



# VCREDIT Holdings Limited 維信金科控股有限公司

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

Stock Code: 2003

US\$85 million 11.0% Senior Notes due 2022

Stock Code: 40498

## 2022 INTERIM REPORT



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ma Ting Hung (*Chairman*)

Mr. Liu Sai Wang Stephen  
(*Chief Executive Officer*)

Mr. Liu Sai Keung Thomas  
(*Chief Operating Officer*)

### Non-Executive Director

Mr. Yip Ka Kay

### Independent Non-Executive Directors

Mr. Chen Derek

Mr. Chen Penghui

Mr. Fang Yuan

## AUDIT COMMITTEE

Mr. Fang Yuan (*Chairman*)

Mr. Chen Derek

Mr. Chen Penghui

Mr. Yip Ka Kay

## REMUNERATION COMMITTEE

Mr. Chen Penghui (*Chairman*)

Mr. Chen Derek

Mr. Fang Yuan

Mr. Liu Sai Wang Stephen

## NOMINATION COMMITTEE

Mr. Ma Ting Hung (*Chairman*)

Mr. Chen Derek

Mr. Chen Penghui

Mr. Fang Yuan

## AUTHORISED REPRESENTATIVES

Mr. Ma Ting Hung

Mr. Cha Johnathan Jen Wah

## COMPANY SECRETARY

Mr. Cha Johnathan Jen Wah

## REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited

4th Floor

Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

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## PRINCIPAL PLACE OF BUSINESS IN PRC

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88 North Sichuan Road

Shanghai 200085

PRC

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited

4th Floor

Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road, Hong Kong

## AUDITOR

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

## PRINCIPAL BANKER

China Construction Bank  
(Suzhou Yuanqu Branch)

## STOCK CODES

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

## WEBSITE

<https://www.vcredit.com>

## Letter from the CEO

Dear Shareholders,

I am pleased to report a robust performance in the first half of 2022 (the “**Period**”) for VCREDIT Holdings Limited (the “**Company**”) and together with our subsidiaries, the “**Group**”) in line with our expectations in what continues to be a challenging business environment for the consumer finance sector in China. As part of the efforts to counter the spread of the COVID-19 coronavirus from intermittent outbreaks, some cities in China, and Shanghai especially from March to May 2022, experienced lockdowns. Furthermore, risks in China’s macro environment from the pandemic and the deterioration in the real estate sector in 2021 persisted throughout the Period. Our solid performance against these multiple headwinds demonstrates the resilience and flexibility of our operations. We continue to proactively optimise our business strategy and model with evolutionary adaptations to capture and manage market developments and consumer behavioural changes to ensure we remain at the forefront of our industry. Our credit models are constantly undergoing refinements to enhance and maintain our ability to target, engage and retain higher-quality customers, while we at the same time constantly streamline our operations and processes to achieve greater operational efficiency and improved customer experience. As a reflection of our success, although impacted by sterner regulatory pricing caps, we have in terms of both loan origination volume and asset quality achieved an outstanding performance and sustainable business growth.

### OPERATIONAL PERFORMANCE

Our loan origination volume reached RMB24.64 billion for the Period, a record high for the Group, representing an increase of 9.4% compared to the six months ended June 30, 2021 (the “**Corresponding Period**”) and an increase of 35.5% compared to the six months ended December 31, 2021. Our outstanding loan balance exceeded RMB20.49 billion as of June 30, 2022, representing an increase of 31.1% compared to RMB15.64 billion as of December 31, 2021.

Despite the risks within the Chinese macro-environment and prevailing regulatory limits on consumer loan interest rates, we have not only continued to grow our higher-quality customer base during the Period but also generate repeat loans from existing customers. To improve customer loyalty and brand awareness and recognition and, as part of our refinements and enhancements to our proprietary credit risk models, we have added new multi-dimensional data and cutting-edge algorithms that increase the efficacy of our customer differentiation and assessment. Through cooperation with China’s major data service providers, the features in our credit risk models allow us to gain a fuller perspective of applicants’ profiles (online and offline). At the same time, we have upscaled our AI-powered collection and customer service system to strengthen our post loan management. With these effective initiatives, we have been able to grow our loan volume and at the same time improve our asset quality. Our first payment delinquency ratio, one of our key leading indicators of asset quality, achieved a new record low of 0.23% for the second quarter of 2022 compared to 0.43% for the fourth quarter of 2021. Meanwhile, our M1-M3 ratio and M3+ ratio also further improved to 2.07% and 2.06%, respectively, by the end of the Period. These outstanding performance metrics display our risk management capabilities that have enabled us to improve our asset quality in spite of the current fluctuating macro environment risks.

On our customer acquisition front, we continue to target higher-quality borrowers. We have maintained the expansion and diversification of our acquisition channels which now include online social media, online information feeds, internet search engines and mobile app stores. With our ability to address the credit needs of our growing customers and deliver a superior customer experience, our repeat borrower contribution was 89.2% of loan origination volume for the Period which demonstrates ongoing improvement in customer loyalty and retention and the growing strength and visibility of our brand.

Fostering a stable and diversified funding partner base is critical to our business, as is our collaboration with licensed institutions which has been a feature throughout our history. Our funding costs during the Period continued to present a declining trend as we maintain our efforts to optimise our funding structure and ensure sufficient funding supply. We are able to maintain healthy and long-term collaboration with our funding partners because of the value proposition we offer them including efficient risk management and attractive risk-adjusted returns. By the end of the Period, we had established business cooperation with 80 external licensed funding partners, including 19 nationwide joint-stock commercial banks, consumer finance companies and trust institutions. For the Period, the total loan volume facilitated through credit-enhanced loan facilitation structure amounted to RMB14.35 billion and 58.2% of total loan origination volume, and total loan volume facilitated through pure loan facilitation structure amounted to RMB2.87 billion and 11.7% of total loan origination volume, representing an increase of 104.1% as compared with RMB1.41 billion for the six months ended December 31, 2021.

### FINANCIAL PERFORMANCE

With the ongoing strategy of migrating to better-quality borrowers driven by alignments to regulatory limits on consumer loan interest rates and risks from the current fluctuating macro-environment, our total income was RMB1,582.5 million for the Period, despite an increase in loan origination volume. This represents a decrease of 15.8% as compared to RMB1,880.0 million for the Corresponding Period, and a slight increase of 0.3% as compared to RMB1,578.2 million for the six months ended December 31, 2021.

Our fair value loss of loans to customers increased to RMB303.6 million for the Period, as compared to RMB129.2 million and RMB249.8 million for the Corresponding Period and six months ended December 31, 2021, respectively. Our credit impairment loss increased to RMB68.2 million for the Period, as compared to RMB32.6 million and RMB13.1 million for the Corresponding Period and six months ended December 31, 2021, respectively, primarily due to an increase in loan volume generated through our credit-enhanced and pure loan facilitation structures for the Period, and as loans originated in the second half of 2021 presented relatively higher delinquency due to the effects of the resurgence of COVID-19 and the stress in the real estate sector at that time on the Chinese macro-economy. However, with agile adaptive risk policy adjustments, newly originated loans in the Period presented better asset quality as shown in our first payment delinquency metrics.

In line with the expansion of our loan origination volume, our operating expenses, excluding share-based compensation expenses, increased by 11.4% to RMB778.6 million for the Period, as compared to RMB698.8 million for the Corresponding Period, and decreased by 4.4%, as compared to RMB814.1 million for the six months ended December 31, 2021, mainly due to improvements in our operating efficiency.

As a result, we recorded net profit and adjusted net profit of RMB328.0 million and RMB331.5 million, respectively, for the Period, a decrease of 57.8% and 58.8% as compared to RMB777.6 million and RMB805.0 million, respectively, for the Corresponding Period, and a decrease of 18.3% and 18.7%, as compared to RMB401.7 million and RMB407.6 million, respectively, for the six months ended December 31, 2021.

### OUTLOOK AND STRATEGIES

With the impact from the COVID-19 pandemic, interest rate limits and the fast-evolving regulatory environment and the ongoing risks within the overall Chinese macro-economy, we see the remainder of 2022 still holds many challenges for our operations, but at the same time will also present many opportunities from which the Group can prosper. Market participants with technological capability and regulatory compliant business models will be able to contribute to China's economic recovery and growth. We share an obligation to the market and our customers to fulfill these responsibilities and strive to generate increasing value for our shareholders and society. On the regulatory side, during the Period, the People's Bank of China and China Banking and Insurance Regulatory Commission ("**CBIRC**") jointly issued the Notice on Strengthening Financial Services for New Urban Residents (《中國銀保監會中國人民銀行關於加強新市民金融服務工作的通知》) and CBIRC issued the Notice on Further Effectively Providing Financial Services for Enterprises in Difficult Industries Affected by the COVID-19 Outbreak (《中國銀保監會辦公廳關於進一步做好受疫情影響困難行業企業等金融服務的通知》) in March and June, respectively. Both notices promote and encourage the availability and quality of financial services. Our dedication to providing consumer and small-business financing is aligned with the Chinese Government's policies. In July 2022, CBIRC issued the Notice on Strengthening the Administration of the Internet Loan Business of Commercial Banks and Improving the Quality and Efficiency of Financial Services (《中國銀保監會關於加強商業銀行互聯網貸款業務管理提升金融服務質效的通知》) which regulates responsibility for loan management of commercial banks. Together with other related regulations in 2021, we expect these will aid the growth of a healthy industry which will benefit all market participants including us. Adhering to the highest level of regulatory compliance and ensuring a sustainable business model have been and will be principal priorities of ours, as well as our core strength and competitive advantage.

I look forward to delivering more value to our stakeholders including our customers, shareholders, employees and society.

Sincerely,

**Liu Sai Wang Stephen**

*Executive Director and Chief Executive Officer*

Hong Kong, August 24, 2022

# Management Discussion and Analysis

## FINANCIAL HIGHLIGHTS

	Six months ended				
	June 30,	June 30,	Change	December 31,	Change
	2022	2021		2021	
<i>RMB million</i>	<i>RMB million</i>		<i>RMB million</i>		
<b>Total Income</b>	<b>1,582.5</b>	1,880.0	-15.8%	1,578.2	0.3%
Interest type income	<b>1,124.7</b>	825.0	36.3%	1,146.8	-1.9%
Less: interest expenses	<b>(310.2)</b>	(264.8)	17.2%	(327.0)	-5.1%
Loan facilitation service fees	<b>692.4</b>	973.3	-28.9%	566.7	22.2%
Other income	<b>75.6</b>	346.5	-78.2%	191.7	-60.6%
<b>Operating Profit</b>	<b>430.4</b>	1,008.8	-57.3%	504.8	-14.8%
<b>Net Profit</b>	<b>328.0</b>	777.6	-57.8%	401.7	-18.3%
<b>Non-IFRS Adjusted Operating Profit <sup>(1)</sup></b>	<b>433.8</b>	1,036.2	-58.1%	510.7	-15.1%
<b>Non-IFRS Adjusted Net Profit <sup>(2)</sup></b>	<b>331.5</b>	805.0	-58.8%	407.6	-18.7%

Notes:

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

## BUSINESS REVIEW AND OUTLOOK

The Company has proactively optimised its business strategy and model during the Period. We continued to strategically migrate towards better-quality borrowers and our performance demonstrates the resilience and flexibility of our business strategy, model and operations.

### Business Review

We achieved a solid performance from our operations during the Period in line with our expectations, notwithstanding adjustments to our business strategy and model to align our products with regulatory limits on consumer finance interest rates and to mitigate risks within the Chinese macro-economy from intermittent COVID-19 outbreaks, lockdowns in Shanghai and other cities in China, and deteriorating conditions in the Chinese real estate sector from 2021 which persisted throughout the Period.

We continued to make evolutionary adjustments to our risk management model to reflect market developments and behavioural changes that affect demand for our products, as we maintained our strategy of targeting higher quality prime and near-prime borrowers. As a data intelligence-embraced organisation, we constantly refine our operational efficiency and enhance our target customer identification and market penetration using dynamic data analytics and by connecting with high-quality customer acquisition channels. As well as enriching our service to customers during each stage of their life-time cycle, we seek to engage their participation in diversified channels we actively collaborate with. We consistently refine our online APPs and optimise the application process to improve products, service, brand awareness and loyalty to retain high-quality customers. These efforts are paying dividends as 89.2% of our loan volume for the Period was contributed by repeat borrowers. The number of our registered users increased to 118.1 million by the end of the Period.

## Management Discussion and Analysis

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

Promising outcomes of asset quality are driven by the continuous optimisations of our credit risk model. Prime and near-prime customers are the targeted clusters. We implemented a new generation multi-dimensional scorecard in January 2022, with significant risk identification power which allows us to more effectively and intelligently differentiate customers and measure their creditworthiness. At the same time, sophisticated testing was conducted throughout the Period based on the ever-changing macro environment. In higher risk regions affected by COVID-19 outbreaks, we quickly optimised our risk policy to lower the impact on portfolio asset quality. With these agile reactions, we have been improving our delinquency ratios and asset quality metrics which are currently at levels that are considerably better than the second half of 2021.

The Group's financial institutional partners form the solid base to our business's sustainable growth. By the end of the Period, we had long-term collaborative relationships with 80 external funding partners, including commercial banks, consumer finance companies and trusts. Through these long-standing cooperations, funding costs continued presenting a declining trend. Furthermore, third-party guarantee companies and asset management companies secure the ecosystem in terms of funding flexibility and protection for our funding partners. Moreover, to strengthen the relationships with our funding partners, we have been exploring potential technology cooperation opportunities to empower their digital capabilities.

### Operating Review

#### Products and Services

We primarily offer two credit products through our pure online loan origination processes: (1) credit cards balance transfer products, and (2) consumption credit products, both of which are installment-based. For the Period, the total number of transactions was 2.1 million, the average term of our credit products was approximately 10.2 months and the average loan size was approximately RMB11,581.

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

Loan Origination Volume	June 30, 2022		Six months ended December 31, 2021		June 30, 2021	
	RMB million	%	RMB million	%	RMB million	%
Direct lending	664.7	2.7%	658.0	3.6%	448.9	2.0%
Trust lending	6,753.7	27.4%	8,682.1	47.8%	7,673.7	34.1%
Credit-enhanced loan facilitation	14,352.4	58.2%	7,438.9	40.9%	14,403.1	63.9%
Pure loan facilitation	2,870.9	11.7%	1,406.8	7.7%	—	—
<b>Total</b>	<b>24,641.7</b>	<b>100.0%</b>	<b>18,185.8</b>	<b>100.0%</b>	<b>22,525.7</b>	<b>100.0%</b>

## Management Discussion and Analysis

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

Outstanding Balance of Loans to Customers	As at June 30, 2022		As at December 31, 2021	
	RMB million	%	RMB million	%
Online consumption products	20,485.6	100.0%	15,619.8	99.9%
Online-to-offline credit products	8.6	0.0%	17.2	0.1%
<b>Total</b>	<b>20,494.2</b>	<b>100.0%</b>	<b>15,637.0</b>	<b>100.0%</b>

### Asset Quality

Throughout the Period, our business has encountered added risks from China's macro environment after outbreaks of COVID-19 and lockdown of Shanghai and other cities in China and the deterioration in the real estate sector in 2021 which persisted throughout the first half of 2022. We leveraged our leading finance technology and robust risk control capabilities to mitigate the inherent risks to our business and continued to optimise our credit risk policy in order to ensure we captured and served higher-quality customers in the sterner operating environment. As a result, our credit control capabilities proved effective as evidenced by the outstanding performance of our asset quality metrics. Our first payment delinquency ratio<sup>(1)</sup> achieved a new record low of around 0.25% for the Period, whilst our M1-M3 ratio<sup>(2)</sup> and M3+ ratio<sup>(3)</sup> declined to 2.07% and 2.06%, respectively, in the second quarter of 2022 from 4.01% and 2.39%, respectively, in the fourth quarter of 2021.

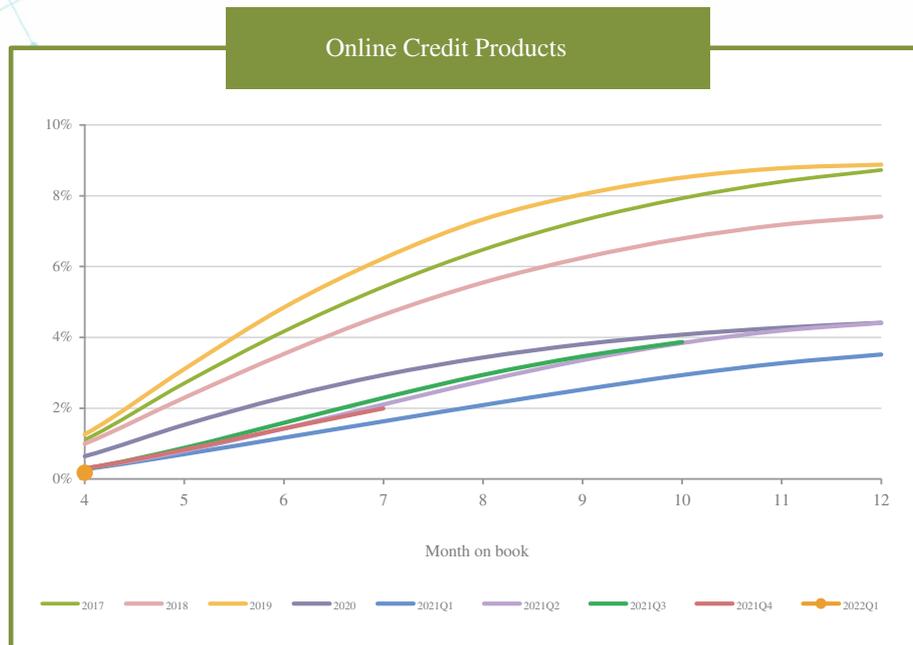
	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2
First payment delinquency ratio <sup>(1)</sup>	0.55%	0.44%	0.40%	0.43%	0.42%	0.43%	0.27%	0.23%
M1-M3 ratio <sup>(2)</sup>	3.59%	2.50%	2.07%	2.06%	2.91%	4.01%	2.83%	2.07%
M3+ ratio <sup>(3)</sup>	5.56%	2.86%	1.81%	1.40%	1.53%	2.39%	2.28%	2.06%

#### Notes:

- (1) First payment delinquency ratio is defined as the total balance of outstanding principal amount of the loans we originated in the applicable period that were delinquent on their first payment due dates divided by the aggregate loan origination volume in that period.
- (2) M1-M3 ratio is calculated by dividing (i) the outstanding balance of online loans which have been delinquent up to 3 months, by (ii) the total outstanding balance of loans to customers (excluding offline credit products, which had a negligible balance of RMB8.6 million as at June 30, 2022).
- (3) M3+ ratio is calculated by dividing (i) the outstanding balance of online loans which have been delinquent for more than 3 months and have not been written off by (ii) the total outstanding balance of loans to customers (excluding offline credit products, which had a negligible balance of RMB8.6 million as at June 30, 2022).

## Management Discussion and Analysis

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



Note:

(4) Cohort-Based M3+ Delinquency Ratio is defined as (i) the total amount of principal for the online loans in a vintage that have become delinquent for more than 3 months, less (ii) the total amount of recovered past due principal, and then divided by (iii) the total amount of initial principal for loans in such vintage (excluding offline credit products, which had a negligible balance of RMB8.6 million as at June 30, 2022).

### Outlook and Strategies

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

- Streamline and extend our credit solutions to better serve our customers to improve brand recognition and customer loyalty and creditworthiness
- Enhance risk-centered technology capability through constant research and development
- Consolidate regulated and long-term collaboration with licensed financial institutional partners and business partners
- Compliance with the laws and regulations as the first priority to maintain the sustainability of our business
- Cultivate a dynamic enterprise value and culture and grow our in-house talents

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

### Total Income

We derived our total income through (i) net interest type income, (ii) loan facilitation service fees, and (iii) other income. Our total income decreased by 15.8% to RMB1,582.5 million for the Period, compared to RMB1,880.0 million for the Corresponding Period, and slightly increased by 0.3% compared to RMB1,578.2 million for the six months ended December 31, 2021, primarily due to a decrease in interest rates reflecting our ongoing commitment to financial inclusion and aligning with regulatory directives with partial offset due to an increase in loan volume through our credit-enhanced and pure loan facilitation structures.

### Net Interest Type Income

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

	Six months ended		
	June 30, 2022	December 31, 2021	June 30, 2021
<b>Net Interest Type Income</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Interest type income	1,124,663	1,146,786	824,966
Less: interest expenses	(310,181)	(327,008)	(264,765)
<b>Total</b>	<b>814,482</b>	<b>819,778</b>	<b>560,201</b>

For the Period, we recorded interest type income of RMB1,124.7 million, which was generated from loans to customers originated under direct lending and trust lending structures. The increase in interest type income of 36.3% for the Period, compared to RMB825.0 million for the Corresponding Period, was primarily due to an increase in the average outstanding loan balance of our trust lending structure. However, interest type income decreased by 1.9% for the Period, compared to RMB1,146.8 million for the six months ended December 31, 2021, primarily due to a decrease in the average outstanding loan balance of our trust lending structure and a decrease in average interest rates.

Interest expenses increased by 17.2% to RMB310.2 million for the Period, compared to RMB264.8 million for the Corresponding Period, primarily due to an increase in the average borrowing balance. However, interest expenses decreased by 5.1% for the Period, compared to RMB327.0 million for the six months ended December 31, 2021, primarily due to a decrease in the average borrowing balance and weighted average interest rates during the Period.

## Management Discussion and Analysis

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

Interest Type Income	June 30, 2022		Six months ended December 31, 2021		June 30, 2021	
	RMB'000	%	RMB'000	%	RMB'000	%
Online consumption products	1,124,297	100.0%	1,146,314	99.9%	821,009	99.5%
Online-to-offline credit products	366	0.0%	472	0.1%	3,957	0.5%
<b>Total</b>	<b>1,124,663</b>	<b>100.0%</b>	<b>1,146,786</b>	<b>100.0%</b>	<b>824,966</b>	<b>100.0%</b>

### Loan Facilitation Service Fees

Loan facilitation service fees decreased by 28.9% to RMB692.4 million for the Period, compared to RMB973.3 million for the Corresponding Period, primarily due to a decrease in facilitation fee rates and partially offset by an increase in loan origination volume. Loan facilitation service fees increased by 22.2% for the Period, compared to RMB566.7 million for the six months ended December 31, 2021, primarily due to an increase in loan origination volume.

The following table sets forth a breakdown of our loan facilitation service fees for our credit-enhanced loan facilitation structure and our pure loan facilitation structure for the periods indicated.

Loan Facilitation Service Fees	June 30, 2022	Six months ended December 31, 2021	June 30, 2021
	RMB'000	RMB'000	RMB'000
Credit-enhanced loan facilitation	620,280	525,831	973,339
Pure loan facilitation	72,106	40,782	—
<b>Total</b>	<b>692,386</b>	<b>566,613</b>	<b>973,339</b>

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

Loan Facilitation Service Fees	June 30, 2022	Six months ended December 31, 2021	June 30, 2021
	RMB'000	RMB'000	RMB'000
Upfront loan facilitation service fees	473,976	289,398	764,223
Post loan facilitation service fees	218,410	277,215	209,116
<b>Total</b>	<b>692,386</b>	<b>566,613</b>	<b>973,339</b>

### Other Income

Other income decreased by 78.2% to RMB75.6 million for the Period, compared to RMB346.5 million for the Corresponding Period and decreased by 60.6%, compared to RMB191.7 million for the six months ended December 31, 2021. The decrease in other income was primarily due to the change in asset quality and a decrease in penalty and other charges and partially offset by the increase in one-off government grants.

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

	Six months ended		
	June 30, 2022	December 31, 2021	June 30, 2021
<b>Other Income</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Government grants	36,010	1,000	—
Membership fees, referral fees and other service fees	27,950	16,217	6,650
Penalty and other charges	7,331	12,924	45,173
Gains from guarantee	3,708	161,710	293,894
Others	624	—	719
<b>Total</b>	<b>75,623</b>	<b>191,851</b>	<b>346,436</b>

### Expenses

#### Origination and Servicing Expenses

Our origination and servicing expenses increased by 10.6% to RMB563.1 million for the Period, compared to RMB509.0 million for the Corresponding Period, due to an increase in loan origination volume and the strategy of targeting and retaining better-quality customers.

#### Sales and Marketing Expenses

Overall, our sales and marketing expenses increased by 25.3% to RMB16.5 million for the Period, compared to RMB13.2 million for the Corresponding Period, due to an increase in employee benefit expenses, partially offset by a decrease in professional service fees.

#### General and Administrative Expenses

Our general and administrative expenses decreased by 5.8% to RMB155.7 million for the Period, compared to RMB165.3 million for the Corresponding Period, mainly due to optimisation in our efficiency.

#### Research and Development Expenses

Our research and development expenses increased by 20.7% to RMB46.8 million for the Period, compared to RMB38.8 million for the Corresponding Period, mainly due to an increase in employee benefit expenses to enhance technological capabilities.

## Management Discussion and Analysis

### **Operating Profit**

We recorded an operating profit of RMB430.4 million for the Period, a decrease of 57.3% compared to RMB1,008.8 million for the Corresponding Period, and a decrease of 14.8% compared to RMB504.8 million for the six months ended December 31, 2021, primarily due to a decline in customer fee rates as we strategically migrated our loan portfolio towards loans with interest rates of 24% per annum in line with regulatory pricing caps and an increase in our credit impairment losses and fair value change of loans to customers as a result of change in loan origination scale, partially offset by improving asset quality.

### **Net Profit**

We recorded a net profit of RMB328.0 million for the Period, a decrease of 57.8% compared to RMB777.6 million for the Corresponding Period, and a decrease of 18.3% compared to RMB401.7 million for the six months ended December 31, 2021, which is consistent with our operating profit for the same period.

### **Non-IFRS Adjusted Operating Profit**

Our Non-IFRS adjusted operating profit was RMB433.8 million for the Period, a decrease of 58.1% compared to RMB1,036.2 million for the Corresponding Period and a decrease of 15.1% compared to RMB510.7 million for the six months ended December 31, 2021.

### **Non-IFRS Adjusted Net Profit**

Our Non-IFRS adjusted net profit was RMB331.5 million for the Period, a decrease of 58.8% compared to RMB805.0 million for the Corresponding Period and a decrease of 18.7% compared to RMB407.6 million for the six months ended December 31, 2021.

### **Non-IFRS Measures**

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

## Management Discussion and Analysis

	Six months ended		
	June 30, 2022	December 31, 2021	June 30, 2021
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Operating Profit</b>	<b>430,352</b>	504,831	1,008,756
Add:			
Share-based compensation expenses	<u>3,485</u>	<u>5,883</u>	<u>27,409</u>
<b>Non-IFRS Adjusted Operating Profit</b>	<b>433,837</b>	510,714	1,036,165
<b>Non-IFRS Adjusted Operating Profit Margin <sup>(1)</sup></b>	<b>27.4%</b>	32.4%	55.1%

	Six months ended		
	June 30, 2022	December 31, 2021	June 30, 2021
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Net Profit</b>	<b>327,998</b>	401,672	777,624
Add:			
Share-based compensation expenses	<u>3,485</u>	<u>5,883</u>	<u>27,409</u>
<b>Non-IFRS Adjusted Net Profit</b>	<b>331,483</b>	407,555	805,033
<b>Non-IFRS Adjusted Net Profit Margin <sup>(2)</sup></b>	<b>20.9%</b>	25.8%	42.8%

Notes:

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

### Loans to Customers at Fair Value through Profit or Loss

Our loans to customers at fair value through profit or loss primarily represent the fair value of total balance of loans originated by us through our trust lending and direct lending structures. Our loans to customers at fair value through profit or loss decreased by 11.9% to RMB6,451.4 million as at June 30, 2022, compared to RMB7,322.0 million as at December 31, 2021, primarily due to a decrease in our trust lending loan origination volume.

	As at June 30, 2022		As at December 31, 2021	
	<u>RMB'000</u>	<u>%</u>	<u>RMB'000</u>	<u>%</u>
Online consumption products	<u>6,442,746</u>	<u>99.9%</u>	7,302,402	99.7%
Online-to-offline credit products	<u>8,700</u>	<u>0.1%</u>	19,632	0.3%
<b>Total</b>	<b>6,451,446</b>	<b>100.0%</b>	7,322,034	100.0%

## Management Discussion and Analysis

### Contract Assets

Our contract assets increased by 18.0% to RMB352.0 million as at June 30, 2022, compared to RMB298.4 million as at December 31, 2021, due to an increase in our credit-enhanced and pure loan origination volume by 94.7% to RMB17,223.3 million for the Period, compared to RMB8,845.7 million for the six months ended December 31, 2021, partially offset by the decrease in facilitation fee rates.

	As at June 30, 2022	As at December 31, 2021
	RMB'000	RMB'000
Contract assets	400,670	351,584
Less: expected credit losses ("ECL") allowance	(48,673)	(53,228)
	<b>351,997</b>	298,356

### Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables increased by 72.8% to RMB562.2 million as at June 30, 2022, compared to RMB325.3 million as at December 31, 2021. Our guarantee liabilities increased by 55.1% to RMB733.0 million as at June 30, 2022, compared to RMB472.5 million as at December 31, 2021. The changes in guarantee receivables and guarantee liabilities are primarily due to an increase in our credit-enhanced loan origination volume by 92.9% to RMB14,352.4 million for the Period, compared to RMB7,438.9 million for the six months ended December 31, 2021.

	Six months ended June 30, 2022	2021
	RMB'000	RMB'000
<b>Guarantee Receivables</b>		
Opening balance	325,331	708,703
Addition arising from new business	747,239	689,381
ECL	(39,933)	472
Reversal due to early repayment	(17,067)	(39,754)
Payment received from borrowers	(453,364)	(746,723)
<b>Ending Balance</b>	<b>562,206</b>	612,079
<b>Guarantee Liabilities</b>		
Opening balance	472,454	807,421
Addition arising from new business	747,239	689,381
Release of the margin	(49,780)	(47,509)
ECL	46,072	(246,385)
Reversal due to early repayment	(17,067)	(39,754)
Payouts during the period, net	(465,953)	(384,372)
<b>Ending Balance</b>	<b>732,965</b>	778,782

## Borrowings and Senior Notes

Our total borrowings and senior notes, as recorded in our interim condensed consolidated statement of financial position, comprise (i) payable to trust plan holders and (ii) senior notes. Our total borrowings and senior notes decreased by 16.1% to RMB5,864.8 million as at June 30, 2022, compared to RMB6,987.3 million as at December 31, 2021, primarily due to a decrease in loans originated by us through our trust lending structure.

The senior notes are comprised of the HK\$200,000,000 9.5% senior notes due 2025 issued on June 16, 2022 and the remaining principal amount of US\$54,440,000 of the US\$85,000,000 11.0% senior notes due 2022 issued on December 3, 2020 (the “**2022 Senior Notes**”).

During the Period, we repurchased the principal amounts of US\$11,390,000, US\$4,260,000 and US\$14,910,000 of the 2022 Senior Notes on April 8, 2022, April 22, 2022 and April 26, 2022, respectively. All of the repurchased 2022 Senior Notes were subsequently cancelled.

	As at June 30, 2022		As at December 31, 2021	
	RMB'000	%	RMB'000	%
Payable to trust plan holders	5,335,749	91.0%	6,463,774	92.5%
Senior notes	529,078	9.0%	523,542	7.5%
<b>Total</b>	<b>5,864,827</b>	<b>100.0%</b>	6,987,316	100.0%

Weighted Average Interest Rates of Borrowings and Senior Notes	As at	As at
	June 30, 2022	December 31, 2021
Payable to trust plan holders	8.9%	9.2%
Borrowings from corporations	—	11.9%
Senior notes	10.5%	11.0%

## Gearing Ratio

As at June 30, 2022, our gearing ratio, calculated as total liabilities divided by total assets, was approximately 66.2%, representing a decrease of 3.7% as compared with 69.9% as at December 31, 2021.

As at June 30, 2022, our consolidated debt to equity ratio, calculated as the sum of borrowings, senior notes, lease liabilities and guarantee liabilities divided by total equity, was approximately 1.8x, as compared with 2.2x as at December 31, 2021.

### LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from operating activities and capital contribution from shareholders of the Company (the “Shareholders”).

#### Cash Flows

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

	<b>June 30, 2022</b>	<b>Six months ended December 31, 2021</b>	<b>June 30, 2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Net cash inflow/(outflow) from operating activities	<b>1,618,670</b>	648,870	(1,666,819)
Net cash outflow from investing activities	<b>(219,524)</b>	(89,883)	(32,853)
Net cash (outflow)/inflow from financing activities	<b>(1,469,378)</b>	(303,525)	1,849,090
Net (decrease)/increase in cash and cash equivalents	<b>(70,232)</b>	255,462	149,418
Cash and cash equivalents at the beginning of the periods	<b>1,908,110</b>	1,650,716	1,501,835
Effects of exchange rate changes on cash and cash equivalents	<b>5,251</b>	1,932	(537)
Cash and cash equivalents at the end of the periods	<b>1,843,129</b>	1,908,110	1,650,716

Our cash inflow generated from operating activities primarily consists of principal and interest, loan facilitation service fees and other service fees received from the consumer finance products we offered. Our cash outflow used in operating activities primarily consists of loan volume originated from direct and trust lending structures, cash payment of guarantee indemnification, employee salaries and benefits, taxes and surcharges, and other operating expenses. We had net cash inflow generated from operating activities of RMB1,618.7 million for the Period, compared to net cash outflow used in operating activities of RMB1,666.8 million for the Corresponding Period, primarily due to a decrease of RMB920.0 million in loan volume originated by trust lending structure for the Period.

We had net cash outflow from investing activities of RMB219.5 million for the Period, compared to net cash outflow of RMB32.9 million for the Corresponding Period. Net cash outflow increased primarily due to an increase of RMB300.0 million in structured deposits partially offset by a decrease of RMB97.5 million in money market funds.

We had net cash outflow from financing activities of RMB1,469.4 million for the Period, compared to net cash inflow of RMB1,849.1 million for the Corresponding Period. For the Period, we had net cash outflow from borrowings and trust plans of RMB1,133.9 million and payment of interest expenses of RMB286.8 million, compared to net cash inflow from borrowings and trust plans of RMB2,191.4 million and payment of interest expenses of RMB212.1 million for the Corresponding Period. Additionally, we had a net cash inflow of RMB162.2 million from issuance of senior notes, and a net cash outflow of RMB196.4 million from repayment of senior notes, compared to a net cash outflow of RMB114.9 million for the Corresponding Period.

### **Capital Commitments**

The Group did not have any significant capital commitments contracted for but not recognised as liabilities as at June 30, 2022.

### **Charges on Assets**

The Group did not have any charges on assets as at June 30, 2022.

### **Contingencies**

Save as disclosed in this unaudited interim report, the Group did not have any significant contingent liabilities as at June 30, 2022.

## **ACQUISITIONS AND DISPOSALS**

### **Material Investments and Acquisitions**

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

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

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

## Other Information

### INTERIM DIVIDEND

The board of directors of the Company (the “**Board**”) has recommended the distribution of an interim dividend of HK10 cents per share of the Company (the “**Shares**”) for the Period (for the six months ended June 30, 2021: an interim dividend of HK10 cents per Share and a special dividend of HK10 cents per Share) to Shareholders on the register of members of the Company (the “**Register of Members**”) on Friday, October 21, 2022, amounting to approximately HK\$49.0 million out of the share premium account of the Company, subject to the approval of the Shareholders at an extraordinary general meeting expected to be held on Tuesday, October 11, 2022 (the “**EGM**”). If approved by Shareholders at the EGM, the interim dividend will be payable on or around Friday, November 11, 2022.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will not be closed for the purpose of ascertaining the right of Shareholders to attend and vote at the EGM. To be eligible and attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, October 5, 2022.

To determine the entitlement to the proposed interim dividend, the Register of Members will be closed from Wednesday, October 19, 2022 to Friday, October 21, 2022, both days inclusive, during which period no transfers of Shares shall be effected. The record date will be Friday, October 21, 2022. To be eligible to receive the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, October 18, 2022.

### DIRECTORS’ AND EMPLOYEES’ REMUNERATION AND POLICY

Directors’ and senior management’s remuneration is determined by the remuneration committee and the Board. No director of the Company (“**Directors**”) has waived or agreed to waive any emoluments.

As at June 30, 2022, the Group had a total of 728 employees.

The Group seeks to attract, retain and motivate high quality staff to be able to continuously develop its business. Remuneration packages are designed to ensure comparability within the market and competitiveness with other companies engaged in the same or similar industry with which the Group competes and other comparable companies. Emoluments are also based on an individual’s knowledge, skill, time commitment, responsibilities and performance and by reference to the Group’s overall profits, performance and achievements.

The employees of the Group’s subsidiaries which operate in China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

The Group operates a defined scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the scheme.

The Company operates a number of share incentive schemes for the purpose of providing share based incentives and rewards to eligible persons (see section headed "Share Incentive Schemes" below).

### **CORPORATE GOVERNANCE CODE**

The Company has, throughout the Period, applied the principles and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

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

## Other Information

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

As at June 30, 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, are as follows:

#### Long positions in Shares and underlying Shares:

Name of Directors	Nature of interest	Number of Shares	Number of Underlying Shares pursuant to		Percentage of total issued Shares <sup>(1)</sup>
			Share options	Share awards	
Ma Ting Hung	Personal interest	15,950,000			40.15%
	Interest in controlled corporations <sup>(2)</sup>	176,922,097	4,000,000		
Liu Sai Wang Stephen	Personal interest	900,000		300,000	22.05%
	Interest in controlled corporations <sup>(3)</sup>	59,942,173	46,978,816		
Liu Sai Keung Thomas	Personal interest	450,000		150,000	1.52%
	Interest in controlled corporations <sup>(4)</sup>	6,828,585			
Yip Ka Kay	Interest in controlled corporations <sup>(5)</sup>	13,574,502			2.77%
Fang Yuan	Personal Interest	103,200			0.02%

#### Notes:

- (1) The calculation is based on (i) the aggregate number of Shares and, if any, underlying Shares pursuant to share options and share awards and (ii) the total number of 490,310,589 Shares in issue as at June 30, 2022.
- (2) Ma Ting Hung controls 100%, and is a director, of each of Skyworld-Best Limited, Wealthy Surplus Limited and Glory Global International Limited, each of which has a beneficial interest in 84,719,154 Shares, 46,607,010 Shares and 45,595,933 Shares, respectively. Skyworld-Best Limited also has a beneficial interest in share options to subscribe for 4,000,000 Shares.
- (3) Liu Sai Wang Stephen controls 50%, and is a director, of Magic Mount Limited, which has a beneficial interest in 27,093,858 Shares, and controls 100% of, and is a director of, each of Perfect Castle Development Limited and Union Fair International Limited. Perfect Castle Development Limited has a beneficial interest in 27,523,810 Shares and of which, 20,000,000 Shares have been lent under securities lending agreements. Perfect Castle Development Limited also has a beneficial interest in share options to subscribe for 46,978,816 Shares. Union Fair International Limited has a beneficial interest in 5,324,505 Shares.
- (4) Liu Sai Keung Thomas controls 100% of, and is a director of, International Treasure Limited which has a beneficial interest in 6,828,585 Shares.
- (5) Yip Ka Kay controls 50% of, and is a director of, CPED (KY) Limited, which has a beneficial interest in 4,015,628 Shares. Yip Ka Kay is also the sole director and the sole shareholder of NM Strategic Partners, LLC which manages NM Strategic Focus Fund L.P., which has a beneficial interest in 9,558,874 Shares.

Save as disclosed herein and so far as is known to the Directors, as at June 30, 2022, none of the Directors or the chief executive of the Company had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## SHARE INCENTIVE SCHEMES

### Pre-IPO Share Option Schemes

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

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

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

- (a) the name of the director, in the case of outstanding share options granted to a director or a company or companies controlled by such director and the category of persons, in the case of outstanding share options granted to persons who are not directors or companies controlled by directors;
- (b) in the case of a director, the number of share options granted to such director or companies controlled by such director on an individual basis and in the case of other persons, the number of share options granted on an aggregate basis;
- (c) the number of share options exercised during the Period;
- (d) the date of grant of the share options;
- (e) the exercise period (after taking into account any vesting period) of the share options;
- (f) the exercise price of the share options; and
- (g) the approximate percentage that the Shares issuable under the share options represent of the total Shares in issue as at June 30, 2022.

## Other Information

Name or category of participant	Options outstanding as at June 30, 2022	Exercised during the Period	Lapsed during the Period	Date of grant	Exercise period	Exercise price per Share (US\$)	Approximate percentage of issued Shares <sup>(1)</sup>
<b>2016 ESOP</b>							
<b>Other employees</b>							
In aggregate	0	Nil	171,850	20-11-2017	20-11-2018 to 19-11-2022	0.8735	0%
	0	Nil	171,850	20-11-2017	20-11-2019 to 19-11-2022	0.8735	
	0	Nil	171,902	20-11-2017	20-11-2020 to 19-11-2022	0.8735	
<b>2017 ESOP I</b>							
<b>Director</b>							
Liu Sai Wang Stephen <sup>(2)</sup>	8,954,665	Nil	Nil	10-05-2018	09-05-2019 to 09-05-2023	1.6123	5.48%
	8,954,665	Nil	Nil	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	8,954,667	Nil	Nil	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
<b>Other employees</b>							
In aggregate	2,631,000	Nil	15,000	10-05-2018	09-05-2019 to 09-05-2023	1.6123	1.61%
	2,631,000	Nil	15,000	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	2,631,000	Nil	15,000	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
<b>2017 ESOP II</b>							
<b>Director</b>							
Liu Sai Wang Stephen <sup>(2)</sup>	6,704,939	Nil	Nil	10-05-2018	09-05-2019 to 09-05-2023	1.6123	4.10%
	6,704,939	Nil	Nil	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	6,704,941	Nil	Nil	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
Ma Ting Hung <sup>(3)</sup>	1,333,333	Nil	Nil	10-05-2018	09-05-2019 to 09-05-2023	1.6123	0.82%
	1,333,333	Nil	Nil	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	1,333,334	Nil	Nil	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
<b>Other employees</b>							
In aggregate	333,333	Nil	Nil	10-05-2018	09-05-2019 to 09-05-2023	1.6123	0.20%
	333,333	Nil	Nil	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	333,334	Nil	Nil	10-05-2018	09-05-2021 to 09-05-2023	1.6123	

### Notes:

- (1) The percentage calculations are based on the total number of 490,310,589 Shares in issue as at June 30, 2022.
- (2) Liu Sai Wang Stephen has a corporate interest in an aggregate of 46,978,816 share options granted under the 2017 ESOP I and the 2017 ESOP II. The corporate interest is held through Perfect Castle Development Limited, a company that is 100% controlled by Liu Sai Wang Stephen.
- (3) Ma Ting Hung has a corporate interest in 4,000,000 share options granted under the 2017 ESOP II. The corporate interest is held through Skyworld-Best Limited, a company that is 100% controlled by Ma Ting Hung.

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

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

### **Post-IPO Share Option Scheme**

The Company adopted a post-IPO share option scheme on May 10, 2018 (the “**Post-IPO Share Option Scheme**”).

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

No share options have been granted or agreed to be granted under the Post-IPO Share Option Scheme as at June 30, 2022.

### **Share Award Scheme**

The Company adopted the VCREDIT No. 1 Share Award Scheme on January 11, 2019 (the “**Share Award Scheme No. 1**”), pursuant to which the Company may grant share awards (“**Awards**”) in respect of up to 24,974,369 Shares. The Company also adopted the VCREDIT No. 2 Share Award Scheme on May 27, 2021 (the “**Share Award Scheme No. 2**”, together with the Share Award Scheme No. 1, the “**Share Award Schemes**”), pursuant to which the Company may grant Awards in respect of up to 49,305,718 Shares. The Share Award Schemes are discretionary schemes of the Company. The purpose of the Share Award Schemes is to align the interests of eligible persons with those of the Group and to help encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. Further details of the Share Award Schemes are set out in the announcements of the Company dated January 11, 2019 and May 27, 2021.

During the Period, Awards in respect of a total of 200,000 Shares were awarded to eligible persons pursuant to the Share Award Scheme No. 1. As of June 30, 2022, Awards in respect of a total of 8,420,360 Shares have been awarded to eligible persons under the Share Award Scheme No. 1, and out of which 1,800,000 Shares have been awarded to connected persons.

## Other Information

As at June 30, 2022, the trustees of the trusts established to administer the Share Award Scheme No. 1 held a total of 2,527,390 Shares which can be applied to satisfy Awards granted under the Share Award Scheme No. 1 to connected persons and non-connected persons.

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

Grantees	Date of Award	Number of Shares underlying Awards					As at June 30, 2022
		Originally Granted	As at January 1, 2022	Granted during the Period	Vested during the Period	Forfeited during the Period	
Liu Sai Wang Stephen	26-03-2019	1,200,000 <sup>(1)</sup>	600,000	Nil	300,000	Nil	300,000
Liu Sai Keung Thomas	26-03-2019	600,000 <sup>(1)</sup>	300,000	Nil	150,000	Nil	150,000
Non-connected Persons	26-03-2019	4,645,360 <sup>(1)*</sup>	1,869,780	Nil	897,390	187,500	784,890
Non-connected Person	26-03-2019	85,000 <sup>(2)</sup>	28,305	Nil	28,305	Nil	0
Non-connected Person	08-07-2020	200,000 <sup>(3)</sup>	100,000	Nil	Nil	Nil	100,000
Non-connected Person	08-07-2020	250,000 <sup>(4)</sup>	125,000	Nil	Nil	Nil	125,000
Non-connected Person	08-07-2020	200,000 <sup>(5)</sup>	100,000	Nil	Nil	Nil	100,000
Non-connected Person	19-07-2021	120,000 <sup>(6)</sup>	120,000	Nil	30,000	Nil	90,000
Non-connected Person	19-07-2021	120,000 <sup>(7)</sup>	120,000	Nil	30,000	Nil	90,000
Non-connected Person	19-07-2021	400,000 <sup>(8)</sup>	400,000	Nil	100,000	Nil	300,000
Non-connected Person	02-09-2021	200,000 <sup>(9)</sup>	200,000	Nil	Nil	Nil	200,000
Non-connected Person	01-04-2022	200,000 <sup>(10)</sup>	N/A	200,000	Nil	Nil	200,000

Notes:

The Shares underlying Awards granted under the Share Award Scheme No.1 vest in the tranches as follows:

No.	First Tranche	Second Tranche	Third Tranche	Fourth Tranche
(1)	one-quarter, on March 25, 2020	one-quarter, on March 25, 2021	one-quarter, on March 25, 2022	one-quarter, on March 25, 2023
(2)	56,695 Shares, on March 25, 2021	28,305 Shares, on March 25, 2022		
(3)	one-quarter, on September 2, 2020	one-quarter, on September 2, 2021	one-quarter, on September 2, 2022	one-quarter, on September 2, 2023
(4)	one-quarter, on November 4, 2020	one-quarter, on November 4, 2021	one-quarter, on November 4, 2022	one-quarter, on November 4, 2023
(5)	one-quarter, on November 18, 2020	one-quarter, on November 18, 2021	one-quarter, on November 18, 2022	one-quarter, on November 18, 2023
(6)	one-quarter, on March 1, 2022	one-quarter, on March 1, 2023	one-quarter, on March 1, 2024	one-quarter, on March 1, 2025
(7)	one-quarter, on May 6, 2022	one-quarter, on May 6, 2023	one-quarter, on May 6, 2024	one-quarter, on May 6, 2025
(8)	one-quarter, on June 1, 2022	one-quarter, on June 1, 2023	one-quarter, on June 1, 2024	one-quarter, on June 1, 2025
(9)	one-quarter, on August 9, 2022	one-quarter, on August 9, 2023	one-quarter, on August 9, 2024	one-quarter, on August 9, 2025
(10)	one-quarter, on September 28, 2022	one-quarter, on September 28, 2023	one-quarter, on September 28, 2024	one-quarter, on September 28, 2025

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

As of June 30, 2022, no Shares have been awarded pursuant to the Share Award Scheme No. 2.

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

As at June 30, 2022, the interests and short positions of the substantial Shareholders and other persons in Shares or underlying Shares, as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares		Number of underlying Shares pursuant to share options/ share awards*	Percentage of total issued Shares <sup>(1)</sup>
		Long Position	Short Position		
Ma Ting Hung	Personal interest	15,950,000			40.15%
	Interest in controlled corporations <sup>(2)</sup>	176,922,097		4,000,000	
Skyworld-Best Limited	Beneficial interest <sup>(2)</sup>	84,719,154		4,000,000	18.09%
Wealthy Surplus Limited	Beneficial interest <sup>(2)</sup>	46,607,010			9.51%
Glory Global International Limited	Beneficial interest <sup>(2)</sup>	45,595,933			9.30%
Liu Sai Wang Stephen	Personal interest	900,000		300,000*	22.05%
	Interest in controlled corporations <sup>(3)</sup>	59,942,173		46,978,816	
Kwok Lim Ying	Interest in a controlled corporation <sup>(4)</sup>	27,093,858			5.53%
Perfect Castle Development Limited	Beneficial interest <sup>(3)</sup>	27,523,810		46,978,816	15.19%
Magic Mount Limited	Beneficial interest <sup>(3) (4)</sup>	27,093,858			5.53%
Kwok Peter Viem	Interest in a controlled corporation <sup>(5)</sup>	70,740,770			14.43%
	Interest in a controlled corporation <sup>(5)</sup>		20,000,000		4.08%
Kwok Chang Shiu Feng	Interest in a controlled corporation <sup>(5)</sup>	70,740,770			14.43%
	Interest in a controlled corporation <sup>(5)</sup>		20,000,000		4.08%
High Loyal Management Limited	Beneficial interest <sup>(5)</sup>	70,740,770			14.43%
	Beneficial interest <sup>(5)</sup>		20,000,000		4.08%
EastWest Trust Company Limited	Interest in a controlled corporation <sup>(6)</sup>	41,339,885			8.43%
Cavamont Holdings Limited	Interest in a controlled corporation <sup>(7)</sup>	41,339,885			8.43%
Cavamont Investments Limited	Interest in a controlled corporation <sup>(6)</sup>	41,339,885			8.43%
Cavenham Private Equity and Directs	Interest in controlled corporations <sup>(9)</sup>	41,339,885			8.43%
CPED Asia (No.1) Limited	Beneficial interest <sup>(9)</sup>	37,324,257			7.61%
David Bonderman	Interest in a controlled corporation <sup>(10)</sup>	31,011,598			6.32%
James George Coulter	Interest in a controlled corporation <sup>(10)</sup>	31,011,598			6.32%
TPG Group Holdings (SBS) Advisors, Inc.	Interest in a controlled corporation <sup>(11)</sup>	31,011,598			6.32%
TPG Group Holdings (SBS) Advisors, LLC	Interest in a controlled corporation <sup>(12)</sup>	31,011,598			6.32%
TPG Group Holdings (SBS), L.P.	Interest in a controlled corporation <sup>(13)</sup>	31,011,598			6.32%
TPG Holding III-A, Inc.	Interest in a controlled corporation <sup>(14)</sup>	31,011,598			6.32%
TPG Holdings III-A, L.P.	Interest in a controlled corporation <sup>(15)</sup>	31,011,598			6.32%
TPG Holdings III, LP	Interest in a controlled corporation <sup>(16)</sup>	31,011,598			6.32%
TPG Growth III SF AIV GenPar Advisors, Inc.	Interest in a controlled corporation <sup>(17)</sup>	31,011,598			6.32%
TPG Growth III SF AIV GenPar, LP	Interest in a controlled corporation <sup>(18)</sup>	31,011,598			6.32%
TPG Growth III SF Finance, Limited Partnership	Interest in a controlled corporation <sup>(19)</sup>	31,011,598			6.32%
TPG Growth III SF Pte. Ltd.	Beneficial interest	31,011,598			6.32%

## Other Information

### Notes:

- (1) The calculation is based on (i) the aggregate number of Shares and, if any, underlying Shares pursuant to share options and share awards, and (ii) the total number of 490,310,589 Shares in issue as at June 30, 2022.
- (2) Ma Ting Hung controls 100% of each of Skyworld-Best Limited, Wealthy Surplus Limited and Glory Global International Limited.
- (3) Liu Sai Wang Stephen controls 100% of each of Perfect Castle Development Limited and Union Fair International Limited, and 50% of Magic Mount Limited. Perfect Castle Development Limited has a beneficial interest in 27,523,810 Shares, and amongst which, 20,000,000 Shares have been lent under a securities lending agreement. Union Fair International Limited has a beneficial interest in 5,324,505 Shares.
- (4) Kwok Lim Ying controls 50% of Magic Mount Limited.
- (5) Kwok Peter Viem and Kwok Chang Shiu Feng each controls 50% of High Loyal Management Limited. The short position disclosed by High Loyal Management Limited relates to 20,000,000 borrowed Shares (with an obligation to return the Shares) under a securities lending agreement.
- (6) EastWest Trust Company Limited controls 64.17% of Cavamont Holdings Limited.
- (7) Cavamont Holdings Limited controls 100% of Cavamont Investments Limited.
- (8) Cavamont Investments Limited controls 100% of Cavenham Private Equity and Directs.
- (9) Cavenham Private Equity and Directs controls 100% of CPED Asia (No.1) Limited and 50% of CPED (KY) Limited, which has a beneficial interest in 4,015,628 Shares.
- (10) David Bonderman and James George Coulter each controls 50% of TPG Group Holdings (SBS) Advisors, Inc.
- (11) TPG Group Holdings (SBS) Advisors, Inc. controls 100% of TPG Group Holdings (SBS) Advisors, LLC.
- (12) TPG Group Holdings (SBS) Advisors, LLC controls 100% of TPG Group Holdings (SBS), L.P.
- (13) TPG Group Holdings (SBS), L.P. controls 100% of TPG Holdings III-A, Inc.
- (14) TPG Holdings III-A, Inc. controls 100% of TPG Holdings III-A, L.P.
- (15) TPG Holdings III-A, L.P. controls 100% of TPG Holdings III, LP.
- (16) TPG Holdings III, LP controls 100% of TPG Growth III SF AIV GenPar Advisors, Inc.
- (17) TPG Growth III SF AIV GenPar Advisors, Inc. controls 100% of TPG Growth III SF AIV GenPar, LP.
- (18) TPG Growth III SF AIV GenPar, LP controls 100% of TPG Growth III SF Finance, Limited Partnership.
- (19) TPG Growth III SF Finance, Limited Partnership controls 100% of TPG Growth III SF Pte. Ltd.

Save as disclosed herein and in the section headed “Directors’ and Chief Executive’s Interests in Shares and Underlying Shares” above, and so far as is known to the Directors, as at June 30, 2022, no person had an interest or a short position in the Shares or underlying Shares required to be recorded in the register to be kept under section 336 of the SFO.

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

### Shares

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any Shares during the Period.

### Senior Notes

During the Period, the Company repurchased an aggregate principal amount of US\$30,560,000 (the “**Repurchased Notes**”) of the 2022 Senior Notes by way of private treaty from independent third parties for a total consideration of US\$29,032,000, plus accrued interest, if applicable. The Repurchased Notes have been cancelled.

Following cancellation of the Repurchased Notes, a principal amount of US\$54,440,000, representing 64.0% of the original principal amount, of the 2022 Senior Notes remains outstanding as at June 30, 2022.

Further details of the repurchase of the Repurchased Notes are contained in the announcements of the Company dated April 8, 2022, April 22, 2022 and April 26, 2022.

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

## SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDERS OF THE COMPANY

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

Pursuant to the terms and conditions of the 2022 Senior Notes, the Company is required to make an offer to repurchase all outstanding 2022 Senior Notes at a purchase price equal to 101% of the principal amount of the 2022 Senior Notes, plus accrued and unpaid interest, if any, to (but not including) the repurchase date, if Mr. Ma Ting Hung, Mr. Liu Sai Wang Stephen, Madam Kwok Lim Ying and Mr. Liu Sai Keung Thomas and any entity controlled by them are the beneficial owners (as such term is used in Rule 13d-3 of the U.S. Securities Exchange Act of 1934) of less than 35% of the total voting power of the voting stock of the Company, accompanied by a rating decline.

## REVIEW OF ACCOUNTS

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

# Report on Review of Interim Financial Information

## To the Board of Directors of VCREDIT Holdings Limited

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

### INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 65, which comprises the interim condensed consolidated statement of financial position of VCREDIT Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at June 30, 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and 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”.

#### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, August 24, 2022

*Note:* This report is published and available in both traditional Chinese and English. If there is any discrepancy between the texts, the English version shall prevail for all purposes.

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2022

	Notes	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Continuing operations</b>			
Interest type income	6	1,124,663	824,966
Less: interest expenses	6	(310,181)	(264,765)
Net interest type income	6	814,482	560,201
Loan facilitation service fees	7	692,386	973,339
Other income	8	75,623	346,436
<b>Total income</b>		<b>1,582,491</b>	<b>1,879,976</b>
Origination and servicing expenses	9	(563,118)	(508,989)
Sales and marketing expenses	9	(16,520)	(13,182)
General and administrative expenses	9	(155,659)	(165,280)
Research and development expenses	9	(46,806)	(38,788)
Credit impairment losses	10	(68,185)	(32,555)
Fair value change of loans to customers	5.2.1	(303,649)	(129,155)
Other gains, net	11	1,798	16,729
<b>Operating profit</b>		<b>430,352</b>	<b>1,008,756</b>
Share of net profit of associates accounted for using the equity method		—	328
<b>Profit before income tax</b>		<b>430,352</b>	<b>1,009,084</b>
Income tax expense	12	(102,354)	(231,460)
<b>Profit for the period attributable to:</b>			
Owners of the Company		328,001	777,633
Non-controlling interests		(3)	(9)
		<b>327,998</b>	<b>777,624</b>

## Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2022

	Notes	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of financial statements		(4,866)	(1,750)
<b>Total comprehensive income for the period, net of tax</b>		<b>323,132</b>	775,874
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		323,135	775,883
Non-controlling interests		(3)	(9)
		<b>323,132</b>	775,874
<b>Basic earnings per share (RMB yuan)</b>	13	<b>0.67</b>	1.59
<b>Diluted earnings per share (RMB yuan)</b>	13	<b>0.67</b>	1.58

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

# Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2022

	Notes	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
<b>Assets</b>			
Cash and cash equivalents	14(a)	1,843,006	1,907,940
Restricted cash	14(b)	172,489	55,110
Loans to customers at fair value through profit or loss	15	6,451,446	7,322,034
Contract assets	16	351,997	298,356
Guarantee receivables	17	562,206	325,331
Financial investments at fair value through profit or loss	18	345,752	133,798
Deferred income tax assets	19	338,707	381,035
Right-of-use assets		31,245	24,598
Intangible assets		38,801	40,590
Property and equipment		32,897	35,056
Other assets	20	637,749	753,097
<b>Total assets</b>		<b>10,806,295</b>	<b>11,276,945</b>
<b>Liabilities</b>			
Tax payable		116,817	59,691
Guarantee liabilities	17	732,965	472,454
Lease liabilities		31,450	25,286
Borrowings	21	5,335,749	6,463,774
Senior notes	22	529,078	523,542
Deferred income tax liabilities	19	—	92,979
Other liabilities	23	402,569	245,494
<b>Total liabilities</b>		<b>7,148,628</b>	<b>7,883,220</b>
<b>Equity</b>			
Share capital	24	40,141	40,145
Share premium	24	5,399,033	5,461,908
Treasury shares	25	(17,723)	(29,084)
Reserves		751,276	763,814
Accumulated losses		(2,518,095)	(2,846,096)
Non-controlling interests		3,035	3,038
<b>Total equity</b>		<b>3,657,667</b>	<b>3,393,725</b>
<b>Total liabilities and equity</b>		<b>10,806,295</b>	<b>11,276,945</b>

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

# Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended June 30, 2022

	Attributable to owners of the Company							
	Share capital RMB'000 Note 24	Share premium RMB'000 Note 24	Treasury shares RMB'000 Note 25	Reserves			Non-controlling interests RMB'000	Total RMB'000
				Share-based payment reserves RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000		
<b>(Unaudited)</b>								
<b>Balance at January 1, 2022</b>	<u>40,145</u>	<u>5,461,908</u>	<u>(29,084)</u>	<u>691,301</u>	<u>72,513</u>	<u>(2,846,096)</u>	<u>3,038</u>	<u>3,393,725</u>
Profit for the period	-	-	-	-	-	328,001	(3)	327,998
Exchange difference on translation of financial statements	-	-	-	-	(4,866)	-	-	(4,866)
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,866)</u>	<u>328,001</u>	<u>(3)</u>	<u>323,132</u>
<b>Transactions with owners in their capacity as owners</b>								
Shares cancelled	(4)	(150)	154	-	-	-	-	-
Share-based payment	-	-	-	3,485	-	-	-	3,485
Dividends declared	-	(62,675)	-	-	-	-	-	(62,675)
Vesting of share award schemes	-	(50)	11,207	(11,157)	-	-	-	-
<b>Total transactions with owners in their capacity as owners</b>	<u>(4)</u>	<u>(62,875)</u>	<u>11,361</u>	<u>(7,672)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,190)</u>
<b>Balance at June 30, 2022</b>	<u>40,141</u>	<u>5,399,033</u>	<u>(17,723)</u>	<u>683,629</u>	<u>67,647</u>	<u>(2,518,095)</u>	<u>3,035</u>	<u>3,657,667</u>

## Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended June 30, 2022

	Attributable to owners of the Company							
	Share capital <i>RMB'000</i> <i>Note 24</i>	Share premium <i>RMB'000</i> <i>Note 24</i>	Treasury shares <i>RMB'000</i> <i>Note 25</i>	Reserves			Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
				Share- based payment reserves <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>		
<b>(Unaudited)</b>								
<b>Balance at January 1, 2021</b>	40,412	5,558,958	(37,747)	669,671	77,404	(4,025,371)	3,017	2,286,344
Profit for the period	-	-	-	-	-	777,633	(9)	777,624
Exchange difference on translation of financial statements	-	-	-	-	(1,750)	-	-	(1,750)
<b>Total comprehensive income for the period</b>	-	-	-	-	(1,750)	777,633	(9)	775,874
<b>Transactions with owners in their capacity as owners</b>								
Shares repurchased and cancelled	(42)	(2,018)	-	-	-	-	-	(2,060)
Share-based payment	-	-	-	27,409	-	-	-	27,409
Vesting of share award schemes	-	(263)	11,132	(10,869)	-	-	-	-
<b>Total transactions with owners in their capacity as owners</b>	(42)	(2,281)	11,132	16,540	-	-	-	25,349
<b>Balance at June 30, 2021</b>	40,370	5,556,677	(26,615)	686,211	75,654	(3,247,738)	3,008	3,087,567

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

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Notes	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Operating activities</b>			
Cash generated from/(used in) operating activities		1,661,429	(1,656,214)
Income tax paid		(42,759)	(10,605)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>1,618,670</b>	<b>(1,666,819)</b>
<b>Investing activities</b>			
Payments for property and equipment		(7,357)	(7,353)
Payments for intangible assets		(1,113)	(7,907)
Payments for financial investments at fair value through profit or loss, net		(211,054)	(17,593)
<b>Net cash outflow from investing activities</b>		<b>(219,524)</b>	<b>(32,853)</b>
<b>Financing activities</b>			
Proceeds from issuance of senior notes		162,242	–
(Repayment of)/proceeds from borrowings, net		(1,133,917)	2,191,352
Including: (repayment of)/proceeds from trust plan holders, net		(1,133,917)	2,287,716
Repurchase/Repayment of senior notes		(196,446)	(114,874)
Interest expenses paid		(286,804)	(212,058)
Payments for shares repurchased		–	(2,060)
Payments for lease liabilities		(14,453)	(13,270)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(1,469,378)</b>	<b>1,849,090</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(70,232)</b>	<b>149,418</b>
Cash and cash equivalents at the beginning of the period	14(a)	1,908,110	1,501,835
Effects of exchange rate changes on cash and cash equivalents		5,251	(537)
<b>Cash and cash equivalents at the end of the period</b>	14(a)	<b>1,843,129</b>	<b>1,650,716</b>

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

# Notes to the Interim Condensed Consolidated Financial Information

## 1 GENERAL INFORMATION

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

Pursuant to a shareholders’ resolution dated February 6, 2018, the Company re-domiciled to the Cayman Islands by way of continuation as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented. The re-domiciliation was completed on February 26, 2018. The current address of the Company’s registered office is at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

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

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since June 21, 2018 by way of its initial public offering (the “**IPO**”). Upon the completion of the IPO, all of the Company’s outstanding convertible redeemable preferred shares were converted into the Company’s ordinary shares on a one-to-one basis. As at June 30, 2022, the number of ordinary shares of the Company in issue was 490,310,589, with a par value of HK\$0.10 per share.

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

The interim condensed consolidated financial information has been approved and authorised for issue by the board of directors of the Company on August 24, 2022.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2022 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim financial reporting” issued by the International Accounting Standards Board. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim condensed consolidated financial information is to be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), and any public announcements made by the Group during the six months ended June 30, 2022.

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 New standards and amendments – applicable January 1, 2022

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2021, except for the adoption of new or amended standards and interpretations that became applicable for annual reporting periods commencing on or after January 1, 2022. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

The following new standards and interpretations apply for the first time to the financial reporting periods commencing on or after January 1, 2022:

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

**(a) Amendments to IAS 16: Property, Plant and Equipment: Proceeds before intended use**

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

**(b) Amendments to IFRS 3: Reference to the Conceptual Framework**

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

**(c) Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract**

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.1 New standards and amendments – applicable January 1, 2022 (continued)

##### (d) Annual Improvements to IFRS Standards 2018 – 2020

The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The adoption of these revised IFRSs was currently irrelevant or had no significant impact on the interim condensed consolidated financial information.

#### 3.2 New standards and interpretations not yet adopted

The following new accounting standards and interpretations have been published but are not mandatory for June 30, 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2021.

## 5 RISK MANAGEMENT

### 5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

There have been no significant changes in the risk management policies since December 31, 2021.

#### **Measurement of expected credit losses ("ECL")**

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is consistent with the models applied in the consolidated financial statements for the year ended December 31, 2021.

The assessment of ECL incorporates forward-looking information in respect of PD. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for its credit exposures.

Key economic variable	Scenario	Six months ended	Year ended
		June 30, 2022	December 31, 2021
Consumer Price Index ("CPI")	Base	1.93%	1.90%
	Upside	2.00%	2.18%
	Downside	1.67%	1.72%
Gross Domestic Product ("GDP")	Base	4.40%	5.07%
	Upside	4.90%	5.38%
	Downside	3.90%	4.90%

## 5 RISK MANAGEMENT (continued)

### 5.1 Financial risk factors (continued)

#### **Measurement of expected credit losses (“ECL”)** (continued)

The Group uses economic variable assumptions when determining expected CPI and GDP. The weightings assigned to each economic scenario at June 30, 2022 were as follows, which were the same as at December 31, 2021:

	Base	Upside	Downside
CPI	80%	10%	10%
GDP	80%	10%	10%

#### **Sensitivity analysis**

The ECL allowance is sensitive to the weightings assigned to each economic scenario.

For CPI and GDP, assuming a 10% increase in the weight of the upside scenario and a 10% reduction in the weight of the base scenario, the Group's ECL allowance as at June 30, 2022 would be reduced by RMB6.06 million (December 31, 2021: RMB4.08 million); assuming a 10% increase in the weight of the downside scenario and a 10% reduction in the weight of the base scenario, the Group's ECL allowance as at June 30, 2022 would be increased by RMB9.04 million (December 31, 2021: RMB2.54 million).

### 5.2 Fair value measurement of financial instruments

#### **5.2.1 Fair value hierarchy**

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

## 5 RISK MANAGEMENT (continued)

### 5.2 Fair value measurement of financial instruments (continued)

#### 5.2.1 Fair value hierarchy (continued)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value as at June 30, 2022 and December 31, 2021, respectively, on a recurring basis:

Valuation techniques		As at June 30, 2022			
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>(Unaudited)</b>					
<b>Assets</b>					
Loans to customers at fair value through profit or loss	Discounted cash flow method <sup>(i)</sup>	-	-	6,451,446	6,451,446
Financial investments at fair value through profit or loss					
- Structured deposits	Discounted cash flow method	-	300,000	-	300,000
- Unlisted equity investments	Market comparable companies	-	-	26,460	26,460
- Unlisted equity investments	Net asset value	-	-	13,923	13,923
- Convertible promissory notes	The Binominal Model	-	-	5,369	5,369
		-	300,000	6,497,198	6,797,198
Valuation techniques		As at December 31, 2021			
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Loans to customers at fair value through profit or loss	Discounted cash flow method <sup>(i)</sup>	-	-	7,322,034	7,322,034
Financial investments at fair value through profit or loss					
- Unlisted equity investments	Market comparable companies	-	-	27,434	27,434
- Unlisted equity investments	Net asset value	-	-	5,648	5,648
- Convertible promissory notes	The Binominal Model	-	-	3,188	3,188
- Money market funds	Quoted market price	97,528	-	-	97,528
		97,528	-	7,358,304	7,455,832

(i) The key unobservable input used in the discounted cash flow method is the risk-adjusted discount rate.

## 5 RISK MANAGEMENT (continued)

### 5.2 Fair value measurement of financial instruments (continued)

#### 5.2.1 Fair value hierarchy (continued)

The following table presents the changes in level 3 asset instruments for the six months ended June 30, 2022 and 2021, respectively:

	Loans to customers at fair value through profit or loss RMB'000 (Unaudited)	Financial investments at fair value through profit or loss RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>At January 1, 2022</b>	7,322,034	36,270	7,358,304
Additions	7,418,714	9,612	7,428,326
Derecognition	(7,985,653)	–	(7,985,653)
Losses recognised in profit or loss within fair value change of loans to customers <sup>(i)</sup>	(303,649)	–	(303,649)
Losses recognised in profit or loss within other gains, net	–	(1,645)	(1,645)
Exchange difference	–	1,515	1,515
<b>At June 30, 2022</b>	<b>6,451,446</b>	<b>45,752</b>	<b>6,497,198</b>
<b>At January 1, 2021</b>	4,028,165	20,000	4,048,165
Additions	8,947,498	17,908	8,965,406
Derecognition	(6,089,283)	(7,497)	(6,096,780)
Losses recognised in profit or loss within fair value change of loans to customers <sup>(i)</sup>	(129,155)	–	(129,155)
<b>At June 30, 2021</b>	<b>6,757,225</b>	<b>30,411</b>	<b>6,787,636</b>

(i) Losses recognised in profit or loss include unrealised gains attributable to balances held as at June 30, 2022 of RMB51.91 million (June 30, 2021: RMB70.10 million).

There were no transfers between the levels of the fair value hierarchy in the six months ended June 30, 2022. There were no changes made to any of the valuation techniques applied in the six months ended June 30, 2022.

## 5 RISK MANAGEMENT (continued)

### 5.2 Fair value measurement of financial instruments (continued)

#### 5.2.1 Fair value hierarchy (continued)

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

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

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

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

#### 5.2.2 Fair value measurements using significant unobservable inputs

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

As at June 30, 2022, the level 3 instruments were mainly loans to customers at fair value through profit or loss. As the loans to customers are not traded in an active market, its fair value has been determined using the discounted cash flow method whereby the discount rate adjustment technique is applied. The discount rate used to determine the present value was a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the assets as at each reporting date. The management determined the risk-free interest rates based on the yield of China Government Bonds with a maturity equal to periods from the respective reporting date to expected cash flow date. The determination of risk premiums to derive the risk-adjusted discount rates involved critical estimates and judgements.

## 5 RISK MANAGEMENT (continued)

### 5.2 Fair value measurement of financial instruments (continued)

#### 5.2.2 Fair value measurements using significant unobservable inputs (continued)

The table below illustrates the impact on profit before income tax for the six months ended June 30, 2022 and 2021, if the risk-adjusted discount rate had increased/decreased by 100 basis points with all other variables held constant.

Expected changes in profit before income tax	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
+100 basis points	(17,467)	(17,775)
-100 basis points	17,679	17,993

#### 5.2.3 Fair values of other financial instruments

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

### 5.3 Operation risk

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

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

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

## 6 NET INTEREST TYPE INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Interest type income</b>		
Loans to customers at fair value through profit or loss	1,124,663	824,966
<b>Less: interest expenses</b>		
Payable to trust plan holders	(273,282)	(201,209)
Senior notes	(36,898)	(47,563)
Borrowings from corporations	–	(15,757)
Others	(1)	(236)
	(310,181)	(264,765)
<b>Net interest type income</b>	<b>814,482</b>	<b>560,201</b>

## 7 LOAN FACILITATION SERVICE FEES

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Upfront loan facilitation service fees	473,976	764,223
Post loan facilitation service fees	218,410	209,116
	692,386	973,339

*Note:* The Group considers the upfront loan facilitation services and post loan facilitation services as distinct performance obligations. Upfront loan facilitation service fees are recognised at loan inception. Post loan facilitation service fees are recognised over the term of the loan, which approximates the pattern of when the underlying services are performed. The unsatisfied performance obligations as at June 30, 2022 are RMB186.94 million (June 30, 2021: RMB299.46 million). Management expects that 99.96% of the transaction price allocated to the unsatisfied contracts as at June 30, 2022 will be recognised as revenue within the next 12 months (June 30, 2021: 99.29%).

## 8 OTHER INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants <sup>(i)</sup>	36,010	–
Membership fees, referral fees and other service fees	27,950	6,650
Penalty and other charges	7,331	45,173
Gains from guarantee	3,708	293,894
Others	624	719
	<b>75,623</b>	<b>346,436</b>

- (i) For the six months ended June 30, 2022, the government grants were mainly granted by Commerce Bureau of Hangzhou High-Tech Zone (Binjiang) to Vision Credit Financing Guarantee Co., Ltd. according to the memorandum of cooperation.

## 9 EXPENSES BY NATURE

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loan origination and servicing expenses	(496,552)	(443,613)
Employee benefit expenses	(176,542)	(157,663)
Professional service fees	(42,329)	(58,936)
Office expenses	(16,320)	(12,489)
Depreciation of right-of-use assets	(12,873)	(12,372)
Depreciation and amortisation	(12,574)	(12,558)
Tax and surcharge	(7,877)	(8,134)
Branding expenses	(4,072)	(3,649)
Others	(12,964)	(16,825)
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses	<b>(782,103)</b>	<b>(726,239)</b>

**10 CREDIT IMPAIRMENT LOSSES**

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cash and cash equivalents	47	4
Restricted cash	(51)	32
Contract assets	(29,915)	(31,171)
Guarantee receivables	(39,933)	472
Other assets	1,667	(1,892)
	<b>(68,185)</b>	<b>(32,555)</b>

**11 OTHER GAINS, NET**

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Bank interest income	9,142	6,356
Gain from repurchase of senior notes	4,123	–
Bank charges	(508)	(643)
(Losses)/gains from financial investments at fair value through profit or loss	(615)	748
Interest expense on lease liabilities	(1,088)	(1,210)
Exchange (losses)/gains	(9,256)	11,478
	<b>1,798</b>	<b>16,729</b>

**12 INCOME TAX EXPENSE**

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax	(153,005)	(77,485)
Deferred income tax	50,651	(153,975)
	<b>(102,354)</b>	<b>(231,460)</b>

**12 INCOME TAX EXPENSE** (continued)

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

	<b>Six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Profit before income tax:	<b>430,352</b>	1,009,084
Tax calculated at PRC statutory income tax rate of 25%	<b>(107,588)</b>	(252,271)
Tax effects of:		
– Expenses not deductible for income tax purpose	<b>(1,058)</b>	(7,200)
– Share-based compensation	<b>(871)</b>	(6,852)
– Others	<b>(187)</b>	(348)
– Differential income tax rates applicable to the Company and subsidiaries <sup>(i)</sup>	<b>18,748</b>	29,808
– Withholding tax on distributed profits	<b>(10,000)</b>	–
– No recognition of deferred tax assets on tax losses	<b>(2,456)</b>	(1,797)
Income tax expense	<b>(102,354)</b>	(231,460)

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

**Cayman Islands**

The Company re-domiciled to the Cayman Islands by way of continuation as an exempted company with limited liability from the BVI prior to Listing. The Company is governed by the laws of the Cayman Islands after completion of the continuation. Accordingly the Company is not subject to income tax under Cayman Islands' Law.

**China**

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

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

**Hong Kong**

Under the current Hong Kong Inland Revenue Ordinance, the Company's subsidiaries incorporated in Hong Kong are subject to 16.5% income tax on their taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax. Commencing from the year of assessment of 2018/2019, the first HK\$2.00 million of profits earned by the Company's subsidiaries incorporated in Hong Kong will be taxed at half the current tax rate (i.e. 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate.

**Withholding Tax on Undistributed Profits**

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

Deferred income tax liability on withholding tax is accrued based on the best estimation when the Group has a plan to require its PRC subsidiaries to distribute their retained earnings.

## 13 EARNINGS PER SHARE

	Six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Earnings attributable to owners of the Company (RMB'000)	328,001	777,633
Weighted average number of ordinary shares for calculation of the basic earnings per share ('000)	487,038	489,135
Weighted average number of ordinary shares for calculation of the diluted earnings per share ('000)	490,290	492,492
Basic earnings per share (RMB yuan)	0.67	1.59
Diluted earnings per share (RMB yuan)	0.67	1.58

- (a) Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.
- (b) For the six months ended June 30, 2022 and 2021, respectively, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and share awards granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	Six months ended June 30,	
	2022 Number of ordinary shares ( '000) (Unaudited)	2021 Number of ordinary shares ( '000) (Unaudited)
Weighted average number of ordinary shares for calculation of the basic earnings per share	487,038	489,135
Adjustments for share options and share awards granted	3,252	3,357
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	490,290	492,492

## 14 CASH AND BANK BALANCES

### (a) Cash and cash equivalents

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Cash on hand	10	13
Cash at bank	1,832,656	1,867,231
Cash held through platform <sup>(i)</sup>	10,463	40,866
Less: ECL allowance	(123)	(170)
	<b>1,843,006</b>	1,907,940

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

### (b) Restricted cash

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Deposits	172,569	55,139
Less: ECL allowance	(80)	(29)
	<b>172,489</b>	55,110

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

**15 LOANS TO CUSTOMERS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The composition of loans is as follows:

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Unsecured	<b>6,442,746</b>	7,302,406
Pledged <sup>(i)</sup>	<b>8,700</b>	19,628
	<b>6,451,446</b>	7,322,034

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

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Within 1 year (including 1 year)	<b>6,441,946</b>	7,300,942
1 to 2 years (including 2 years)	<b>1,690</b>	2,718
2 to 5 years (including 5 years)	<b>7,810</b>	18,374
	<b>6,451,446</b>	7,322,034

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

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Overdue <sup>(ii)</sup>	<b>71,227</b>	56,465
Within 1 year (including 1 year)	<b>6,379,097</b>	7,246,670
1 to 2 years (including 2 years)	<b>1,122</b>	18,899
	<b>6,451,446</b>	7,322,034

(i) The collateral for the pledged loans consists of residential properties.

(ii) As at June 30, 2022, the fair value of loans to customers which have been delinquent up to 30 days was RMB22.02 million, and the fair value of loans to customers which have been delinquent for 31-180 days was RMB49.21 million (December 31, 2021: RMB25.47 million and RMB30.99 million, respectively).

## 16 CONTRACT ASSETS

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Contract assets	<b>400,670</b>	351,584
Less: ECL allowance	<b>(48,673)</b>	(53,228)
	<b>351,997</b>	298,356

## Movement of gross carrying amount

## Contract assets

	Six months ended June 30, 2022			
	Current RMB'000 (Unaudited)	1–30 days past due RMB'000 (Unaudited)	30–180 days past due RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance at January 1, 2022	316,143	6,787	28,654	351,584
New assets originated	497,532	–	–	497,532
Transfer for the period	(23,108)	(1,484)	24,592	–
Assets derecognised (including final repayment)	(408,273)	(2,492)	(3,211)	(413,976)
Assets written off	–	–	(34,470)	(34,470)
Ending balance at June 30, 2022	<b>382,294</b>	<b>2,811</b>	<b>15,565</b>	<b>400,670</b>

## Contract assets

	Six months ended June 30, 2021			
	Current RMB'000 (Unaudited)	1–30 days past due RMB'000 (Unaudited)	30–180 days past due RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance at January 1, 2021	374,937	3,266	11,365	389,568
New assets originated	925,008	–	–	925,008
Transfer for the period	(22,280)	3,614	18,666	–
Assets derecognised (including final repayment)	(636,239)	(632)	(553)	(637,424)
Assets written off	–	–	(12,976)	(12,976)
Ending balance at June 30, 2021	<b>641,426</b>	<b>6,248</b>	<b>16,502</b>	<b>664,176</b>

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

	Six months ended June 30, 2022			Total RMB'000 (Unaudited)
	Current RMB'000 (Unaudited)	1–30 days past due RMB'000 (Unaudited)	30–180 days past due RMB'000 (Unaudited)	
Opening balance at January 1, 2022	(20,502)	(5,437)	(27,289)	(53,228)
New assets originated	(49,541)	–	–	(49,541)
Transfer for the period	1,722	1,160	(23,055)	(20,173)
Assets derecognised (including final repayment)	30,418	1,947	3,010	35,375
Changes to risk parameters (model inputs)	5,731	190	(1,497)	4,424
Assets written off	–	–	34,470	34,470
Ending balance at June 30, 2022	(32,172)	(2,140)	(14,361)	(48,673)

**ECL allowance**

	Six months ended June 30, 2021			Total RMB'000 (Unaudited)
	Current RMB'000 (Unaudited)	1–30 days past due RMB'000 (Unaudited)	30–180 days past due RMB'000 (Unaudited)	
Opening balance at January 1, 2021	(34,327)	(2,355)	(11,029)	(47,711)
New assets originated	(74,138)	–	–	(74,138)
Transfer for the period	1,786	(2,654)	(17,780)	(18,648)
Assets derecognised (including final repayment)	51,898	464	527	52,889
Changes to risk parameters (model inputs)	8,974	(131)	(117)	8,726
Assets written off	–	–	12,976	12,976
Ending balance at June 30, 2021	(45,807)	(4,676)	(15,423)	(65,906)

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

	Six months ended June 30, 2022			
	Current RMB'000 (Unaudited)	1–30 days past due RMB'000 (Unaudited)	30–180 days past due RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
ECL charged for the period	(11,670)	3,297	(21,542)	(29,915)
ECL allowance	Six months ended June 30, 2021			
	Current RMB'000 (Unaudited)	1–30 days past due RMB'000 (Unaudited)	30–180 days past due RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
ECL charged for the period	(11,480)	(2,321)	(17,370)	(31,171)

*Note:* The Group receives upfront payments from borrowers at loan inception and subsequent payments over the term of the loan. Contract asset represents the Group's right to consideration in exchange for services that the Group has provided. A substantial majority of the Group's contract assets as at June 30, 2022 would be realised within the next 12 months as the weighted average term of the arrangements where the Group is not the loan originator was less than 12 months. The Group determined there is no significant financing component for its arrangements where the Group is not the lender.

**17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES**

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Guarantee receivables	628,229	376,971
Less: ECL allowance	(66,023)	(51,640)
	<b>562,206</b>	325,331

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

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Guarantee receivables		
Opening balance	325,331	708,703
Addition arising from new business	747,239	689,381
ECL	(39,933)	472
Reversal due to early repayment	(17,067)	(39,754)
Payment received from borrowers	(453,364)	(746,723)
Ending balance	<b>562,206</b>	612,079

**17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES** (continued)**Movement of gross carrying amount****Guarantee receivables**

	Six months ended June 30, 2022			Total RMB'000 (Unaudited)
	Stage 1 Current RMB'000 (Unaudited)	Stage 2 1–30 days past due RMB'000 (Unaudited)	Stage 3 30–180 days past due RMB'000 (Unaudited)	
Opening balance at January 1, 2022	345,677	6,857	24,437	376,971
New financial assets originated	747,239	–	–	747,239
Transfer for the period:				
<i>From stage 1 to stage 2</i>	(4,189)	4,189	–	–
<i>From stage 1 to stage 3</i>	(16,293)	–	16,293	–
<i>From stage 2 to stage 1</i>	153	(153)	–	–
<i>From stage 2 to stage 3</i>	–	(4,667)	4,667	–
<i>From stage 3 to stage 2</i>	–	3	(3)	–
Asset derecognised (including final repayment)	(465,328)	(1,913)	(3,190)	(470,431)
Asset written off	–	–	(25,550)	(25,550)
Ending balance at June 30, 2022	607,259	4,316	16,654	628,229

**Guarantee receivables**

	Six months ended June 30, 2021			Total RMB'000 (Unaudited)
	Stage 1 Current RMB'000 (Unaudited)	Stage 2 1–30 days past due RMB'000 (Unaudited)	Stage 3 30–180 days past due RMB'000 (Unaudited)	
Opening balance at January 1, 2021	780,194	7,928	34,654	822,776
New financial assets originated	689,381	–	–	689,381
Transfer for the period:				
<i>From stage 1 to stage 2</i>	(7,020)	7,020	–	–
<i>From stage 1 to stage 3</i>	(26,927)	–	26,927	–
<i>From stage 2 to stage 1</i>	42	(42)	–	–
<i>From stage 2 to stage 3</i>	–	(6,123)	6,123	–
<i>From stage 3 to stage 2</i>	–	21	(21)	–
Asset derecognised (including final repayment)	(783,076)	(1,654)	(1,747)	(786,477)
Asset written off	–	–	(39,763)	(39,763)
Ending balance at June 30, 2021	652,594	7,150	26,173	685,917

**17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES** (continued)**Movement of ECL allowance****ECL allowance**

	Six months ended June 30, 2022			
	Stage 1	Stage 2	Stage 3	Total
	1–30 days	30–180 days		
	Current	past due	past due	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening balance at January 1, 2022	(23,834)	(5,195)	(22,611)	(51,640)
New financial assets originated	(68,170)	–	–	(68,170)
Transfer for the period:				
<i>From stage 1 to stage 2</i>	307	(3,216)	–	(2,909)
<i>From stage 1 to stage 3</i>	1,195	–	(15,084)	(13,889)
<i>From stage 2 to stage 1</i>	(11)	117	–	106
<i>From stage 2 to stage 3</i>	–	3,583	(4,321)	(738)
<i>From stage 3 to stage 2</i>	–	(2)	3	1
Asset derecognised (including final repayment)	34,140	1,469	2,953	38,562
Changes to risk parameters (model inputs)	9,137	(114)	(1,919)	7,104
Asset written off	–	–	25,550	25,550
Ending balance at June 30, 2022	(47,236)	(3,358)	(15,429)	(66,023)

**ECL allowance**

	Six months ended June 30, 2021			
	Stage 1	Stage 2	Stage 3	Total
	1–30 days	30–180 days		
	Current	past due	past due	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening balance at January 1, 2021	(74,770)	(5,724)	(33,579)	(114,073)
New financial assets originated	(55,383)	–	–	(55,383)
Transfer for the period:				
<i>From stage 1 to stage 2</i>	564	(5,115)	–	(4,551)
<i>From stage 1 to stage 3</i>	2,163	–	(25,611)	(23,448)
<i>From stage 2 to stage 1</i>	(3)	31	–	28
<i>From stage 2 to stage 3</i>	–	4,461	(5,824)	(1,363)
<i>From stage 3 to stage 2</i>	–	(15)	20	5
Asset derecognised (including final repayment)	64,822	1,205	1,662	67,689
Changes to risk parameters (model inputs)	18,443	(91)	(857)	17,495
Asset written off	–	–	39,763	39,763
Ending balance at June 30, 2021	(44,164)	(5,248)	(24,426)	(73,838)

**17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES** (continued)

ECL allowance	Six months ended June 30, 2022			
	Stage 1	Stage 2	Stage 3	Total
		1–30 days	30–180 days	
	Current	past due	past due	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
ECL charged for the period	<b>(23,402)</b>	<b>1,837</b>	<b>(18,368)</b>	<b>(39,933)</b>
ECL allowance	Six months ended June 30, 2021			
	Stage 1	Stage 2	Stage 3	Total
		1–30 days	30–180 days	
	Current	past due	past due	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
ECL charged for the period	30,606	476	(30,610)	472

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

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Guarantee liabilities		
Opening balance	<b>472,454</b>	807,421
Addition arising from new business	<b>747,239</b>	689,381
Release of the margin	<b>(49,780)</b>	(47,509)
ECL	<b>46,072</b>	(246,385)
Reversal due to early repayment	<b>(17,067)</b>	(39,754)
Payouts during the period, net	<b>(465,953)</b>	(384,372)
Ending balance	<b>732,965</b>	778,782

Note: The outstanding loan balance for which the Group provided financial guarantee in Stage 1, Stage 2 and Stage 3 were RMB11,227.92 million, RMB29.50 million and RMB115.91 million, respectively, as at June 30, 2022 (December 31, 2021: RMB6,885.71 million, RMB60.73 million and RMB220.34 million, respectively).

## 18 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Structured deposits	300,000	–
Unlisted equity investments	40,383	33,082
Convertible promissory notes	5,369	3,188
Money market funds	–	97,528
	<b>345,752</b>	<b>133,798</b>

## 19 DEFERRED INCOME TAX

	As at June 30, 2022		As at December 31, 2021	
	Deductible/ (taxable) temporary differences RMB'000 (Unaudited)	Deferred income tax assets/ (liabilities) RMB'000 (Unaudited)	Deductible/ (taxable) temporary differences RMB'000 (Audited)	Deferred income tax assets/ (liabilities) RMB'000 (Audited)
<b>Deferred income tax assets</b>				
ECL allowance	844,735	201,578	776,550	184,532
Fair value change of loans to customers	532,415	92,618	1,003,451	202,207
Guarantee liabilities	1,523,831	322,944	960,056	200,370
Tax losses	19,975	4,994	23,622	5,906
Others	163,805	24,571	164,081	24,612
	<b>3,084,761</b>	<b>646,705</b>	<b>2,927,760</b>	<b>617,627</b>
<b>Deferred income tax liabilities</b>				
Unrealised gains <sup>(i)</sup>	(1,448,201)	(307,332)	(1,534,495)	(328,905)
Others	(2,663)	(666)	(2,663)	(666)
	<b>(1,450,864)</b>	<b>(307,998)</b>	<b>(1,537,158)</b>	<b>(329,571)</b>
Net deferred income tax assets	<b>1,633,897</b>	<b>338,707</b>	<b>1,390,602</b>	<b>288,056</b>

(i) Unrealised gains mainly arise from the timing difference of revenue recognition between the Group and its subsidiaries.

**19 DEFERRED INCOME TAX** (continued)

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

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Deferred income tax assets	<b>338,707</b>	381,035
Deferred income tax liabilities	<b>—</b>	(92,979)
Net deferred income tax assets	<b>338,707</b>	288,056

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

	ECL allowance RMB'000 (Unaudited)	Fair value change RMB'000 (Unaudited)	Guarantee liabilities RMB'000 (Unaudited)	Unrealised gains RMB'000 (Unaudited)	Tax losses RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>As at January 1, 2022</b>	<b>184,532</b>	<b>202,207</b>	<b>200,370</b>	<b>(328,905)</b>	<b>5,906</b>	<b>23,946</b>	<b>288,056</b>
Recognised in the profit or loss	17,046	(109,589)	122,574	21,573	(912)	(41)	50,651
<b>As at June 30, 2022</b>	<b>201,578</b>	<b>92,618</b>	<b>322,944</b>	<b>(307,332)</b>	<b>4,994</b>	<b>23,905</b>	<b>338,707</b>
<b>As at January 1, 2021</b>	173,118	213,592	374,017	(191,596)	—	12,746	581,877
Recognised in the profit or loss	8,139	(36,906)	(109,268)	(63,937)	42,111	5,886	(153,975)
<b>As at June 30, 2021</b>	<b>181,257</b>	<b>176,686</b>	<b>264,749</b>	<b>(255,533)</b>	<b>42,111</b>	<b>18,632</b>	<b>427,902</b>

Deferred income tax assets are recognised for tax losses carried forwards and deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. For the six months ended June 30, 2022, the Group did not recognise deferred income tax assets in respect of tax losses of approximately RMB2.46 million (for the six months ended June 30, 2021: RMB1.80 million). They can be carried forward indefinitely.

**20 OTHER ASSETS**

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Security deposits in financial institutions	496,807	533,781
Due from business partners	100,453	100,022
Prepaid expense	31,064	76,905
Rental deposits	9,998	7,175
Prepayment of equity investment	—	30,600
Other receivables	9,440	16,294
	<b>647,762</b>	764,777
Less: ECL allowance	<b>(10,013)</b>	(11,680)
	<b>637,749</b>	753,097

**21 BORROWINGS**

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Payable to trust plan holders	<b>5,335,749</b>	6,463,774

**Effective interest rates of borrowings**

	<b>As at June 30, 2022 (Unaudited)</b>	As at December 31, 2021 (Audited)
Payable to trust plan holders	<b>6.60%~10.50%</b>	6.60%~11.80%

**Contractual maturities of borrowings**

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Within 1 year (including 1 year)	1,673,409	2,741,556
1 to 2 years (including 2 years)	3,662,340	3,602,868
2 to 5 years (including 5 years)	—	119,350
	<b>5,335,749</b>	6,463,774

**21 BORROWINGS** (continued)**Borrowings by repayment schedule**

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Within 1 year (including 1 year)	<b>5,048,499</b>	6,108,724
1 to 2 years (including 2 years)	<b>287,250</b>	355,050
	<b>5,335,749</b>	6,463,774

**22 SENIOR NOTES**

	<b>Senior notes due 2022 (Stock Code: 40498) RMB'000</b>	<b>Senior notes due 2025<sup>(i)</sup> Unlisted RMB'000</b>	<b>Total RMB'000</b>
<b>(Unaudited)</b>			
<b>As at January 1, 2022</b>	<b>523,542</b>	–	<b>523,542</b>
Issuance	–	162,242	162,242
Accrued interest	25,831	602	26,433
Discount amortisation	10,427	38	10,465
Interest paid	(19,413)	–	(19,413)
Repurchase of principal <sup>(ii)</sup>	(200,569)	–	(200,569)
Exchange difference	21,109	5,269	26,378
<b>As at June 30, 2022</b>	<b>360,927</b>	<b>168,151</b>	<b>529,078</b>
	Senior notes due 2021 (Stock Code: 5064) RMB'000	Senior notes due 2022 (Stock Code: 40498) RMB'000	Total RMB'000
<b>(Unaudited)</b>			
<b>As at January 1, 2021</b>	115,055	513,779	628,834
Accrued interest	5,936	30,065	36,001
Discount amortisation	1,139	10,423	11,562
Interest paid	(6,318)	(30,256)	(36,574)
Repayment of principal	(114,874)	–	(114,874)
Exchange difference	(938)	(5,120)	(6,058)
<b>As at June 30, 2021</b>	–	518,891	518,891

**22 SENIOR NOTES** (continued)

- (i) On June 16, 2022, the Company completed the issue and placing of the senior notes in the aggregate principal amount of HK\$200,000,000 due 2025, with a coupon rate of 9.5% per annum. The senior notes due 2025 constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Company which will at all times rank pari passu without any preference or priority among themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Company.
- (ii) The Company repurchased the principal amounts of US\$11,390,000, US\$4,260,000 and US\$14,910,000 of the senior notes due 2022 on April 8, 2022, April 22, 2022 and April 26, 2022, respectively. All of the repurchased senior notes were subsequently cancelled. Following cancellation, the aggregate principal amount of US\$54,440,000, representing 64.0% of the original principal amount, of the senior notes due 2022 remained outstanding as at June 30, 2022.

**23 OTHER LIABILITIES**

	<b>As at June 30, 2022 RMB'000 (Unaudited)</b>	As at December 31, 2021 RMB'000 (Audited)
Accrued service fees	179,026	126,031
Dividends payable	62,896	–
Employee benefit liability	54,824	59,758
Due to business partners	53,027	27,202
Accounts collected from borrowers in advance	33,477	24,436
Others	19,319	8,067
	<b>402,569</b>	245,494

**24 SHARE CAPITAL AND SHARE PREMIUM**

	Number of ordinary shares ( '000)	Share capital RMB'000	Share premium RMB'000
<b>(Unaudited)</b>			
<b>At January 1, 2022</b>	<b>490,355</b>	<b>40,145</b>	<b>5,461,908</b>
Shares cancelled	(45)	(4)	(150)
Vesting of share award schemes	–	–	(50)
Dividends declared	–	–	(62,675)
<b>At June 30, 2022</b>	<b>490,310</b>	<b>40,141</b>	<b>5,399,033</b>
<b>At January 1, 2021</b>	493,560	40,412	5,558,958
Shares repurchased and cancelled	(503)	(42)	(2,018)
Vesting of share award schemes	–	–	(263)
<b>At June 30, 2021</b>	<b>493,057</b>	<b>40,370</b>	<b>5,556,677</b>

## 25 TREASURY SHARES

	As at June 30, 2022		As at December 31, 2021	
	Shares'000 (Unaudited)	RMB'000 (Unaudited)	Shares'000 (Audited)	RMB'000 (Audited)
Treasury shares	(2,527)	(17,723)	(4,108)	(29,084)

These shares are held by the VCREDIT No. 1 Share Award Scheme Trusts for the purpose of share award scheme mentioned in the Note 26, except for those shares repurchased and not yet cancelled by the Company.

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

	Six months ended June 30,			
	2022		2021	
	Shares'000 (Unaudited)	RMB'000 (Unaudited)	Shares'000 (Unaudited)	RMB'000 (Unaudited)
<b>Opening balance</b>	(4,108)	(29,084)	(4,761)	(37,747)
Vesting of share award schemes	1,536	11,207	1,404	11,132
Shares cancelled	45	154	–	–
<b>Ending balance</b>	(2,527)	(17,723)	(3,357)	(26,615)

## 26 SHARE-BASED PAYMENTS

### Share options

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

	Exercise Price in US\$ per Share Option			Number of Share Options ( '000)		
	2016 ESOP	2017 ESOP I	2017 ESOP II	2016 ESOP	2017 ESOP I	2017 ESOP II
<b>(Unaudited) Outstanding balance as at January 1, 2022</b>	0.8735	1.6123	1.6123	516	34,802	25,115
Forfeited, expired or lapsed during the period	0.8735	1.6123	–	(516)	(45)	–
<b>Outstanding balance as at June 30, 2022</b>	–	1.6123	1.6123	–	34,757	25,115

**26 SHARE-BASED PAYMENTS** (continued)**Share options** (continued)

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

**Share award schemes**

Movement in the number of share awards for the six months ended June 30, 2022 and 2021 is as follows:

	<b>Six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>Number of share award schemes (‘000)</b>	Number of share award schemes (‘000)
<b>(Unaudited)</b>		
Opening balance	<b>3,963</b>	4,877
Granted	<b>200</b>	–
Vested	<b>(1,536)</b>	(1,404)
Forfeited, expired or lapsed	<b>(187)</b>	(37)
<b>Ending balance</b>	<u><b>2,440</b></u>	<u>3,436</u>

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

**27 RELATED PARTY TRANSACTIONS**

There were no changes in the related party transactions described in the annual financial statements that have had a significant effect on information for the six months ended June 30, 2022. All related party transactions that took place in the half-year to June 30, 2022 were similar in nature to those disclosed in the annual financial statements for the year ended December 31, 2021.

## 28 CONTINGENT LIABILITY

Other than as disclosed in previous notes, the Group did not have any significant contingent liabilities as at June 30, 2022.

## 29 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are primarily trust plans. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as the manager, is acting as an agent or a principal. The factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those trust plans where the Group provides financial guarantee, the Group therefore has the obligation to fund the losses, if any, in accordance with the guarantee agreements even if the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

As at June 30, 2022, remaining injected funds of the trust plans consolidated by the Group amounted to RMB5,946.42 million (December 31, 2021: RMB7,283.12 million).

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

## 30 DIVIDENDS

During the six months ended June 30, 2022, a final dividend of HK15 cents per share for the year ended December 31, 2021, amounting to approximately HK\$73.55 million, was declared and subsequently paid in July 2022. As at June 30, 2022, the Group recognised dividends payable of approximately RMB62.90 million. The dividends were paid from the share premium (Note 24) in accordance with articles 13(h) and 154 of the Articles of Association and the Companies Act.

On August 24, 2022, the board of directors has recommended the distribution of an interim dividend of HK10 cents per share for the six months ended June 30, 2022 (for the six months ended June 30, 2021: an interim dividend of HK10 cents per share and a special dividend of HK10 cents per share), to shareholders of the Company, out of the share premium account of the Company, subject to the approval of the shareholders at an extraordinary general meeting expected to be held on October 11, 2022. The recommended interim dividend for the six months ended June 30, 2022 and the recommended interim dividend and special dividend for the six months ended June 30, 2021 were not recognised as a liability as at June 30, 2022 and 2021, respectively.

## 31 SUBSEQUENT EVENTS

Since the end of the reporting period, the board of directors proposed an interim dividend. Further details are disclosed in Note 30.

## 32 COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the interim condensed consolidated financial information's presentation.