



壹账通金融科技有限公司

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6638 NYSE: OCFT

2022

Interim Report



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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Chongfeng Shen (沈崇鋒)
(Chairman and Chief Executive Officer)
Dr. Wangchun Ye (葉望春)
Ms. Rong Chen (陳蓉)

Non-executive Directors

Ms. Sin Yin Tan (陳心穎)
Mr. Wenwei Dou (竇文偉)
Mr. Min Zhu (朱敏)
Ms. Wenjun Wang (王文君)

Independent Non-executive Directors

Dr. Yaolin Zhang (張耀麟)
Mr. Tianruo Pu (濮天若)
Mr. Wing Kin Anthony Chow (周永健)
Mr. Koon Wing Ernest Ip (葉冠榮)

AUDIT COMMITTEE

Mr. Tianruo Pu (濮天若) *(Chairperson)*
Mr. Wing Kin Anthony Chow (周永健)
Mr. Koon Wing Ernest Ip (葉冠榮)

COMPENSATION AND NOMINATION COMMITTEE

Mr. Yaolin Zhang (張耀麟) *(Chairperson)*
Ms. Rong Chen (陳蓉)
Mr. Wing Kin Anthony Chow (周永健)

JOINT COMPANY SECRETARIES

Ms. Yanjing Jia (賈燕菁)
Ms. Tang Wing Shan Winza (鄧穎珊)

AUTHORISED REPRESENTATIVES

Ms. Rong Chen (陳蓉)
Ms. Tang Wing Shan Winza (鄧穎珊)

LISTING INFORMATION AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 6638

New York Stock Exchange
Stock Ticker: OCFT

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE

55 Floor, Ping An Financial Centre
No. 5033 Yitian Road
Futian District
Shenzhen, Guangdong
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2701, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

COMPANY'S WEBSITE

www.ocft.com

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F Prince's Building
Central
Hong Kong

HONG KONG LEGAL ADVISOR

Cleary Gottlieb Steen & Hamilton (Hong Kong)
37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Center
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANK

Ping An Bank Co., Ltd. Shenzhen Branch
Ping An Bank Building
No. 1099 Shennan Middle Road
Futian District, Shenzhen
PRC



Financial Performance Highlights

- Revenue increased 20.4% to RMB2,152.7 million for the six months ended June 30, 2022 from RMB1,787.5 million for the corresponding period in 2021.
- Gross margin was 35.3% for the six months ended June 30, 2022 as compared to 34.0% for the corresponding period in 2021; non-IFRS gross margin was 39.4% for the six months ended June 30, 2022 as compared to 42.9% for the corresponding period in 2021.
- Operating loss was RMB632.5 million for the six months ended June 30, 2022, as compared to RMB741.5 million for the corresponding period in 2021. Operating margin was -29.4% compared to -41.5% for the corresponding period in 2021. Excluding the impact of listing expenses in connection with the Company's listing in Hong Kong, adjusted operating loss¹⁻³ amounted to RMB564.2 million for the six months ended June 30, 2022, compared with RMB741.5 million for the corresponding period in 2021. Adjusted operating margin improved to -26.2% for the six months ended June 30, 2022 from -41.5% corresponding period of 2021.
- Net loss attributable to shareholders was RMB562.4 million for the six months ended June 30, 2022, as compared to RMB653.7 million for the corresponding period in 2021. Net profit margin improved to -26.1% for the six months ended June 30, 2022 compared to -36.6% for the corresponding period in 2021. Adjusted net loss to shareholders for the six months ended June 30, 2022 amounted to RMB494.0 million, as compared to RMB653.7 million for the corresponding period in 2021. Adjusted net profit margin improved to -22.9% for the six months ended June 30, 2022 from -36.6% for the corresponding period in 2021.
- Net loss per ordinary share, basic and diluted, was RMB0.51 for the six months ended June 30, 2022 as compared to RMB0.59 for the corresponding period in 2021. Net loss per ADS, basic and diluted, was RMB1.53 for the six months ended June 30, 2022 as compared to RMB1.77 for the corresponding period in 2021. Each ADS represents three ordinary shares.

Financial Performance Highlights

– In RMB'000, except percentages and per ADS amounts	Six Months Ended June 30,		YoY
	2022 (Unaudited)	2021 (Unaudited)	
Revenue			
Revenue from Ping An Group	1,231,282	1,000,300	23.1%
Revenue from Lufax	236,463	164,638	43.6%
Revenue from third-party customers ²	684,958	622,573	10.0%
Total	2,152,703	1,787,511	20.4%
Gross profit	759,283	608,157	
Gross margin	35.3%	34.0%	
Non-IFRS gross margin ¹	39.4%	42.9%	
Operating loss	(632,513)	(741,489)	
Adjusted operating loss ^{1 3}	(564,184)	(741,489)	
Operating margin	-29.4%	-41.5%	
Adjusted operating margin ^{1 3}	-26.2%	-41.5%	
Net loss to shareholders	(562,374)	(653,682)	
Net profit margin	-26.1%	-36.6%	
Adjusted net profit margin ^{1 3}	-22.9%	-36.6%	
Net loss per share ⁴ , basic and diluted	(0.51)	(0.59)	

Notes:

- 1 For more details on this non-IFRS financial measure, please see the section entitled "Use of Unaudited Non-IFRS Financial Measures".
- 2 Third-party customers refer to each customer with revenue contribution of less than 5% of our total revenue in the relevant period. These customers are a key focus of the Company's diversification strategy.
- 3 Excludes listing expense RMB68.3 million for the six months ended June 30, 2022 in connection with the Company's listing in Hong Kong.
- 4 Each ADS represents three ordinary shares.

Financial Performance Highlights

Use of Unaudited Non-IFRS Financial Measures

The unaudited consolidated financial information is prepared in accordance with International Financial Reporting Standards (“IFRS”). Non-IFRS measures are used in (i) gross profit and gross margin, adjusted to exclude non-cash items, which consist of amortization of intangible assets recognized in cost of revenue, depreciation of property and equipment recognized in cost of revenue, and share-based compensation expenses recognized in cost of revenue; and (ii) adjusted operating loss, adjusted operating margin, adjusted net loss to shareholders and adjusted net profit margin which exclude the impact of the listing expense in connection with the Company’s listing in Hong Kong. The management of the Company regularly review non-IFRS gross profit, non-IFRS gross margin, adjusted operating loss, adjusted operating margin, adjusted net loss to shareholders and adjusted net profit margin to assess the performance of our business. For example, by excluding non-cash items, non-IFRS gross profit and non-IFRS gross margin allow the Company’s management to evaluate the cash conversion of one dollar revenue on gross profit. And we believe that the adjusted operating loss, adjusted operating margin, adjusted net loss to shareholders and adjusted net profit margin facilitate a comparison of our operating performance from period to period by eliminating potential impacts of certain non-operational or non-recurring expenses that do not affect our ongoing operating performance. The Company uses these non-IFRS financial to evaluate our ongoing operations and for internal planning and forecasting purposes. The Company believes that non-IFRS financial information, when taken collectively, is helpful to investors because it provides consistency and comparability with past financial performance, facilitates period-to-period comparisons of results of operations, and assists in comparisons with other companies, many of which use similar financial information. The Company also believes that presentation of the non-IFRS financial measures provides useful information to our investors regarding our results of operations because it allows investors greater transparency to the information used by our management in its financial and operational decision making so that investors can see through the eyes of the Company’s management regarding important financial metrics that the management uses to run the business as well as allowing investors to better understand the Company’s performance. However, non-IFRS financial information is presented for supplemental informational purposes only, and should not be considered a substitute for financial information presented in accordance with IFRS, and may be different from similarly-titled non-IFRS measures used by other companies. In light of the foregoing limitations, you should not consider non-IFRS financial measure in isolation from or as an alternative to the financial measure prepared in accordance with IFRS. Whenever the Company uses a non-IFRS financial measure, a reconciliation is provided to the most closely applicable financial measure stated in accordance with IFRS. Investors and shareholders are encouraged to review the related IFRS financial measures and the reconciliation of these non-IFRS financial measures to their most directly comparable IFRS financial measures.

Financial Performance Highlights

The following table sets forth unaudited reconciliation of IFRS and non-IFRS results for the period indicated.

	Six months ended June 30,	
	2022	2021
	(Unaudited) RMB'000	(Unaudited) RMB'000
Gross profit	759,283	608,157
Gross margin	35.3%	34.0%
Non-IFRS adjustment		
– Amortization of intangible assets recognized in cost of revenue	85,867	156,640
– Depreciation of property and equipment recognized in cost of revenue	1,560	1,198
– Share-based compensation expenses recognized in cost of revenue	1,422	291
Non-IFRS Gross profit	848,132	766,286
Non-IFRS Gross margin	39.4%	42.9%

	Six months ended June 30,	
	2022	2021
	(Unaudited) RMB'000	(Unaudited) RMB'000
Operating loss	(632,513)	(741,489)
Operating margin	-29.4%	-41.5%
Net loss to shareholders	(562,374)	(653,682)
Net profit margin	-26.1%	-36.6%
Adjustment		
– Listing expense in connection with the Company's listing in Hong Kong	68,329	–
Adjusted operating loss	(564,184)	(741,489)
Adjusted operating margin	-26.2%	-41.5%
Adjusted net loss to shareholders	(494,045)	(653,682)
Adjusted net profit margin	-22.9%	-36.6%

Business Review and Outlook

Business Review

We are a technology-as-a-service provider for the financial services industry in China with an expanding international presence. We provide integrated technology solutions to financial institutional customers, including digital banking solutions and digital insurance solutions. We also provide digital infrastructure for financial institutions through our Gamma Platform. Our solutions and platform help financial institutions accelerate their digital transformation. We believe that our “technology + business” model is our key competitive advantage and a driving force of how we win new business and engage with our customers. 100% of large and joint-stock banks, 98% of city commercial banks, 63% of property and casualty insurance companies and 49% of life insurance companies in China have used at least one of our products since our inception.

The regulatory authorities have put strategic importance on the digital transformation of financial institutions. In December 2021, the People’s Bank of China issued the FinTech Development Plan (2022-2025) (“**Plan**”), which proposed the guidelines for Fintech development, and emphasized the importance of accelerating the digital transformation of financial institutions. The Fintech development in the new period, as set out in the Plan, should also focus on technology-driven and data-enabled financial innovation to achieve a leapfrogging improvement in the overall level and core competitiveness by 2025. In January 2022, China Banking and Insurance Regulatory Commission issued the Guidelines on Digital Transformation of Banking and insurance Industry, requiring the top-level design for the digital transformation of financial institution. According to China Insights Industry Consultancy Limited, with the continuous improvement of the digitalization of financial institutions, the total technology spending of financial institutions in China is expected to reach RMB799.3 billion by 2025, at a compound annual growth rate at 23.6% from 2020 to 2025.

In the first half of 2022, we managed to achieve solid business growth despite the pandemic impact. In the first half of 2022, our total revenue increased by 20.4% year-over-year to RMB2.15 billion, and the number of premium-plus customers increased by 18.6% year-over-year to 134. We also continued to improve our net profit margin, with the adjusted profit margin optimizing to -22.9%.

We continued to implement our second-stage strategy to deepen engagement with our customers, further integrate and upgrade products and expand our financial service ecosystem and overseas markets.

In the digital banking, we focus on engaging with existing customers and gradually upgrade single-module products to more integrated solutions. In terms of digital retail banking, we offered two integrated solutions: intelligent operation solution and intelligent risk management solution. In the first half of 2022, we carried out in-depth cooperation with a large-scale urban commercial bank in East China with RMB trillion assets and a rural commercial bank in South China with over RMB500 billion assets. The cooperation with the two banks started from digital transformation and relationship manager management, and gradually expanded to comprehensive solution covering marketing promotion, sales management and wealth management. Our digital commercial banking solutions integrate an intelligent service platform to assist banks’ relationship managers focusing on corporate business, an intelligent product development platform that facilitates the swift design and launch of corporate customer lending products, and an AI-empowered intelligent risk management platform that helps banks manage SME credit risks. In the first half of 2022, we continued to deepen our cooperation with a number of national joint-stock banks and foreign banks with RMB trillions of assets through our configurable and intelligent products. In a customer case we served, the loan scale has nearly doubled in six months after the product launch.

In terms of our Gamma Platform, new products represented by AI customer service and core systems have continued to gain market and shown a strong momentum. Our AI customer service includes modules that use our award-winning AI technology to support financial institutions' customer service functions, helping them reduce headcount requirements and improve efficiency at their call centers. Our intelligent voice services are not only equipped with advanced underlying AI voice engine and robotics platform technology, but also with models featuring rich financial scenarios and data (such as financial scenario dialogue flow chart, ASR speech recognition, NLP intention understanding), which can standardize AI financial scenarios, processes and training methodologies and enable financial institutions to promote AI remote services more quickly, improve AI application more effectively while reducing operating costs. Our intelligent voice products have been adopted by a number of third-party customers including national joint-stock banks with RMB trillion assets and customers in regulatory ecosystem. In addition, in light of the trend in transforming and upgrading bank core system, we have developed a cloud-based core system integrated with three core businesses: "loan core", "deposit core" and "payment platform", which can support full scenario access and be highly configurable in its architecture. It is an industry leading product which can be customized for each individual customer and deployed and launched within one week.

We have continued to expand our overseas presence and achieved strong growth in recent years, especially in Hong Kong and Southeast Asia markets.

We successfully launched our virtual bank in Hong Kong, Ping An OneConnect Bank, in 2020. In the first half of 2022, Ping An OneConnect Bank's total gross revenue increased by more than 5 times year-over-year to RMB45.7 million, while its customer loans and advances increased by more than 2.3 times year-over-year to HK\$1.7 billion. Ping An OneConnect Bank is the first virtual bank to provide flexible and efficient banking services for small and medium-sized enterprises. It is the first virtual bank to participate in the SME Financing Guarantee Scheme launched by the Hong Kong Mortgage Corporation Limited. In terms of loan approval, Ping An OneConnect Bank adopted Alternative Credit scoring to assess SMEs' financing needs and credit risks more comprehensively and accurately. Ping An OneConnect Bank fills the gap in the demand for banking services from SME customers and helps financial inclusion. Despite the challenging business environment due to the epidemic, Ping An OneConnect Bank manages to maintain high asset quality as a result of its robust risk management structure and prudent provision policy.

We started our business in Southeast Asia since 2018 to tap into Southeast Asia's RMB10 billion financial digital transformation market. Our customers in Southeast Asia include small-and-medium-sized local banks as well as larger financial institutions, such as top three regional banks, twelve top local banks, and two of the world's top insurance companies.

As of June 30, 2022, we have expanded our overseas presence to 20 countries and territories, covering more than 160 customers.



Business Review and Outlook

Recent Developments after the Reporting Period

On July 4, 2022 (the “**Listing Date**”), we successfully achieved dual primary listing (the “**Listing**”) of our ordinary shares (the “**Shares**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) under the stock code “6638” by way of introduction.

Save as disclosed above, there are no other important events that have occurred since June 30, 2022 up to August 17, 2022, being the date of the interim results announcement of the Company (the “**Latest Practicable Date**”).

Business Outlook

In view of the development of digital economy, financial institutions are increasingly embracing digital transformation and more opportunities have been laid out for Fintech expansion.

We kicked off with a solid start in 2022, and looking ahead to the second half of 2022, we will continue to implement our second-stage strategy of deepening customer engagement to focus on serving premium-plus customer and product integration.

We also expect to continue to invest in research and development activities to improve the technologies and applications we employ in providing our solutions, and to optimize our product structure by integrating single-module products to more integrated solutions.

As a key part of our ecosystem strategy, we will keep on exploring partnership with government agencies and industry partners. In overseas business, we will continue to explore opportunities to provide our solutions, which have been tested and proven in China, to underserved overseas markets with robust demands for digital transformation.

Although the pandemic will have lasting impact on China’s macro economy throughout this year, we will continue to take preemptive measures, for example, increasing product usage charged stock-based fees and promoting remote project delivery. Our solid results in the first half of 2022 demonstrate the stability of our business and our capability to address the macro economic challenges. Looking ahead, we remain unchanged in focusing on growing revenue from our third-party customers and on our mid-term target to profitability.

Management Discussion and Analysis

Revenue

In RMB'000, except percentages	Six Months Ended June 30,		YoY
	2022 (Unaudited)	2021 (Unaudited)	
Technology Solution Segment¹			
Implementation	342,611	328,023	4.4%
Transaction-based and support revenue			
Business origination services	219,494	236,250	-7.1%
Risk management services	198,497	204,977	-3.2%
Operation support services	572,105	486,716	17.5%
Cloud services platform	665,207	442,560	50.3%
Post-implementation support services	26,794	24,676	8.6%
Others	82,295	57,102	44.1%
Sub-total for transaction-based and support revenue	1,764,392	1,452,281	21.5%
Sub-total	2,107,003	1,780,304	18.4%
Virtual Bank Business			
Interest and commission	45,700	7,207	534.1%
Total	2,152,703	1,787,511	20.4%

Note:

1 Intersegment eliminations and adjustments are included under technology solution segment.

Our revenue increased by 20.4% to RMB2,152.7 million for the six months ended June 30, 2022 from RMB1,787.5 million for the corresponding period of 2021, primarily as a result of the increase in revenue from technology solution.

Technology Solution. Our revenue from technology solution increased by 18.4% to RMB2,107.0 million for the six months ended June 30, 2022 from RMB1,780.3 million for the corresponding period of 2021, primarily as a result of (i) the increase in revenue generated from operation support services by 17.5% to RMB572.1 million for the six months ended June 30, 2022 from RMB486.7 million for the corresponding period of 2021, benefiting from the roll-out of our gamma platform AI customer service and other products; and (ii) more demands for solutions in cloud services platform with revenue increased by 50.3% to RMB665.2 million for the six months ended June 30, 2022 from RMB442.6 million for the corresponding period of 2021, majorly benefitting from on-going digital transformation within in Ping An Insurance (Group) Company of China, Ltd. (“**Ping An**”, together with its subsidiaries, the “**Ping An Group**”).

Virtual Bank Business. Our interest and commission revenue increased significantly to RMB45.7 million for the six months ended June 30, 2022 from RMB7.2 million for the corresponding period of 2021, primarily due to the rapid growth in the business of our Hong Kong virtual bank.

Management Discussion and Analysis

Cost of Revenue

Our cost of revenue increased by 18.2% to RMB1,393.4 million for the six months ended June 30, 2022 from RMB1,179.4 million for the corresponding period of 2021, primarily as a result of the increase in cost of revenue of technology solution.

Technology Solution. Our cost of revenue of technology solution increased by 17.8% to RMB1,371.8 million for the six months ended June 30, 2022 from RMB1,164.5 million for the corresponding period of 2021. The increase was primarily driven by an increase in business service fees (which consist of business service fees under technology service fee, business origination fee, outsourcing labor costs, and other costs) and an increase in labor related costs (which consist of employee benefit expenses and labor related costs under technology service fee) as we continued to expand our business, offset by a decrease in amortization of intangible assets recognized in cost of revenue.

Virtual Bank Business. Our cost of revenue of virtual bank business increased by 45.7% to RMB21.6 million for the six months ended June 30, 2022 compared with RMB14.8 million for the corresponding period of 2021, as a result of the rapid growth of our virtual bank's banking business.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 24.8% to RMB759.3 million for the six months ended June 30, 2022 from RMB608.2 million for the corresponding period of 2021. Our gross margin increased to 35.3% for the six months ended June 30, 2022 compared to 34.0% for the corresponding period of 2021, benefitting from on-going product standardization efforts. Our non-IFRS gross profit margin decreased to 39.4% for the six months ended June 30, 2022 compared to 42.9% for the corresponding period of 2021.

Operating Expenses

Research and Development Expenses

Our research and development costs increased by 15.7% to RMB740.5 million for the six months ended June 30, 2022 from RMB640.0 million for the corresponding period of 2021, primarily due to our investments to enhance our existing solutions as well as for innovations, including upgrades of our platforms and research development of our cloud services platform.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 25.4% to 218.3 million for the six months ended June 30, 2022 from RMB292.7 million for the corresponding period of 2021, mainly due to a decrease in marketing and advertising expenses and a decrease in labor cost in both employee benefits expenses and out-source labor cost. Benefitting from enhanced sales capability and improved sales efficiencies, we manage to maintain the revenue growth while keeping the sales cost low. The decrease in marketing and advertising expense is partially because we conducted fewer marketing campaigns in the first half of 2022 due to the impact of COVID-19.

General and Administrative expenses

Our general and administrative expenses increased by 2.6% to RMB401.9 million for the six months ended June 30, 2022 from RMB391.6 million for the corresponding period of 2021, primarily due to a significant increase in professional service fee as a result of higher expenses related to the Listing, offset by our cost optimization efforts. After excluding listing expense in connection with the Company's listing in Hong Kong, for the six months ended June 30, 2022, adjusted general and administrative expenses was RMB333.6 million and as a percentage of revenue was 15.5%.

Net Impairment Losses on Financial and Contract Assets

Our net impairment losses on financial and contract assets decreased to RMB14.9 million for the six months ended June 30, 2022 from RMB44.9 million for the corresponding period of 2021, primarily in relation to due to our collection and enhanced account receivable management efforts as well as the improvement in the quality of our accounts receivable.

Other Income, (Loss)/Gain – Net

We incurred other income, loss-net of RMB16.1 million for the six months ended June 30, 2022 compared to other income gain-net of RMB19.6 million for the corresponding period of 2021, primarily due to a higher net loss on derivatives and a decrease in government grants and tax rebates, offset in part by a net foreign exchange gain for the six months ended June 30, 2022. The change in net foreign exchange (loss)/gain and the net loss on derivatives was due to the appreciation of the U.S. dollar against RMB.

Finance Income

Our finance income decreased by 77.3% from RMB23.1 million for the six months ended June 30, 2021 to RMB5.2 million for the corresponding period in 2022, primarily due to our lower average cash balances, as we decreased our onshore bank borrowings, which reduced our requirement to retain cash collateral.

Finance Costs

Our finance costs decreased by 55.9% from RMB44.6 million for the six months ended June 30, 2021 to RMB19.7 million for the corresponding period in 2022, primarily due to our lower level of onshore bank borrowings.

Share of Gain of Associate and Joint Venture

Our share of gains of associate and joint venture increased by 101.8% from RMB10.1 million for the six months ended June 30, 2021 to RMB20.3 million for the corresponding period of 2022, primarily contributed by improved profitability of Pingan Puhui Lixin Asset Management Co., Ltd.

Loss Before Income Tax

As a result of the foregoing, our loss before income tax decreased to RMB626.6 million for the six months ended June 30, 2022 compared to RMB753.0 million for the corresponding period of 2021.

Income Tax Benefit

Our income tax benefit decreased by 34.5% from RMB55.6 million for the six months ended June 30, 2021 to RMB36.4 million for the corresponding period in 2022, primarily due to a decrease in deferred income tax as a result of reduction in loss of entities that recognize tax benefit.

Management Discussion and Analysis

Loss for the Period

As a result of the foregoing, our loss decreased to RMB590.2 million for the six months ended June 30, 2022 from RMB697.4 million for the corresponding period of 2021.

Cash Flow Data

For the six months ended June 30, 2022, our net cash used in operating activities was RMB793.1 million, net cash generated from investing activities was RMB1,507.9 million primarily due to our proceeds from sale of financial assets at fair value through profit or loss, which was related to our cash management activities, and net cash used in financing activities was RMB692.3 million primarily due to repayments of short-term borrowings. For the corresponding period of 2021, our net cash used in operating activities was RMB1,228.5 million, net cash generated from investing activities was RMB312.4 million and net cash used in financing activities was RMB1,203.3 million. Our business is mostly a cash-flow business and therefore our operating cash flow is strongly correlated with, and mainly driven by, our profitability.

Liquidity and Capital Resources

For liquidity management, we conduct (i) weekly assessments on wealth management account position and weekly plan for expected inflow and outflow, (ii) regular reviews of risk, level of liquidity and market value of such assets, (iii) close monitoring of the changing market environment and assessments of the impact on liquidity, and (iv) dynamic management of wealth management account positions. These liquid assets can be used to timely supplement our cash to maintain a healthy liquidity position.

Our principal sources of liquidity of our technology solution segment have been cash and cash equivalents, redeemable wealth management products, bank borrowings and cash generated from financing activities. Our principal sources of liquidity of our virtual bank business segment have been customer deposits from our virtual bank operation. As of June 30, 2022, we had cash and cash equivalents of RMB1,445.1 million (December 31, 2021: RMB1,399.4 million), restricted cash of RMB490.9 million (December 31, 2021: RMB1,060.4 million) and financial assets at fair value through profit or loss of RMB1,004.2 million (December 31, 2021: RMB2,071.7 million). Our cash and cash equivalents primarily represent cash at banks, and our restricted cash consists primarily of pledged deposits for currency swaps.

Borrowings

As of June 30, 2022, we had short-term borrowings of RMB266.6 million (December 31, 2021: RMB815.3 million). We had credit facilities primarily with four Chinese banks in the aggregate of committed credit of RMB233.0 million. The weighted average annual interest rate under our outstanding borrowings was 4.47% (December 31, 2021: 3.93%). None of our credit facilities contain a material financial covenant.

Pledge of Assets

As of June 30, 2022, among our restricted cash, RMB413.8 million were pledged for currency swaps, and RMB5.9 million were pledged for business guarantees.

Other than the above, the Group did not have any encumbrances, mortgage, lien, charge or pledge on its assets.

Gearing Ratio

As of June 30, 2022, our gearing ratio (i.e. in percentage, total debt divided by total equity, and total debt is calculated as the aggregate of total borrowings and lease liabilities) was 12.2% (as of December 31, 2021: 25.3%).

Significant Investments

The Group's investments with value of 5% or more of our total assets are considered as significant investments. As of June 30, 2022, our financial assets at fair value through profit or loss consisting of primarily our subscription for wealth management products and structured deposit products amounted to approximately RMB1,004.2 million, among which details of the investment with a value of 5% or more of the Group's total assets as of June 30, 2022:

Name of product:	Ping An Asset Management Ruixiang No. 8 Insurance Asset Management Product (平安資產睿享 8 號保險資管產品) (“ Ruixiang No. 8 Product ”)
Counterparty:	Ping An Asset Management Co., Ltd (平安資產管理有限責任公司), a subsidiary of Ping An. Ping An Group is a financial services group which holds a full suite of financial services licenses in China and its operations span across the insurance business, banking business, asset management business and technology business.
Type of product:	Fixed-income asset management product
Risk rating of product:	Medium to low risk level (at R2 product risk rating)
Term of product:	No fixed term
Expected rate of return:	3.69% per annum (based on recent year performance)
Investment scope of product:	Ruixiang No. 8 Product invests in, among others, bank deposits, bonds, asset-backed securities and any other financial instruments with high liquidity and low risk level.
Repayment arrangement of the principal and return	The principal and return (if any) will normally be repaid within the second business day after the date of redemption.
Fair value as of June 30, 2022:	RMB618 million
Percentage to the Group's total assets as of June 30, 2022:	6.9%

For the six months ended June 30, 2022, the Company recorded a gain in fair value of the Ruixiang No. 8 Product of approximately RMB10.44 million.

Management Discussion and Analysis

The subscription of the Ruixiang No. 8 Product by the Group is intended to increase the utilization of our surplus cash, with a view to achieving balanced yields whilst maintaining high liquidity and a low level of risk. For liquidity management, we conduct (i) weekly assessments on wealth management account position and weekly plan for expected inflow and outflow, (ii) regular reviews of risk, level of liquidity and market value of such assets, (iii) close monitoring of the changing market environment and assessments of the impact on liquidity, and (iv) dynamic management of wealth management account positions. These liquid assets can be used to timely supplement our cash to maintain a healthy liquidity position.

Other than the above, we did not hold any other significant investments as of June 30, 2022.

Material Acquisitions and Disposals

We did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities, or associated companies during the six months ended June 30, 2022.

Future Plans for Material Investments or Capital Assets

We did not have detailed future plans for significant investments or capital assets as at June 30, 2022.

Contingent Liabilities

We had no material contingent liabilities as of June 30, 2022.

Capital Expenditures and Capital Commitment

Our capital expenditures were RMB38.0 million for the six months ended June 30, 2022, as compared to RMB63.9 million for the corresponding period in 2021. These capital expenditures primarily comprised expenditures for the purchase of property and equipment, intangible assets and other long-term assets. As at June 30, 2022, we had no capital commitment (as of December 31, 2021: Nil).

Risk Management

Currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which we conduct business may affect our financial position and results of operations. The foreign currency risk assumed by us mainly comes from movements in the USD/RMB exchange rates.

We and our overseas intermediate holding companies' functional currency is USD. They are mainly exposed to foreign exchange risk arising from their cash and cash equivalents and loans to group companies dominated in RMB. We have entered into spot-forward USD/RMB currency swaps to hedge certain portion of its exposure to foreign currency risk arising from loans to group companies denominated in RMB. Under our policy, the critical terms of the swaps must substantially align with the hedge items.

Our subsidiaries are mainly operated in mainland China with most of the transactions settled in RMB. We consider that the business in mainland China is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of these subsidiaries denominated in the currencies other than the respective functional currency.

Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose us to cash flow interest rate risk, whereas fixed rate instruments expose us to fair value interest risk.

We are exposed to interest rate risk primarily in relation to term deposits and short-term borrowings, all of which mature in one year. We generally assume borrowings to fund working capital requirements. The risk is managed by the us by matching the terms of interest rates of term deposits and short-term borrowings.

Employees and Remuneration

As of June 30, 2022, we had a total of 3,444 employees, whose remuneration is determined taking into account factors such as their individual performance and contribution, professional ability and the prevailing market salary level. The following table sets forth the number of our employees by function as of June 30, 2022:

Function	As of June 30, 2022
Research and Development	1,812
Business Operations	453
Sales and Marketing	826
General Administration	353
Total	3,444

For the six months ended June 30, 2022, our employee benefit expenses amounted to RMB876.2 million. Our employee benefit expenses mainly include wages, salaries and other benefits for our employees. We require our employees to follow our employee manual and code of business conduct and ethics. We also carry out regular on-the-job compliance training for our management and employees to maintain a healthy corporate culture and enhance their compliance perception and responsibility.

We have adopted a stock incentive plan in November 2017, which was amended and restated from time to time.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As the Company had not been listed on the Stock Exchange as of June 30, 2022, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) and Section 352 of the SFO were not applicable to the Directors and chief executive of the Company as at June 30, 2022.

As at the Listing Date, so far as is known to the Directors, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) required to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

1. Interest in shares or underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding interest ⁽¹⁾
Dr. Wangchun Ye	Beneficial interest ⁽²⁾	2,490,477	0.21%
Ms. Rong Chen	Beneficial interest ⁽³⁾	900,084	0.08%
Mr. Chongfeng Shen	Beneficial interest ⁽⁴⁾	2,320,000	0.20%
Ms. Sin Yin Tan	Beneficial interest ⁽⁵⁾	78,000	0.01%
Mr. Wenwei Dou	Interest in controlled corporation ⁽⁶⁾	385,077,588	32.91%
Ms. Wenjun Wang	Interest in controlled corporation ⁽⁶⁾	385,077,588	32.91%

Notes:

- (1) The calculation is based on the total number of 1,169,980,653 issued shares of the Company (“Shares”) (including 81,418,938 Shares issued to the depository for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Stock Incentive Plan) as at the Listing Date.
- (2) As at the Listing Date, pursuant to the Stock Incentive Plan, Dr. Wangchun Ye has been granted 1,572,000 performance unit shares, and is entitled to receive up to 918,477 Shares pursuant to options granted, subject to the conditions (including vesting conditions) of such awards.
- (3) As at the Listing Date, Ms. Rong Chen held 135,900 Shares in the form of ADSs. Further, pursuant to the Stock Incentive Plan, Ms. Rong Chen has been granted 252,000 performance unit shares, and is entitled to receive up to 279,921 Shares pursuant to options granted, subject to the conditions (including vesting conditions) of such awards. Ms. Rong Chen also directly held 232,263 Shares in the form of ADSs pursuant to the exercise of options granted under the Stock Incentive Plan.
- (4) As at the Listing Date, pursuant to the Stock Incentive Plan, Mr. Chongfeng Shen has been granted 2,320,000 performance unit shares, subject to the conditions (including vesting conditions) of such award.
- (5) As at the Listing Date, Ms. Sin Yin Tan held 78,000 Shares in the form of ADSs.
- (6) Rong Chang is held by Mr. Wenwei Dou and Ms. Wenjun Wang, two of our non-executive Directors, as to 50% each as nominee shareholders for the benefit of certain senior employees of Ping An and its subsidiaries or associates. Pursuant to an amended and restated concert party agreement entered into between Rong Chang and Sen Rong on May 12, 2021, the aforementioned parties agreed to collectively exercise their shareholder rights in the Company and act in concert in all matters involving the operation and management of the Company. Sen Rong further agreed to entrust Rong Chang to exercise its voting rights at general meetings of our Company on its behalf. As such, under the SFO, each of Mr. Wenwei Dou and Ms. Wenjun Wang are deemed to be interested in an aggregate of 385,077,588 Shares held or controlled by Rong Chang.

Corporate Governance and Other Information

Save as disclosed above, as at Listing Date, so far as is known to the Directors, none of the Directors and the chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified under Divisions 7 and 8 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As the Company had not been listed on the Stock Exchange as of June 30, 2022, no person (other than the Directors and chief executive of the Company) were required to be recorded in the register required to be kept by the Company under section 336 of the SFO as at June 30, 2022.

As at the Listing Date, so far as is known to the Directors, the interests or short positions of persons (other than the Directors and chief executive of the Company) in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) which were required to be notified under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholder	Capacity/Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding interest ⁽¹⁾
Rong Chang Limited ("Rong Chang") ^{(2) (3)}	Beneficial Interest	385,077,588	32.91%
Sen Rong Limited ("Sen Rong") ^{(3) (4) (5) (6)}	Beneficial Interest	188,061,642	16.07%
Ping An Insurance (Group) Company of China, Ltd. ("Ping An") ^{(6) (7)}	Interest in controlled corporations	375,764,724	32.12%
HSBC Holdings plc ^{(5) (8)}	Interest in controlled corporations	92,135,985	7.87%

Notes:

- (1) The calculation is based on the total number of 1,169,980,653 issued Shares (including 81,418,938 Shares issued to the depository for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Stock Incentive Plan) as at the Listing Date.
- (2) As of the Listing Date, Rong Chang was held by two of our non-executive Directors, Mr. Wenwei Dou and Ms. Wenjun Wang, as to 50% each as nominees on behalf of certain senior employees of Ping An and its subsidiaries and associates. Under the SFO, each of Mr. Wenwei Dou and Ms. Wenjun Wang are deemed to be interested in the Shares held or controlled by Rong Chang.
- (3) Pursuant to an amended and restated concert party agreement entered into between Rong Chang and Sen Rong on May 12, 2021, the aforementioned parties agreed to collectively exercise their shareholder rights in the Company and act in concert in all matters involving the operation and management of the Company. Sen Rong further agreed to entrust Rong Chang to exercise its voting rights at general meetings of our Company on its behalf. As such, Rong Chang and Sen Rong as a concert group led by Rong Chang were collectively interested in approximately 32.91% of the total issued capital of our Company as of the Listing Date.

Corporate Governance and Other Information

- (4) As of the Listing Date, Sen Rong was wholly-owned by Yi Chuan Jin, which was in turn held by Mr. Jie Li (李捷) and Ms. Liang Xu (許良) as to 50% each. Mr. Jie Li is the chief technology officer of our Company, and Ms. Liang Xu was previously the head of human resources department of our Company and is currently the general manager of the operation management department of Ping An Technology, a subsidiary of Ping An Group. Under the SFO, each of Mr. Jie Li and Ms. Liang Xu are deemed to be interested in the Shares held by Sen Rong. In addition, pursuant to the Stock Incentive Plan and as of the Listing Date, (a) Mr. Jie Li has been granted 944,000 performance share units, and is entitled to receive up to 267,327 Shares pursuant to options granted, subject to the conditions (including vesting conditions) of such awards. Mr. Jie Li also directly held 35,853 Shares in the form of ADSs pursuant to the exercise of options granted; and (b) Ms. Liang Xu is entitled to receive up to 39,284 Shares pursuant to options granted, subject to the conditions (including vesting conditions) of such award, and directly held 51,462 Shares in the form of ADSs pursuant to the exercise of options granted.
- (5) As disclosed in the listing document of the Company dated June 28, 2022 (the “**Listing Document**”), in connection with the liquidity arrangements for the Listing, Sen Rong has entered into stock borrowing and lending agreements (the “**Stock Borrowing and Lending Agreements**”) with HSBC Securities Brokers (Asia) Limited (“**HSBC**”) and Goldman Sachs International (“**GS**”), pursuant to which Sen Rong will make available to HSBC and GS (and/or their respective affiliates) stock lending facilities of up to 122,847,968 Shares.
- (6) Pursuant to the amended and restated option agreement dated May 12, 2021 (the “**Amended and Restated Option Agreement**”), each of Mr. Jie Li and Ms. Liang Xu has granted call options (the “**Offshore Call Options**”) to Bo Yu over their respective 5,000 ordinary shares in the issued share capital of Yi Chuan Jin (representing 100% of his/her shares in Yi Chuan Jin), and all securities in Yi Chuan Jin which are derived from such shares after the date of the Amended and Restated Option Agreement and of which he/she is the beneficial owner or to which he/she is entitled from time to time (the “**Option Shares**”). Bo Yu may exercise the Offshore Call Options, in whole or in part, according to the following schedule: (a) up to 50% of the Offshore Call Options may be exercised from the date of the Amended and Restated Option Agreement until the third anniversary thereof; and (b) 100% of the Offshore Call Options may be exercised, during the period commencing immediately after the third anniversary of the date of the Amended and Restated Option Agreement and ending on the tenth anniversary of the first day of such period, or such other period as extended by Bo Yu. In exercising the Offshore Call Options, in lieu of receiving the Option Shares, Bo Yu may elect to receive all or part of the Shares held by Sen Rong and therefore indirectly owned by Mr. Jie Li and Ms. Liang Xu through their holding of the Option Shares, and all securities in our Company which are derived from such Shares after the date of the Amended and Restated Option Agreement and of which he/she is the beneficial owner or to which he/she is entitled from time to time, in lieu of the Option Shares. Mr. Jie Li and Ms. Liang Xu are each entitled to his/her voting rights in Yi Chuan Jin prior to Bo Yu’s exercise of the Offshore Call Options. The exercise price per Option Share is calculated pursuant to a formula, which is based upon a predetermined value, as adjusted by, among other things, (a) the volume weighted average price of the Shares of the Company during a defined period and (b) dividends, distributions and certain dilutive events.
- (7) (i) Bo Yu, a wholly-owned subsidiary of An Ke Technology Company Limited, which was in turn wholly-owned by Ping An Financial Technology, a wholly-owned subsidiary of Ping An, directly held 353,077,356 Shares as of the Listing Date; and (ii) China Ping An Insurance Overseas (Holdings) Limited (“**Ping An Overseas**”), a subsidiary of Ping An, directly held 22,687,368 Shares represented by 7,562,456 ADSs based on public filings and to the knowledge of the Company. Ping An is a company listed on the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318). Ping An may further, through Bo Yu, indirectly receive up to 188,061,642 ordinary shares upon Bo Yu’s exercise of options under the Amended and Restated Option Agreement. Under the SFO, each of An Ke Technology Company Limited and Ping An Financial Technology are deemed to be interested in the Shares held by Bo Yu, and Ping An is deemed to be interested in the aggregate of Shares held by Bo Yu and Ping An Overseas.
- (8) Based on public filings, as a result of the stock borrowing and lending arrangement under the Stock Borrowing and Lending Agreements, The Hongkong and Shanghai Banking Corporation Limited is interested in 92,135,976 Shares. The Hongkong and Shanghai Banking Corporation Limited is a wholly-owned subsidiary of HSBC Asia Holdings Limited which in turn is a wholly-owned subsidiary of HSBC Holdings plc. HSBC Holdings plc is also interested in 9 Shares in the form of ADSs through one of its controlled corporations.

Save as disclosed above, as at Listing Date, so far as is known to the Directors, no person (not being a Director or chief executive of the Company) had or was deemed to have any interest or short position in the shares or underlying shares of the Company which was required to be notified under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

STOCK INCENTIVE PLAN

Our Company adopted the Stock Incentive Plan in November 2017 (which was amended from time to time) in order to promote the interests of the Company and the Shareholders by providing key employees of the Group with an appropriate incentive, to encourage them to continue in the employment with the Group and to improve the growth, profitability and financial success of the Group. Pursuant to resolutions of the Board passed on June 24, 2022, the Board has approved certain amendments to take effect immediately upon the Listing. Since the Listing Date, the terms of the Stock Incentive Plan as amended are governed by Chapter 17 of the Listing Rules. For the avoidance of doubt, awards granted pursuant to the Stock Incentive Plan prior to the Listing Date are not subject to the provisions of the Listing Rules. The principal terms of the Stock Incentive Plan, as amended, are set out below:

Summary of terms

Purpose. The purpose of the Stock Incentive Plan is to attract and retain the best available personnel to promote long-term sustainable development of the Group, maximize value of the shareholders of the Company (“**Shareholders**”), and to achieve to a win-win outcome for our Company, our Shareholders and our employees.

Type of Awards. The Stock Incentive Plan permits the award of options, performance share units (“**PSUs**”) or any types of share-based awards to purchase our Shares. At the discretion of Board or any other person designated by the Board as administrator, American Depositary Shares (“**ADSS**”) in an amount equivalent to the number of Shares which would otherwise be distributed pursuant to an award under the Stock Incentive Plan, may be distributed in lieu of Shares in settlement of any award.

Award Agreement. Awards granted under the Stock Incentive Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee’s employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award. We will also comply with the requirements under Chapter 14A of the Listing Rules and any other provisions under the Listing Rules (to the extent applicable) with respect to the grant of options, PSUs or other types of share-based awards (including the grant of awards with respect to the Shares issued to the depository for bulk issuance of ADSS) to connected persons after the Listing.

Eligible Participants. Our employees or any other individual as determined by the plan administrator, in its sole discretion, is eligible to participate in the Stock Incentive Plan.

Maximum number of Shares. Under the existing rules of the Stock Incentive Plan, the current maximum number of Shares that can be issued pursuant to share awards granted hereunder is 101,271,020 Shares. Upon the Listing, the total number of Shares which may be issued and/or transferred upon the vesting or exercise of all options that may be granted pursuant to the Stock Incentive Plan and any other share award schemes of the Company in aggregate shall not exceed 10% of the total number of Shares in issue immediately upon the Listing (the “**Plan Limit**”), being 116,998,065 Shares. Any share awards in the form of options that were previously granted under the Stock Incentive Plan will not be counted for the purpose of the Plan Limit. The total number of Shares to be issued and/or transferred upon exercise of all outstanding options under the Stock Incentive Plan and all other share award schemes of the Company granted and yet to be exercised shall not exceed 30% of the total number of Shares in issue from time to time.

Corporate Governance and Other Information

Plan Administration. Administration of the Stock Incentive Plan shall be carried out by the Board itself, or by any director, committee or such person as designated by the Board for this purpose. The Board, in its sole discretion, has the right to: (i) construct and interpret the provisions of the Stock Incentive Plan, (ii) determine persons who receive awards, and the terms and conditions on which the award is granted, and when the awards granted may be vested or exercised (iii) make appropriate and fair adjustments to the terms of the award granted whenever it thinks necessary, and (iv) make such other decisions and determinations as it thinks appropriate in the course of administration of the Stock Incentive Plan.

Vesting Schedule. Except as otherwise approved by the Board and subject to forfeiture and arrangement on termination of employment or service, awards granted will be vested in four years and up to 25% of the awards will become vested in any given year, provided that the vesting of PSUs shall be further subject to the termination of the lock-up period of the initial public offering of our Shares. The first vesting date shall be the first anniversary date of the grant date (or the next day if there is no anniversary date). The number of awards vested each year is subject to adjustment based on a performance index each year. For the first three vestings, any unvested portion of awards due to adjustment of the performance index can be, and can only be, carried over to the next vesting. For the fourth vesting, any unvested portion due to adjustment of the performance index will be forfeited. In addition, awards that can be vested in a year will be forfeited if certain performance index is not met.

Options. Unless approved by our Shareholders in general meeting, the total number of Shares issued and/or transferred, and to be issued and/or transferred upon, the vesting or exercise of the options granted to each grantee (including exercised, canceled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

Our Company will not grant any options after inside information has come to its knowledge until (and including) the trading day after we have announced the information.

In addition, our Company will not grant any option during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (or such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No options will be granted by our Company during any period of delay in publishing a results announcement.

The administrator of the Stock Incentive Plan shall determine the exercise price of options granted, which for options granted after the Listing, shall not be lower than the higher of the following: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the grant date; or (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date.

Vested options will become exercisable after twelve months after an initial public offering of our Shares on the New York Stock Exchange.

Corporate Governance and Other Information

Voting and Dividend Rights. Until the grantee is registered as a stock holder in the register of members of our Company, such grantee shall not be entitled to dividend, voting or other shareholders' rights or interests with respect to any share award or Shares corresponding thereto.

Lapse of Awards. An award issued under the Stock Incentive Plan shall lapse automatically under certain circumstances, including but not limited to, the expiration of awards period, termination of employment for cause, operation of competing business with us during employment and within three years after termination of employment, and the tenth anniversary of the grant date of such award.

Amendment and Termination. Our Board may amend or discontinue the Stock Incentive Plan. In particular, the specific provisions which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the grantees and changes to the authority of the administrator of the Stock Incentive Plan or the Directors in relation to any alteration to the terms of the Stock Incentive Plan shall not be made without the prior approval of our Shareholders in general meeting.

Unless terminated earlier, the Stock Incentive Plan has a term of ten years. No termination of the Stock Incentive Plan prior to its expiry shall materially and adversely affect any option previously granted but not yet exercised at the time of termination, unless mutually agreed otherwise between the grantee and the administrator of the Stock Incentive Plan, which agreement must be in writing and signed by the grantee and our Company.

Transfer Restrictions. Unless otherwise provided by law and agreed by the administrator of the Stock Incentive Plan, an award is personal to the grantee and may not be assigned or transferred or disposed of in any manner.

Outstanding options and PSUs under the Stock Incentive Plan

As at the Listing Date, the aggregate number of underlying Shares pursuant to the outstanding options granted under the Stock Incentive Plan is 10,864,706 Shares. Amongst the 10,864,706 options, 9,676,206 had vested and 1,188,500 remained unvested as of the Listing Date.

As of the Listing Date, the aggregate number of underlying Shares pursuant to the outstanding PSUs granted under the Stock Incentive Plan is 18,297,990 Shares. Amongst the 18,297,990 PSUs granted, 615 had vested and 18,297,375 remained unvested as of the Listing Date. As of the Listing Date, the Company has not granted any other types of share-based awards.

CHANGE IN DIRECTORS' INFORMATION

Since the Listing Date to the date of this report, save for the change of the chairman of the Board as announced by the Company on August 17, 2022, there has been no change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SHARE REPURCHASE PROGRAM

The Board authorized a share repurchase program under which the Company was authorized to repurchase up to an aggregate of 3% of its total issued and outstanding ordinary shares during a specific period. As of June 30, 2022, the Company repurchased approximately 8.02 million ADSs, representing approximately 2.1% of its total issued and outstanding ordinary shares, for approximately US\$11.17 million under its share repurchase program.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's securities listed on the Stock Exchange since the Listing Date up to the Latest Practicable Date.

Compliance with the Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

The Corporate Governance Code has been applicable to the Company with effect from the Listing Date, prior to when the Corporate Governance Code was not applicable to the Company. From the Listing Date to the date of the Latest Practicable Date, the Board is of the view that the Company has complied with all applicable code provisions of the Corporate Governance Code, save for code provision C.2.1 of the Corporate Governance Code.

Code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company has appointed Mr. Chongfeng Shen as both the chairman of the Board and the chief executive of the Company. The Board however believes that it is in the interests of the Company to vest the roles of both the chairman and the chief executive officer in the same person, so as to provide consistent leadership within the Group and facilitate the prompt execution of the Group's business strategies and boost operation effectiveness. The Board also believes that the balance of power and authority under this arrangement will not be impaired, as all major decisions must be made in consultation with the Board as a whole, together with its relevant committees, which comprise experienced individuals and four independent non-executive Directors who are in the position to provide independent insights to the Board and monitor the management and operation of the Company. To ensure proper governance and execution at management level, the Company also has in place various management committees who make management decisions collectively. The Board will periodically review and consider the effectiveness of this arrangement by taking into account the circumstances of the Group as a whole.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions.

As the Shares were listed on the Stock Exchange on July 4, 2022, prior to when the Model Code was not applicable to the Company. Having made specific enquiries to all of the directors of the Company, all directors of the Company confirmed that they have fully complied with all relevant requirements set out in the Model Code from the Listing Date to the Latest Practicable Date.

Audit Committee

We have established an audit committee comprising of 3 members, being Mr. Tianruo Pu (as the chairperson), Mr. Koon Wing Ernest Ip and Mr. Wing Kin Anthony Chow. The audit committee has reviewed our unaudited condensed consolidated financial statements for the six months ended June 30, 2022.

In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed our unaudited condensed consolidated financial statements for the six months ended June 30, 2022 in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” for the Hong Kong filing.

Interim Dividend

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2022.

Safe Harbor Statement

This report contains forward-looking statements. These statements constitute “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “confident” and similar statements. Such statements are based upon management’s current expectations and current market and operating conditions and relate to events that involve known or unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond the Company’s control. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: the Company’s limited operating history in the technology-as-a-service for financial institutions industry; its ability to achieve or sustain profitability; the tightening of laws, regulations or standards in the financial services industry; the Company’s ability to comply with the evolving regulatory requirements in the PRC and other jurisdictions where it operates; its ability to maintain and enlarge the customer base or strengthen customer engagement; its ability to maintain its relationship with Ping An Group, which is its strategic partner, most important customer and largest supplier; its ability to compete effectively to serve China’s financial institutions; the effectiveness of its technologies, its ability to maintain and improve technology infrastructure and security measures; its ability to protect its intellectual property and proprietary rights; its ability to maintain or expand relationship with its business partners and the failure of its partners to perform in accordance with expectations; its ability to protect or promote its brand and reputation; its ability to timely implement and deploy its solutions; its ability to obtain additional capital when desired; litigation and negative publicity surrounding China-based companies listed in the U.S.; disruptions in the financial markets and business and economic conditions; the Company’s ability to pursue and achieve optimal results from acquisition or expansion opportunities; the duration of the COVID-19 outbreak, including the emergence of COVID variants, and its potential impact on the Company’s business and financial performance; and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in the Company’s filings with the Securities and Exchange Commission. All information provided in this press release and in the attachments is as of the date of this press release, and the Company undertakes no obligation to update any forward-looking statement, except as required under applicable law.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

(Incorporated in the Cayman Islands with Limited Liability)

Introduction

We have reviewed the interim financial information set out on pages 27 to 78, which comprises the condensed consolidated balance sheet of OneConnect Financial Technology Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2022 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. 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”.

Other Matter

The comparative information for the condensed consolidated balance sheet is based on the audited financial statements as at December 31, 2021. The comparative information for the condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the six-month period ended June 30, 2021 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 17, 2022

Unaudited condensed consolidated statement of comprehensive income

	Note	Six months ended June 30,	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	2,152,703	1,787,511
Cost of revenue	6	<u>(1,393,420)</u>	<u>(1,179,354)</u>
Gross profit		759,283	608,157
Research and development expenses	6	(740,513)	(639,970)
Selling and marketing expenses	6	(218,342)	(292,723)
General and administrative expenses	6	(401,921)	(391,641)
Net impairment losses on financial and contract assets		(14,925)	(44,900)
Other income, gains or loss – net	7	<u>(16,095)</u>	<u>19,588</u>
Operating loss		(632,513)	(741,489)
Finance income	8	5,236	23,058
Finance costs	8	<u>(19,661)</u>	<u>(44,601)</u>
Finance costs – net	8	(14,425)	(21,543)
Share of gain of associate and joint venture, net	13	<u>20,302</u>	<u>10,062</u>
Loss before income tax		(626,636)	(752,970)
Income tax benefit	9	<u>36,444</u>	<u>55,600</u>
Loss for the period		<u>(590,192)</u>	<u>(697,370)</u>
Loss attributable to:			
– Owners of the Company		(562,374)	(653,682)
– Non-controlling interests		<u>(27,818)</u>	<u>(43,688)</u>
		<u>(590,192)</u>	<u>(697,370)</u>

Unaudited condensed consolidated statement of comprehensive income

	Note	Six months ended June 30,	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss			
– Foreign currency translation differences		233,721	(70,585)
– Changes in the fair value of debt instruments measured at fair value through other comprehensive income		3,713	1
		<u>237,434</u>	<u>(70,584)</u>
Total comprehensive loss for the period		<u>(352,758)</u>	<u>(767,954)</u>
Total comprehensive loss attributable to:			
– Owners of the Company		(324,940)	(724,266)
– Non-controlling interests		<u>(27,818)</u>	<u>(43,688)</u>
		<u>(352,758)</u>	<u>(767,954)</u>
Loss per share attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	10	<u>(0.51)</u>	<u>(0.59)</u>
Loss per ADS attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	10	<u>(1.53)</u>	<u>(1.77)</u>

Unaudited condensed consolidated balance sheet

		As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment	11	247,063	244,412
Intangible assets	12	625,678	687,194
Deferred tax assets		730,167	683,218
Financial assets measured at amortized cost from virtual bank	19	–	674
Investments accounted for using the equity method	13	205,648	185,346
Financial assets measured at fair value through other comprehensive income	15	791,431	640,501
Contract assets	5	10	868
Total non-current assets		2,599,997	2,442,213
Current assets			
Trade receivables	17	1,454,032	891,174
Contract assets	5	176,006	227,895
Prepayments and other receivables	18	926,782	752,667
Financial assets measured at amortized cost from virtual bank	19	5,883	12,711
Financial assets measured at fair value through other comprehensive income	15	885,898	482,497
Financial assets at fair value through profit or loss	20	1,004,189	2,071,653
Derivative financial assets	29	8,643	–
Restricted cash	21	490,886	1,060,427
Cash and cash equivalents	22	1,445,058	1,399,370
Total current assets		6,397,377	6,898,394
Total assets		8,997,374	9,340,607

Unaudited condensed consolidated balance sheet

	<i>Note</i>	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
EQUITY AND LIABILITIES			
Equity			
Share capital	23	78	78
Shares held for share incentive scheme	25	(153,287)	(80,102)
Other reserves	24	10,766,764	10,512,631
Accumulated losses		<u>(7,200,999)</u>	<u>(6,638,625)</u>
Equity attributable to equity owners of the Company		3,412,556	3,793,982
Non-controlling interests		<u>13,282</u>	<u>41,100</u>
Total equity		<u>3,425,838</u>	<u>3,835,082</u>
LIABILITIES			
Non-current liabilities			
Trade and other payables	26	315,089	313,834
Contract liabilities		20,003	19,418
Deferred tax liabilities		<u>6,832</u>	<u>9,861</u>
Total non-current liabilities		<u>341,924</u>	<u>343,113</u>
Current liabilities			
Trade and other payables	26	2,544,331	2,137,099
Payroll and welfare payables		371,131	515,067
Contract liabilities		183,865	153,844
Short-term borrowings	27	266,557	815,260
Customer deposits	28	1,788,423	1,350,171
Derivative financial liabilities	29	<u>75,305</u>	<u>190,971</u>
Total current liabilities		<u>5,229,612</u>	<u>5,162,412</u>
Total liabilities		<u>5,571,536</u>	<u>5,505,525</u>
Total equity and liabilities		<u>8,997,374</u>	<u>9,340,607</u>

Unaudited condensed consolidated statement of changes in equity

	Note	Attributable to owners of the Company					Non-controlling interest	Total equity
		Share capital	Shares held for share incentive scheme	Other reserves	Accumulated losses	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
As at January 1, 2022		<u>78</u>	<u>(80,102)</u>	<u>10,512,631</u>	<u>(6,638,625)</u>	<u>3,793,982</u>	<u>41,100</u>	<u>3,835,082</u>
Loss for the period		-	-	-	(562,374)	(562,374)	(27,818)	(590,192)
Other comprehensive income, net of tax								
– Foreign currency translation differences	24	-	-	233,721	-	233,721	-	233,721
– Fair value changes on financial assets measured at fair value through other comprehensive income	24	-	-	3,713	-	3,713	-	3,713
Total comprehensive loss for the period		<u>-</u>	<u>-</u>	<u>237,434</u>	<u>(562,374)</u>	<u>(324,940)</u>	<u>(27,818)</u>	<u>(352,758)</u>
Transactions with equity holders:								
Share-based payments :								
– Value of employee services	25	-	-	17,504	-	17,504	-	17,504
– Vesting of shares under Restricted Share Unit Scheme	25	-	1,100	(1,100)	-	-	-	-
– Exercise of shares under Share Option Scheme	25	-	707	295	-	1,002	-	1,002
– Repurchase of shares	25	-	(74,992)	-	-	(74,992)	-	(74,992)
Total transactions with equity holders at their capacity as equity holders for the period		<u>-</u>	<u>(73,185)</u>	<u>16,699</u>	<u>-</u>	<u>(56,486)</u>	<u>-</u>	<u>(56,486)</u>
As at June 30, 2022		<u>78</u>	<u>(153,287)</u>	<u>10,766,764</u>	<u>(7,200,999)</u>	<u>3,412,556</u>	<u>13,282</u>	<u>3,425,838</u>

Unaudited condensed consolidated statement of changes in equity

	Note	Attributable to owners of the Company					Non-controlling interest	Total equity
		Share capital	Shares held for share incentive scheme	Other reserves	Accumulated losses	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
As at January 1, 2021		<u>78</u>	<u>(87,714)</u>	<u>10,639,931</u>	<u>(5,356,926)</u>	<u>5,195,369</u>	<u>89,914</u>	<u>5,285,283</u>
Loss for the period		-	-	-	(653,682)	(653,682)	(43,688)	(697,370)
Other comprehensive income, net of tax								
– Foreign currency translation differences	24	-	-	(70,585)	-	(70,585)	-	(70,585)
– Fair value changes on financial assets measured at fair value through other comprehensive income	24	-	-	1	-	1	-	1
Total comprehensive loss for the period		<u>-</u>	<u>-</u>	<u>(70,584)</u>	<u>(653,682)</u>	<u>(724,266)</u>	<u>(43,688)</u>	<u>(767,954)</u>
Transactions with equity holders:								
Share-based payments :								
– Value of employee services	25	-	-	8,602	-	8,602	-	8,602
– Vesting of shares under Restricted Share Unit Scheme		-	101	(101)	-	-	-	-
– Exercise of shares under Share Option Scheme	25	-	6,110	2,094	-	8,204	-	8,204
Total transactions with equity holders at their capacity as equity holders for the period		<u>-</u>	<u>6,211</u>	<u>10,595</u>	<u>-</u>	<u>16,806</u>	<u>-</u>	<u>16,806</u>
As at June 30, 2021		<u>78</u>	<u>(81,503)</u>	<u>10,579,942</u>	<u>(6,010,608)</u>	<u>4,487,909</u>	<u>46,226</u>	<u>4,534,135</u>

Unaudited condensed consolidated statement of cash flows

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	(788,333)	(1,216,664)
Income tax paid	(4,723)	(11,854)
Net cash used in operating activities	<u>(793,056)</u>	<u>(1,228,518)</u>
Cash flows from investing activities		
Payments for property and equipment	(9,417)	(15,692)
Payments for intangible assets	(28,539)	(48,161)
Payments for financial assets measured at fair value through other comprehensive income	(226,694)	–
Payments for financial assets at fair value through profit or loss	(1,337,826)	(3,872,857)
Payments for settlement of derivatives	(12,495)	(94,641)
Release of restricted cash, net	664,818	946,670
Proceeds from sales of property and equipment	1,909	–
Receipts of loans to related parties	1,900	–
Proceeds from sales of financial assets at fair value through profit or loss	2,416,526	3,377,291
Proceeds from sale of financial assets at fair value through other comprehensive income	30,000	191
Interest received on financial assets at fair value through profit or loss	7,712	19,626
Net cash generated from investing activities	<u>1,507,894</u>	<u>312,427</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	183,000	795,400
Proceeds from exercise of shares under share incentive scheme	1,002	8,204
Payments for lease liabilities	(30,063)	(52,763)
Repayments of short-term borrowings	(728,429)	(1,911,929)
Interest paid	(12,788)	(42,228)
Payments for shares repurchase	(104,997)	–
Net cash used in financing activities	<u>(692,275)</u>	<u>(1,203,316)</u>
Net increase/(decrease) in cash and cash equivalents	22,563	(2,119,407)
Cash and cash equivalents at beginning of period	1,399,370	3,055,194
Effects of exchange rate changes on cash and cash equivalents	23,125	(14,961)
Cash and cash equivalents at the end of period	<u>1,445,058</u>	<u>920,826</u>

Notes to the unaudited condensed consolidated interim financial information

1 General information and basis of presentation

1.1 General information

OneConnect Financial Technology Co., Ltd. (the “Company”) was incorporated in the Cayman Islands on October 30, 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The Company completed its initial public offering (“IPO”) on December 13, 2019 on the New York Stock Exchange. Each American Depositary Shares (“ADSs”) of the Company represents three ordinary shares. The Company has listed by way of introduction its ordinary shares on the Main Board of the Stock Exchange of Hong Kong Limited on July 4, 2022.

The Company, its subsidiaries, its controlled structured entities (“Structured Entities”, “Variable Interest Entities” or “VIEs”) and their subsidiaries (“Subsidiaries of VIEs”) are collectively referred to as the “Group”. The Group is principally engaged in providing cloud-platform-based Fintech solutions, online information service and operating support service to financial institutions (the “Listing Business”) mainly in the People’s Republic of China (the “PRC”). The Company does not conduct any substantive operations of its own but conducts its primary business operations through its subsidiaries, VIEs and subsidiaries of VIEs in the PRC.

The condensed consolidated financial statements comprise the condensed consolidated balance sheet as of June 30, 2022, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the 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 “Interim Financial Information”). The Interim Financial Information are presented in Renminbi (“RMB”), unless otherwise stated. The Interim Financial Information have not been audited.

1.2 Basis of preparation and presentation

This condensed consolidated interim financial report for the half-year reporting period ended June 30, 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited consolidated annual financial statements of the Group for the year ended December 31, 2021.

These condensed interim financial statements were approved for issue on August 17, 2022.

Notes to the unaudited condensed consolidated interim financial information

2 Summary of significant accounting policies

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are generally consistent with those used in the Financial Statements in all material aspects, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (“FVPL”), financial assets at fair value through other comprehensive income (“FVOCI”), certain other financial liabilities, which are carried at fair values.

Taxes on income for the interim period are accrued using the estimated tax rates that would be applicable to expected total annual assessable profit.

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022:

- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before intended use
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Cost of Fulfilling a Contract Amendments to IAS 37 – Onerous Contracts
- Annual Improvements to IFRS Standards 2018-2020

The amendments listed above did not have material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and amendments to standards and interpretations not yet adopted

Several new standards and amendments to standards and interpretations have been issued but not effective during the six months ended June 30, 2022 and have not been early adopted by the Group in preparing this historical financial information:

	Effective for annual periods beginning on or after
IFRS 17 – Insurance Contracts	January 01, 2023
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	January 01, 2023
Amendments to IAS 1 – Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 – Definition of accounting estimates	January 01, 2023
Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction	January 01, 2023
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new standards, new interpretations and amended standards are not expected to have a material impact on the historical financial information of the Group.

Notes to the unaudited condensed consolidated interim financial information

3 Critical accounting estimates and judgments

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the Financial Statements.

4 Management of financial risk

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Interim Financial Information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Financial Statements.

There were no changes in any material risk management policies during the six months ended June 30, 2022.

Since December 2019 COVID-19 has become widespread in China and many other countries. Although China's economy is reopening, the Group's operations have been negatively affected by delays in project implementation, on-site work, business development, client interaction and general uncertainties surrounding the effective and timely constraint of COVID-19. The outbreak of COVID-19 and the resulting widespread health crisis have also adversely affected the economies and financial markets, which could result in an economic downturn. As a result, customer usage of the Group's solutions and the revenue growth have been and will continue to be adversely affected.

The extent to which this outbreak impacts the Group's financial position and results of operations will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity of this outbreak and future actions, if any, to contain this outbreak or treat its impact, among others.

The Group has been proactively working with existing and new customers to provide operation support services and assist their shift to cloud-based solutions amid the interruptions. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

The Group manages liquidity risk by maintaining adequate cash and cash equivalents and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Management believes that the Group's current cash and cash equivalents and anticipated cash flows from operations, investment and financing activities will be sufficient to meet the Group's anticipated working capital requirements and capital expenditures for the next 12 months from June 30, 2022.

4 Management of financial risk (continued)

4.1 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the Directors of the Company, the Group's capital risk was low as at June 30, 2022.

4.2 Fair value estimation

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets measured at fair value mainly include financial assets at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the historical financial information are categorized within the fair value hierarchies. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

4 Management of financial risk (continued)

4.2 Fair value estimation (continued)

Determination of fair value and fair value hierarchy (continued)

The level of fair value calculation is determined by the lowest level input that is significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. To determine the fair value of loans and advances to customers from Virtual Bank, loans are segregated into portfolios of similar characteristics. Fair values are estimated using discounted cash flow methodology incorporating a range of input assumptions including expected customer prepayment rates, new business interest rate estimates for similar loans. The fair value of loans reflects uncertainty in expectations about future defaults at the balance sheet date and the fair value effect of repricing between origination and the reporting date. For credit impaired loans, fair value is estimated by discounting the future cash flows over the period they are expected to be recovered.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4 Management of financial risk (continued)

4.2 Fair value estimation (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

(Unaudited)	As at June 30, 2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (Note 20)	–	1,003,513	676	1,004,189
Financial assets measured at fair value through other comprehensive income (Note 15)	212,445	–	1,464,884	1,677,329
Derivative financial assets (Note 29)	–	8,643	–	8,643
Financial liabilities				
Derivative financial liabilities (Note 29)	–	75,305	–	75,305

	As at December 31, 2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (Note 20)	–	2,070,977	676	2,071,653
Financial assets measured at fair value through other comprehensive income (Note 15)	16,334	–	1,106,664	1,122,998
Financial liabilities				
Derivative financial liabilities (Note 29)	–	190,971	–	190,971

For the six months ended June 30, 2022 and year ended December 31, 2021, there were no transfers among different levels of fair values measurement.

4 Management of financial risk (continued)

4.2 Fair value estimation (continued)

Determination of fair value and fair value hierarchy (continued)

Movements of Level 3 financial instruments measured at fair value are as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	1,107,340	5,676
Additions	587,877	–
Repayments and others	(229,657)	–
At end of the period	<u>1,465,560</u>	<u>5,676</u>

Valuation inputs and relationships to fair value

The significant unobservable inputs used in level 3 fair value measurements for loans and advances to customers from virtual bank measured at fair value through other comprehensive income are discount rate and prepayment rate, and the range of inputs as at June 30, 2022 are 6.26% – 8.59% (December 31, 2021: 5.22% – 10.05%) and 0.32% – 0.36% (December 31, 2021: 0.35% – 0.39%).

If the discount rate increase or decrease by 5%, with all other variables held constant, the assets and other comprehensive income would decrease RMB5,726,000 or increase RMB5,760,000 as at June 30, 2022 (December 31, 2021: decrease RMB4,579,000 or increase RMB4,608,000), If the prepayment ratio increase or decrease by 5%, with all other variables held constant, the assets and other comprehensive income would decrease or increase RMB245,000 as at June 30, 2022 (December 31, 2021: decrease or increase RMB195,000).

Notes to the unaudited condensed consolidated interim financial information

5 Segment information and revenue

5.1 Description of segments and principal activities

The chief operating decision-makers and management personnel review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

The Group has the following reportable segments for the six months ended June 30, 2022:

- Technology Solutions
- Virtual Bank Business

As the Group's assets and liabilities are substantially located in the PRC, substantially all revenues are earned and substantially all expenses incurred in the PRC, no geographical segments are presented.

(Unaudited)	Six months ended June 30, 2022			
	Virtual Bank Business RMB'000	Technology Solutions RMB'000	Intersegment eliminations and adjustments RMB'000	Consolidated RMB'000
Revenue	45,700	2,108,367	(1,364)	2,152,703
Cost of revenue	(21,574)	(1,373,210)	1,364	(1,393,420)
Gross profit	<u>24,126</u>	<u>735,157</u>	<u>–</u>	<u>759,283</u>
Operating loss	<u>(66,107)</u>	<u>(566,406)</u>	<u>–</u>	<u>(632,513)</u>
Loss before income tax	<u>(66,178)</u>	<u>(560,458)</u>	<u>–</u>	<u>(626,636)</u>
Other segment information				
Depreciation of property and equipment	7,558	56,052	–	63,610
Amortization of intangible assets	12,406	73,611	–	86,017
Additions of non-current assets except for goodwill and deferred income tax assets	33,740	70,655	–	104,395

Notes to the unaudited condensed consolidated interim financial information

5 Segment information and revenue (continued)

5.1 Description of segments and principal activities (continued)

(Unaudited)	Six months ended June 30, 2021			Consolidated RMB'000
	Virtual Bank Business RMB'000	Technology Solutions RMB'000	Intersegment eliminations and adjustments RMB'000	
Revenue	7,207	1,780,514	(210)	1,787,511
Cost of revenue	(14,808)	(1,164,756)	210	(1,179,354)
Gross profit	<u>(7,601)</u>	<u>615,758</u>	<u>–</u>	<u>608,157</u>
Operating loss	<u>(97,287)</u>	<u>(644,202)</u>	<u>–</u>	<u>(741,489)</u>
Loss before income tax	<u>(97,472)</u>	<u>(655,498)</u>	<u>–</u>	<u>(752,970)</u>
Other segment information				
Depreciation of property and equipment	4,994	62,885	–	67,879
Amortization of intangible assets	9,020	151,362	–	160,382
Additions of non-current assets except for goodwill and deferred income tax assets	21,315	44,955	–	66,270

5 Segment information and revenue (continued)

5.1 Description of segments and principal activities (continued)

(Unaudited)	As at June 30, 2022			
	Virtual Bank Business RMB'000	Technology Solutions RMB'000	Intersegment eliminations and adjustments RMB'000	Consolidated RMB'000
ASSETS				
Segment Assets	2,402,984	6,615,566	(1,040,504)	7,978,046
Goodwill	–	289,161	–	289,161
Deferred income tax assets	–	730,167	–	730,167
Total assets	2,402,984	7,634,894	(1,040,504)	8,997,374
LIABILITIES				
Segment Liabilities	1,867,632	3,711,571	(14,499)	5,564,704
Deferred income tax liabilities	–	6,832	–	6,832
Total Liabilities	1,867,632	3,718,403	(14,499)	5,571,536

	As at December 31, 2021			
	Virtual Bank Business RMB'000	Technology Solutions RMB'000	Intersegment eliminations and adjustments RMB'000	Consolidated RMB'000
ASSETS				
Segment Assets	2,032,344	7,377,469	(1,041,585)	8,368,228
Goodwill	–	289,161	–	289,161
Deferred income tax assets	–	683,218	–	683,218
Total assets	2,032,344	8,349,848	(1,041,585)	9,340,607
LIABILITIES				
Segment Liabilities	1,459,125	4,097,004	(60,465)	5,495,664
Deferred income tax liabilities	–	9,861	–	9,861
Total Liabilities	1,459,125	4,106,865	(60,465)	5,505,525

Notes to the unaudited condensed consolidated interim financial information

5 Segment information and revenue (continued)

5.2 Revenue

(a) Disaggregation of revenue

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
– Technology Solutions		
Implementation	342,611	328,023
Transaction based and support revenue		
– Operation support services	572,105	486,716
– Business origination services	219,494	236,250
– Risk management services	198,497	204,977
– Cloud services platform	665,207	442,560
– Post-implementation support services	26,794	24,676
– Others	82,295	57,102
– Virtual Bank Business		
Interest and commission	45,700	7,207
	<u>2,152,703</u>	<u>1,787,511</u>

Disaggregation of revenue by timing of transfer of services over time or at a point in time is set out below:

(Unaudited)	At a point		Total
	in time	Over time	
Six months ended June 30, 2022			
Implementation	–	342,611	342,611
Transaction based and support revenue			
– Operation support services	190,624	381,481	572,105
– Business origination services	219,494	–	219,494
– Risk management services	198,497	–	198,497
– Cloud services platform	–	665,207	665,207
– Post-implementation support services	–	26,794	26,794
– Others	82,137	45,858	127,995
	<u>690,752</u>	<u>1,461,951</u>	<u>2,152,703</u>

5 Segment information and revenue (continued)

5.2 Revenue (continued)

(a) Disaggregation of revenue (continued)

(Unaudited)	At a point in time	Over time	Total
Six months ended June 30, 2021			
Implementation	–	328,023	328,023
Transaction based and support revenue			
– Operation support services	189,225	297,491	486,716
– Business origination services	236,250	–	236,250
– Risk management services	204,977	–	204,977
– Cloud services platform	–	442,560	442,560
– Post-implementation support services	–	24,676	24,676
– Others	56,424	7,885	64,309
	686,876	1,100,635	1,787,511

During the six months ended June 30, 2022 and 2021, the Group mainly operated in PRC and most of the revenue were generated in PRC.

Based on historical actual results of the Group, the third and fourth quarters of the Group usually record higher revenue. In the financial year ended December 31, 2021, 43% of revenues accumulated in the first half of the year, with 57% accumulating in the second half.

Notes to the unaudited condensed consolidated interim financial information

5 Segment information and revenue (continued)

5.2 Revenue (continued)

(b) Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Contract assets		
– Implementation	223,141	271,521
– Transaction based and support	31,254	39,582
– Business origination services	4,346	9,976
– Operation support services	15,546	17,449
– Post implementation support services	11,362	12,157
	254,395	311,103
Less: Impairment loss allowance		
– Implementation	(71,299)	(72,266)
– Transaction based and support	(7,080)	(10,074)
– Operation support services	(1,055)	(4,771)
– Post implementation support services	(6,025)	(5,303)
	<u>(78,379)</u>	<u>(82,340)</u>
	176,016	228,763
Less: Non-current contract assets	<u>(10)</u>	<u>(868)</u>
	<u>176,006</u>	<u>227,895</u>

Notes to the unaudited condensed consolidated interim financial information

6 Expenses by nature

	Six months ended June 30,	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Employee benefit expenses (a)	876,153	876,253
Technology service fees	1,163,995	863,715
Outsourcing labor costs	167,885	167,279
Amortization of intangible assets (Note 12)	86,017	160,382
Business origination fees to channel partners	147,126	128,913
Purchase costs of products	78,979	56,598
Depreciation of property and equipment (Note 11)	63,610	67,879
Marketing and advertising fees	22,047	35,242
Professional service fees	8,546	19,742
Listing expenses	68,329	–
Travelling expenses	18,760	28,690
Impairment loss of intangible assets (Note 12)	9,047	2,095
Others	43,702	96,900
	<hr/>	<hr/>
Total cost of revenue, research and development expenses, selling and marketing expenses, general and administrative expenses	2,754,196	2,503,688

	Six months ended June 30,	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Research and development costs		
– Employee benefit expenses	282,253	277,582
– Technology service fees	463,535	381,241
– Amortization of intangible assets	4,234	2,656
– Depreciation of property and equipment	7,546	4,883
– Others	11,315	9,504
	<hr/>	<hr/>
Amounts incurred	768,883	675,866
Less: capitalized		
– Employee benefit expenses	(28,250)	(32,022)
– Technology service fees	(120)	(3,874)
	<hr/>	<hr/>
	(28,370)	(35,896)
	<hr/>	<hr/>
	740,513	639,970

Notes to the unaudited condensed consolidated interim financial information

6 Expenses by nature (continued)

(a) Employee benefit expenses are as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages and salaries	683,916	713,858
Welfare and other benefits	176,058	158,526
Share-based payments (Note 25)	16,179	3,869
	<u>876,153</u>	<u>876,253</u>

7 Other income, gains or loss – net

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange (loss)/gain	(177,181)	28,204
Government grants and tax rebates	23,542	26,598
Net gain on financial assets at fair value through profit or loss	18,948	22,653
Net gain/(loss) on derivatives	117,685	(71,031)
Guarantee gain, net	158	8,422
Others	753	4,742
	<u>(16,095)</u>	<u>19,588</u>

Notes to the unaudited condensed consolidated interim financial information

8 Finance costs – net

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits	5,236	23,058
Finance costs		
Interest expense on borrowings	(9,514)	(33,927)
Interest expense on lease liabilities (Note 16(b))	(3,906)	(2,682)
Interest expense on redemption liability	(5,064)	(7,462)
Bank charges	(1,177)	(530)
	(19,661)	(44,601)
	(14,425)	(21,543)

9 Income tax benefit

The income tax benefit of the Group for the six months ended June 30, 2022 and 2021 are analyzed as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	(13,534)	(11,578)
Deferred income tax	49,978	67,178
Income tax benefit	36,444	55,600

Notes to the unaudited condensed consolidated interim financial information

9 Income tax benefit (continued)

(a) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the tax rate of 25%, unless preferential tax rates were applicable.

Shenzhen OneConnect, Vantage Point Technology, BER Technology and Shenzhen CA as subsidiaries of the Group, were established in mainland China. Vantage Point Technology, BER Technology and Shenzhen CA were "High and New Technology Enterprise" and therefore were entitled to a preferential income tax rate of 15%. The qualification of "High and New Technology Enterprise" of Shenzhen OneConnect expired in May 2022. As at June 30, 2022, Shenzhen OneConnect was renewing such qualification.

(b) Cayman Islands Income Tax

The Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(c) Hong Kong Income Tax

The Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the six months ended June 30, 2022 and 2021.

(d) Singapore Income Tax

The Singapore income tax rate is 17%. No Singapore profits tax was provided for as there was no estimated taxable profit that was subject to Singapore profits tax for the six months ended June 30, 2022 and 2021.

(e) Indonesia Income Tax

The income tax provision in respect of the Group's operations in Indonesia was calculated at the tax rate of 22% on the taxable profits for the six months ended June 30, 2022 and 2021.

(f) Malaysia Income Tax

The Malaysia income tax rate is 24%. No Malaysia profits tax was provided for as there was no estimated taxable profit that was subject to Malaysia profits tax for the six months ended June 30, 2022 and 2021.

(g) Philippines Income Tax

The Philippines income tax rate is 25%. No Philippines profits tax was provided for as there was no estimated taxable profit that was subject to Philippines profits tax for the six months ended June 30, 2022 and 2021.

Notes to the unaudited condensed consolidated interim financial information

9 Income tax benefit (continued)

(h) PRC Withholding Tax (“WHT”)

According to the EIT Law, distribution of profits earned by PRC companies since January 1, 2008 to overseas investors is subject to withholding tax of 5% or 10%, depending on the region of incorporation of the overseas investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

For the six months ended June 30, 2022 and 2021, no deferred income tax liability on WHT was accrued because the subsidiaries of the Group were loss making.

10 Loss per share

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net loss for the period attributable to owners of the Company	(562,374)	(653,682)
Weighted average number of ordinary shares in issue (in '000 shares)	1,103,087	1,107,152
Basic loss per share (RMB yuan)	<u>(0.51)</u>	<u>(0.59)</u>
Diluted loss per share (RMB yuan)	<u>(0.51)</u>	<u>(0.59)</u>
Basic loss per ADS (RMB yuan) (Note)	<u>(1.53)</u>	<u>(1.77)</u>
Diluted loss per ADS (RMB yuan) (Note)	<u>(1.53)</u>	<u>(1.77)</u>

Note: One ADS represented three ordinary shares of the Company.

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2022 and 2021.

Shares held for share incentive scheme purpose have been treated as treasury shares. Accordingly, for purpose of calculation of loss per share, the issued and outstanding number of ordinary shares as at June 30, 2022 and 2021 has taking into account the shares held for share incentive scheme purpose.

The effects of all outstanding share options granted under the Share Option Scheme and Restricted Share Units Scheme (Note 25) for six months ended June 30, 2022 and 2021 have been excluded from the computation of diluted loss per share as their effects would be anti-dilutive. Accordingly, dilutive loss per share for the six months ended June 30, 2022 and 2021 were the same as basic loss per share for the period.

Notes to the unaudited condensed consolidated interim financial information

11 Property and equipment

	Office and telecommunication equipment RMB'000	Right-of-use properties RMB'000	Leasehold improvements RMB'000	Total RMB'000
(Unaudited)				
Six months ended June 30, 2022				
Opening net book amount	58,448	144,001	41,963	244,412
Additions	5,358	66,439	4,059	75,856
Disposals, net	(1,914)	(9,136)	–	(11,050)
Depreciation charge	(12,248)	(37,903)	(13,459)	(63,610)
Exchange difference	230	901	324	1,455
Closing net book amount	49,874	164,302	32,887	247,063
As at June 30, 2022				
Cost	124,565	434,611	112,864	672,040
Accumulated depreciation	(71,845)	(269,873)	(79,084)	(420,802)
Exchange difference	(2,846)	(436)	(893)	(4,175)
Net book amount	49,874	164,302	32,887	247,063
(Unaudited)				
Six months ended June 30, 2021				
Opening net book amount	51,039	120,941	52,304	224,284
Additions	7,465	2,417	8,227	18,109
Disposals, net	(472)	(4,676)	–	(5,148)
Depreciation charge	(10,280)	(46,803)	(10,796)	(67,879)
Exchange difference	(120)	(205)	(91)	(416)
Closing net book amount	47,632	71,674	49,644	168,950
As at June 30, 2021				
Cost	107,914	350,461	101,963	560,338
Accumulated depreciation	(57,193)	(277,518)	(51,102)	(385,813)
Exchange difference	(3,089)	(1,269)	(1,217)	(5,575)
Net book amount	47,632	71,674	49,644	168,950

11 Property and equipment (continued)

During the different periods, the approximate depreciation which were charged to cost of revenue, research and development expenses, selling and marketing expenses and general and administrative expenses were as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of revenue	1,560	1,198
Research and development expenses	7,546	4,883
Selling and marketing expenses	2,638	2,183
General and administrative expenses	51,866	59,615
	<u>63,610</u>	<u>67,879</u>

Depreciation of office and telecommunication equipment is allocated to different functional expenses based on usage of equipment by different functional divisions. Right-of-use properties and leasehold improvement are primarily related to business office buildings leased by the Group and used as corporate headquarters. For leased business office buildings which are for general and administrative use, the depreciation of the related right-of-use properties and leasehold improvement is charged to general and administrative expense.

Notes to the unaudited condensed consolidated interim financial information

12 Intangible assets

(Unaudited)	Application and platform								
	Contributed			Development			Business		
	by Ping An Group	Developed internally	Acquired	Purchased Software	costs in progress	Goodwill	license	Others	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2022									
Opening net book amount	-	226,943	2,231	27,041	45,389	289,161	92,341	4,088	687,194
Additions	-	-	-	169	28,370	-	-	-	28,539
Write-off	-	(6,371)	-	-	(2,676)	-	-	-	(9,047)
Transfer	-	3,328	-	-	(3,328)	-	-	-	-
Amortization	-	(57,491)	(2,231)	(8,899)	-	-	(15,862)	(1,534)	(86,017)
Exchange differences	-	4,068	-	342	599	-	-	-	5,009
Closing net book amount	-	170,477	-	18,653	68,354	289,161	76,479	2,554	625,678
As at June 30, 2022									
Cost	690,910	718,132	61,078	148,976	68,479	289,161	155,492	80,263	2,212,491
Accumulated amortization	(690,910)	(548,755)	(61,078)	(130,055)	-	-	(79,013)	(77,709)	(1,587,520)
Exchange differences	-	1,100	-	(268)	(125)	-	-	-	707
Net book amount	-	170,477	-	18,653	68,354	289,161	76,479	2,554	625,678
Six months ended June 30, 2021									
Opening net book amount	-	287,674	29,709	44,758	121,122	289,161	124,145	20,494	917,063
Additions	-	-	570	11,695	35,896	-	-	-	48,161
Write-off	-	(2,095)	-	-	-	-	-	-	(2,095)
Transfer	-	88,626	-	-	(88,626)	-	-	-	-
Amortization	-	(94,278)	(14,026)	(23,167)	-	-	(15,942)	(12,969)	(160,382)
Exchange differences	-	(831)	-	(117)	(288)	-	-	-	(1,236)
Closing net book amount	-	279,096	16,253	33,169	68,104	289,161	108,203	7,525	801,511
As at June 30, 2021									
Cost	690,910	676,057	61,078	141,999	68,392	289,161	155,492	80,263	2,163,352
Accumulated amortization	(690,910)	(395,039)	(44,825)	(108,310)	-	-	(47,289)	(72,738)	(1,359,111)
Exchange differences	-	(1,922)	-	(520)	(288)	-	-	-	(2,730)
Net book amount	-	279,096	16,253	33,169	68,104	289,161	108,203	7,525	801,511

Notes to the unaudited condensed consolidated interim financial information

12 Intangible assets (continued)

During the six months ended June 30, 2022 and 2021, the amount of amortization charged to cost of revenue, research and development expenses and general and administrative expenses are as follows:

Amortization of intangible assets

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of revenue	79,496	156,640
Research and development expenses	4,234	2,656
General and administrative expenses	2,287	1,086
	<u>86,017</u>	<u>160,382</u>

13 Investments accounted for using the equity method

(a) Investment in associate

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	184,907	172,757
Share of gains of associate	<u>20,741</u>	<u>11,979</u>
At end of period	<u>205,648</u>	<u>184,736</u>

On March 28, 2017, Shanghai OneConnect set up Pingan Puhui Lixin Asset Management Co., Ltd. ("Puhui Lixin") with Pingan Puhui Enterprise Management Co., Ltd. ("Puhui Management"), a subsidiary of Lufax. The Group's equity interests in Puhui Lixin was 40% for the six months ended June 30, 2022 and 2021.

13 Investments accounted for using the equity method (continued)

(b) Investment in joint venture

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	439	2,976
Share of losses of joint venture	(439)	(1,917)
Exchange difference	–	(329)
At end of period	<u>–</u>	<u>730</u>

On August 23, 2019, the Group entered into an investment in SBI OneConnect Japan Co., Ltd. (“SBI Japan”) with SBI Holdings, Inc., (“SBI”) and disposed of the investment in October 2021.

The Group entered into an agreement of setting up Financial Open Portal (Guangxi) Cross-border Financial Digital Co., Ltd. (“Open Portal Guangxi”) with Digital Guangxi Group Co., Ltd. (“Digital Guangxi”) on April 10, 2020. The Group and Digital Guangxi owned the equity interest in Open Portal Guangxi as to 51% and shares control with Digital Guangxi so that accounts for the investment as a joint venture. The joint ventures accounted for using the equity method are individually immaterial.

Notes to the unaudited condensed consolidated interim financial information

14 Financial instruments by category

The Group holds the following financial instruments:

	<i>Note</i>	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Financial assets			
Financial assets at amortized cost			
– Trade receivables	17	1,454,032	891,174
– Prepayments and other receivables (excluding non-financial asset items)	18	640,745	543,538
– Financial assets measured at amortized cost from virtual bank	19	5,883	13,385
– Restricted cash	21	490,886	1,060,427
– Cash and cash equivalents	22	1,445,058	1,399,370
Financial assets measured at fair value through other comprehensive income (FVOCI)	15	1,677,329	1,122,998
Financial assets at fair value through profit or loss (FVPL)	20	1,004,189	2,071,653
Derivative financial assets			
– Held at FVPL		8,643	–
Total		6,726,765	7,102,545
Financial liabilities			
Liabilities at amortized cost			
– Trade and other payables (excluding non-financial liability items)	26	1,591,405	1,464,750
– Short-term borrowings	27	266,557	815,260
– Customer deposits	28	1,788,423	1,350,171
Derivative financial liability			
– Held at FVPL	29	75,305	190,971
Total		3,721,690	3,821,152

Notes to the unaudited condensed consolidated interim financial information

15 Financial assets measured at fair value through other comprehensive income

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Loans and advances to customers from virtual bank	1,461,680	1,103,460
Equity securities (Note a)	3,204	3,204
Debt securities	212,445	16,334
	<u>1,677,329</u>	<u>1,122,998</u>
Less: Non-current financial asset measured at fair value through other comprehensive income	<u>(791,431)</u>	<u>(640,501)</u>
	<u>885,898</u>	<u>482,497</u>

- (a) On August 4, 2016, the Group acquired 5% equity interest in Fujian Exchange Settlement Centre Co., Ltd. (福建交易場所清算中心股份有限公司) at a consideration of RMB5,000,000.

16 Leases

- (a) Amounts recognized in the consolidated balance sheet

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Right-of-use assets (Note 11)		
– Properties	<u>164,302</u>	<u>144,001</u>
Lease liabilities (Note 26)		
– Non current	94,941	97,473
– Current	<u>69,568</u>	<u>57,417</u>
	<u>164,509</u>	<u>154,890</u>

Notes to the unaudited condensed consolidated interim financial information

16 Leases (continued)

(b) Amounts recognized in the consolidated statement of comprehensive income

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation charge of right-of-use assets	37,903	46,803
Interest expenses (included in finance cost)	3,906	2,682
	<u>41,809</u>	<u>49,485</u>

The total cash outflow for leases for the six months ended June 30, 2022 and 2021 were RMB32,004,000 and MB 53,145,000 respectively.

Expenses recognized in relation to short-term leases for the six months ended June 30, 2022 and 2021 amounted to RMB1,941,000 and RMB382,000 respectively.

17 Trade receivables

	As at	As at
	June 30,	December 31,
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	
Trade receivables	1,511,717	934,152
Less: impairment loss allowance	<u>(57,685)</u>	<u>(42,978)</u>
	<u>1,454,032</u>	<u>891,174</u>

Notes to the unaudited condensed consolidated interim financial information

17 Trade receivables (continued)

Trade receivables and their aging analysis, based on recognition date, are as follows:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Up to 1 year	1,439,914	897,114
1 to 2 years	51,783	22,920
2 to 3 years	12,265	8,026
Above 3 years	7,755	6,092
	<u>1,511,717</u>	<u>934,152</u>

18 Prepayments and other receivables

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Deposit receivable*	636,707	539,625
Value-added-tax deductible	71,796	53,437
Advance to suppliers	115,668	93,230
Advance to staffs	45,995	42,343
Receivables for value-added-tax paid on behalf of wealth management products	7,006	6,881
Others	52,578	20,119
Less: impairment loss allowance	<u>(2,968)</u>	<u>(2,968)</u>
	<u>926,782</u>	<u>752,667</u>

* Deposit receivable mainly represents deposit paid to related parties and other suppliers according to the contract terms and receivable within one year.

18 Prepayments and other receivables (continued)

- (a) Movements in the impairment loss allowance of prepayments and other receivables are as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	(2,968)	(3,349)
Additions	–	(1,800)
Exchange differences	–	17
At end of period	<u>(2,968)</u>	<u>(5,132)</u>

19 Financial assets measured at amortized cost from virtual bank

	As at	As at
	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	(Unaudited)	
Loans and advances to customers	5,898	13,575
Less: impairment loss allowance	<u>(15)</u>	<u>(190)</u>
	<u>5,883</u>	<u>13,385</u>
Less: non-current portion	–	(674)
	<u>5,883</u>	<u>12,711</u>

The balance represents financial assets measured at amortized cost carried from Virtual Bank, a wholly owned subsidiary of the Group since 2021.

Notes to the unaudited condensed consolidated interim financial information

20 Financial assets at fair value through profit or loss

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Contingent refundable consideration	676	676
Wealth management products	1,003,513	2,070,977
	<u>1,004,189</u>	<u>2,071,653</u>

As at June 30, 2022 and December 31, 2021, out of the wealth management products which the Group invested in, RMB1,003,513,000 and RMB2,070,977,000 were issued by subsidiaries of Ping An Group which are redeemable upon request by the holders, respectively.

21 Restricted cash

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Pledged bank deposits	419,693	1,043,718
Accrued interests	1,065	6,444
Time deposits with initial terms over three months	70,128	10,265
	<u>490,886</u>	<u>1,060,427</u>

As at June 30, 2022, RMB413,791,000 (USD61,655,000) were pledged for currency swaps, and RMB5,902,000, were pledged for business guarantees.

As at December 31, 2021, RMB670,022,000 (USD105,090,000) of the bank deposits had been pledged for short-term borrowings of the Group with weighted average interest rate of 0.94% per annum, RMB368,866,000 (USD57,855,000) were pledged for currency swaps, and RMB4,830,000, which pledged for business guarantees.

Notes to the unaudited condensed consolidated interim financial information

22 Cash and cash equivalents

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Cash on hand	12	12
Cash at banks and central bank	<u>1,445,046</u>	<u>1,399,358</u>
	<u>1,445,058</u>	<u>1,399,370</u>

23 Share capital

	Number of shares	USD
Authorized Ordinary shares of USD0.00001 at June 30, 2022 and December 31, 2021	<u>5,000,000,000</u>	<u>50,000</u>

Issued	Number of shares	USD	Equivalent to RMB
Ordinary shares of USD0.00001 on December 31, 2020	1,169,980,661	11,700	78,008
Surrendered ordinary shares (Note)	<u>(8)</u>	<u>—</u>	<u>—</u>
Ordinary shares of USD0.00001 on June 30, 2022, December 31, 2021 and June 30, 2021	<u>1,169,980,653</u>	<u>11,700</u>	<u>78,008</u>

Note: On April 1, 2021 and April 2, 2021, the Company bought back and cancelled 8 ordinary shares from Round A Investors.

Notes to the unaudited condensed consolidated interim financial information

24 Other reserves

	Recapitalization reserve RMB'000	Share premium RMB'000	Share-based compensation reserve RMB'000	Foreign currency translation differences RMB'000	Others RMB'000	Total RMB'000
(Unaudited)						
As at January 1, 2022	1,200,000	9,627,159	200,631	(285,674)	(229,485)	10,512,631
– Foreign currency translation differences	–	–	–	233,721	–	233,721
– Fair value changes on financial assets at fair value through other comprehensive income	–	–	–	–	3,713	3,713
Share-based payments :						
– Value of services (Note 25)	–	–	17,504	–	–	17,504
– Exercise of shares under share option Scheme	–	–	295	–	–	295
– Vesting of shares under Restricted Share Unit Scheme	–	–	(1,100)	–	–	(1,100)
As at June 30, 2022	<u>1,200,000</u>	<u>9,627,159</u>	<u>217,330</u>	<u>(51,953)</u>	<u>(225,772)</u>	<u>10,766,764</u>
(Unaudited)						
As at January 1, 2021	1,200,000	9,627,159	173,577	(133,132)	(227,673)	10,639,931
– Foreign currency translation differences	–	–	–	(70,585)	–	(70,585)
– Fair value changes on financial assets at fair value through other comprehensive income	–	–	–	–	1	1
Share-based payments :						
– Value of services (Note 25)	–	–	8,602	–	–	8,602
– Exercise of shares under share option Scheme	–	–	2,094	–	–	2,094
– Vesting of shares under Restricted Share Unit Scheme	–	–	(101)	–	–	(101)
As at June 30, 2021	<u>1,200,000</u>	<u>9,627,159</u>	<u>184,172</u>	<u>(203,717)</u>	<u>(227,672)</u>	<u>10,579,942</u>

25 Share-based payments

For the purpose of establishing the Group's share incentive scheme, Xin Ding Heng Limited ("Xin Ding Heng") was set up in 2017 as a special purpose vehicle to indirectly hold 66,171,600 ordinary shares of the Company. As the Company has the power to govern the relevant activities of Xin Ding Heng and can derive benefits from the services to be rendered by the grantees, the directors of the Company consider that it is appropriate to consolidate Xin Ding Heng. In September 2020, the Company purchased at par value of the 66,171,600 ordinary shares indirectly held by Xin Ding Heng and deposited these shares to the depository of its ADS program. The aggregate consideration of RMB88,280,000 for 66,171,600 shares had been recognized as "shares held for share incentive scheme" before the respective shares were effectively transferred to grantees under share incentive scheme.

On November 7, 2017, equity-settled share-based compensation plan ("the Share Option Scheme") was set up with the objective to recognize and reward the contribution of eligible directors, employees and other persons (collectively, the "Grantees") for the growth and developments of the Group. On September 10, 2019, the Board of Directors of the company approved to amend and restate the equity-settled share-based compensation plan to supplement the Share Option Scheme with performance-based shares to grant to the Grantees ("the Restricted Share Units Scheme"). The 66,171,600 shares reserved for the share incentive scheme comprise the options previously granted under the Share Option Scheme and the remaining shares for grant under the Restricted Share Units Scheme. Both the Share Option Scheme and the Restricted Share Units Scheme are valid and effective for 10 years from the grant date.

Share-based compensation expenses for the six months ended June 30, 2022 and 2021 were allocated as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
– Cost of revenue	1,422	291
– Research and development expenses	1,759	2,181
– Selling and marketing expenses	1,919	484
– General and administrative expenses	12,404	5,646
Total	17,504	8,602
Value of employee's services (Note 6)	16,179	3,869
Value of non-employee's services	1,325	4,733
Total	17,504	8,602

Notes to the unaudited condensed consolidated interim financial information

25 Share-based payments (continued)

(a) Share Option Scheme

Subject to the Grantee continuing to be a service provider, 100% of these options will be vested over 4 years upon fulfilling the non-market performance conditions prescribed in the grantee agreement.

The exercisable period of options starts no earlier than 12 months after the Company successfully completes an initial public offering and the Company's shares get listed in the stock exchange ("IPO and Listing") and no later than 8 years from the grant date. The vesting date is determined by the Board of Directors of the Company.

Movements in the number of share options granted to employees are as follows:

	Number of share options Six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
At beginning of period	12,725,995	19,459,994
Exercised	(529,728)	(4,580,127)
Forfeited	(1,314,061)	(651,344)
At end of period	10,882,206	14,228,523

For the outstanding share options, the weighted-average exercise price was RMB24.97 and RMB22.69 per share and the weighted-average remaining contractual life was 4.87 and 3.82 years as at June 30, 2022 and 2021, respectively.

Share options outstanding at the balance sheet dates have the following expiry dates and exercise prices.

Grant Year	Expiry Year	Exercise price RMB	Fair value of options RMB	Number of share options	
				As at June 30, 2022 (Unaudited)	As at December 31, 2021
2017	2027	1	1	1,025,117	1,109,682
2017	2027	2	1	5,340,055	5,785,221
2018	2028	52	26	3,697,124	4,704,219
2019	2029	52	23	819,910	1,126,873
				10,882,206	12,725,995

Notes to the unaudited condensed consolidated interim financial information

25 Share-based payments (continued)

(a) Share Option Scheme (continued)

The Company has used the discounted cash flow method to determine the underlying equity fair value of the Company to determine the fair value of the underlying ordinary share before its IPO. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Company with best estimate.

Based on fair value of the underlying ordinary share, the Company has used Binomial option-pricing model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

Date of grant	November 7, 2017	November 8, 2018	June 1, 2019
Discount rate	24.0%	17.0%	17.0%
Risk-free interest rate	4.0%	4.0%	3.0%
Volatility	52.0%	51.0%	46.0%
Dividend yield	0.0%	0.0%	0.0%

The Binomial Model requires the input of highly subjective assumptions. The risk-free rate for periods within the contractual life of the option is based on the China Treasury yield curve in effect at the time of grant. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected life of the options. The Company estimates the volatility of its ordinary shares at the respective dates of grant based on the historical volatility of similar U.S. public companies for a period equal to the expected life preceding the grant date.

(b) Restricted Share Units Scheme

Subject to the Grantee continuing to be a service provider, 100% of these restricted share units will be vested over 4 years upon fulfilling the service conditions and non-market performance conditions prescribed in the grantee agreement.

Movements in the number of restricted share units granted to employees are as follows:

	Number of restricted share units Six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
At beginning of period	16,552,829	1,751,702
Granted	4,145,900	2,262,300
Vested	(824,973)	(75,281)
Forfeited	(2,086,616)	(365,671)
At end of period	17,787,140	3,573,050

Notes to the unaudited condensed consolidated interim financial information

25 Share-based payments (continued)

(b) Restricted Share Units Scheme (continued)

Restricted share units outstanding at the balance sheet dates have the following expiry dates and fair value prices.

Grant Year	Fair value of restricted share units RMB	Number of restricted share units	
		As at June 30, 2022 (Unaudited)	As at December 31, 2021
September-19	35.22	496,042	545,383
January-20	16.18	11,667	18,000
April-20	16.98	55,000	82,500
July-20	38.67	17,250	17,250
June-21	13.69	377,672	503,076
June-21	14.31	169,500	226,000
June-21	14.93	337,500	1,279,800
July-21	15.16	197,000	252,000
September-21	5.53	6,560,000	7,346,000
October-21	5.25	353,000	448,000
October-21	3.91	2,115	2,820
October-21	4.68	5,832,000	5,832,000
January-22	2.40	152,294	–
January-22	2.41	1,740,000	–
January-22	3.29	836,100	–
January-22	2.64	400,000	–
April-22	1.78	250,000	–
		<u>17,787,140</u>	<u>16,552,829</u>

The Company has used the discounted cash flow method to determine the underlying equity fair value of the Company to determine the fair value of the underlying ordinary share before its IPO. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Company with best estimate.

25 Share-based payments (continued)

(b) Restricted Share Units Scheme (continued)

Based on fair value of the underlying ordinary share, the Company has used the Monte Carlo model to determine the fair value of the restricted share units as at the grant date. Key assumptions are set as below:

	Six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Discount rate*	15.0%	15.0%
Risk-free interest rate	2.0%~3.0%	2.0%~3.0%
Volatility	43.0%~49.0%	43.0%~49.0%
Dividend yield	0.0%	0.0%

* Applicable for the restricted share units granted in September 2019.

The Monte Carlo model requires the input of highly subjective assumptions. The risk-free rate for periods within the contractual life of the restricted share units is based on the China Treasury Bond Yield Curve in effect at the time of grant. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected life of the restricted share units. The Company estimates the volatility of its ordinary shares at the date of grant based on the historical volatility of similar US public companies for a period equal to the expected life preceding the grant date.

(c) Share Repurchase

In 2022, the board of directors of the Company approved a new share repurchase program in which the Company may purchase its own American depository shares ("ADSs") for award grant purpose. For six months ended June 30, 2022, the Company repurchased 8.02 million ADSs for a total cost of RMB74,992,000.

Notes to the unaudited condensed consolidated interim financial information

26 Trade and other payables

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Trade payables		
Due to related parties	829,505	747,449
Due to third parties	290,883	354,279
	<u>1,120,388</u>	<u>1,101,728</u>
Redemption liability	276,589	271,525
Accrued expenses	381,389	209,676
Security deposits	106,811	56,236
Lease liabilities (Note 16(a))	164,509	154,890
Amounts payable for purchase of shares held for share incentive scheme (Note 25)	88,280	88,280
Other tax payables	50,636	44,716
Amounts due to related parties	561,850	431,351
Service fees refundable	6,588	9,809
Others	102,380	82,722
	<u>2,859,420</u>	<u>2,450,933</u>
Less: non – current portion		
Redemption liability	(131,868)	(128,081)
Lease liabilities	(94,941)	(97,473)
Amounts payable for purchase of shares held for share incentive scheme (Note 25)	(88,280)	(88,280)
	<u>(315,089)</u>	<u>(313,834)</u>
	<u>2,544,331</u>	<u>2,137,099</u>

As at June 30, 2022 and December 31, 2021, the aging of the trade payables are mainly within one year.

Notes to the unaudited condensed consolidated interim financial information

27 Short-term borrowings

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Secured	50,090	663,136
Unsecured	216,467	152,124
	<u>266,557</u>	<u>815,260</u>

As at June 30, 2022, out of the secured borrowings, RMB50,090,000 was guaranteed by Shenzhen HTI Financing Guarantee Co., Ltd. The weighted average interest rate of short-term borrowings was 4.47 % per annum as at June 30, 2022.

As at December 31, 2021, out of the secured borrowings, RMB597,400,000 were secured by restricted cash of RMB670,022,000 (Note 21), RMB9,014,000 was guaranteed by Haidian Financing Guarantee RMB53,722,000 was guaranteed by Shenzhen HTI Financing Guarantee Co., Ltd., and RMB3,000,000 was secured by the accounts receivable that BER Technology could claim from Guilin Bank Co., Ltd. in the following two years. The weighted average interest rate of short-term borrowings was 3.93% per annum as at December 31, 2021.

28 Customer deposits

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Fixed deposits	1,365,689	–
Current and savings accounts	422,734	1,350,171
	<u>1,788,423</u>	<u>1,350,171</u>

It represented customer deposits held by Virtual Bank.

Notes to the unaudited condensed consolidated interim financial information

29 Derivative financial assets and liabilities

	As at June 30, 2022		As at December 31, 2021	
	Nominal amount RMB'000 (Unaudited)	Fair value	Nominal amount RMB'000	Fair value
Foreign exchange swaps	43,624	444	–	–
Currency forwards	653,495	8,199	–	–
Derivative financial assets	697,119	8,643	–	–
Foreign exchange swaps	1,848,990	74,621	2,186,865	152,005
Currency forwards	506,302	684	1,095,958	38,966
Derivative financial liabilities	2,355,292	75,305	3,282,823	190,971

30 Dividends

No dividends were paid or declared by the Company for the six months ended June 30, 2022 and 2021.

31 Related party transactions

The following significant transactions were carried out between the Group and its related parties for the six months ended June 30, 2022 and 2021. In the opinion of the Directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Notes to the unaudited condensed consolidated interim financial information

31 Related party transactions (continued)

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group for the six months ended June 30, 2022 and 2021.

Name of related parties	Relationship with the Group
Sen Rong Limited (i)	A shareholder that has significant influence over the Group
Rong Chang Limited (i)	A shareholder that has significant influence over the Group
Bo Yu	A shareholder that has significant influence over the Group
Ping An Group	Ultimate parent company of Bo Yu
Subsidiaries of Ping An Group	Controlled by Ping An Group
Puhui Lixin	Significant influenced by the Group
SBI Japan (ii)	Significant influenced by the Group
Open Portal Guangxi	Significant influenced by the Group

(i) As a result of the acting-in-concert agreement entered into between Sen Rong and Rong Chang, pursuant to which Sen Rong has agreed to act together with Rong Chang for the purpose of exercising Sen Rong's shareholders' rights in the Company, Rong Chang and Sen Rong have significant influence over the Group as a concert group.

(ii) On October of 2021, the Group disposed the investment of SBI Japan(Note 13) and no longer has significant influence over it.

(b) Key management personnel compensations

Key management includes directors (executive and non-executive) and senior officers. The compensations paid or payable by the Group to key management for employee services are shown below:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages and salaries	15,518	11,886
Welfare and other benefits	330	390
Share-based payments	6,566	731
	<u>22,414</u>	<u>13,007</u>

Notes to the unaudited condensed consolidated interim financial information

31 Related party transactions (continued)

(c) Significant transactions with related parties

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Ping An Group and its subsidiaries	<u>1,231,282</u>	<u>1,000,696</u>
Revenue generated by providing implementation and support service jointly with Ping An Technology (Shenzhen) Co., Ltd, a related party, for the six months ended June 30, 2022 and 2021 amounted to RMB463,000 and RMB3,059,000, respectively.		
Purchase of services		
Ping An Group and its subsidiaries	<u>909,056</u>	<u>712,814</u>
Net gain from wealth management products consolidated by related parties		
Ping An Group and its subsidiaries	<u>10,461</u>	<u>10,315</u>
Net gain/(loss) on derivatives		
Ping An Group and its subsidiaries	<u>117,685</u>	<u>(71,031)</u>
Interest income on bank deposits		
Ping An Group and its subsidiaries	<u>4,710</u>	<u>6,675</u>
Leasing payment		
Ping An Group and its subsidiaries	<u>7,541</u>	<u>9,057</u>
Interest expenses		
Ping An Group and its subsidiaries	<u>2,673</u>	<u>9,768</u>

31 Related party transactions (continued)**(d) Balances with related parties**

Trade related	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Trade receivables		
Ping An Group and its subsidiaries (i)	808,980	442,694
Contract assets		
Ping An Group and its subsidiaries	23,864	17,746
Prepayment and other receivables		
Ping An Group and its subsidiaries (i)	629,538	531,327
Cash and restricted cash		
Ping An Group and its subsidiaries	536,767	429,527
Trade and other payables		
Ping An Group and its subsidiaries (i)	1,391,355	1,178,438
Open Portal Guangxi (i)	–	362
	<u>1,391,355</u>	<u>1,178,800</u>
Contract liabilities		
Ping An Group and its subsidiaries (i)	15,765	19,018

Notes to the unaudited condensed consolidated interim financial information

31 Related party transactions (continued)

(d) Balances with related parties (continued)

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000
Trade related		
Non-trade related (ii)		
Financial assets at fair value through profit or loss (Note 20)		
Ping An Group and its subsidiaries	798,267	599,540
Prepayment and other receivables		
Open Portal Guangxi (i)	1,758	3,515
Cash and restricted cash		
Ping An Group and its subsidiaries	415,056	702,058
Derivative financial assets		
Ping An Group and its subsidiaries	8,642	–
Short-term borrowings		
Ping An Group and its subsidiaries	–	300,805
Derivative financial liabilities		
Ping An Group and its subsidiaries	75,305	190,971

(i) The balances with related parties were unsecured, interest-free and repayable on demand.

(ii) The balances were mainly for treasury management purpose which are collectable or repayable on demand or within one year.

Notes to the unaudited condensed consolidated interim financial information

32 The Group's maximum exposure to unconsolidated structured entities

The Group has determined that all of assets management products managed by the Group and its investments in wealth management products, which are not controlled by the Group, are unconsolidated structured entities.

The Group invests in wealth management products managed by related parties for treasury management purposes. The Group also managed some assets management fund products as fund manager to generate fees from managing assets on behalf of other investors, mainly Ping An Group and its subsidiaries. The assets management fund products are financed by capital contribution from investors.

The following table shows the Group's maximum exposure to the unconsolidated structured entities which represents the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of direct investments made by the Group. The direct investments made by the Group are classified as FVPL.

The size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

June 30, 2022 (Unaudited)	Unconsolidated structured entities			
	Size RMB'000	Carrying amount RMB'000	The Group's maximum exposure RMB'000	Interest held by the Group
Asset management products managed by the Group	681,804	–	–	Service fee
Wealth management products managed by related parties	Note a	1,003,513	1,003,513	Investment income

December 31, 2021	Unconsolidated structured entities			
	Size RMB'000	Carrying amount RMB'000	The Group's maximum exposure RMB'000	Interest held by the Group
Asset management products managed by the Group	1,329,453	–	–	Service fee
Wealth management products managed by related parties	Note a	2,070,977	2,070,977	Investment income

Note a: The asset management and wealth management products are sponsored by related financial institutions and the information related to size of these structured entities were not publicly available. The carrying amount is recorded in financial assets at fair value through profit or loss.

Notes to the unaudited condensed consolidated interim financial information

33 Contingencies

The Group did not have any material contingent liabilities as at June 30, 2022 and December 31, 2021.

34 Subsequent events

The Company has listed by way of introduction its ordinary shares on the Main Board of the Stock Exchange of Hong Kong Limited under the stock code "6638" on July 4, 2022.