VCREDIT Holdings Limited
維 信 金 科 控 股 有 限 公 司

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

(Stock Code: 2003)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board (the "**Board**") of directors (the "**Directors**") of VCREDIT Holdings Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2023 (the "**Period**").

FINANCIAL HIGHLIGHTS

	Six months ended				
	June 30, 2023	June 30, 2022	Change	December 31, 2022	Change
	RMB million	*RMB million*		*RMB million*	
Total Income	**1,917.6**	1,582.5	21.2%	1,536.8	24.8%
Interest type income	**774.2**	1,124.7	-31.2%	797.4	-2.9%
Less: interest expenses	**(175.6)**	(310.2)	-43.4%	(218.9)	-19.8%
Loan facilitation service fees	**1,105.3**	692.4	59.6%	872.0	26.8%
Other income	**213.7**	75.6	182.6%	86.3	147.6%
Operating Profit	**389.5**	430.4	-9.5%	264.7	47.1%
Net Profit	**302.1**	328.0	-7.9%	204.5	47.8%
Non-IFRS Adjusted Operating Profit (1)	**390.9**	433.8	-9.9%	266.3	46.8%
Non-IFRS Adjusted Net Profit (2)	**303.5**	331.5	-8.4%	205.9	47.4%

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".

INTERIM DIVIDEND

The Board has recommended the distribution of an interim dividend of HK15 cents per ordinary share of the Company (the "**Shares**") for the Period (for the six months ended June 30, 2022: an interim dividend of HK10 cents per Share) to shareholders of the Company (the "**Shareholders**"), from the share premium account of the Company, subject to the approval of the Shareholders at an extraordinary general meeting expected to be held on or around Thursday, October 12, 2023 (the "**EGM**").

BUSINESS REVIEW AND OUTLOOK

In the first half of 2023, the world ushered in a new round of technological revolution and business transformation. In the financial sector, the advances in digital technologies, artificial intelligence and big data continued to deepen. During the Period, we continued actively optimizing and innovating business strategies and models, enhancing technological capabilities and maintaining a focus on higher quality borrowers. Our performance during the Period demonstrates the resilience and flexibility of our business strategy, commercial model and operations.

Business Review

We delivered a robust operating performance and achieved strong growth during the Period, in line with expectations. In the first half of 2023, our loan origination volume reached RMB36.2 billion, representing growth of 31.4% as compared to the second half of 2022.

Simultaneously with achieving business growth, we continued to enhance our risk management framework to adapt to market dynamics and changes in user behavior, and sustain an ordered transition towards higher quality borrowers. We have continued to optimize our multi-source scorecard and risk control policies. We undertook a series of impactful model upgrades and complex testing to maintain our risk optimization goal. By leveraging the robust risk identification capabilities of our models, we continue to hone our ability to more accurately assess customer risk profiles. These updates equip us to achieve a balance between short-term risk and long-term returns. Additionally, we have proactively adjusted our post-loan management risk strategy and implemented forward-looking compliance changes to better align our operations with the regulatory landscape. In order to better comply with regulatory requirements, we have fully implemented the credit agency reform, namely "斷直連".

The rapid advancement of artificial intelligence is shaping and accelerating the digital transformation of consumer finance in the era of the digital economy. We are proactively embracing change by implementing revolutionary upgrades to our core business system. In the first half of 2023, we formally launched VOS (VCREDIT operating system), a new generation platform that streamlines our business modules, enhances our system architecture and significantly boosts our research and development efficiency. Meanwhile, with the help of artificial intelligence big language model, we have launched an AI intelligent online customer service robot, which continuously improves the timeliness of user demand response and the convenience of process operation, further optimizing the user's interactive experience.

We continue to expand high-quality customer acquisition channels. We have formed cooperative agreements with well-known content platforms, photo editing applications, internet-based logistics platforms and other premium channels. By improving our user behavior analysis model and user profile segmentation, we can achieve greater accuracy in our push to high-quality customers. In the first half of 2023, our cumulative registered users increased by 7.1% as compared to the second half of 2022. For our existing customers, we have continued to improve their user experience by introducing an user willingness model to help raise our brand recognition and improve user loyalty. In the first half of 2023, repeat loan customers accounted for 82.1% of our total loan volume.

Our collaboration with financial institution funding partners, which facilitates our healthy and sustainable growth in line with regulatory requirements, has increased significantly. At the end of June 2023, we had effective relationships with 96 external funding partners, including 21 national joint-stock commercial banks, consumer finance companies and trusts, which enabled us to create a wide-ranging and varied funding framework to support our goals. By leveraging the funding flexibility and capital protection provided by third party guarantors and asset management companies, we have focused more on our pure loan facilitation model and moved towards an asset-light approach. At the same time, this has opened up more opportunities to actively explore potential technology collaboration initiatives with our funding partners and deepen our digital alliances with them. As a data-intelligence driven business, we have continued to improve the automation and stability of capital allocation through intelligent distribution routing, which improves operational efficiency while better optimizing our capital cost structure.

In addition to maintaining growth in our existing consumer finance business, we have made significant steps in line with our strategy to expand and diversify our business to different industries and regions and establish a diversified operating model. In the first half of 2023, we launched our new consumer finance brand “CreFIT” in Hong Kong, providing consumer finance products tailored for the local market. Furthermore, we have agreed to acquire Banco Português de Gestão, S.A. which is a credit institution registered with the Bank of Portugal, a move that will enable our expansion into Portugal and Europe. We look forward to achieving a breakthrough in these new endeavors and shall strive for the best returns for our shareholders.

Operating Review

Products and Services

We primarily offer two credit products through our pure online loan origination processes: (1) credit card balance transfer products, and (2) consumption credit products, both of which are installment-based. Interest rates (inclusive, where applicable, of our funding partners’ interest share and guarantee charges of credit enhancement organizations) payable in respect of loans to customers ranged from 15.0% per annum to 36.0% per annum according to the type of consumer loan product and depending on factors such as results of the credit assessment and allocated score, loan size and loan tenor. As the Group is primarily engaged in lending to consumers, the Group did not have any concentration of loans in any single borrower during the Period. As at June 30, 2023, the aggregate principal amount outstanding from the five largest borrowers of the Group was RMB1,180,088 (representing 0.004% of the total loan balance of the Group as at June 30, 2023) and the principal amount outstanding from the largest borrower of the Group was RMB252,268 (representing approximately 0.001% of the total loan balance of the Group as at June 30, 2023). For the Period, the total number of transactions was 3.3 million. The average term of our credit products was approximately 10.0 months and the average loan size was approximately RMB10,886.

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

	Six months ended					
	June 30, 2023		December 31, 2022		June 30, 2022	
Loan Origination Volume	***RMB million***	**%**	*RMB million*	%	*RMB million*	%
Direct lending	**644.3**	**1.8%**	593.6	2.2%	664.7	2.7%
Trust lending	**4,751.6**	**13.1%**	4,908.2	17.8%	6,753.7	27.4%
Credit-enhanced loan facilitation	**25,721.1**	**71.1%**	17,318.7	62.8%	14,352.4	58.2%
Pure loan facilitation	**5,081.1**	**14.0%**	4,726.9	17.2%	2,870.9	11.7%
Total	**36,198.1**	**100.0%**	27,547.4	100.0%	24,641.7	100.0%

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.

	As at June 30, 2023		As at December 31, 2022	
Outstanding Balance of Loans to Customers	***RMB million***	**%**	*RMB million*	%
Online consumption products	**31,379.2**	**99.9%**	25,066.3	99.9%
Online-to-offline credit products	**2.5**	**0.1%**	4.2	0.1%
Total	**31,381.7**	**100.0%**	25,070.5	100.0%

Asset Quality

Since the beginning of this year, with the recovery and normalization of social activities, the economy has shown a positive trend. However, in the medium term, the overall economic environment and consumer demand remain unstable. We have upgraded our risk models to enhance our risk identification capabilities. This enables us to accurately identify and manage potential risks, ensuring that our business is well-prepared to handle changes in the external environment.

By continuously optimizing our multi-source scorecards and credit policies, we are able to better assess the creditworthiness of potential customers. This allows us to acquire more credit-worthy customers with DSP (Demand Side Platform) channels, which ultimately contributes to a more stable business model in the long term.

To better balance short-term risks and long-term income, we have proactively adjusted our collection practices. By going above and beyond current compliance requirements and peer practices, we believe we are on the "high ground" in terms of coping with expected stricter compliance changes. In terms of relevant indicators of asset quality, we have maintained the first payment delinquency ratio [(1)] at 0.64% in 2023. Our M1-M3 ratio [(2)] for 2023 Q2 is 4.09%. The M3+ ratio [(3)] has been controlled at 2.26% in 2023 Q2, down from 2.49% in 2023 Q1.

Additionally, we are actively exploring partnerships with external data providers to expand our data sources. By leveraging alternative data, we can gain a more comprehensive understanding of our customers' creditworthiness. Furthermore, we are implementing high-impact testing to evaluate the effectiveness of our risk policies and products. This involves conducting controlled experiments to assess the impact of different variables and strategies on our portfolio performance. By continuously testing and refining our approaches, we can ensure that our risk management practices remain robust and adaptable to changing market conditions.

Overall, these measures ensure that our business is well-equipped to navigate the uncertainties of the external environment and maintain a stable and sustainable growth trajectory.

	2021Q3	**2021Q4**	**2022Q1**	**2022Q2**	**2022Q3**	**2022Q4**	**2023Q1**	**2023Q2**
First payment delinquency ratio (1)	0.42%	0.43%	0.27%	0.23%	0.35%	0.43%	0.53%	0.64%
M1-M3 ratio (2)	2.91%	4.01%	2.83%	2.07%	2.33%	3.53%	3.20%	4.09%
M3+ ratio (3)	1.53%	2.39%	2.28%	2.06%	1.44%	1.77%	2.49%	2.26%

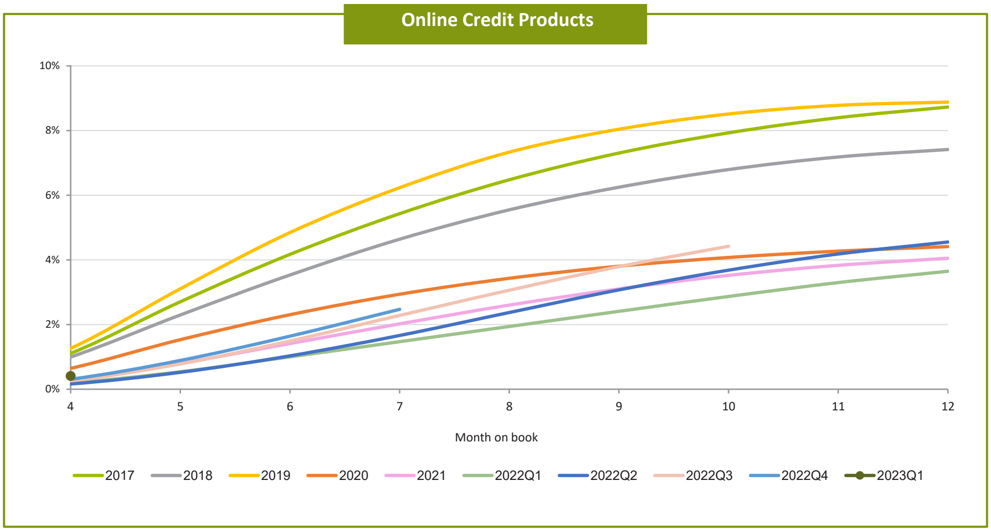
Notes:

(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 RMB2.5 million as at June 30, 2023).

(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 RMB2.5 million as at June 30, 2023).

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



Note:

(4) Cohort-Based M3+ Delinquency Ratio is defined as (i) the total amount of principal for the online loans in a vintage that have become delinquent for more than 3 months, less (ii) the total amount of recovered past due principal, and then divided by (iii) the total amount of initial principal for loans in such vintage (excluding offline credit products, which had a negligible balance of RMB2.5 million as at June 30, 2023).

Outlook and Strategies

The macro environment is constantly changing and evolving, which requires us to respond in a prompt and effective way to remain competitive. In order to contribute to further growth in our consumer finance business and fulfill the financial needs of high-quality customers, we will strive to hone our business strategies and upscale our technology. In addition to growing our existing consumer finance operation in China, we shall also look to expand and diversify our business strategies by investing or collaborating in or acquiring similar, related or complementary businesses and industries in other jurisdictions including Hong Kong, South-East Asia and Europe. We are reviewing and shall continue to review potential investment opportunities and business prospects on a constant basis and make suitable investments and acquisitions as opportunities occur.

The Group will continue to focus on leveraging our advanced expertise and knowledge and actively embracing the trends and innovation that are shaping our industry and society more broadly. We will also explore and expand in markets beyond China should appropriate opportunities arise.

Therefore, moving forward, we intend to execute the following strategies:

- Streamline and extend our credit solutions to better serve our customers to improve brand recognition and the loyalty and creditworthiness profile of our customer base
- Enhance risk management capability through deployment of evolving technology and artificial intelligence
- Strengthen long-term collaborations with licensed financial institutional partners and other business partners
- Ensure our business is conducted within applicable regulatory parameters to achieve regulation-centric sustainability
- Review and assess potential business prospects and invest or collaborate in or acquire similar, related or complementary businesses and industries in China and other jurisdictions
- Cultivate dynamic enterprise value and culture, grow our in-house talents

MANAGEMENT DISCUSSION AND ANALYSIS

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 results announcement.

Total Income

We derived our total income through (i) net interest type income, (ii) loan facilitation service fees, and (iii) other income. Our total income increased by 21.2% to RMB1,917.6 million for the Period, compared to RMB1,582.5 million for the six months ended June 30, 2022, and increased by 24.8% compared to RMB1,536.8 million for the six months ended December 31, 2022, primarily due to an increase in loan volume through our credit-enhanced and pure loan facilitation structures with partial offset due to a decrease in the average outstanding loan balance of our trust lending structure.

Net Interest Type Income

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

	Six months ended		
	June 30, 2023	December 31, 2022	June 30, 2022
Net Interest Type Income	***RMB'000***	*RMB'000*	*RMB'000*
Interest type income	**774,197**	797,477	1,124,663
Less: interest expenses	**(175,656)**	(218,979)	(310,181)
Total	**598,541**	578,498	814,482

For the Period, we recorded interest type income of RMB774.2 million, which was generated from loans to customers originated under direct lending and trust lending structures, a decrease by 31.2% compared to RMB1,124.7 million for the six months ended June 30, 2022 and 2.9% compared to RMB797.4 for the six months ended December 31, 2022, 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 decreased by 43.4% to RMB175.6 million for the Period, compared to RMB310.2 million for the six months ended June 30, 2022, and decreased by 19.8% for the Period compared to RMB218.9 million for the six months ended December 31, 2022, primarily due to decreases in the average borrowing balance and the weighted average interest rate during the Period.

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

	Six months ended					
	June 30, 2023		December 31, 2022		June 30, 2022	
Interest Type Income	***RMB'000***	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Online consumption products	**774,192**	**99.9%**	797,175	99.9%	1,124,297	99.9%
Online-to-offline credit products	**5**	**0.1%**	302	0.1%	366	0.1%
Total	**774,197**	**100.0%**	797,477	100.0%	1,124,663	100.0%

Loan Facilitation Service Fees

Loan facilitation service fees increased by 59.6% to RMB1,105.3 million for the Period, compared to RMB692.4 million for the six months ended June 30, 2022, and increased by 26.8% for the Period, compared to RMB872.0 million for the six months ended December 31, 2022, primarily due to an increase in loan origination volume through our credit-enhanced and pure loan facilitation structures.

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.

	Six months ended		
	June 30, 2023	December 31, 2022	June 30, 2022
Loan Facilitation Service Fees	***RMB'000***	*RMB'000*	*RMB'000*
Credit-enhanced loan facilitation	**922,867**	734,806	620,280
Pure loan facilitation	**182,467**	137,167	72,106
Total	**1,105,334**	871,973	692,386

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

	Six months ended		
	June 30, 2023	December 31, 2022	June 30, 2022
Loan Facilitation Service Fees	***RMB'000***	*RMB'000*	*RMB'000*
Upfront loan facilitation service fees	**758,205**	618,853	473,976
Post loan facilitation service fees	**347,129**	253,120	218,410
Total	**1,105,334**	871,973	692,386

Other Income

Other income increased by 182.6% to RMB213.7 million for the Period, compared to RMB75.6 million for the six months ended June 30, 2022 and increased by 147.6% compared to RMB86.3 million for the six months ended December 31, 2022. The increase in other income was primarily due to the change in asset quality and an increase in our credit-enhanced loan origination volume.

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

	Six months ended		
	June 30, 2023	December 31, 2022	June 30, 2022
Other Income	***RMB'000***	*RMB'000*	*RMB'000*
Gains from guarantee	**127,726**	8,569	3,708
Membership fees, referral fees and other service fees	**74,333**	57,901	27,950
Penalty and other charges	**8,386**	9,082	7,331
Government grants	**—**	—	36,010
Others	**3,287**	10,767	624
Total	**213,732**	86,319	75,623

Expenses

Origination and Servicing Expenses

Our origination and servicing expenses increased by 43.4% to RMB807.7 million for the Period, compared to RMB563.1 million for the six months ended June 30, 2022, due to an increase in loan origination volume and the strategy of targeting and retaining better-quality customers.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 29.8% to RMB21.4 million for the Period, compared to RMB16.5 million for the six months ended June 30, 2022, due to increases in employee benefit expenses required to further develop the business.

General and Administrative Expenses

Our general and administrative expenses increased by 7.4% to RMB167.2 million for the Period, compared to RMB155.7 million for the six months ended June 30, 2022, mainly due to increases in professional service fees required for optimization in our efficiency.

Research and Development Expenses

Our research and development expenses increased by 24.1% to RMB58.1 million for the Period, compared to RMB46.8 million for the six months ended June 30, 2022, mainly due to an increase in employee benefit expenses required to enhance technological capabilities.

Operating Profit

We recorded an operating profit of RMB389.5 million for the Period, a decrease of 9.5% compared to RMB430.4 million for the six months ended June 30, 2022, primarily due to an increase in our origination and servicing expenses as a result of an increase in loan origination scale and the strategy of targeting and retaining better-quality customers and an increase in our credit impairment losses as a result of an increase in loan origination volume, and an increase of 47.1% compared to RMB264.7 million for the six months ended December 31, 2022, primarily due to an increase in loan origination volume through our credit-enhanced and pure loan facilitation structures and optimisation in our customer acquisition efficiency.

Net Profit

We recorded a net profit of RMB302.1 million for the Period, a decrease of 7.9% compared to RMB328.0 million for the six months ended June 30, 2022, and an increase of 47.8% compared to RMB204.5 million for the six months ended December 31, 2022, which is consistent with our operating profit for the same period.

Non-IFRS Adjusted Operating Profit

Our Non-IFRS adjusted operating profit was RMB390.9 million for the Period, a decrease of 9.9% compared to RMB433.8 million for the six months ended June 30, 2022, and an increase of 46.8% compared to RMB266.3 million for the six months ended December 31, 2022.

Non-IFRS Adjusted Net Profit

Our Non-IFRS adjusted net profit was RMB303.5 million for the Period, a decrease of 8.4% compared to RMB331.5 million for the six months ended June 30, 2022, and an increase of 47.4% compared to RMB205.9 million for the six months ended December 31, 2022.

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.

	Six months ended		
	June 30, 2023	December 31, 2022	June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*
Operating Profit	**389,497**	264,768	430,352
Add:			
Share-based compensation expenses	**1,403**	1,480	3,485
Non-IFRS Adjusted Operating Profit	**390,900**	266,248	433,837
Non-IFRS Adjusted Operating Profit Margin [(1)]	**20.4%**	17.3%	27.4%

	Six months ended		
	June 30, 2023	December 31, 2022	June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*
Net Profit	**302,113**	204,473	327,998
Add:			
Share-based compensation expenses	**1,403**	1,480	3,485
Non-IFRS Adjusted Net Profit	**303,516**	205,953	331,483
Non-IFRS Adjusted Net Profit Margin [(2)]	**15.8%**	13.4%	20.9%

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 10.8% to RMB4,668.0 million as at June 30, 2023, compared to RMB5,230.5 million as at December 31, 2022, primarily due to a decrease in our trust lending loan origination volume.

	As at June 30, 2023		As at December 31, 2022	
	RMB'000	*%*	*RMB'000*	*%*
Online consumption products	**4,667,981**	**99.9%**	5,226,433	99.9%
Online-to-offline credit products	**18**	**0.1%**	4,038	0.1%
Total	**4,667,999**	**100.0%**	5,230,471	100.0%

Contract Assets

Our contract assets increased by 7.2% to RMB474.9 million as at June 30, 2023, compared to RMB443.1 million as at December 31, 2022, due to an increase in our credit-enhanced and pure loan origination volume by 39.7% to RMB30,802.2 million for the Period, compared to RMB22,045.6 million for the six months ended December 31, 2022.

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
Contract assets	**548,200**	496,681
Less: expected credit losses ("**ECL**") allowance	**(73,262)**	(53,535)
	474,938	443,146

Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables increased by 60.4% to RMB1,263.1 million as at June 30, 2023, compared to RMB787.4 million as at December 31, 2022. Our guarantee liabilities increased by 37.1% to RMB1,563.7 million as at June 30, 2023, compared to RMB1,140.8 million as at December 31, 2022. The changes in guarantee receivables and guarantee liabilities are primarily due to an increase in our credit-enhanced loan origination volume by 48.5% to RMB25,721.1 million for the Period, compared to RMB17,318.7 million for the six months ended December 31, 2022.

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Guarantee Receivables		
Opening balance	**787,396**	325,331
Addition arising from new loan facilitated	**1,674,123**	747,239
ECL	**(100,129)**	(39,933)
Reversal due to early repayment	**(86,228)**	(17,067)
Payment received from borrowers	**(1,012,071)**	(453,364)
Ending Balance	**1,263,091**	562,206

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
Guarantee Liabilities		
Opening balance	**1,140,754**	472,454
Addition arising from new loan facilitated	**1,674,123**	747,239
Release of the margin	**(113,888)**	(49,780)
ECL	**(13,838)**	46,072
Reversal due to early repayment	**(86,228)**	(17,067)
Payouts during the period, net	**(1,037,213)**	(465,953)
Ending Balance	**1,563,710**	732,965

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, (ii) bank borrowings and (iii) senior notes. Our payable to trust plan holders decreased by 16.3% to RMB3,464.4 million as at June 30, 2023, compared to RMB4,137.6 million as at December 31, 2022, primarily due to a decrease in loans originated by us through our trust lending structure.

As at June 30, 2023, the Group had a secured bank borrowing with a principal amount of RMB186.5 million guaranteed by deposits of RMB205.2 million.

The senior notes comprised the remaining principal amount of HK$100,000,000 of the HK$200,000,000 9.5% senior notes due 2025 ("**2025 Senior Notes**") issued on June 16, 2022.

During the Period, we repurchased the principal amount of HK$100,000,000 of the 2025 Senior Notes on June 16, 2023. All of the repurchased 2025 Senior Notes were subsequently cancelled.

	As at June 30, 2023		As at December 31, 2022	
	RMB'000	*%*	*RMB'000*	*%*
Payable to trust plan holders	**3,464,379**	**92.6%**	4,137,616	91.8%
Secured bank borrowings	**186,961**	**5.0%**	186,990	4.1%
Unsecured bank borrowings	**—**	**—**	6,720	0.2%
	3,651,340	**97.6%**	4,331,326	96.1%
Senior notes	**91,218**	**2.4%**	176,236	3.9%
Total	**3,742,558**	**100.0%**	4,507,562	100.0%

Weighted Average Interest Rates of Borrowings and Senior Notes	**As at June 30, 2023**	As at December 31, 2022
Payable to trust plan holders	**8.5%**	8.8%
Bank borrowings	**5.5%**	5.6%
Senior notes	**9.5%**	10.5%

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows

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

	Six months ended		
	June 30, 2023	December 31, 2022	June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*
Net cash inflow from operating activities	**578,614**	1,424,275	1,618,670
Net cash inflow/(outflow) from investing activities	**47,651**	43,415	(219,524)
Net cash outflow from financing activities	**(959,371)**	(1,707,914)	(1,469,378)
Net decrease in cash and cash equivalents	**(333,106)**	(240,224)	(70,232)
Cash and cash equivalents at the beginning of the periods	**1,592,514**	1,843,129	1,908,110
Effects of exchange rate changes on cash and cash equivalents	**1,903**	(10,391)	5,251
Cash and cash equivalents at the end of the periods	**1,261,311**	1,592,514	1,843,129

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, security deposits in financial institutions, employee salaries and benefits, taxes and surcharges, and other operating expenses. We had net cash inflow generated from operating activities of RMB578.6 million for the Period, a decrease of RMB1,040.1 million compared to net cash inflow generated from operating activities of RMB1,618.7 million for the six months ended June 30, 2022, primarily due to a decrease of RMB702.8 million in cash inflow from repayment of principal and interest as a result of a decrease in the average outstanding loan balance of our trust lending structure, and an increase in cash outflow from security deposits in financial institutions and origination and servicing expenses as a result of an increase in loan origination volume.

We had net cash inflow from investing activities of RMB47.7 million for the Period, compared to net cash outflow of RMB219.5 million for the six months ended June 30, 2022. For the Period, we had a net cash inflow increase primarily due to a decrease of RMB190.0 million in structured deposits partially offset by an increase of RMB136.4 million in money market funds, compared to a net cash outflow from an increase of RMB300.0 million in structured deposits partially offset by a decrease of RMB97.5 million in money market funds for the six months ended June 30, 2022.

We had net cash outflow from financing activities of RMB959.4 million for the Period, compared to net cash outflow of RMB1,469.4 million for the six months ended June 30, 2022. For the Period, we had net cash outflow from borrowings and trust plans of RMB683.9 million and payment of interest expenses of RMB171.6 million, compared to net cash outflow from borrowings and trust plans of RMB1,133.9 million and payment of interest expenses of RMB286.8 million for the six months ended June 30, 2022. Additionally, we had a net cash outflow of RMB88.4 million from repayment of senior notes, compared to a net cash outflow of RMB196.4 million for the six months ended June 30, 2022.

Capital Commitments

The Group did not have any significant capital commitments contracted for but not recognised as liabilities as at June 30, 2023.

Charges on Assets

As at June 30, 2023, the Group had cash deposits of RMB205.2 million pledged to banks as securities for banking facilities.

Contingencies

Save as disclosed in this unaudited interim results announcement, the Group did not have any significant contingent liabilities as at June 30, 2023.

ACQUISITIONS AND DISPOSALS

Material Investments and Acquisitions

On May 5, 2023, the Company entered into an agreement to purchase, amongst other things, 98.87% of Banco Português de Gestão, S.A. Further details of the transaction are set out in the announcement of the Company dated May 5, 2023.

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

Future Plans for Material Investments and Capital Assets

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

FINANCIAL RESULTS
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Interest type income	*4*	**774,197**	1,124,663
Less: interest expenses	*4*	**(175,656)**	(310,181)
Net interest type income	*4*	**598,541**	814,482
Loan facilitation service fees	*5*	**1,105,334**	692,386
Other income	*6*	**213,732**	75,623
Total income		**1,917,607**	1,582,491
Origination and servicing expenses	*7*	**(807,664)**	(563,118)
Sales and marketing expenses	*7*	**(21,443)**	(16,520)
General and administrative expenses	*7*	**(167,171)**	(155,659)
Research and development expenses	*7*	**(58,067)**	(46,806)
Credit impairment losses	*8*	**(148,258)**	(68,185)
Fair value change of loans to customers		**(333,450)**	(303,649)
Other gains, net	*9*	**7,943**	1,798
Operating profit		**389,497**	430,352
Share of net loss of associates accounted for using the equity method		**(1,525)**	—
Profit before income tax		**387,972**	430,352
Income tax expense	*10*	**(85,859)**	(102,354)
Profit for the period attributable to:			
Owners of the Company		**302,109**	328,001
Non-controlling interests		**4**	(3)
		302,113	327,998

	Notes	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange difference on translation of financial statements		**(161)**	(4,866)
Total comprehensive income for the period, net of tax		**301,952**	323,132
Total comprehensive income attributable to:			
Owners of the Company		**301,948**	323,135
Non-controlling interests		**4**	(3)
		301,952	323,132
Basic earnings per Share *(RMB yuan)*	*11*	**0.62**	0.67
Diluted earnings per Share *(RMB yuan)*	*11*	**0.62**	0.67
Non-IFRS Measures			
Non-IFRS adjusted operating profit (1)		**390,900**	433,837
Non-IFRS adjusted net profit (2)		**303,516**	331,483
Non-IFRS adjusted basic earnings per Share *(RMB yuan)* (3)		**0.62**	0.68

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".

(3) Non-IFRS adjusted basic earnings per Share is calculated by dividing the Non-IFRS adjusted net profit by the weighted average number of Shares outstanding during the applicable period.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at June 30, 2023**	As at December 31, 2022
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Assets			
Cash and cash equivalents	*12(a)*	**1,261,303**	1,592,365
Restricted cash	*12(b)*	**598,640**	514,941
Loans to customers at fair value through profit or loss	*13*	**4,667,999**	5,230,471
Contract assets	*14*	**474,938**	443,146
Guarantee receivables	*15*	**1,263,091**	787,396
Financial investments at fair value through profit or loss		**182,364**	243,526
Investments accounted for using the equity method		**19,364**	20,889
Deferred income tax assets		**437,870**	342,458
Right-of-use assets		**69,561**	28,247
Intangible assets		**38,584**	38,441
Property and equipment		**43,309**	42,406
Other assets		**1,071,059**	819,150
Total assets		**10,128,082**	10,103,436
Liabilities			
Tax payable		**263,068**	199,748
Guarantee liabilities	*15*	**1,563,710**	1,140,754
Lease liabilities		**69,817**	27,789
Borrowings	*16*	**3,651,340**	4,331,326
Senior notes		**91,218**	176,236
Other liabilities		**404,774**	401,842
Total liabilities		**6,043,927**	6,277,695
Equity			
Share capital		**40,067**	40,067
Share premium		**5,311,233**	5,355,195
Treasury shares		**(7,045)**	(16,182)
Reserves		**748,374**	757,248
Accumulated losses		**(2,011,521)**	(2,313,630)
Non-controlling interests		**3,047**	3,043
Total equity		**4,084,155**	3,825,741
Total liabilities and equity		**10,128,082**	10,103,436

NOTES

1 General Information

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

Pursuant to a Shareholders' resolution dated February 6, 2018, the Company re-domiciled to the Cayman Islands by way of continuation as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented. The re-domiciliation was completed on February 26, 2018. The current address of the Company's registered office is at 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 Group is currently primarily a technology-driven consumer financial service provider in the People's Republic of China ("**China**" or the "**PRC**"), offering 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 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 Shares on a one-to-one basis. As at June 30, 2023, the number of Shares in issue is 489,459,789, 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 on August 24, 2023.

2 Basis of Preparation

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

3 Material Accounting Policies

3.1 New standards and amendments — applicable January 1, 2023

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, 2022, except for the adoption of new or amended standards and interpretations that became applicable for annual reporting periods commencing on or after January 1, 2023. 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, 2023:

		Notes
IFRS 17	Insurance Contracts	*(a)*
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	*(b)*
Amendments to IAS 8	Definition of Accounting Estimates	*(c)*
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	*(d)*
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules	*(e)*

(a) IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("**CSM**") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

3 Material Accounting Policies *(continued)*

3.1 New standards and amendments — applicable January 1, 2023 *(continued)*

(a) IFRS 17: Insurance Contracts *(continued)*

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023. Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.

(b) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The IASB amended IAS 1 to require entities to disclose their material accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

(c) Amendments to IAS 8: Definition of Accounting Estimates

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

3 Material Accounting Policies *(continued)*

3.1 New standards and amendments — applicable January 1, 2023 *(continued)*

(d) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and

- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

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

(e) Amendments to IAS 12: International Tax Reform — Pillar Two Model Rules

The IASB amended IAS 12 to require entities to disclose the exceptions that they applied to the recognition and disclosure of deferred tax assets and liabilities related to Pillar Two income taxes. They further clarify that current tax expense (income) relating to Pillar Two income taxes should be disclosed separately.

The amendment also provides guidance on how entities should disclose known or reasonably estimable information to meet the disclosure objective in periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect and at the end of the reporting period.

3 Material Accounting Policies *(continued)*

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, 2023 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.

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16	Lease Liability in Sale and Leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
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 Net interest type income

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest type income		
Loans to customers at fair value through profit or loss	**774,197**	1,124,663
Less: interest expenses		
Payable to trust plan holders	**(161,938)**	(273,282)
Senior notes	**(8,563)**	(36,898)
Bank borrowings	**(5,154)**	—
Others	**(1)**	(1)
	(175,656)	(310,181)
Net interest type income	**598,541**	814,482

5 Loan facilitation service fees

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Upfront loan facilitation service fees	**758,205**	473,976
Post loan facilitation service fees	**347,129**	218,410
	1,105,334	692,386

6 Other income

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gains from guarantee	**127,726**	3,708
Membership fees, referral fees and other service fees	**74,333**	27,950
Penalty and other charges	**8,386**	7,331
Government grants	**—**	36,010
Others	**3,287**	624
	213,732	75,623

7 Expenses by nature

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loan origination and servicing expenses	**(744,021)**	(496,552)
Employee benefit expenses	**(199,147)**	(176,542)
Office expenses	**(38,032)**	(16,320)
Professional service fees	**(28,645)**	(42,329)
Depreciation of right-of-use assets	**(15,124)**	(12,873)
Depreciation and amortisation	**(11,925)**	(12,574)
Tax and surcharge	**(11,769)**	(7,877)
Branding expenses	**(5,008)**	(4,072)
Others	**(674)**	(12,964)
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses	**(1,054,345)**	(782,103)

8 Credit impairment losses

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash and cash equivalents	**141**	47
Restricted cash	**(35)**	(51)
Contract assets	**(43,790)**	(29,915)
Guarantee receivables	**(100,129)**	(39,933)
Other assets	**(4,445)**	1,667
	(148,258)	(68,185)

9 Other gains, net

	Six months ended June 30, 2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**11,341**	9,142
Exchange gains/(losses)	**1,148**	(9,256)
Gains/(losses) from financial investments at fair value through profit or loss	**945**	(615)
(Losses)/gains from repurchase of senior notes	**(1,283)**	4,123
Interest expense on lease liabilities	**(1,664)**	(1,088)
Bank charges	**(2,544)**	(508)
	7,943	1,798

10 Income tax expense

	Six months ended June 30, 2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**(181,271)**	(153,005)
Deferred income tax	**95,412**	50,651
	(85,859)	(102,354)

11 Earnings per Share/Non-IFRS Adjusted basic earnings per Share

	Six months ended June 30, 2023	2022
	(Unaudited)	(Unaudited)
Earnings attributable to owners of the Company *(RMB'000)*	**302,109**	328,001
Non-IFRS Adjusted net profit *(RMB'000)*	**303,516**	331,483
Weighted average number of Shares for calculation of the basic earnings per Share *('000)*	**487,763**	487,038
Weighted average number of Shares for calculation of the diluted earnings per Share *('000)*	**489,923**	490,290
Basic earnings per Share *(RMB yuan)*	**0.62**	0.67
Diluted earnings per Share *(RMB yuan)*	**0.62**	0.67
Non-IFRS Adjusted basic earnings per Share *(RMB yuan)*	**0.62**	0.68

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

11.1 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 Shares in issue during the Period and the six months ended June 30, 2022 (the "**Corresponding Period**"), respectively.

11.2 For the Period and the Corresponding Period, diluted earnings per Share is calculated by adjusting the weighted average number of Shares outstanding by the assumption of the conversion of all potential dilutive Shares arising from share options and share awards granted by the Company (collectively forming the denominator for computing diluted earnings per Share). No adjustment is made to earnings (numerator).

11.3 Non-IFRS Adjusted basic earnings per Share is calculated by dividing the Non-IFRS adjusted net profit by the weighted average number of Shares in issue during the Period and the Corresponding Period, respectively.

12 **Cash and bank balances**

(a) **Cash and cash equivalents**

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash on hand	**4**	28
Cash at bank	**1,252,856**	1,585,539
Cash held through platform	**8,451**	6,947
Less: ECL allowance	**(8)**	(149)
	1,261,303	1,592,365

(b) **Restricted cash**

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Deposits to funding partners	**393,646**	309,912
Deposits for borrowings	**205,190**	205,190
Less: ECL allowance	**(196)**	(161)
	598,640	514,941

13 Loans to customers at fair value through profit or loss

The composition of loans is as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Unsecured	**4,667,981**	5,226,433
Pledged	**18**	4,038
	4,667,999	5,230,471

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Within 1 year (including 1 year)	**4,643,936**	5,227,719
1 to 2 years (including 2 years)	**24,045**	885
2 to 5 years (including 5 years)	**18**	1,867
	4,667,999	5,230,471

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Overdue	**59,957**	76,646
Within 1 year (including 1 year)	**4,584,357**	5,153,636
1 to 2 years (including 2 years)	**23,685**	189
	4,667,999	5,230,471

14 Contract assets

The Group uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of its different services as the basis for allocation. The service fee allocated to upfront loan facilitation is recognised as revenue upon execution of loan agreements with borrowers. When the fee allocated to the loan facilitation service is more than the cash received, a "Contract Asset" was recognised as follows:

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract assets	**548,200**	496,681
Less: ECL allowance	**(73,262)**	(53,535)
	474,938	443,146

15 Guarantee receivables and guarantee liabilities

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Guarantee receivables	**1,415,173**	874,014
Less: ECL allowance	**(152,082)**	(86,618)
	1,263,091	787,396

A summary of the Group's guarantee receivables movement for the Period and the Corresponding Period is presented below:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Guarantee receivables		
Opening balance	**787,396**	325,331
Addition arising from new loan facilitated	**1,674,123**	747,239
ECL	**(100,129)**	(39,933)
Reversal due to early repayment	**(86,228)**	(17,067)
Payment received from borrowers	**(1,012,071)**	(453,364)
Ending balance	**1,263,091**	562,206

15 Guarantee receivables and guarantee liabilities *(continued)*

A summary of the Group's guarantee liabilities movement for the Period and the Corresponding Period is presented below:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Guarantee liabilities		
Opening balance	**1,140,754**	472,454
Addition arising from new loan facilitated	**1,674,123**	747,239
Release of the margin	**(113,888)**	(49,780)
ECL	**(13,838)**	46,072
Reversal due to early repayment	**(86,228)**	(17,067)
Payouts during the period, net	**(1,037,213)**	(465,953)
Ending balance	**1,563,710**	732,965

16 Borrowings

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

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Secured		
Bank borrowings	**186,961**	186,990
Unsecured		
Payable to trust plan holders	**3,464,379**	4,137,616
Bank borrowings	**—**	6,720
	3,651,340	4,331,326

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

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Payable to trust plan holders	**5.10%~10.50%**	6.60%~10.50%
Bank borrowings	**5.50%**	5.50%~7.14%

16 Borrowings *(continued)*

The following table sets forth the contractual maturities of borrowings as at the dates indicated:

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year (including 1 year)	**2,103,820**	2,035,366
1 to 2 years (including 2 years)	**1,547,520**	2,295,960
	3,651,340	4,331,326

The following table sets forth the repayment schedule of borrowings as at the dates indicated:

	As at June 30, 2023	As at December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year (including 1 year)	**3,571,940**	4,231,926
1 to 2 years (including 2 years)	**79,400**	99,400
	3,651,340	4,331,326

Gearing ratio

As at June 30, 2023, our gearing ratio, calculated as total liabilities divided by total assets, was approximately 59.7%, representing a decrease of 2.4% as compared with 62.1% as at December 31, 2022.

As at June 30, 2023, 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 1.3x, as compared with 1.5x as at December 31, 2022.

17 Consolidated structured entities

The Group has consolidated certain structured entities which are primarily trust plans. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as the manager, is acting as an agent or a principal. The factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those trust plans where the Group provides financial guarantees, the Group has an 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, 2023, remaining injected funds of the trust plans consolidated by the Group amounted to RMB3.88 billion (December 31, 2022: RMB4.60 billion).

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

18 Commitments

The Group did not have any other significant commitments as at June 30, 2023 other than those mentioned above.

19 Dividends

On August 24, 2023, the Board recommended the distribution of an interim dividend of HK15 cents per Share for the Period (for the six months ended June 30, 2022: an interim dividend of HK10 cents per Share) to Shareholders on the register of members of the Company (the "**Register of Members**") on Friday, October 20, 2023, amounting to approximately HK$73.4 million from the share premium account of the Company, subject to the approval of the Shareholders at the EGM expected to be held on or around Thursday, October 12, 2023. If approved by Shareholders at the EGM, the interim dividend will be payable on or around Friday, November 10, 2023. The recommended interim dividend has not been recognised as a liability as at June 30, 2023.

20 Subsequent events

Since the end of the reporting period, the Board has proposed an interim dividend. Further details are disclosed in note 19.

21 Foreign exchange exposure

Foreign currency transactions during the Period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing as at June 30, 2023. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating to the foreign exchange rates prevailing at the dates of translation. Interim condensed consolidated statement of financial position items are translated into RMB at the closing foreign exchange rates prevailing as at June 30, 2023. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than RMB, the cumulative amount of the exchange differences relating to that operation with functional currency other than RMB is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

22 Opinion

The Board is of the opinion that, after taking into account existing available borrowing facilities and internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements.

INTERIM DIVIDEND

The Board has recommended the distribution of an interim dividend of HK15 cents per Share for the Period (for the six months ended June 30, 2022: an interim dividend of HK10 cents per Share) to Shareholders on the Register of Members on Friday, October 20, 2023, amounting to approximately HK$73.4 million from the share premium account of the Company, subject to the approval of Shareholders at the EGM. If approved by Shareholders at the EGM, the interim dividend will be payable on or around Friday, November 10, 2023.

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 Friday, October 6, 2023.

To determine the entitlement to the proposed interim dividend, the Register of Members will be closed from Thursday, October 19, 2023 to Friday, October 20, 2023, both days inclusive, during which period no transfers of Shares shall be effected. The record date will be Friday, October 20, 2023. 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 Wednesday, October 18, 2023.

DIRECTORS' AND EMPLOYEES' REMUNERATION AND POLICY

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

As at June 30, 2023, the Group had a total of 809 employees.

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

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

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

The Company operates a number of share incentive schemes for the purpose of providing share based incentives and rewards to eligible persons.

CORPORATE GOVERNANCE CODE

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

REVIEW OF UNAUDITED INTERIM FINANCIAL RESULTS

The audit committee of the Company has reviewed these unaudited interim results, including the accounting principles and practices adopted by the Company, and discussed these unaudited interim results with senior management of the Company. These unaudited interim results have been reviewed by the auditor of the Company.

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

Hong Kong, August 24, 2023

As at the date of this announcement, the Board comprises Mr. Ma Ting Hung as the chairman and an executive Director; Mr. Liu Sai Wang Stephen and Mr. Liu Sai Keung Thomas as executive Directors; Mr. Yip Ka Kay as a non-executive Director; and Mr. Chen Derek, Mr. Chen Penghui and Mr. Fang Yuan as independent non-executive Directors.