 Shares, respectively. Skyworld-Best Limited also has a beneficial interest in share options to subscribe for 4,000,000 Shares.
- (3) Liu Sai Wang Stephen controls 50%, and is a director, of Magic Mount Limited, which has a beneficial interest in 27,093,858 Shares, and controls 100% of, and is a director of, each of Perfect Castle Development Limited and Union Fair International Limited. Perfect Castle Development Limited has a beneficial interest in 27,523,810 Shares and amongst which, 20,000,000 Shares lent under securities lending agreements. Perfect Castle Development Limited also has a beneficial interest in share options to subscribe for 46,978,816 Shares. Union Fair International Limited has a beneficial interest in 5,324,505 Shares.
- (4) Liu Sai Keung Thomas controls 100%, and is a director, of International Treasure Limited which has a beneficial interest in 6,828,585 Shares and share options to subscribe for 5,000,000 Shares.
- (5) Yip Ka Kay controls 50%, and is a director, of CPED (KY) Limited, which has a beneficial interest in 4,015,628 Shares. Yip Ka Kay is also the sole director and the sole shareholder of NM Strategic Partners, LLC which manages NM Strategic Focus Fund L.P., which has a beneficial interest in 9,558,874 Shares.

Save as disclosed herein and so far as is known to the Directors, as at June 30, 2021, none of the Directors or the chief executive of the Company had an interest or a short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE INCENTIVE SCHEMES

Pre-IPO Share Option Schemes

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

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

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

- (a) the name of the director, in the case of outstanding share options granted to a director or a company or companies controlled by such director and the category of persons, in the case of outstanding share options granted to persons who are not directors or companies controlled by director;
- (b) in the case of a director, the number of share options granted to such director or companies controlled by such director on an individual basis and in the case of other persons, the number of share options granted on an aggregate basis;
- (c) the number of share options exercised during the Period;
- (d) the date of grant of the share options;
- (e) the exercise period (after taking into account any vesting period) of the share options;
- (f) the exercise price of the share options; and
- (g) the approximate percentage that the Shares issuable under the share options represent of the total Shares in issue as at June 30, 2021.

Other Information

Name or category of participant	Options outstanding as at June 30, 2021	Exercised during the Period	Lapsed during the Period	Date of grant	Exercise period	Exercise price per Share (US\$)	Approximate percentage of issued Shares ⁽¹⁾
2016 ESOP							
Director							
Liu Sai Keung Thomas ⁽²⁾	2,366,430	Nil	Nil	01-03-2016	31-12-2016 to 30-11-2021	0.8735	1.44%
	2,366,430	Nil	Nil	01-03-2016	31-12-2017 to 30-11-2021	0.8735	
	2,367,140	Nil	Nil	01-03-2016	31-12-2018 to 30-11-2021	0.8735	
Other employees							
In aggregate	171,850	Nil	Nil	20-11-2017	20-11-2018 to 19-11-2022	0.8735	0.10%
	171,850	Nil	Nil	20-11-2017	20-11-2019 to 19-11-2022	0.8735	
	171,902	Nil	Nil	20-11-2017	20-11-2020 to 19-11-2022	0.8735	
Other employees							
In aggregate	2,214,566	Nil	101,134	01-03-2016	31-12-2016 to 30-11-2021	0.8735	1.35%
	2,214,566	Nil	101,134	01-03-2016	31-12-2017 to 30-11-2021	0.8735	
	2,214,568	Nil	101,132	01-03-2016	31-12-2018 to 30-11-2021	0.8735	
2017 ESOP I							
Director							
Liu Sai Wang Stephen ⁽³⁾	8,954,665	Nil	Nil	10-05-2018	09-05-2019 to 09-05-2023	1.6123	5.45%
	8,954,665	Nil	Nil	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	8,954,667	Nil	Nil	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
Other employees							
In aggregate	4,673,667	Nil	30,000	10-05-2018	09-05-2019 to 09-05-2023	1.6123	2.84%
	4,673,667	Nil	30,000	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	4,673,666	Nil	30,000	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
2017 ESOP II							
Director							
Liu Sai Wang Stephen ⁽³⁾	6,704,939	Nil	Nil	10-05-2018	09-05-2019 to 09-05-2023	1.6123	4.08%
	6,704,939	Nil	Nil	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	6,704,941	Nil	Nil	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
Ma Ting Hung ⁽⁴⁾	1,333,333	Nil	Nil	10-05-2018	09-05-2019 to 09-05-2023	1.6123	0.81%
	1,333,333	Nil	Nil	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	1,333,334	Nil	Nil	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
Other employees							
In aggregate	666,666	Nil	Nil	10-05-2018	09-05-2019 to 09-05-2023	1.6123	0.41%
	666,666	Nil	Nil	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	666,668	Nil	Nil	10-05-2018	09-05-2021 to 09-05-2023	1.6123	

Notes:

- (1) The percentage calculations are based on the total number of 493,057,189 Shares in issue as at June 30, 2021.
- (2) Liu Sai Keung Thomas has a personal interest in 2,100,000 share options and a corporate interest in 5,000,000 share options, granted under the 2016 ESOP. The corporate interest is held through International Treasure Limited, a company that is 100% controlled by Liu Sai Keung Thomas.
- (3) Liu Sai Wang Stephen has a corporate interest in an aggregate of 46,978,816 share options granted under the 2017 ESOP I and the 2017 ESOP II. The corporate interest is held through Perfect Castle Development Limited, a company that is 100% controlled by Liu Sai Wang Stephen.
- (4) Ma Ting Hung has a corporate interest in 4,000,000 share options granted under the 2017 ESOP II. The corporate interest is held through Skyworld-Best Limited, a company that is 100% controlled by Ma Ting Hung.

The share options granted under the 2017 ESOP II were divided into three tranches, being series A, series B and series C. The series B and series C share options granted pursuant to the 2017 ESOP II lapsed upon completion of the listing of the Shares on the Stock Exchange (the “**Listing**”) on June 21, 2018.

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

Post-IPO Share Option Scheme

The Company adopted a post-IPO share option scheme on May 10, 2018 (the “**Post-IPO Share Option Scheme**”). The Post-IPO Share Option Scheme is subject to the provisions of Chapter 17 of the Listing Rules.

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

No share options have been granted or agreed to be granted under the Post-IPO Share Option Scheme as at June 30, 2021.

Share Award Scheme

The Company adopted the VCREDIT No. 1 Share Award Scheme on January 11, 2019 (the “**Share Award Scheme No. 1**”), pursuant to which the Company may grant share awards (“**Awards**”) in respect of up to 24,974,369 Shares. The Company also adopted the VCREDIT No. 2 Share Award Scheme on May 27, 2021 (the “**Share Award Scheme No. 2**”, together with the Share Award Scheme No. 1, the “**Share Award Schemes**”). Pursuant to the Share Award Scheme No. 2, the Company may grant Awards in respect of up to 49,305,718 Shares. The Share Award Schemes are discretionary schemes of the Company and do not constitute share option scheme under and are not subject to the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Award Schemes is to align the interests of eligible persons with those of the Group and to help encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. Further details of the Share Award Schemes are set out in the announcements of the Company dated January 11, 2019 and May 27, 2021.

Other Information

During the Period, no Awards were granted to eligible persons pursuant to the Share Award Schemes.

As of June 30, 2021, a total of 7,380,360 Shares (“**Award Shares**”) have been awarded to eligible persons pursuant to the Share Award Scheme No. 1, and out of which 1,800,000 Shares were awarded to connected persons.

As at June 30, 2021, the trustees of the trusts established to administer the Share Award Scheme No. 1 held a total of 3,357,085 Award Shares which can be applied to satisfy Awards granted under the Share Award Scheme No. 1 to connected persons and non-connected persons.

The movements in the Award Shares under the Share Award Scheme No. 1 during the Period are as follows:

Grantees	Date of Award	Number of Award Shares					As at June 30, 2021
		Originally Granted	As at January 1, 2021	Granted during the Period	Vested during the Period	Forfeited during the Period	
Liu Sai Wang Stephen	26-03-2019	1,200,000 ⁽¹⁾	900,000	Nil	300,000	Nil	600,000
Liu Sai Keung Thomas	26-03-2019	600,000 ⁽¹⁾	450,000	Nil	150,000	Nil	300,000
Non-connected Persons	26-03-2019	4,645,360 ^{(1)*}	2,804,670	Nil	897,390	37,500	1,869,780
Non-connected Person	26-03-2019	85,000 ⁽²⁾	85,000	Nil	56,695	Nil	28,305
Non-connected Person	08-07-2020	200,000 ⁽³⁾	150,000	Nil	Nil	Nil	150,000
Non-connected Person	08-07-2020	250,000 ⁽⁴⁾	187,500	Nil	Nil	Nil	187,500
Non-connected Person	08-07-2020	200,000 ⁽⁵⁾	150,000	Nil	Nil	Nil	150,000
Non-connected Person	08-07-2020	200,000 ⁽⁶⁾	150,000	Nil	Nil	Nil	150,000

Notes:

The Award Shares shall vest in the tranches as follows:

No.	First Tranche	Second Tranche	Third Tranche	Fourth Tranche
(1)	one-quarter, on March 25, 2020	one-quarter, on March 25, 2021	one-quarter, on March 25, 2022	one-quarter, on March 25, 2023
(2)	56,695 Shares, on March 25, 2021	28,305 Shares, on March 25, 2022		
(3)	one-quarter, on September 2, 2020	one-quarter, on September 2, 2021	one-quarter, on September 2, 2022	one-quarter, on September 2, 2023
(4)	one-quarter, on November 4, 2020	one-quarter, on November 4, 2021	one-quarter, on November 4, 2022	one-quarter, on November 4, 2023
(5)	one-quarter, on November 18, 2020	one-quarter, on November 18, 2021	one-quarter, on November 18, 2022	one-quarter, on November 18, 2023
(6)	one-quarter, on November 20, 2020	one-quarter, on November 20, 2021	one-quarter, on November 20, 2022	one-quarter, on November 20, 2023

* 1,106,690 Award Shares were vested and 734,000 Awarded Shares were forfeited in 2020.

As of June 30, 2021, no Shares have been awarded pursuant to the Share Award Scheme No. 2.

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

As at June 30, 2021, the interests and short positions of the substantial Shareholders and other persons in Shares or underlying Shares, as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares		Number of underlying Shares pursuant to share options/ share awards*	Percentage of total issued Shares ⁽¹⁾
		Long Position	Short Position		
Ma Ting Hung	Personal interest	8,450,000			38.41%
	Interest in controlled corporations ⁽²⁾	176,922,097		4,000,000	
Skyworld-Best Limited	Beneficial interest ⁽²⁾	84,719,154		4,000,000	17.99%
Wealthy Surplus Limited	Beneficial interest ⁽²⁾	46,607,010			9.45%
Glory Global International Limited	Beneficial interest ⁽²⁾	45,595,933			9.25%
Liu Sai Wang Stephen	Personal interest	600,000		600,000*	21.93%
	Interest in controlled corporations ⁽³⁾	59,942,173		46,978,816	
Kwok Lim Ying	Interest in a controlled corporation ⁽⁴⁾	27,093,858			5.50%
Perfect Castle Development Limited	Beneficial interest ⁽³⁾	27,523,810		46,978,816	15.11%
Magic Mount Limited	Beneficial interest ^(3/4)	27,093,858			5.50%
Kwok Peter Viem	Interest in a controlled corporation ⁽⁵⁾	70,740,770			14.35%
	Interest in a controlled corporation ⁽⁵⁾		20,000,000		4.06%
Kwok Chang Shiu Feng	Interest in a controlled corporation ⁽⁵⁾	70,740,770			14.35%
	Interest in a controlled corporation ⁽⁵⁾		20,000,000		4.06%
High Loyal Management Limited	Beneficial interest ⁽⁵⁾	70,740,770			14.35%
	Beneficial interest ⁽⁵⁾		20,000,000		4.06%
EastWest Trust Company Limited	Interest in a controlled corporation ⁽⁶⁾	41,339,885			8.38%
Cavamont Holdings Limited	Interest in a controlled corporation ⁽⁷⁾	41,339,885			8.38%
Cavamont Investments Limited	Interest in a controlled corporation ⁽⁸⁾	41,339,885			8.38%
Cavenham Private Equity and Directs	Interest in controlled corporations ⁽⁹⁾	41,339,885			8.38%
CPED Asia (No.1) Limited	Beneficial interest ⁽⁹⁾	37,324,257			7.57%
David Bonderman	Interest in a controlled corporation ⁽¹⁰⁾	31,011,598			6.29%
James George Coulter	Interest in a controlled corporation ⁽¹⁰⁾	31,011,598			6.29%
TPG Group Holdings (SBS) Advisors, Inc.	Interest in a controlled corporation ⁽¹¹⁾	31,011,598			6.29%
TPG Group Holdings (SBS) Advisors, LLC	Interest in a controlled corporation ⁽¹²⁾	31,011,598			6.29%
TPG Group Holdings (SBS), L.P.	Interest in a controlled corporation ⁽¹³⁾	31,011,598			6.29%
TPG Holding III-A, Inc.	Interest in a controlled corporation ⁽¹⁴⁾	31,011,598			6.29%
TPG Holdings III-A, L.P.	Interest in a controlled corporation ⁽¹⁵⁾	31,011,598			6.29%
TPG Holdings III, LP	Interest in a controlled corporation ⁽¹⁶⁾	31,011,598			6.29%
TPG Growth III SF AIV GenPar Advisors, Inc.	Interest in a controlled corporation ⁽¹⁷⁾	31,011,598			6.29%
TPG Growth III SF AIV GenPar, LP	Interest in a controlled corporation ⁽¹⁸⁾	31,011,598			6.29%
TPG Growth III SF Finance, Limited Partnership	Interest in a controlled corporation ⁽¹⁹⁾	31,011,598			6.29%
TPG Growth III SF Pte. Ltd	Beneficial interest	31,011,598			6.29%

Other Information

Notes:

- (1) The calculation is based on (i) the aggregate number of Shares and, if any, underlying Shares pursuant to share options and share awards, and (ii) the total number of 493,057,189 Shares in issue as at June 30, 2021.
- (2) Ma Ting Hung controls 100% of each of Skyworld-Best Limited, Wealthy Surplus Limited and Glory Global International Limited.
- (3) Liu Sai Wang Stephen controls 100% of each of Perfect Castle Development Limited and Union Fair International Limited, and 50% of Magic Mount Limited. Perfect Castle Development Limited has a beneficial interest in 27,523,810 Shares, and amongst which, 20,000,000 shares lent under a securities lending agreement. Union Fair International Limited has a beneficial interest in 5,324,505 Shares.
- (4) Kwok Lim Ying controls 50% of Magic Mount Limited.
- (5) Kwok Peter Viem and Kwok Chang Shiu Feng each controls 50% of High Loyal Management Limited. The short position disclosed by High Loyal Management Limited relates to 20,000,000 borrowed Shares (with an obligation to return the Shares) under a securities lending agreement.
- (6) EastWest Trust Company Limited controls 64.17% of Cavamont Holdings Limited.
- (7) Cavamont Holdings Limited controls 100% of Cavamont Investments Limited.
- (8) Cavamont Investments Limited controls 100% of Cavenham Private Equity and Directs.
- (9) Cavenham Private Equity and Directs controls 100% of CPED Asia (No.1) Limited and 50% of CPED (KY) Limited, which has a beneficial interest in 4,015,628 Shares.
- (10) David Bonderman and James George Coulter each controls 50% of TPG Group Holdings (SBS) Advisors, Inc.
- (11) TPG Group Holdings (SBS) Advisors, Inc. controls 100% of TPG Group Holdings (SBS) Advisors, LLC.
- (12) TPG Group Holdings (SBS) Advisors, LLC controls 100% of TPG Group Holdings (SBS), L.P.
- (13) TPG Group Holdings (SBS), L.P. controls 100% of TPG Holdings III-A, Inc.
- (14) TPG Holdings III-A, Inc. controls 100% of TPG Holdings III-A, L.P.
- (15) TPG Holdings III-A, L.P. controls 100% of TPG Holdings III, LP.
- (16) TPG Holdings III, LP controls 100% of TPG Growth III SF AIV GenPar Advisors, Inc.
- (17) TPG Growth III SF AIV GenPar Advisors, Inc. controls 100% of TPG Growth III SF AIV GenPar, LP.
- (18) TPG Growth III SF AIV GenPar, LP controls 100% of TPG Growth III SF Finance, Limited Partnership.
- (19) TPG Growth III SF Finance, Limited Partnership controls 100% of TPG Growth III SF Pte. Ltd.

Save as disclosed herein and in the section headed “Directors’ and Chief Executive’s Interests in Shares and Underlying Shares” above, and so far as is known to the Directors, as at June 30, 2021, no person had an interest or a short position in the Shares or underlying Shares required to be recorded in the register to be kept under section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Period, 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:

Month	Number of Shares Repurchased	Lowest Price Paid per Share (HK\$)	Highest Price Paid per Share (HK\$)	Aggregate Consideration (Before Expenses) (HK\$)
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.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDERS OF THE COMPANY

The following disclosure is made in compliance with the disclosure requirements under rule 13.21 of the Listing Rules.

Pursuant to the terms and conditions of the Senior Notes, the Company is required to make an offer to repurchase all outstanding Senior Notes at a purchase price equal to 101% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to (but not including) the repurchase date, if Mr. Ma Ting Hung, Mr. Liu Sai Wang Stephen, Madam Kwok Lim Ying and Mr. Liu Sai Keung Thomas and any entity controlled by them are the beneficial owners (as such term is used in Rule 13d-3 of the U.S. Securities Exchange Act of 1934) of less than 35% of the total voting power of the voting stock of the Company, accompanied by a rating decline.

REVIEW OF ACCOUNTS

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

Report on Review of Interim Financial Information

To the Board of Directors of VCREDIT Holdings Limited

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 65, which comprises the interim condensed consolidated statement of financial position of VCREDIT Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at June 30, 2021 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 25, 2021

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2021

		Six months ended June 30,	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Continuing operations			
Interest type income	6	824,966	1,310,586
Less: interest expenses	6	(264,765)	(446,484)
Net interest type income	6	560,201	864,102
Loan facilitation service fees	7	973,339	238,173
Other income	8	346,436	101,551
Total income		1,879,976	1,203,826
Origination and servicing expenses	9	(508,989)	(370,340)
Sales and marketing expenses	9	(13,182)	(8,781)
General and administrative expenses	9	(165,280)	(153,200)
Research and development expenses	9	(38,788)	(36,900)
Credit impairment losses	10	(32,555)	(165,008)
Fair value change of loans to customers	5.2.1	(129,155)	(1,800,107)
Other gains/(losses), net	11	16,729	(8,553)
Operating profit/(loss)		1,008,756	(1,339,063)
Share of net profit/(loss) of associates accounted for using the equity method		328	(11,235)
Profit/(loss) before income tax		1,009,084	(1,350,298)
Income tax (expense)/credit	12	(231,460)	269,070
Profit/(loss) for the period attributable to:			
Owners of the Company		777,633	(1,081,240)
Non-controlling interests		(9)	12
		777,624	(1,081,228)

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2021

	Notes	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of financial statements		(1,750)	4,352
Total comprehensive income/(loss) for the period, net of tax		775,874	(1,076,876)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		775,883	(1,076,888)
Non-controlling interests		(9)	12
		775,874	(1,076,876)
Basic earnings/(loss) per share (RMB yuan)	13	1.59	(2.19)
Diluted earnings/(loss) per share (RMB yuan)	13	1.58	(2.19)

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

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2021

	Notes	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Assets			
Cash and cash equivalents	14(a)	1,650,715	1,501,830
Restricted cash	14(b)	142,263	236,280
Loans to customers at fair value through profit or loss	15	6,757,225	4,028,165
Contract assets	16	598,270	341,857
Guarantee receivables	17	612,079	708,703
Financial assets at fair value through profit or loss	18	43,305	20,285
Investments accounted for using the equity method	19	20,954	20,626
Deferred income tax assets	20	574,838	682,573
Right-of-use assets		33,563	45,907
Intangible assets		40,515	35,378
Property and equipment		36,324	39,358
Other assets	21	814,664	676,232
Total assets		11,324,715	8,337,194
Liabilities			
Borrowings	22	6,328,369	4,095,299
Senior notes	23	518,891	628,834
Lease liabilities		34,920	47,976
Guarantee liabilities	17	778,782	807,421
Tax payable		46,745	34,560
Deferred income tax liabilities	20	146,936	100,696
Other liabilities	24	382,505	336,064
Total liabilities		8,237,148	6,050,850
Equity			
Share capital	25	40,370	40,412
Share premium	25	5,556,677	5,558,958
Treasury shares	26	(26,615)	(37,747)
Reserves		761,865	747,075
Accumulated losses		(3,247,738)	(4,025,371)
Non-controlling interests		3,008	3,017
Total equity		3,087,567	2,286,344
Total liabilities and equity		11,324,715	8,337,194

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

The interim condensed consolidated financial information and the accompanying notes starting from page 30 to page 65 are signed by:

Ma Ting Hung
Director

Liu Sai Wang Stephen
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

	Attributable to owners of the Company							
	Share capital	Share premium	Treasury shares	Reserves			Non-controlling interests	Total
				Share option reserves	Translation reserve	Accumulated losses		
RMB'000 Note 25	RMB'000 Note 25	RMB'000 Note 26	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(Unaudited)								
Balance at January 1, 2021	<u>40,412</u>	<u>5,558,958</u>	<u>(37,747)</u>	<u>669,671</u>	<u>77,404</u>	<u>(4,025,371)</u>	<u>3,017</u>	<u>2,286,344</u>
Profit for the period	—	—	—	—	—	777,633	(9)	777,624
Exchange difference on translation of financial statements	—	—	—	—	(1,750)	—	—	(1,750)
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,750)</u>	<u>777,633</u>	<u>(9)</u>	<u>775,874</u>
Transactions with owners in their capacity as owners								
Shares repurchased and cancelled	(42)	(2,018)	—	—	—	—	—	(2,060)
Share-based payment	—	—	—	27,409	—	—	—	27,409
Vesting of share awards	—	(263)	11,132	(10,869)	—	—	—	—
Total transactions with owners in their capacity as owners	<u>(42)</u>	<u>(2,281)</u>	<u>11,132</u>	<u>16,540</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>25,349</u>
Balance at June 30, 2021	<u>40,370</u>	<u>5,556,677</u>	<u>(26,615)</u>	<u>686,211</u>	<u>75,654</u>	<u>(3,247,738)</u>	<u>3,008</u>	<u>3,087,567</u>

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

	Attributable to owners of the Company							
	Reserves					Accumulated losses	Non- controlling interests	Total
	Share capital	Share premium	Treasury shares	Share option reserves	Translation reserve			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 25	Note 25	Note 26					
(Unaudited)								
Balance at January 1, 2020	40,913	5,581,016	(51,774)	607,888	75,025	(3,155,790)	3,000	3,100,278
Loss for the period	—	—	—	—	—	(1,081,240)	12	(1,081,228)
Exchange difference on translation of financial statements	—	—	—	—	4,352	—	—	4,352
Total comprehensive loss for the period	—	—	—	—	4,352	(1,081,240)	12	(1,076,876)
Transactions with owners in their capacity as owners								
Shares repurchased and cancelled	(56)	(2,590)	—	—	—	—	—	(2,646)
Share-based payment	—	—	—	39,180	—	—	—	39,180
Vesting of share awards	—	(209)	12,775	(12,566)	—	—	—	—
Total transactions with owners in their capacity as owners	(56)	(2,799)	12,775	26,614	—	—	—	36,534
Balance at June 30, 2020	40,857	5,578,217	(38,999)	634,502	79,377	(4,237,030)	3,012	2,059,936

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	Notes	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Operating activities			
Cash (used)/generated from operating activities		(1,656,214)	3,826,352
Income tax paid		(10,605)	(8,276)
Net cash (outflow)/inflow from operating activities		(1,666,819)	3,818,076
Investing activities			
Payments for property and equipment		(7,353)	(5,615)
Payments for intangible assets		(7,907)	(4,131)
Payments for financial assets at fair value through profit or loss, net		(17,593)	—
Proceeds from disposal of investments accounted for using the equity method		—	6,575
Net cash outflow from investing activities		(32,853)	(3,171)
Financing activities			
Proceeds from/(repayment of) borrowings, net Including: proceeds from/(repayment to) trust plan holders, net		2,191,352	(3,683,711)
Repayment of senior notes		(114,874)	—
Interest expenses paid		(212,058)	(466,999)
Payments for shares repurchased		(2,060)	(2,646)
Principal elements of lease payments		(13,270)	(16,898)
Net cash inflow/(outflow) from financing activities		1,849,090	(4,170,254)
Net increase/(decrease) in cash and cash equivalents		149,418	(355,349)
Cash and cash equivalents at the beginning of the period	14(a)	1,501,835	2,169,524
Effects of exchange rate changes on cash and cash equivalents		(537)	(121)
Cash and cash equivalents at the end of the period	14(a)	1,650,716	1,814,054

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2021

1 GENERAL INFORMATION

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

Pursuant to a Shareholders’ resolution dated February 6, 2018, the Company re-domiciled to the Cayman Islands by way of continuation as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented. The re-domiciliation was completed on February 26, 2018. The current address of the Company’s registered office is at 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 Company together with its subsidiaries (the “**Group**”) is a technology-driven consumer financial service provider in the People’s Republic of China (“**China**”, or the “**PRC**”). The Group offers consumer finance products by facilitating transactions between borrowers and financial institutions.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since June 21, 2018 (the “**Listing**”) by way of its initial public offering. As at June 30, 2021, the number of ordinary shares of the Company in issue was 493,057,189, with a par value of HK\$0.10 per share.

The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated.

The interim condensed consolidated financial information has been approved and authorised for issue by the board of directors of the Company on August 25, 2021.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2021 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 for the year ended December 31, 2020, which has been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), and any public announcements made by the Group during the six months ended June 30, 2021.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2021

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:

		Notes
Amendments to IFRS 16	COVID-19-related Rent Concessions	(a)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	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 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2020.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operation risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

There have been no changes in the risk management policies since December 31, 2020.

5.2 Fair value measurement of financial instruments

5.2.1 Fair value hierarchy

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2021

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Fair value measurement of financial instruments (continued)

5.2.1 Fair value hierarchy (continued)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value as at June 30, 2021 and December 31, 2020, respectively, on a recurring basis:

	Valuation techniques and key input	As at June 30, 2021			
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)					
Assets					
Loans to customers at fair value through profit or loss	Discounted cash flow method	—	—	6,757,225	6,757,225
Financial assets at fair value through profit or loss					
— Unlisted equity investment	Dealer quotes for similar instruments	—	—	24,678	24,678
— Money market funds	Quoted market price	12,894	—	—	12,894
— Convertible promissory note	The Binominal Model	—	—	3,230	3,230
— Trust plan	Discounted cash flow method	—	—	2,503	2,503
		12,894	—	6,787,636	6,800,530
(Audited)					
Assets					
Loans to customers at fair value through profit or loss	Discounted cash flow method	—	—	4,028,165	4,028,165
Financial assets at fair value through profit or loss					
— Unlisted equity investment	Dealer quotes for similar instruments	—	—	20,000	20,000
— Money market funds	Quoted market price	285	—	—	285
		285	—	4,048,165	4,048,450

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Fair value measurement of financial instruments (continued)

5.2.1 Fair value hierarchy (continued)

The following table presents the changes in level 3 asset instruments for the six months ended June 30, 2020 and 2021, respectively:

	Loans to customers at fair value through profit or loss RMB'000 (Unaudited)	Financial assets at fair value through profit or loss RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At January 1, 2021	4,028,165	20,000	4,048,165
Additions	8,947,498	17,908	8,965,406
Derecognises	(6,089,283)	(7,497)	(6,096,780)
Losses recognized in profit or loss	(129,155)	—	(129,155)
At June 30, 2021	6,757,225	30,411	6,787,636
At January 1, 2020	9,457,673	—	9,457,673
Additions	6,429,914	20,000	6,449,914
Derecognises	(8,749,172)	—	(8,749,172)
Losses recognized in profit or loss	(1,800,107)	—	(1,800,107)
At June 30, 2020	5,338,308	20,000	5,358,308

There were no transfers between the levels of the fair value hierarchy in the six months ended June 30, 2021. There were no changes made to any of the valuation techniques applied as at December 31, 2020.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at June 30, 2021.

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2021

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Fair value measurement of financial instruments (continued)

5.2.1 Fair value hierarchy (continued)

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

5.2.2 Fair value measurements using significant unobservable inputs

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

As at June 30, 2021, the level 3 instruments were mainly loans to customers at fair value through profit or loss. As the loans to customers are not traded in an active market, its fair value has been determined using discounted cash flows. Major assumptions used in the valuation include historical performance of loans to customers and estimate of discount rate. The discount rate used to determine the present value was a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the assets as at each reporting date. The managements estimated the risk-free interest rate based on the yield of China Government Bonds with a maturity equal to periods from the respective reporting date to expected cash flow date.

The table below illustrates the impact on loss before income tax for the six months ended June 30, 2021, if the discount rate used had increased/decreased by 100 basis points with all other variables held constant.

	Expected changes in profit/(loss) before income tax	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
+100 basis points	(17,775)	(11,914)
-100 basis points	17,993	12,070

5.2.3 Fair values of other financial instruments (unrecognised)

The Group also has a number of financial instruments which are not measured at fair value in the interim condensed consolidated statement of financial position such as guarantee receivables, other assets, senior notes, borrowings and other liabilities. For these instruments, the fair values are not materially different to their carrying amounts, since the interest rate is close to current market rates, or the instruments are short-term in nature.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.3 Operation risk

Operation risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees and systems or from uncontrollable external events. The Group is exposed to many types of operation risks in the conduct of its business. The Group attempts to manage operation risk by establishing clear policies and requiring well documented business processes to ensure that transactions are properly authorized, supported and recorded.

China Banking and Insurance Regulatory Commission, jointly with other regulatory authorities, issued the Circular on Issuing Supplementary Provisions on Supervision of Financing Guarantee Companies (the “**Circular**”) on October 24, 2019 to further regulate certain financial guarantee activities. The Group has acknowledged the requirements set forth in the Circular and noted the potential non-compliance risk to the current business model for its trust scheme operations going forward. Such potential non-compliance could subject the Group to penalties and/or it being required to change its current business models.

The Group is working to amend its current business plans, including increasing the proportion of business through its own financial guarantee company and restructuring future credit enhancement arrangements, to cope with the implications of the Circular. Taking into consideration current market practice and the implementation status of the related regulatory requirements, the Group has assessed that the potential impact of changes to its future business plans is not significant and does not believe that it is probable there will be a material outflow of resources during the process of complying with the new regulations. The Group will pay close attention to market developments and will continue to monitor the impact to its operations and financial position.

6 NET INTEREST TYPE INCOME

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2021

7 LOAN FACILITATION SERVICE FEES

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

Note: The unsatisfied performance obligations as at June 30, 2021 is RMB299.46 million. Management expects that 99.29% of the transaction price allocated to the unsatisfied contracts as at June 30, 2021 will be recognized as revenue within the next 12 months (As at June 30, 2020: the unsatisfied performance obligations is RMB33.70 million, and management expects that 97.17% of the transaction price allocated to the unsatisfied contracts will be recognized as revenue within the next 12 months).

8 OTHER INCOME

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
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	2,421	3,636
	346,436	101,551

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2021

9 EXPENSES BY NATURE

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (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)
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses	(726,239)	(569,221)

10 CREDIT IMPAIRMENT LOSSES

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (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)
	(32,555)	(165,008)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2021

11 OTHER GAINS/(LOSSES), NET

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (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)
	16,729	(8,553)

12 INCOME TAX (EXPENSE)/CREDIT

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

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

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit/(loss) before income tax:	1,009,084	(1,350,298)
Tax calculated at PRC statutory income tax rate of 25%	(252,271)	337,575
Tax effects of:		
— Differential income tax rates applicable to subsidiaries (i)	29,808	(58,603)
— Expenses not deductible for income tax purpose	(7,200)	(9,896)
Share-based compensation	(6,852)	(9,795)
Others	(348)	(101)
— No recognition of deferred tax assets on tax losses	(1,797)	(6)
Income tax (expense)/credit	(231,460)	269,070

12 INCOME TAX (EXPENSE)/CREDIT (continued)

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

Cayman Islands

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

China

The PRC Enterprise Income Tax Law (the "EIT Law") applies an income tax rate of 25% to all enterprises but grants preferential tax treatments to High and New Technology Enterprises ("HNTEs") and Small Low-profit Enterprise.

Under these preferential tax treatments, HNTEs can enjoy a preferential income tax rate of 15% for three years, but need to re-apply after the end of the three-year period. Vision Credit Financial Technology Company, an indirect wholly-owned subsidiary of the Company, qualified as HNTE under the EIT law in October 23, 2014. In November 2020, Vision Credit Financial Technology Co., Ltd was further approved as HNTE and will continue to enjoy the preferential income tax rate of 15% from 2020 to 2022. Therefore, Vision Credit Financial Technology Company was entitled to a preferential income tax rate of 15% for the six months ended June 30, 2021.

The income tax rate of entities qualified as "Small Low-profit Enterprise" is 20%. From January 1, 2019 to December 31, 2021, the annual taxable income amount of Small Low-profit Enterprise shall be calculated at a reduced rate of 25% when it does not exceed RMB1.00 million. The portion of annual taxable income amount which exceeds RMB1.0 million but does not exceed RMB3.0 million shall be calculated at a reduced rate of 50% as taxable income amount. Shanghai Tiantian Asset Management Co., Ltd., Chengdu Vcredit Jiaozi Digital Technology Co., Ltd. and Guangdong Weishi Data Technology Co., Ltd., which are indirect wholly-owned subsidiaries of the Company, were qualified as Small Low-profit Enterprises and were entitled to the aforementioned preferential income tax rate for the six months ended June 30, 2021.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the Company's subsidiaries incorporated in Hong Kong are subject to 16.5% income tax on their taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax. Commencing from the year of assessment of 2018/2019, the first HK\$2 million of profits earned by the Company's subsidiaries incorporated in Hong Kong will be taxed at half the current tax rate (i.e. 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate.

Withholding Tax on Undistributed Profits

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

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

Notes to the Interim Condensed Consolidated Financial Information

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13 EARNINGS/(LOSS) PER SHARE

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings/(loss) attributable to owners of the Company	777,633	(1,081,240)
Weighted average number of ordinary shares for calculation of the basic earnings/(loss) per share ('000)	489,135	493,425
Weighted average number of ordinary shares for calculation of the diluted earnings/(loss) per share ('000)	492,492	493,425
Basic earnings/(loss) per share (RMB yuan)	1.59	(2.19)
Diluted earnings/(loss) per share (RMB yuan)	1.58	(2.19)

- (a) Basic earnings/(loss) per share is calculated by dividing the profit/(loss) of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.
- (b) For the six months ended June 30, 2021, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and share awards granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	Six months ended June 30, 2021
	Number of ordinary shares ('000) (Unaudited)
Weighted average number of ordinary shares for calculation of the basic earnings per share	489,135
Adjustments for share options and share awards granted	3,357
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	492,492

- (c) For the six months ended June 30, 2020, the potential ordinary shares of the Company 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 ordinary shares of the Company were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended June 30, 2020 was the same as basic loss per share.

Notes to the Interim Condensed Consolidated Financial Information

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14 CASH AND BANK BALANCES

(a) Cash and cash equivalents

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

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

(b) Restricted cash

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2021

15 LOANS TO CUSTOMERS AT FAIR VALUE THROUGH PROFIT OR LOSS

The composition of loans is as follows:

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

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

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
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
	6,757,225	4,028,165

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

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
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
	6,757,225	4,028,165

16 CONTRACT ASSETS

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

Movement of gross carrying amount

Contract assets

	Six months ended June 30, 2021			
	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance at January 1, 2021	374,937	3,266	11,365	389,568
New financial assets originated	925,008	—	—	925,008
Transfer for the period:				
From stage 1 to stage 2	(6,158)	6,158	—	—
From stage 1 to stage 3	(16,161)	—	16,161	—
From stage 2 to stage 1	39	(39)	—	—
From stage 2 to stage 3	—	(2,541)	2,541	—
From stage 3 to stage 2	—	36	(36)	—
Asset derecognised (including final repayment)	(636,239)	(632)	(553)	(637,424)
Asset written off	—	—	(12,976)	(12,976)
Ending balance at June 30, 2021	641,426	6,248	16,502	664,176

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For the six months ended June 30, 2021

16 CONTRACT ASSETS (continued)

Movement of gross carrying amount (continued)

Contract assets	Six months ended June 30, 2020			
	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance at January 1, 2020	571,352	43,084	41,379	655,815
New financial assets originated	346,592	—	—	346,592
Transfer for the period:				
From stage 1 to stage 2	(17,153)	17,153	—	—
From stage 1 to stage 3	(72,924)	—	72,924	—
From stage 2 to stage 1	89	(89)	—	—
From stage 2 to stage 3	—	(42,321)	42,321	—
From stage 3 to stage 2	—	3	(3)	—
From stage 3 to stage 1	16	—	(16)	—
Asset derecognised (including final repayment)	(592,384)	(643)	(1,007)	(594,034)
Asset written off	—	—	(96,848)	(96,848)
Ending balance at June 30, 2020	235,588	17,187	58,750	311,525

The Group considers a financial instrument to have experienced a significant increase in credit risk if the borrower is past due on its contractual payments in this reporting period, while considered a financial instrument to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments in the comparative reporting period.

Movement of ECL allowance

ECL allowance	Six months ended June 30, 2021			
	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance at January 1, 2021	(34,327)	(2,355)	(11,029)	(47,711)
New financial assets originated	(74,138)	—	—	(74,138)
Transfer for the period:				
From stage 1 to stage 2	494	(4,524)	—	(4,030)
From stage 1 to stage 3	1,295	—	(15,394)	(14,099)
From stage 2 to stage 1	(3)	29	—	26
From stage 2 to stage 3	—	1,867	(2,420)	(553)
From stage 3 to stage 2	—	(26)	34	8
Asset derecognised (including final repayment)	51,898	464	527	52,889
Changes to risk parameters (model inputs)	8,974	(131)	(117)	8,726
Asset written off	—	—	12,976	12,976
Ending balance at June 30, 2021	(45,807)	(4,676)	(15,423)	(65,906)

16 CONTRACT ASSETS (continued)**Movement of ECL allowance (continued)**

ECL allowance	Six months ended June 30, 2020			
	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance at January 1, 2020	(53,842)	(39,330)	(39,621)	(132,793)
New financial assets originated	(28,767)	—	—	(28,767)
Transfer for the period:				
From stage 1 to stage 2	1,424	(15,726)	—	(14,302)
From stage 1 to stage 3	6,053	—	(69,923)	(63,870)
From stage 2 to stage 1	(7)	82	—	75
From stage 2 to stage 3	—	38,801	(40,580)	(1,779)
From stage 3 to stage 2	—	(3)	3	—
From stage 3 to stage 1	(1)	—	15	14
Asset derecognised (including final repayment)	49,168	590	966	50,724
Changes to risk parameters (model inputs)	8,411	(241)	(4,118)	4,052
Asset written off	—	—	96,848	96,848
Ending balance at June 30, 2020	(17,561)	(15,827)	(56,410)	(89,798)

ECL allowance	Six months ended June 30, 2021			
	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
ECL charged for the period	(11,480)	(2,321)	(17,370)	(31,171)

ECL allowance	Six months ended June 30, 2020			
	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
ECL charged for the period	36,281	23,503	(113,637)	(53,853)

Note: The Group receives upfront payments from borrowers at loan inception and subsequent payments over the term of the loan. Contract asset represents the Group's right to consideration in exchange for services that the Group has provided. A substantial majority of the Group's contract assets as at June 30, 2021 would be realized within the next 12 months as the weighted average term of the arrangements where the Group is not the loan originator was less than 12 months. The Group determined there is no significant financing component for its arrangements where the Group is not the loan originator.

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17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES

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

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

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Guarantee receivables		
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>
Ending balance	<u>612,079</u>	<u>616,392</u>

Movement of gross carrying amount

Guarantee receivables

	Six months ended June 30, 2021			
	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance at January 1, 2021	780,194	7,928	34,654	822,776
New financial assets originated	689,381	—	—	689,381
Transfer for the period:				
From stage 1 to stage 2	(7,020)	7,020	—	—
From stage 1 to stage 3	(26,927)	—	26,927	—
From stage 2 to stage 1	42	(42)	—	—
From stage 2 to stage 3	—	(6,123)	6,123	—
From stage 3 to stage 2	—	21	(21)	—
Asset derecognised (including final repayment)	(783,076)	(1,654)	(1,747)	(786,477)
Asset written off	—	—	(39,763)	(39,763)
Ending balance at June 30, 2021	<u>652,594</u>	<u>7,150</u>	<u>26,173</u>	<u>685,917</u>

17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES (continued)

Movement of gross carrying amount (continued)

Guarantee receivables

	Six months ended June 30, 2020			Total RMB'000 (Unaudited)
	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	
Opening balance at January 1, 2020	682,268	40,223	38,482	760,973
New financial assets originated	735,002	—	—	735,002
Transfer for the period:				
From stage 1 to stage 2	(29,325)	29,325	—	—
From stage 1 to stage 3	(87,386)	—	87,386	—
From stage 2 to stage 1	24	(24)	—	—
From stage 2 to stage 3	—	(39,601)	39,601	—
From stage 3 to stage 2	—	2	(2)	—
Asset derecognised (including final repayment)	(628,395)	(604)	(2,280)	(631,279)
Asset written off	—	—	(94,310)	(94,310)
Ending balance at June 30, 2020	672,188	29,321	68,877	770,386

The Group considers a financial instrument to have experienced a significant increase in credit risk if the borrower is past due on its contractual payments in this reporting period, while considered a financial instrument to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments in the comparative reporting period.

Movement of ECL allowance

ECL allowance

	Six months ended June 30, 2021			Total RMB'000 (Unaudited)
	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	
Opening balance at January 1, 2021	(74,770)	(5,724)	(33,579)	(114,073)
New financial assets originated	(55,383)	—	—	(55,383)
Transfer for the period:				
From stage 1 to stage 2	564	(5,115)	—	(4,551)
From stage 1 to stage 3	2,163	—	(25,611)	(23,448)
From stage 2 to stage 1	(3)	31	—	28
From stage 2 to stage 3	—	4,461	(5,824)	(1,363)
From stage 3 to stage 2	—	(15)	20	5
Asset derecognised (including final repayment)	64,822	1,205	1,662	67,689
Changes to risk parameters (model inputs)	18,443	(91)	(857)	17,495
Asset written off	—	—	39,763	39,763
Ending balance at June 30, 2021	(44,164)	(5,248)	(24,426)	(73,838)

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For the six months ended June 30, 2021

17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES (continued)

Movement of ECL allowance (continued)

ECL allowance	Six months ended June 30, 2020			
	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance at January 1, 2020	(66,215)	(36,665)	(36,845)	(139,725)
New financial assets originated	(67,567)	—	—	(67,567)
Transfer for the period:				
From stage 1 to stage 2	2,696	(26,874)	—	(24,178)
From stage 1 to stage 3	8,033	—	(83,834)	(75,801)
From stage 2 to stage 1	(2)	22	—	20
From stage 2 to stage 3	—	36,291	(37,991)	(1,700)
From stage 3 to stage 2	—	(2)	2	—
Asset derecognised (including final repayment)	57,767	554	2,187	60,508
Changes to risk parameters (model inputs)	4,514	(339)	(4,036)	139
Asset written off	—	—	94,310	94,310
Ending balance at June 30, 2020	(60,774)	(27,013)	(66,207)	(153,994)

ECL allowance

Six months ended June 30, 2021

	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
ECL charged for the period	30,606	476	(30,610)	472

ECL allowance

Six months ended June 30, 2020

	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
ECL charged for the period	5,441	9,652	(123,672)	(108,579)

For the six months ended June 30, 2021

17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES (continued)

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Guarantee liabilities		
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	(384,372)	(1,132,311)
Ending balance	778,782	688,393

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	As at
	June 30,	December 31,
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Unlisted equity investment	24,678	20,000
Money market funds	12,894	285
Convertible promissory note	3,230	—
Trust plan	2,503	—
	43,305	20,285

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2021

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Opening balance	20,626	37,430
Share of net profit/(loss)	328	(11,235)
Disposal	—	(6,107)
Translation difference	—	374
Ending balance	20,954	20,462

20 DEFERRED INCOME TAX

	As at June 30, 2021		As at December 31, 2020	
	Deductible/ (taxable) temporary differences RMB'000 (Unaudited)	Deferred income tax assets/ (liabilities) RMB'000 (Unaudited)	Deductible/ (taxable) temporary differences RMB'000 (Audited)	Deferred income tax assets/ (liabilities) RMB'000 (Audited)
Deferred income tax assets				
ECL allowance	763,451	181,257	730,896	173,118
Fair value change of loan to customers	2,447,832	441,435	2,863,607	587,609
Tax losses	168,468	42,111	—	—
Others	128,806	19,321	89,566	13,435
	3,508,557	684,124	3,684,069	774,162
Deferred income tax liabilities				
Unrealized gains	(1,332,302)	(255,533)	(1,050,108)	(191,596)
Others	(2,756)	(689)	(2,756)	(689)
	(1,335,058)	(256,222)	(1,052,864)	(192,285)
Net deferred income tax assets	2,173,499	427,902	2,631,205	581,877

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2021

20 DEFERRED INCOME TAX (continued)

The above net deferred income tax assets are disclosed separately on the statements of financial position based on different taxation authorities as follows:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Deferred income tax assets	574,838	682,573
Deferred income tax liabilities	(146,936)	(100,696)
Net deferred income tax assets	427,902	581,877

The movements of the deferred income tax account are as following:

	ECL allowance RMB'000 (Unaudited)	Fair value change RMB'000 (Unaudited)	Unrealized gains RMB'000 (Unaudited)	Tax losses RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
As at January 1, 2021	173,118	587,609	(191,596)	—	12,746	581,877
Recognized in the profit or loss	<u>8,139</u>	<u>(146,174)</u>	<u>(63,937)</u>	<u>42,111</u>	<u>5,886</u>	<u>(153,975)</u>
As at June 30, 2021	181,257	441,435	(255,533)	42,111	18,632	427,902
As at January 1, 2020	118,827	563,120	(299,103)	—	(689)	382,155
Recognized in the profit or loss	<u>41,252</u>	<u>30,174</u>	<u>266,178</u>	<u>—</u>	<u>—</u>	<u>337,604</u>
As at June 30, 2020	160,079	593,294	(32,925)	—	(689)	719,759

Deferred income tax assets are recognized for tax losses carried forwards and deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at June 30, 2021, the Group did not recognise deferred income tax assets in respect of tax losses and deductible temporary differences of approximately RMB1.80 million (June 30, 2020: RMB6,000).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2021

21 OTHER ASSETS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Security deposits in financial institutions	671,907	481,710
Due from business partners	59,530	105,634
Prepayment of equity investment ⁽ⁱ⁾	30,600	30,600
Prepaid expense	28,882	44,535
Rental deposits	6,484	6,632
Other receivables	26,819	14,787
	824,222	683,898
Less: ECL allowance	(9,558)	(7,666)
	814,664	676,232

- (i) As at June 30, 2021, the Group has prepaid RMB30.60 million to acquire 20.00 million shares of a third-party company to become one of its shareholders. The increase of the registered capital has not been approved by the China Banking and Insurance Regulatory Commission as at June 30, 2021.

22 BORROWINGS

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

- (i) The trust plan holders have priority to repayments from the loans to customers originated by those trust plans. The fair value of those loans to customers was RMB6,383.48 million as at June 30, 2021 (December 31, 2020: RMB3,852.77 million).

22 BORROWINGS (continued)**Effective interest rates of borrowings**

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

Contractual maturities of borrowings

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

Borrowings by repayment schedule

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

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23 SENIOR NOTES

	Senior notes due 2021 (Stock Code: 5064) RMB'000	Senior notes due 2022 (Stock Code: 40498) RMB'000	Total RMB'000
(Unaudited)			
As at January 1, 2021	115,055	513,779	628,834
Accrued interest	5,936	30,065	36,001
Discount amortization	1,139	10,423	11,562
Interest expense paid	(6,318)	(30,256)	(36,574)
Repayment of principal	(114,874)	—	(114,874)
Exchange difference	(938)	(5,120)	(6,058)
	<u>—</u>	<u>518,891</u>	<u>518,891</u>
As at June 30, 2021			
			Senior notes due 2021 (Stock Code: 5064) RMB'000
As at January 1, 2020			678,829
Accrued interest			38,464
Discount amortization			6,762
Interest expense paid			(38,915)
Exchange difference			10,335
			<u>695,475</u>
As at June 30, 2020			<u>695,475</u>

24 OTHER LIABILITIES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Accrued service fees	192,596	113,845
Due to financial institutions	124,672	135,171
Employee benefit liability	45,534	37,899
Accounts collected from borrowers in advance	16,244	29,343
Deposits collected from borrowers	2,345	12,048
Others	1,114	7,758
	<u>382,505</u>	<u>336,064</u>

25 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares Shares'000	Share capital RMB'000	Share premium RMB'000
(Unaudited)			
At January 1, 2021	493,560	40,412	5,558,958
Shares repurchased and cancelled	(503)	(42)	(2,018)
Vesting of share awards	—	—	(263)
At June 30, 2021	493,057	40,370	5,556,677
At January 1, 2020			
Shares repurchased and cancelled	(709)	(56)	(2,590)
Vesting of share awards	—	—	(209)
At June 30, 2020	498,494	40,857	5,578,217

26 TREASURY SHARES

	As at June 30, 2021		As at December 31, 2020	
	Shares'000 (Unaudited)	RMB'000 (Unaudited)	Shares'000 (Audited)	RMB'000 (Audited)
Treasury shares held under share award scheme	(3,357)	(26,615)	(4,761)	(37,747)

These shares are held by the VCREDIT No. 1 Share Award Scheme Trusts for the purpose of share award scheme mentioned in the note 27.

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

	Six months ended June 30,			
	2021		2020	
	Shares'000 (Unaudited)	RMB'000 (Unaudited)	Shares'000 (Unaudited)	RMB'000 (Unaudited)
Opening balance	(4,761)	(37,747)	(6,530)	(51,774)
Vesting of share awards	1,404	11,132	1,556	12,775
Ending balance	(3,357)	(26,615)	(4,974)	(38,999)

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27 SHARE-BASED PAYMENTS

Share options

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

	Exercise Price in US\$ per Share Option			Number of Share Options (‘000)		
	2016	2017	2017	2016	2017	2017
	ESOP	ESOP I	ESOP II	ESOP	ESOP I	ESOP II
(Unaudited) Outstanding balance as at January 1, 2021	0.8735	1.6123	1.6123	14,563	40,975	26,115
Forfeited and expired during the period	<u>0.8735</u>	<u>1.6123</u>	<u>—</u>	<u>(304)</u>	<u>(90)</u>	<u>—</u>
Outstanding balance as at June 30, 2021	<u>0.8735</u>	<u>1.6123</u>	<u>1.6123</u>	<u>14,259</u>	<u>40,885</u>	<u>26,115</u>

	Exercise Price in US\$ per Share Option			Number of Share Options (‘000)		
	2016	2017	2017	2016	2017	2017
	ESOP	ESOP I	ESOP II	ESOP	ESOP I	ESOP II
(Unaudited) Outstanding balance as at January 1, 2020	0.8735	1.6123	1.6123	16,865	46,517	26,115
Forfeited and expired during the period	<u>0.8735</u>	<u>1.6123</u>	<u>—</u>	<u>(1,167)</u>	<u>(5,278)</u>	<u>—</u>
Outstanding balance as at June 30, 2020	<u>0.8735</u>	<u>1.6123</u>	<u>1.6123</u>	<u>15,698</u>	<u>41,239</u>	<u>26,115</u>

27 SHARE-BASED PAYMENTS (continued)**Share award schemes**

Movement in the number of share awards for the six months ended June 30, 2020 and 2021 is as follows:

	Six months ended June 30,	
	2021	2020
	Number of share awards (‘000)	Number of share awards (‘000)
(Unaudited)		
Opening balance	4,877	6,530
Vested	(1,404)	(1,556)
Forfeited and expired	(37)	(444)
Ending balance	3,436	4,530

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

28 CONTINGENCIES

Other than as disclosed in previous notes, the Group did not have any significant contingent liabilities as at June 30, 2021.

29 CONSOLIDATED STRUCTURED ENTITIES

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

As at June 30, 2021, total assets under management of 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 plan holders.

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30 DIVIDENDS

On August 25, 2021, the Board of Directors has recommended the distribution of an interim dividend of HK10 cents per share and a special dividend of HK10 cents per share for the six months ended June 30, 2021 (for the six months ended June 30, 2020: nil) to Shareholders on the Register of Members on 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 at an extraordinary general meeting expected to be held on or around October 12, 2021 (the “EGM”). 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).

31 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 30.