



# 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

# 2024

## 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  
Ms. Lau Wing Yee

## COMPANY SECRETARY

Ms. Lau Wing Yee

## REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited  
4th Floor, Harbour Place  
103 South Church Street  
P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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88 Queensway, Hong Kong  
Telephone : (852) 2918 5500  
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E-mail : ir@vcredit.com

## PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

28/F, Tower 1, Landmark Centre  
88 North Sichuan Road  
Shanghai 200085  
The People's Republic of China

## 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 CODE

2003

## WEBSITE

<https://www.vcredit.com>

# Letter from the CEO

Dear Shareholders,

China's macroeconomic conditions remained sluggish with weak consumer demand in the first half of 2024. To navigate this challenging environment, VCREDIT Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**" or "**we**") promptly adjusted our business strategy and further tightened our credit standards to enhance the overall health and sustainability of our operations. Whilst we saw a decrease in loan origination volume during the six months ended June 30, 2024 (the "**Period**") from the combined effects of weaker credit demand and our prudent business strategy, our performance validates the effectiveness of our strategy adjustments and demonstrates the resilience of our business operations.

## OPERATIONAL PERFORMANCE

Our loan origination volume reached RMB27.02 billion for the Period, representing a decrease of 25.3% compared to the six months ended June 30, 2023 (the "**Corresponding Period**"). As of June 30, 2024, our outstanding loan balance was RMB26.61 billion, representing a 22.8% decrease from RMB34.47 billion as of December 31, 2023.

During the Period, we tightened our credit policies and concurrently completed an iterative upgrade of our risk model to comprehensively reduce our customer credit risk exposure. Through these initiatives, our first payment default ratio for newly originated loans, a leading indicator of our asset quality, dropped by 29.6% to 0.50% in the second quarter of 2024 compared to the fourth quarter of 2023. However, due to the adverse impact of unfavorable macroeconomic conditions on existing loans and reduced scale, our M3+ ratio rose to 3.82% by the end of the second quarter of 2024. The Chinese Government has implemented various economic and fiscal policies and measures to address the challenging macroeconomic environment and encourage greater consumption. As the effects of these policies gradually unfold, coupled with our effective risk models and prudent risk management, we are confident that the asset quality will continue to improve.

On the customer acquisition side, we continue to actively expand premium acquisition channels to acquire high-quality customers. Over the Period, we have successfully established new partnerships with leading lifestyle service platforms, further enhancing our ability to attract high-quality customers. By enriching user behaviour analysis models and refining user segmentation, we have improved our capability to precisely target desired customers. In the Period, our cumulative registered users increased to 149.1 million, a growth of 9.8% compared to the Corresponding Period. At the same time, we continued to enhance customer experience by optimising our product offerings and systems to improve the retention and engagement of existing users. Repeat borrowers accounted for 89.5% of our total loan volume in the Period.

Fostering a stable and diversified funding partner base is critical to our business. Our funding costs during the Period continued to present a declining trend as we optimised our funding structure. We have been able to maintain healthy and long-term collaboration with our funding partners by offering a value proposition which includes efficient risk management and attractive risk-adjusted returns. By the end of the Period, we had business cooperation with 109 external licensed funding partners. We managed diversified forms of cooperation to ensure fund security and compliant operations, while achieving a win-win situation and stable growth for all stakeholders. In the end, the total loan volume facilitated through our loan facilitation structure amounted to RMB20.24 billion, 74.9% of the total loan origination volume.

## Letter from the CEO

Technology is our core competitive advantage. We have proactively embraced Artificial Intelligence (“AI”) innovation and explored its wide-ranging applications across all business sectors. During the Period, we have expanded the reach of AI into customer service and post-loan management. By deeply analysing user conversation content, we have been able to not only comprehensively recognize their needs but also continually optimise our operational strategies, ultimately enhancing user experience. We have also made significant breakthroughs in other intelligent solutions. One of the primary internal applications has been AI-augmented code generation, where we have observed coding efficiency more than double in certain projects. Moreover, we have always been committed to empowering our core business with technological advancements, particularly in risk management. Through in-depth transformation and upgrade of our risk rule engine, we have further increased the automation level of our risk control, effectively enhancing the security and stability of our system, and laying a solid foundation for the steady development of our business.

In addition to developing our core existing consumer finance business domestically in China, we are also actively expanding our operations to different markets to establish a broader operating model in line with our long-term strategy. In May 2024, our Hong Kong business became the first money lender in Hong Kong to cooperate with China Mobile Hong Kong Company Limited (“**China Mobile Hong Kong**”), successfully expanding the customer acquisition channel network and our ability to provide more users with a tailored experience. We look forward to building on our new endeavors to extract the best returns for shareholders of the Company (“**Shareholders**”).

## FINANCIAL PERFORMANCE

Our total income was RMB1,738.4 million for the Period, representing a decrease of 9.3% as compared to RMB1,917.6 million for the Corresponding Period, primarily due to the decrease in loan volume and loan balance in the loan facilitation structure.

Our fair value losses of loans to customers increased to RMB592.3 million for the Period, as compared to RMB333.5 million for the Corresponding Period, mainly due to the growth in loan origination volume of on-balance loans and conservative approach on provisioning given continuing macro uncertainties.

As our loan origination volume declined, our operating expenses, excluding share-based compensation expenses, was RMB868.8 million for the Period, a decrease of 17.5%, as compared to RMB1,052.9 million for the Corresponding Period.

As a result, we recorded net profit and adjusted net profit of RMB120.3 million and RMB120.7 million, respectively, for the Period, a decrease of 60.2% and 60.2%, as compared to RMB302.1 million and RMB303.5 million, for the Corresponding Period, respectively.

## OUTLOOK AND STRATEGIES

On the regulatory front, in March 2024, the National Financial Regulatory Administration officially issued the “Management Measures for Consumer Finance Companies.” This regulation sets stricter supervisory standards for existing consumer finance companies, which may pose certain challenges to business operations in the short term. However, from a long-term perspective, these ‘Management Measures’ have profound significance in rectifying the operational order of the consumer finance industry, strengthening the protection of consumer rights, and promoting healthy and orderly market development, laying a solid institutional foundation for the industry’s vigorous growth.

In the face of the new regulatory environment, we will continue to optimise our business model, strengthen our risk management framework and enhance our technological capabilities. We believe these factors will contribute to the Group’s resilience in navigating a changing and evolving macro environment, providing support for long-term sustainable growth and profitability.

Towards the end of last year, we implemented proactive strategic adjustments to optimise our post-loan collection process and customer complaint management system, and simultaneously established a dedicated Consumer Protection Committee to further strengthen consumer protection. Through constant efforts, we are continuously improving our product and service system, ensuring that every innovation revolves closely around the core tenet of consumer rights protection.

Adhering to the highest level of regulatory compliance and ensuring a sustainable business model has always been and will continue to be our top priority, as well as our core strength and competitive advantage.

Looking to the second half of 2024, macroeconomic uncertainties remain. We will remain focussed on pursuing high-quality growth by optimising risk performance and operations, and enhancing overall profitability.

I look forward to delivering more value to our stakeholders including our customers, Shareholders, employees and the wider community.

Sincerely,

**Liu Sai Wang Stephen**

*Executive Director and Chief Executive Officer*

Hong Kong, August 26, 2024

# Management Discussion and Analysis

## FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Change
	2024	2023	
	RMB million	RMB million	
<b>Total Income</b>	<b>1,738.4</b>	1,917.6	-9.3%
Interest type income	<b>1,068.3</b>	774.2	38.0%
Less: interest expenses	<b>(193.3)</b>	(175.6)	10.0%
Loan facilitation service fees	<b>939.6</b>	1,105.3	-15.0%
Other (expenses)/income	<b>(76.2)</b>	213.7	NM <sup>(3)</sup>
<b>Operating Profit</b>	<b>154.4</b>	389.5	-60.4%
<b>Net Profit</b>	<b>120.3</b>	302.1	-60.2%
<b>Non-IFRS Adjusted Operating Profit<sup>(1)</sup></b>	<b>154.8</b>	390.9	-60.4%
<b>Non-IFRS Adjusted Net Profit<sup>(2)</sup></b>	<b>120.7</b>	303.5	-60.2%

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) NM: not meaningful

## BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, China's macroeconomic conditions remained sluggish and continued to bring about market uncertainty and weakened consumer demand, prompting us to adjust our business strategy by tightening risk control and improving operational efficiency. Meanwhile, we continued to enhance our business framework to sustain and support a secure and compliant digital financial ecosystem as well as moving ahead with our strategic plan to establish additional businesses in new markets.

During the Period, we continued to optimise our risk model, innovate product and services, and improve technological standards, to maintain focus on higher quality borrowers. Hand in hand with our financial technology innovation and risk control tightening, we also emphasised in our business model the consumer rights of our borrowers and the security of their personal information to address regulatory developments in this regard in our industry. At the same time, initiatives to nurture and maintain talent development and compliance construction to promote the sustained and healthy development of our business were also undertaken. Our performance and results during the Period demonstrate the resilience and flexibility of our development strategy, business model and operations.

### Business Review

Our loan origination volume reached RMB27.02 billion for the Period. As macroeconomic conditions remained sluggish and consumption and credit demand decreased, we promptly adjusted our operating strategy by tightening risk control to mitigate borrower credit risk and asset quality depreciation and implemented cost control measures to improve operational efficiency.

To enhance the level of risk control in the first half of 2024, we upgraded through iterations our risk model by utilising additional data sources, and adjusted our credit line policy to lower average risk exposure per customer basis. At the same time, through the application of more comprehensive dimensions for assessing borrower characteristics, we improved the quality of our approval processes. These updates have helped our ongoing targeting of higher quality borrowers on the asset side, and achieve a balance between short-term risk and long-term returns.

Through our technology research and development (“**R&D**”), we have been monitoring and assessing the application of AI in our business technology to improve operational efficiency. In the first half of 2024, we officially launched ‘金烏大模型’ (*Sunbird AI Hub*), our AI large model. ‘金烏大模型’ (*Sunbird AI Hub*) is being deployed across several aspects of our business. In particular, it is able to summarise large amounts of dialogue texts and significantly improve the quality of customer service statistics and quality control through its application to intelligent credit. In addition, ‘金烏大模型’ (*Sunbird AI Hub*) is aiding in code generation by helping R&D staff to focus on the design and improvement of data structure and system architecture.

In the office setting, AI is being utilised with ‘維小智’ (*VQuickMind*) 2.0 which was put into service during the Period. ‘維小智’ (*VQuickMind*) 2.0 enables employees to create content in addition to the original question-and-answer interaction function, thus improving office efficiency. Other AI initiatives during the Period include an iterative upgrade of our core risk control system ‘蜂鳥’ (*Hummingbird*) with the help of AI technology in the field of specialised modeling, thereby improving the operational efficiency of our risk control and reducing operational risks by revamping the rules engine.

Building on our ongoing efforts to strengthen our technological capabilities, we continue to focus on performance improvement in user experience and financial partnership.

We actively expanded our network of high-quality customer acquisition channels and enhanced customer acquisition efficiency. In the first half of 2024, we reached cooperation agreements with leading food delivery platform and other high-quality channels. In light of changes in user behaviour and traffic entrances, we increased the proportion of customers acquired through mini programs, which better enable us to enhance our customer interaction and enable seamless connection with new high-quality customers. At the same time, we persistently focused on enhancing the efficiency of new customer operations. By leveraging the user behaviour variances in our lending process nodes, we carried out customised operations to boost the probability of transactions and enhance users’ first-time transaction experience.

In addition to actively acquiring high-quality new customers, we continued to optimise our existing user operation strategy. In the first half of 2024, repeat customers accounted for 89.5% of total loan volume. We have upgraded our services at various points in the business process to shorten the time taken to issue and disburse loans and reduce the operation path for users, to provide users with a safer and more convenient and caring financial ecological experience. As of June 2024, our cumulative number of registered users reached 149.1 million, an increase of 9.8% over the same period in 2023.



## Management Discussion and Analysis

We also focused on strengthening co-operation with our financial institution funding partners, especially deepening our relationship with systemically important banks. As of June 2024, we have established long-term relationships with 109 external funding partners (including national joint-stock commercial banks, consumer finance companies and trust funds, etc), thus growing our rich and diversified funding pool. Alongside the expansion in our number of funding partners, we also improved our capital management with the construction of the VCREDIT fund management platform system, which strengthens the whole life-cycle management of our funding partner co-operation, continuously improves the efficiency of our funding operation, and steadily reduces our cost of funds. In addition, we have marketed our technology solutions to our funding partners which broadens our digital alliances and deepens relationships in loan monitoring and consumer protection through joint modelling.

Apart from strengthening and developing our existing consumer finance business in Mainland China, we also consolidated our new business initiatives outside of Mainland China. In May 2024, our Hong Kong-based online consumer finance brand 'CreFIT' became the first money lender in Hong Kong to cooperate with China Mobile Hong Kong to provide consumer finance products to customers on its MyLink platform. 'CreFIT' will look for opportunities to align with additional quality customer acquisition channels and develop mutually beneficial cooperation across cross-industry online platforms and widen access to users with a tailored instalment experience that can truly match real consumer finance scenarios.

### Operating Review

#### Products and Services

In Mainland China, we primarily offer two credit products through our pure online loan origination processes: (i) credit card balance transfer products; and (ii) consumption credit products, both of which are instalment-based. Interest rates (inclusive, where applicable, of our funding partners' interest share and guarantee charges of credit enhancement organisations) payable in respect of loans to customers ranged from 8.00% per annum to 35.95% 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, 2024, the aggregate principal amount outstanding from the five largest borrowers of the Group was RMB851,043 (representing 0.003% of the total loan balance of the Group as at June 30, 2024) and the principal amount outstanding from the largest borrower of the Group was RMB177,679 (representing approximately 0.001% of the total loan balance of the Group as at June 30, 2024). For the Period, the total number of transactions was 2.3 million. The average term of our credit products was approximately 10.1 months and the average loan size was approximately RMB11,936.

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

Loan Origination Volume	Six months ended June 30,			
	2024		2023	
	RMB million	%	RMB million	%
Direct Lending	485.6	1.8%	644.3	1.8%
Trust Lending	6,301.7	23.3%	4,751.6	13.1%
Credit-enhanced loan facilitation	15,915.7	58.9%	25,721.1	71.1%
Pure loan facilitation	4,320.1	16.0%	5,081.1	14.0%
<b>Total</b>	<b>27,023.1</b>	<b>100.0%</b>	<b>36,198.1</b>	<b>100.0%</b>

From 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. As at June 30, 2024, the online consumption products outstanding balance of loans to customers was RMB26,602.9 million.

## Asset Quality

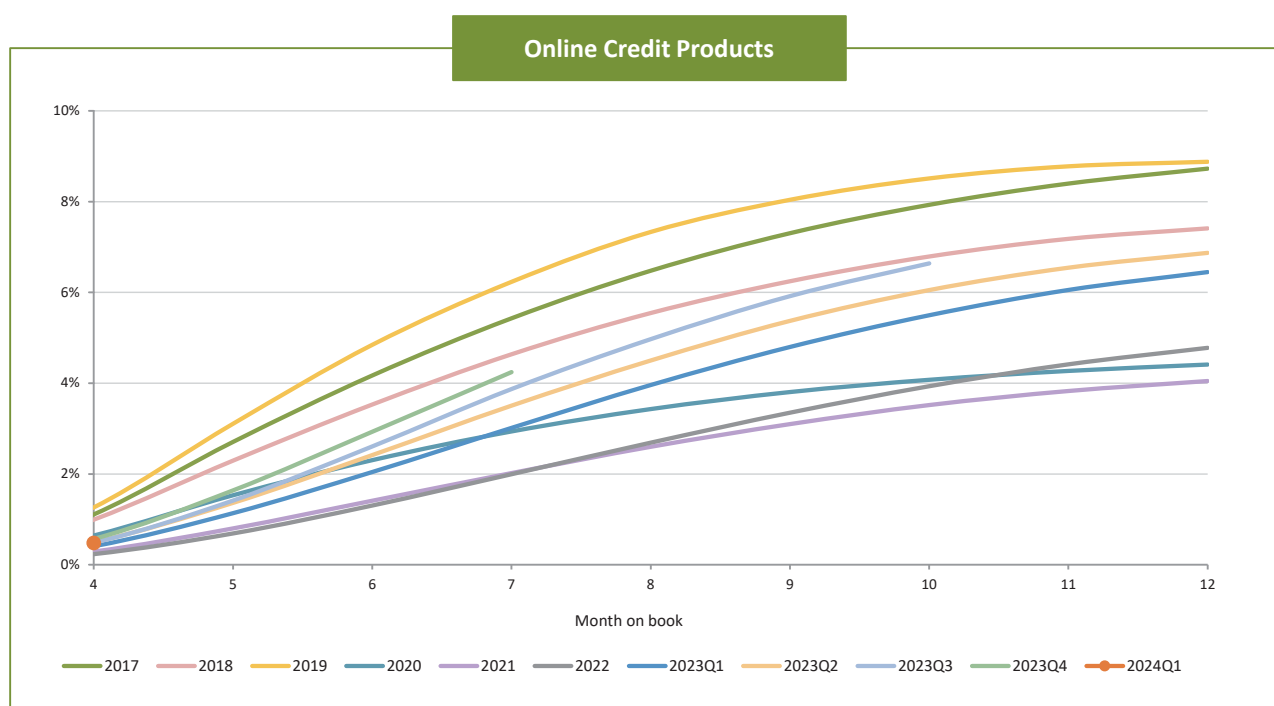
During the Period, the overall environment has remained volatile and uncertain. Against this backdrop, we have made iterative upgrades to our risk model and concurrently, we have made major policy adjustments to reduce individual customer's risk exposure across the board, which is in line with the prevailing macroeconomic environment and regulations.

In view of the adverse effects of the unfavourable macroeconomic conditions on existing loans and the moderate contraction in business scale, the M3+ ratio has experienced a corresponding increase. However, with the Chinese Government's promulgation of various economic and fiscal policies to boost consumption and economic recovery and our timely risk control adjustments, customers' liquidity has been improved to a certain degree, particularly since the beginning of the second quarter of 2024. For instance, our first payment delinquency ratio has dropped by 29.6% to 0.50% in the second quarter of 2024 in comparison to the fourth quarter of 2023.

In the second half of 2024, we will seek improvements in the precise identification ability of various types of customers and the optimisation and enhancement of our risk control system. At the same time, we will also undertake an innovative review of the collection process to achieve optimal balance between business metrics and customer experience.

	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2
First payment delinquency ratio <sup>(1)</sup>	0.35%	0.43%	0.53%	0.64%	0.61%	0.71%	<b>0.59%</b>	<b>0.50%</b>
M1-M3 ratio <sup>(2)</sup>	2.33%	3.53%	3.20%	4.09%	4.45%	5.07%	<b>4.62%</b>	<b>4.47%</b>
M3+ ratio <sup>(3)</sup>	1.44%	1.77%	2.49%	2.26%	2.83%	2.98%	<b>3.49%</b>	<b>3.82%</b>

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



### 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 the month of 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 which have not been written off (excluding offline credit products, which had a negligible balance of RMB2.7 million as at June 30, 2024).
- (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 which have not been written off (excluding offline credit products, which had a negligible balance of RMB2.7 million as at June 30, 2024).
- (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 RMB2.7 million as at June 30, 2024).

## Management Discussion and Analysis

### **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 continue 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 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 embrace 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 AI
- 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

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 (expenses)/income. Our total income decreased by 9.3% to RMB1,738.4 million for the Period, compared to RMB1,917.6 million for the Corresponding Period, primarily due to a decrease in loan volume through our credit-enhanced and pure loan facilitation structures with partial offset due to an increase in the average outstanding loan balance of our trust lending structure, and an increase in M3+ ratio as a result of the lower loan demand from high quality borrowers and the adverse impact of the unfavourable macroeconomic conditions.

### Net Interest Type Income

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

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Net Interest Type income</b>	<b>RMB'000</b>	<b>RMB'000</b>
Interest type income	<b>1,068,276</b>	774,197
Less: interest expenses	<b>(193,290)</b>	(175,656)
<b>Total</b>	<b>874,986</b>	598,541

For the Period, we recorded interest type income of RMB1,068.3 million, which was generated from loans to customers originated under direct lending and trust lending structures, an increase by 38.0% compared to RMB774.2 million for the Corresponding Period, primarily due to an increase in the average outstanding loan balance of our trust lending structure.

Interest expenses increased by 10.0% to RMB193.3 million for the Period, compared to RMB175.6 million for the Corresponding Period, primarily due to an increase in the average borrowing balance, although partially offset by a decrease in the weighted average interest rate during the Period.

## Management Discussion and Analysis

### Loan Facilitation Service Fees

Loan facilitation service fees decreased by 15.0% to RMB939.6 million for the Period, compared to RMB1,105.3 million for the Corresponding Period, primarily due to a decrease 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.

Loan Facilitation Service Fees	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Credit-enhanced loan facilitation	866,506	922,867
Pure loan facilitation	73,118	182,467
<b>Total</b>	<b>939,624</b>	<b>1,105,334</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	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Upfront loan facilitation service fees	566,557	758,205
Post loan facilitation service fees	373,067	347,129
<b>Total</b>	<b>939,624</b>	<b>1,105,334</b>

### Other (Expenses)/Income

We recorded other expenses of RMB76.2 million for the Period, compared to other income of RMB213.7 million for the Corresponding Period, primarily due to an increase in M3+ ratio reflected in losses from guarantee as a result of the lower loan demand from high quality borrowers and the adverse impact of the unfavourable macroeconomic conditions.

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

Other (Expenses)/Income	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
(Losses)/gains from guarantee	(234,706)	127,726
Membership fees, referral fees and other service fees	76,456	74,333
Government grants	56,263	–
Penalty and other charges	16,939	8,386
Others	8,795	3,287
<b>Total</b>	<b>(76,253)</b>	<b>213,732</b>

### Expenses

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

Our origination and servicing expenses decreased by 22.5% to RMB626.0 million for the Period, compared to RMB807.7 million for the Corresponding Period, mainly due to a decrease in customer acquisition cost resulting from the reduced scale, partially offset by an increase in loan collection fees, reflecting our intensified efforts to improve our loan portfolio.

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

Our sales and marketing expenses increased by 12.3% to RMB24.1 million for the Period, compared to RMB21.4 million for the Corresponding Period, due to increased employee benefit expenses and branding expenses required to further develop new business and explore new growth possibilities.

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

Our general and administrative expenses decreased by 3.0% to RMB162.2 million for the Period, compared to RMB167.2 million for the Corresponding Period, due to improvements in operating efficiency.

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

Our research and development expenses decreased by 1.9% to RMB57.0 million for the Period, compared to RMB58.1 million for the Corresponding Period, primarily attributed to streamlining our procedures and improvements in efficiency through our continued investments in technological research and development.

#### **Operating Profit**

We recorded an operating profit of RMB154.4 million for the Period, a decrease of 60.4% compared to RMB389.5 million for the Corresponding Period, primarily due to (i) a decrease in loan volume during the Period, largely due to weaker consumer credit demand, coupled with our prudent business strategy in light of uncertain macroeconomic environment; (ii) initial losses incurred in the early stage startup of new businesses, in line with the Group's strategy to diversify its business operations into new markets and new businesses; and (iii) an increase in M3+ ratio due to lower loan demand from high quality borrowers, a lower volume base, and the adverse impact of the unfavourable macroeconomic conditions on existing loans.

#### **Net Profit**

We recorded a net profit of RMB120.3 million for the Period, a decrease of 60.2% compared to RMB302.1 million for the Corresponding Period, which is consistent with our operating profit for the same period.

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

Our Non-IFRS adjusted operating profit was RMB154.8 million for the Period, a decrease of 60.4% compared to RMB390.9 million for the Corresponding Period.

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

Our Non-IFRS adjusted net profit was RMB120.7 million for the Period, a decrease of 60.2% compared to RMB303.5 million for the Corresponding Period.

## Management Discussion and Analysis

### Non-IFRS Measures

To supplement our historical financial information, which is presented in accordance with IFRS Accounting Standards, 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 Accounting Standards.

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Operating Profit</b>	<b>154,417</b>	389,497
Add:		
Share-based compensation expenses	<b>346</b>	1,403
<b>Non-IFRS Adjusted Operating Profit</b>	<b>154,763</b>	390,900
<b>Non-IFRS Adjusted Operating Profit Margin <sup>(1)</sup></b>	<b>8.9%</b>	20.4%
	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Net Profit</b>	<b>120,343</b>	302,113
Add:		
Share-based compensation expenses	<b>346</b>	1,403
<b>Non-IFRS Adjusted Net Profit</b>	<b>120,689</b>	303,516
<b>Non-IFRS Adjusted Net Profit Margin <sup>(2)</sup></b>	<b>6.9%</b>	15.8%

*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 increased by 2.0% to RMB6,637.1 million as at June 30, 2024, compared to RMB6,504.4 million as at December 31, 2023, primarily due to an increase in our trust lending loan origination volume.

	As at June 30, 2024		As at December 31, 2023	
	RMB'000	%	RMB'000	%
Online consumption products	<b>6,637,053</b>	<b>100.0%</b>	6,504,421	100.0%

### Contract Assets

Our contract assets decreased by 18.0% to RMB381.5 million as at June 30, 2024, compared to RMB465.4 million as at December 31, 2023, due to the decrease in our credit-enhanced and pure loan origination volume by 37.4% to RMB20,235.8 million for the Period, compared to RMB32,346.9 million for the six months ended December 31, 2023.

	As at June 30, 2024	As at December 31, 2023
	RMB'000	RMB'000
Contract assets	<b>454,620</b>	552,808
Less: expected credit losses ("ECL") allowance	<b>(73,120)</b>	(87,400)
	<b>381,500</b>	465,408

### Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables decreased by 24.2% to RMB998.7 million as at June 30, 2024, compared to RMB1,317.0 million as at December 31, 2023. Our guarantee liabilities decreased by 33.3% to RMB1,023.6 million as at June 30, 2024, compared to RMB1,533.9 million as at December 31, 2023. The changes in guarantee receivables and guarantee liabilities are primarily due to the decrease in our credit-enhanced loan origination volume by 36.2% to RMB15,915.7 million for the Period, compared to RMB24,955.3 million for the six months ended December 31, 2023.

	Six months ended June 30, 2024	2023
	RMB'000	RMB'000
<b>Guarantee Receivables</b>		
Opening balance	<b>1,317,024</b>	787,396
Addition arising from new loan facilitated	<b>1,196,504</b>	1,674,123
ECL	<b>(98,607)</b>	(100,129)
Reversal due to early repayment	<b>(58,786)</b>	(86,228)
Payment received from borrowers	<b>(1,357,437)</b>	(1,012,071)
<b>Ending Balance</b>	<b>998,698</b>	1,263,091



## Management Discussion and Analysis

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
<b>Guarantee Liabilities</b>		
Opening balance	1,533,883	1,140,754
Addition arising from new loan facilitated	1,196,504	1,674,123
Release of the margin	(88,347)	(113,888)
ECL	323,053	(13,838)
Reversal due to early repayment	(58,786)	(86,228)
Payouts during the period, net	(1,882,736)	(1,037,213)
<b>Ending Balance</b>	<b>1,023,571</b>	<b>1,563,710</b>

### 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 increased by 3.1% to RMB5,151.8 million as at June 30, 2024, compared to RMB4,999.1 million as at December 31, 2023, primarily due to an increase in loans originated by us through our trust lending structure.

As at June 30, 2024, the Group had a secured bank borrowing with a principal amount of RMB350.0 million guaranteed by deposits of RMB357.9 million.

The senior notes comprised the remaining principal amount of HK\$100.0 million of the HK\$200.0 million 9.5% senior notes due 2025 issued on June 16, 2022.

	As at June 30, 2024		As at December 31, 2023	
	RMB'000	%	RMB'000	%
Payable to trust plan holders	5,151,844	89.1%	4,999,099	89.9%
Secured bank borrowings	350,676	6.1%	314,901	5.7%
Unsecured bank borrowings	188,481	3.2%	157,888	2.8%
	<b>5,691,001</b>	<b>98.4%</b>	<b>5,471,888</b>	<b>98.4%</b>
Senior notes	90,929	1.6%	89,989	1.6%
<b>Total</b>	<b>5,781,930</b>	<b>100.0%</b>	<b>5,561,877</b>	<b>100.0%</b>

	As at June 30, 2024	As at December 31, 2023
<b>Weighted Average Interest Rates of Borrowings and Senior Notes</b>		
Payable to trust plan holders	6.6%	8.3%
Bank borrowings	5.4%	5.1%
Senior notes	9.5%	9.5%

### Gearing ratio

As at June 30, 2024, our gearing ratio, calculated as total liabilities divided by total assets, was approximately 63.9%, representing a decrease of 1.2% as compared with 65.1% as at December 31, 2023.

As at June 30, 2024, 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 1.6x, as compared with 1.7x as at December 31, 2023.

## LIQUIDITY AND CAPITAL RESOURCES

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

### Cash Flows

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

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash inflow from operating activities	<b>469,647</b>	578,614
Net cash inflow from investing activities	<b>13,421</b>	47,651
Net cash inflow/(outflow) from financing activities	<b>11,101</b>	(959,371)
Net increase/(decrease) in cash and cash equivalents	<b>494,169</b>	(333,106)
Cash and cash equivalents at the beginning of the periods	<b>896,700</b>	1,592,514
Effects of exchange rate changes on cash and cash equivalents	<b>(313)</b>	1,903
Cash and cash equivalents at the end of the periods	<b>1,390,556</b>	1,261,311

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 funding partners, employee salaries and benefits, taxes and surcharges, and other operating expenses. We had net cash inflow generated from operating activities of RMB469.6 million for the Period, a decrease of RMB109.0 million compared to net cash inflow generated from operating activities of RMB578.6 million for the Corresponding Period, primarily due to an increase in cash outflow used in our expanded loan volume originated by our trust lending structure for the Period, and an increase in cash outflow used in payment of guarantee indemnification as a result of the change in asset quality; although partially offset by an increase in cash inflow from recovery of security deposits in financial institution funding partners and a decrease in cash outflow used in payment of operating expenses as a result of a decrease in loan origination volume.

## Management Discussion and Analysis

We had net cash inflow from investing activities of RMB13.4 million for the Period, compared to net cash inflow of RMB47.7 million for the Corresponding Period. For the Period, we had a net cash inflow decrease primarily due to a decrease of RMB45.0 million in trust plans, partially offset by an increase of RMB10.0 million in structured deposits and cash outflow used in payment of investments accounted for using the equity method of RMB14.6 million, compared to a net cash inflow from a decrease of RMB190.0 million in structured deposits partially offset by an increase of RMB136.4 million in money market funds for the Corresponding Period.

We had net cash inflow from financing activities of RMB11.1 million for the Period, compared to net cash outflow of RMB959.4 million for the Corresponding Period. For the Period, we had net cash inflow from borrowings and trust plans of RMB227.5 million and cash outflow used in payment of interest expenses of RMB201.4 million, compared to net cash outflow from borrowings and trust plans of RMB683.9 million and payment of interest expenses of RMB171.6 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, 2024.

### Charges on Assets

As at June 30, 2024, the Group had cash deposits of RMB357.9 million pledged to banks as securities for banking facilities.

### Contingencies

Save as disclosed in this unaudited interim report, the Group did not have any significant contingent liabilities as at June 30, 2024.

## ACQUISITIONS AND DISPOSALS

### Material Investments and Acquisitions

The Group acquired an indirect 15.0% interest in Thousand Whales Technology (BVI) Limited by way of a subscription for 6,000,000 Series Angel Preferred Shares for a consideration of HK\$10.0 million on January 19, 2024 and a subscription for 3,592,814 Series Angel Preferred Shares for a consideration of HK\$6.0 million on June 21, 2024. The applicable percentage ratios set out in rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in respect of the acquisition are less than 5.0% and, therefore, the acquisition constitutes a de minimis transaction.

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.

### INTERIM DIVIDEND

The board (the “**Board**”) of directors of the Company (the “**Directors**”) does not recommend the payment of an interim dividend for the Period (Corresponding Period: HK15 cents per share of the Company).

### DIRECTORS’ AND EMPLOYEES’ REMUNERATION AND POLICY

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

As at June 30, 2024, the Group had a total of 843 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 Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) 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 Part 2 of Appendix C1 to 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 C3 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.

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

As at June 30, 2024, 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 (Chapter 571 of the Laws of Hong Kong) (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 of the Company:

Name of Directors	Nature of interest	Number of shares	Percentage of total issued shares <sup>(1)</sup>
Ma Ting Hung	Personal interest	18,127,000	39.85%
	Interest in controlled corporations <sup>(2)</sup>	176,922,097	
Liu Sai Wang Stephen	Personal interest	1,200,000	12.25%
	Interest in controlled corporations <sup>(3)</sup>	58,742,173	
Liu Sai Keung Thomas	Personal interest	600,000	1.52%
	Interest in controlled corporation <sup>(4)</sup>	6,828,585	
Yip Ka Kay	Interest in controlled corporation <sup>(5)</sup>	7,575,314	1.55%
Fang Yuan	Personal interest	103,200	0.02%

Notes:

- (1) The calculation is based on the total number of 489,459,789 shares of the Company ("Shares") in issue as at June 30, 2024.
- (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 an interest in 84,719,154 Shares, 46,607,010 Shares and 45,595,933 Shares, respectively.
- (3) Liu Sai Wang Stephen controls 50%, and is a director, of Magic Mount Limited, which has an 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 an interest in 27,523,810 Shares and of which, 20,000,000 Shares have been lent under securities lending agreements. Union Fair International Limited has an interest in 4,124,505 Shares.
- (4) Liu Sai Keung Thomas controls 100% of, and is a director of, International Treasure Limited which has an interest in 6,828,585 Shares.
- (5) Yip Ka Kay is the sole director and the sole shareholder of NM Strategic Partners, LLC which manages NM Strategic Focus Fund L.P., which has an interest in 7,575,314 Shares.

Save as disclosed herein and so far as is known to the Directors, as at June 30, 2024, 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

### 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**”), pursuant to which the total number of Shares which may be issued upon the exercise of all outstanding share options granted under the Post-IPO Share Option Scheme is 49,730,386 Shares, being not more than 10% of the Shares in issue on June 21, 2018, being the date of listing of Shares on the Stock Exchange. The Post-IPO Share Option Scheme is subject to the provisions of Chapter 17 of the Listing Rules.

The purpose of the Post-IPO Share Option Scheme is to provide eligible persons, including the Group’s 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 Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme provides the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to eligible persons.

No share options have been granted or agreed to be granted under the Post-IPO Share Option Scheme as at June 30, 2024.

#### **Share Award Scheme**

The Company adopted the VCREDIT No. 1 Share Award Scheme on January 11, 2019 (the “**Share Award Scheme No. 1**”), pursuant to which the Company may grant share awards (“**Awards**”) in respect of up to 24,974,369 Shares. The Company also adopted the VCREDIT No. 2 Share Award Scheme on May 27, 2021 (the “**Share Award Scheme No. 2**”, together with the Share Award Scheme No. 1, the “**Share Award Schemes**”). Pursuant to the Share Award Scheme No. 2, the Company may grant Awards in respect of up to 49,305,718 Shares. The Share Award Schemes are discretionary schemes of the Company. 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. The Share Award Schemes are subject to the provisions of Chapter 17 of the Listing Rules.

During the Period, no Awards have been granted pursuant to the Share Award Scheme No. 1. As of June 30, 2024, Awards in respect of a total of 9,020,360 Shares have been awarded to eligible persons under the Share Award Scheme No. 1, and of which 1,800,000 Shares have been awarded to connected persons. As at June 30, 2024, 17,433,009 Shares (including forfeited Shares) remain available for future grants of Awards under the Share Award Scheme No. 1, representing 3.56% of the Shares in issue as at June 30, 2024.

## Other Information

As at June 30, 2024, the trustees of the trusts established to administer the Share Award Scheme No. 1 held a total of 880,300 Shares which can be applied to satisfy Awards that granted or may be granted under the Share Award Scheme No. 1 to non-connected persons.

The movements during the Period in the 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, 2024
		Originally Granted	As at January 1, 2024	Granted during the Period	Vested during the Period <sup>(2)</sup>	Forfeited/Lapsed during the Period	
<b>Employees</b>							
Non-connected Person	19-07-2021	120,000 <sup>(1)(a)</sup>	60,000	Nil	30,000	30,000	0
Non-connected Person	19-07-2021	400,000 <sup>(1)(b)</sup>	200,000	Nil	100,000	Nil	100,000
Non-connected Person	02-09-2021	200,000 <sup>(1)(c)</sup>	100,000	Nil	Nil	Nil	100,000
Non-connected Person	01-04-2022	200,000 <sup>(1)(d)</sup>	100,000	Nil	Nil	Nil	100,000
Non-connected Person	03-10-2022	200,000 <sup>(1)(e)</sup>	150,000	Nil	Nil	Nil	150,000
Non-connected Person	30-06-2023	200,000 <sup>(1)(f)</sup>	200,000	Nil	Nil	Nil	200,000
Non-connected Person	16-10-2023	200,000 <sup>(1)(g)</sup>	200,000	Nil	Nil	200,000	0

Notes:

(1) 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
(a)	one-quarter, on March 1, 2022	one-quarter, on March 1, 2023	one-quarter, on March 1, 2024	one-quarter, on March 1, 2025
(b)	one-quarter, on June 1, 2022	one-quarter, on June 1, 2023	one-quarter, on June 1, 2024	one-quarter, on June 1, 2025
(c)	one-quarter, on August 9, 2022	one-quarter, on August 9, 2023	one-quarter, on August 9, 2024	one-quarter, on August 9, 2025
(d)	one-quarter, on September 28, 2022	one-quarter, on September 28, 2023	one-quarter, on September 28, 2024	one-quarter, on September 28, 2025
(e)	one-quarter, on October 3, 2023	one-quarter, on October 3, 2024	one-quarter, on October 3, 2025	one-quarter, on October 3, 2026
(f)	one-quarter, on July 1, 2024	one-quarter, on July 1, 2025	one-quarter, on July 1, 2026	one-quarter, on July 1, 2027
(g)	one-quarter, on October 16, 2024	one-quarter, on October 16, 2025	one-quarter, on October 16, 2026	one-quarter, on October 16, 2027

(2) A total of 130,000 Shares vested during the Period. The weighted average closing price of these Shares before the relevant vesting dates during the Period is HK\$2.36.

(3) No Award was cancelled during the Period.

As of June 30, 2024, no Awards have been granted pursuant to the Share Award Scheme No. 2. A total of 49,305,718 Shares remain available for future grants of Awards under the Share Award Scheme No. 2, representing 10.07% of the Shares in issue as at June 30, 2024.

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

As at June 30, 2024, the interests and short positions of the substantial shareholders of the Company 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		Percentage of total issued Shares <sup>(1)</sup>
		Long Position	Short Position	
Ma Ting Hung	Personal interest	18,127,000		39.85%
	Interest in controlled corporations <sup>(2)</sup>	176,922,097		
Skyworld-Best Limited	Beneficial interest <sup>(2)</sup>	84,719,154		17.31%
Wealthy Surplus Limited	Beneficial interest <sup>(2)</sup>	46,607,010		9.52%
Glory Global International Limited	Beneficial interest <sup>(2)</sup>	45,595,933		9.32%
Liu Sai Wang Stephen	Personal interest	1,200,000		12.25%
	Interest in controlled corporations <sup>(3)</sup>	58,742,173		
Perfect Castle Development Limited	Beneficial interest <sup>(3)</sup>	27,523,810		5.62%
Kwok Lim Ying	Interest in a controlled corporation <sup>(4)</sup>	27,093,858		5.54%
Magic Mount Limited	Beneficial interest <sup>(3) (4)</sup>	27,093,858		5.54%
Kwok Peter Viem	Interest in a controlled corporation <sup>(5)</sup>	70,740,770		14.45%
	Interest in a controlled corporation <sup>(5)</sup>		20,000,000	4.09%
Kwok Chang Shiu Feng	Interest in a controlled corporation <sup>(5)</sup>	70,740,770		14.45%
	Interest in a controlled corporation <sup>(5)</sup>		20,000,000	4.09%
High Loyal Management Limited	Beneficial interest <sup>(5)</sup>	70,740,770		14.45%
	Beneficial interest <sup>(5)</sup>		20,000,000	4.09%
Cavamont Holdings Limited	Interest in a controlled corporation <sup>(6)</sup>	41,339,885		8.45%
Cavamont Investments Limited	Interest in a controlled corporation <sup>(7)</sup>	41,339,885		8.45%
Cavenham Private Equity and Directs	Interest in controlled corporations <sup>(7)</sup>	41,339,885		8.45%
Yu Shu Investment VCC	Beneficial interest	29,993,198		6.13%
– Rain Tree Asia Equity Fund				

### Notes:

- (1) The calculation is based on the total number of 489,459,789 Shares in issue as at June 30, 2024.
- (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 an interest in 27,523,810 Shares, and of which, 20,000,000 Shares have been lent under securities lending agreements. Union Fair International Limited has an interest in 4,124,505 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 securities lending agreements.
- (6) Cavamont Holdings Limited controls 100% of Cavamont Investments Limited ("**Cavamont Investments**").
- (7) Cavamont Investments controls 100% of Cavenham Private Equity and Directs.



## Other Information

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, 2024, 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**

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

## **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 25 to 57, 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, 2024 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 selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

## PricewaterhouseCoopers

*Certified Public Accountants*

Hong Kong, August 26, 2024

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2024

	Notes	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Continuing operations</b>			
Interest type income	6	1,068,276	774,197
Less: interest expenses	6	(193,290)	(175,656)
Net interest type income	6	874,986	598,541
Loan facilitation service fees	7	939,624	1,105,334
Other (expenses)/income	8	(76,253)	213,732
<b>Total income</b>		<b>1,738,357</b>	<b>1,917,607</b>
Origination and servicing expenses	9	(625,954)	(807,664)
Sales and marketing expenses	9	(24,082)	(21,443)
General and administrative expenses	9	(162,182)	(167,171)
Research and development expenses	9	(56,955)	(58,067)
Credit impairment losses	10	(144,149)	(148,258)
Fair value change of loans to customers	5.2.1	(592,304)	(333,450)
Other gains, net	11	21,686	7,943
<b>Operating profit</b>		<b>154,417</b>	<b>389,497</b>
Share of net loss of investments accounted for using the equity method		(1,876)	(1,525)
<b>Profit before income tax</b>		<b>152,541</b>	<b>387,972</b>
Income tax	12	(32,198)	(85,859)
<b>Profit for the interim period</b>		<b>120,343</b>	<b>302,113</b>
<b>Profit attributable to owners of the Group arises from:</b>			
Continuing operations		120,343	302,113

## Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2024

	Notes	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of foreign operations		(2,087)	(161)
<b>Total comprehensive income for the interim period, net of tax</b>		<b>118,256</b>	301,952
<b>Total comprehensive income for the interim period attributable to:</b>			
Owners of the Company		118,258	301,948
Non-controlling interests		(2)	4
		<b>118,256</b>	301,952
Basic earnings per share (RMB yuan)	13	0.25	0.62
Diluted earnings per share (RMB yuan)	13	0.25	0.62

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, 2024

	Notes	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
<b>Assets</b>			
Cash and cash equivalents	14(a)	1,390,228	896,534
Restricted cash	14(b)	694,542	652,241
Loans to customers at fair value through profit or loss	15	6,637,053	6,504,421
Contract assets	16	381,500	465,408
Guarantee receivables	17	998,698	1,317,024
Financial investments at fair value through profit or loss	18	127,616	148,695
Investments accounted for using the equity method	19	26,224	13,384
Deferred tax assets		653,272	522,217
Right-of-use assets		48,186	58,187
Intangible assets		34,208	36,292
Property and equipment		39,713	45,369
Other assets	20	710,222	1,274,691
<b>Total assets</b>		<b>11,741,462</b>	<b>11,934,463</b>
<b>Liabilities</b>			
Current tax liabilities		218,523	285,651
Guarantee liabilities	17	1,023,571	1,533,883
Lease liabilities		49,395	59,256
Borrowings	21	5,691,001	5,471,888
Senior notes	22	90,929	89,989
Deferred income tax liabilities		5,000	7,500
Other liabilities	23	419,815	317,706
<b>Total liabilities</b>		<b>7,498,234</b>	<b>7,765,873</b>
<b>Equity</b>			
Share capital	24	40,067	40,067
Share premium	24	5,198,650	5,243,415
Treasury shares	25	(4,541)	(5,399)
Other reserves		747,030	749,536
Accumulated losses		(1,739,379)	(1,859,724)
Non-controlling interests		1,401	695
<b>Total equity</b>		<b>4,243,228</b>	<b>4,168,590</b>
<b>Total liabilities and equity</b>		<b>11,741,462</b>	<b>11,934,463</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, 2024

	Attributable to owners of the Company							Total RMB'000
	Share capital RMB'000 Note 24	Share premium RMB'000 Note 24	Treasury shares RMB'000 Note 25	Other reserves		Accumulated losses RMB'000	Non- controlling interests RMB'000	
				Share-based	Translation			
				payment reserves RMB'000	reserve RMB'000			
<b>(Unaudited)</b>								
<b>Balance at January 1, 2024</b>	40,067	5,243,415	(5,399)	674,196	75,340	(1,859,724)	695	4,168,590
Profit for the interim period	-	-	-	-	-	120,345	(2)	120,343
Exchange difference on translation of foreign operations	-	-	-	-	(2,087)	-	-	(2,087)
<b>Total comprehensive income for the interim period</b>	-	-	-	-	(2,087)	120,345	(2)	118,256
<b>Transactions with owners in their capacity as owners</b>								
Share-based payment	-	-	-	346	-	-	-	346
Dividends declared	-	(44,672)	-	-	-	-	-	(44,672)
Vesting of share awards	-	(93)	858	(765)	-	-	-	-
Contributions from non-controlling interests	-	-	-	-	-	-	708	708
<b>Total transactions with owners in their capacity as owners</b>	-	(44,765)	858	(419)	-	-	708	(43,618)
<b>Balance at June 30, 2024</b>	40,067	5,198,650	(4,541)	673,777	73,253	(1,739,379)	1,401	4,243,228

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2024

	Attributable to owners of the Company							
	Share capital RMB'000 Note 24	Share premium RMB'000 Note 24	Treasury shares RMB'000 Note 25	Other Reserves		Accumulated losses RMB'000	Non-controlling interests RMB'000	Total RMB'000
				Share-based payment reserves RMB'000	Translation reserve RMB'000			
<b>(Unaudited)</b>								
<b>Balance at January 1, 2023</b>	40,067	5,355,195	(16,182)	684,114	73,134	(2,313,630)	3,043	3,825,741
Profit for the interim period	-	-	-	-	-	302,109	4	302,113
Exchange difference on translation of foreign operations	-	-	-	-	(161)	-	-	(161)
<b>Total comprehensive income for the interim period</b>	-	-	-	-	(161)	302,109	4	301,952
<b>Transactions with owners in their capacity as owners</b>								
Shares purchased for share awards	-	-	(314)	-	-	-	-	(314)
Share-based payment	-	-	-	1,403	-	-	-	1,403
Dividends declared	-	(44,627)	-	-	-	-	-	(44,627)
Vesting of share awards	-	665	9,451	(10,116)	-	-	-	-
<b>Total transactions with owners in their capacity as owners</b>	-	(43,962)	9,137	(8,713)	-	-	-	(43,538)
<b>Balance at June 30, 2023</b>	40,067	5,311,233	(7,045)	675,401	72,973	(2,011,521)	3,047	4,084,155

The above interim condensed consolidated statement of changes 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, 2024

	Notes	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operating activities		649,390	664,899
Income tax paid		(179,743)	(86,285)
<b>Net cash inflow from operating activities</b>		<b>469,647</b>	578,614
<b>Cash flows from investing activities</b>			
Investment in associate accounted for using the equity method		(14,585)	–
Payments for property and equipment		(6,233)	(12,474)
Payments for intangible assets		(1,229)	(3,244)
Proceeds from financial investments at fair value through profit or loss, net		35,468	63,369
<b>Net cash inflow from investing activities</b>		<b>13,421</b>	47,651
<b>Cash flows from financing activities</b>			
Proceeds from/(repayment of) borrowings, net		227,515	(683,900)
Including: proceeds from/(repayment of) trust plan holders, net		163,363	(677,200)
Repurchase of senior notes		–	(88,400)
Interest expenses paid		(201,396)	(171,577)
Payments for shares repurchased		–	(314)
Payments of lease liabilities (principal)		(15,726)	(15,180)
Cash received from capital contribution in subsidiary from non-controlling interests		708	–
<b>Net cash inflow/(outflow) from financing activities</b>		<b>11,101</b>	(959,371)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>494,169</b>	(333,106)
Cash and cash equivalents at the beginning of the period	14(a)	896,700	1,592,514
Effects of exchange rate changes on cash and cash equivalents		(313)	1,903
<b>Cash and cash equivalents at the end of the period</b>	14(a)	<b>1,390,556</b>	1,261,311

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**”) and the Hong Kong special Administrative Region of the People’s Republic of China (“**Hong Kong**”). The Group offers tailored consumer finance products to prime and near-prime borrowers, who are underserved by traditional financial institutions, 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. As at June 30, 2024, the number of ordinary shares of the Company in issue was 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 of directors of the Company on August 26, 2024.

## 2 BASIS OF PREPARATION OF THE INTERIM REPORT

These interim condensed consolidated financial information for the sixth-month reporting period ended June 30, 2024 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 of the notes normally included in an annual consolidated financial statements. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards, and any public announcements made by the Group during the six months ended June 30, 2024.

## 3 NEW STANDARDS AND AMENDMENTS

### 3.1 New standards and amendments adopted by the Group

Except as described below, the accounting policies and method of computation used in the preparation of the interim condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended December 31, 2023.

### 3 NEW STANDARDS AND AMENDMENTS (continued)

#### 3.1 New standards and amendments adopted by the Group (continued)

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1, 2024:

		<b>Effective for the annual periods beginning on or after</b>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and 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

The Group adopted these amendments on January 1, 2024 and noted no material impact on the Group's financial position or performance.

#### 3.2 New standards and amendments that have relevance to the Group but not yet adopted by the Group

		<b>Effective for the annual periods beginning on or after</b>
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendment to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between and Investor and Its Associate or Joint Venture	To be determined

The Group does not expect that adoption of these standards will have a significant impact on the Group's financial position or performance.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing 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, 2023.

## 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, 2023.

There have been no significant changes in the risk management policies since December 31, 2023.

#### **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 and Loss Given Default. This is consistent with the models applied in the consolidated financial statements for the year ended December 31, 2023.

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	As at	As at
		June 30, 2024	December 31, 2023
Consumer Price Index ("CPI")	Base	0.84%	1.25%
	Upside	1.47%	1.95%
	Downside	0.51%	0.35%
Gross Domestic Product ("GDP")	Base	5.11%	4.88%
	Upside	5.33%	5.36%
	Downside	5.00%	4.14%

The Group uses economic variable assumptions when it determines expected CPI and GDP. The weightings assigned to base, upside and downside economic scenario at June 30, 2024 are 80%, 10% and 10%, respectively (December 31, 2023: 80%, 10% and 10%, respectively).

## 5 RISK MANAGEMENT (continued)

### 5.1 Financial risk factors (continued)

#### 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, 2024 would be reduced by RMB10.58 million (December 31, 2023: RMB18.46 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, 2024 would be increased by RMB5.70 million (December 31, 2023: RMB29.40 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.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value as at June 30, 2024 and December 31, 2023, respectively, on a recurring basis:

	Valuation techniques	As at June 30, 2024			
		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>	-	-	6,637,053	6,637,053
Financial investments at fair value through profit or loss					
- Unlisted equity investments	Market comparable companies	-	-	12,090	12,090
- Unlisted equity investments	Net asset value	-	-	31,271	31,271
- Structured deposits	Discounted cash flow method <sup>(i)</sup>	-	10,000	-	10,000
- Convertible promissory notes	The Binominal Model	-	-	2,329	2,329
- Revenue based financing products	Discounted cash flow method <sup>(i)</sup>	-	-	16,926	16,926
- Trust Plan	Discounted cash flow method <sup>(i)</sup>	-	-	55,000	55,000
		-	10,000	6,754,669	6,764,669

## Notes to the Interim Condensed Consolidated Financial Information

### 5 RISK MANAGEMENT (continued)

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

##### 5.2.1 Fair value hierarchy (continued)

	Valuation techniques	As at December 31, 2023			
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>					
Loans to customers at fair value through profit or loss	Discounted cash flow method <sup>(i)</sup>	–	–	6,504,421	6,504,421
Financial investments at fair value through profit or loss					
– Unlisted equity investments	Market comparable companies	–	–	11,536	11,536
– Unlisted equity investments	Net asset value	–	–	17,885	17,885
– Convertible promissory note	The Binominal Model	–	–	2,125	2,125
– Revenue based financing products	Discounted cash flow method <sup>(i)</sup>	–	–	10,066	10,066
– Trust Plan	Discounted cash flow method <sup>(i)</sup>	–	–	100,000	100,000
– Others	Quoted market price	7,083	–	–	7,083
		<u>7,083</u>	<u>–</u>	<u>6,646,033</u>	<u>6,653,116</u>

(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, 2024 and 2023, 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, 2024</b>	<b>6,504,421</b>	<b>141,612</b>	<b>6,646,033</b>
Additions	6,787,276	71,196	6,858,472
Derecognition	(6,062,340)	(116,610)	(6,178,950)
Losses recognised in profit or loss within fair value change of loans to customers <sup>(i)</sup>	(592,304)	–	(592,304)
Gains recognised in profit or loss within other gains, net <sup>(i)</sup>	–	21,519	21,519
Exchange difference	–	(101)	(101)
<b>At June 30, 2024</b>	<b>6,637,053</b>	<b>117,616</b>	<b>6,754,669</b>
<b>At January 1, 2023</b>	5,230,471	33,526	5,263,997
Additions	5,395,855	1,293	5,397,148
Derecognition	(5,624,877)	(117)	(5,624,994)
Losses recognised in profit or loss within fair value change of loans to customers <sup>(i)</sup>	(333,450)	–	(333,450)
Exchange difference	–	1,262	1,262
<b>At June 30, 2023</b>	<b>4,667,999</b>	<b>35,964</b>	<b>4,703,963</b>

(i) Losses recognised in profit or loss include unrealised gains attributable to balances held as at June 30, 2024 of RMB69.02 million (June 30, 2023: RMB23.79 million).

### 5 RISK MANAGEMENT (continued)

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

##### 5.2.1 Fair value hierarchy (continued)

There were no transfers between the levels of the fair value hierarchy in the six months ended June 30, 2024. There were no changes made to any of the valuation techniques applied in the six months ended June 30, 2024.

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, 2024, 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, 2024 and 2023, 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,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
+ 100 basis points	(19,432)	(12,932)
- 100 basis points	19,680	13,094

#### 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 from 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.

The National Administration of Financial Regulation (formerly known as the 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 certain current business model for its trust scheme operations and loan facilitation services 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 has established 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,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Interest type income</b>		
Loans to customers	1,068,276	774,197
<b>Less: interest expenses</b>		
Payable to trust plan holders	(173,604)	(161,938)
Bank borrowings	(15,073)	(5,154)
Senior notes	(4,613)	(8,563)
Others	–	(1)
	(193,290)	(175,656)
<b>Net interest type income</b>	<b>874,986</b>	<b>598,541</b>

## 7 LOAN FACILITATION SERVICE FEES

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Upfront loan facilitation service fees	566,557	758,205
Post loan facilitation service fees	373,067	347,129
	939,624	1,105,334

*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, 2024 were RMB291.64 million. Management expected that 96.34% of the transaction price allocated to the unsatisfied contracts as at June 30, 2024 would be recognised as revenue within the next 12 months (As at June 30, 2023: the unsatisfied performance obligations were RMB343.82 million, and management expected that 98.92% of the transaction price allocated to the unsatisfied contracts would be recognised as revenue within the next 12 months).

## 8 OTHER (EXPENSES)/INCOME

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Losses)/gains from guarantee	(234,706)	127,726
Membership fees, referral fees and other service fees	76,456	74,333
Government grants <sup>(i)</sup>	56,263	–
Penalty and other charges	16,939	8,386
Others	8,795	3,287
	<b>(76,253)</b>	213,732

(i) For the six months ended June 30, 2024, RMB33.84 million was granted to support development of digital economy, and RMB22.42 million was granted to encourage foreign investment and business development.

## 9 EXPENSES BY NATURE

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loan origination and servicing expenses	(549,759)	(744,021)
Employee benefit expenses	(198,149)	(199,147)
Professional service fees	(38,949)	(28,645)
Office expenses	(33,258)	(38,032)
Depreciation of right-of-use assets	(15,726)	(15,124)
Depreciation and amortisation	(14,209)	(11,925)
Tax and surcharge	(11,995)	(11,769)
Branding expenses	(5,886)	(5,008)
Others	(1,242)	(674)
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses	<b>(869,173)</b>	(1,054,345)

**10 CREDIT IMPAIRMENT LOSSES**

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Guarantee receivables	<b>(98,607)</b>	(100,129)
Contract assets	<b>(42,850)</b>	(43,790)
Other assets	<b>(2,207)</b>	(4,445)
Restricted cash	<b>(323)</b>	(35)
Cash and cash equivalents	<b>(162)</b>	141
	<b>(144,149)</b>	(148,258)

**11 OTHER GAINS, NET**

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Gains from financial investments at fair value through profit or loss	<b>21,573</b>	945
Bank interest income	<b>8,840</b>	11,341
Losses from repurchase of senior notes	<b>–</b>	(1,283)
Bank charges	<b>(405)</b>	(2,544)
Interest expense on lease liabilities	<b>(1,605)</b>	(1,664)
Exchange (losses)/gains	<b>(6,717)</b>	1,148
	<b>21,686</b>	7,943

**12 INCOME TAX**

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax	<b>(165,753)</b>	(181,271)
Deferred income tax	<b>133,555</b>	95,412
	<b>(32,198)</b>	(85,859)

**12 INCOME TAX** (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>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit before income tax:	<b>152,541</b>	387,972
Tax calculated at PRC statutory income tax rate of 25%	<b>(38,135)</b>	(96,993)
Tax effects of:		
– Expenses not deductible for income tax purpose	<b>(622)</b>	(898)
Share-based compensation	<b>(87)</b>	(351)
Others	<b>(535)</b>	(547)
– Differential income tax rates applicable to the Company and subsidiaries <sup>(i)</sup>	<b>11,090</b>	17,295
– Withholding tax on distributed profits	<b>–</b>	(3,836)
– No recognition of deferred tax assets on tax losses	<b>(4,531)</b>	(1,427)
Income tax	<b>(32,198)</b>	(85,859)

(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"), Small Low-profit Enterprise and Software Enterprise.

In November 2023, Vision Credit Financial Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company, was approved as HNTE under the EIT Law and can enjoy the preferential income tax rate of 15% from 2023 to 2025.

In addition, certain indirectly owned subsidiaries of the Company are subject to "Small Low-profit Enterprise" under the EIT Law, whose preferential income tax rate was 20%.

**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.

The Group believes that the portion of the excess of financial reporting basis over tax basis (including earnings and profits subject to the one-time transition tax) is indefinitely reinvested in PRC subsidiaries for withholding tax purposes.

## 13 EARNINGS PER SHARE

	<b>Six months ended June 30,</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
Earnings attributable to owners of the Company (RMB'000)	<b>120,345</b>	302,109
Weighted average number of ordinary shares for calculation of the basic earnings per share ('000)	<b>488,088</b>	487,763
Weighted average number of ordinary shares for calculation of the diluted earnings per share ('000)	<b>489,959</b>	489,923
Basic earnings per share (RMB yuan)	<b>0.25</b>	0.62
Diluted earnings per share (RMB yuan)	<b>0.25</b>	0.62

- (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, 2024 and 2023, 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 awards granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	<b>Six months ended June 30,</b>	
	<b>2024</b>	2023
	<b>Number of</b>	Number of
	<b>ordinary shares</b>	ordinary shares
	<b>('000)</b>	('000)
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares for calculation of the basic earnings per share	<b>488,088</b>	487,763
Adjustments for share awards granted	<b>1,871</b>	2,160
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	<b>489,959</b>	489,923

## 14 CASH AND BANK BALANCES

### (a) Cash and cash equivalents

	<b>As at June 30, 2024 RMB'000 (Unaudited)</b>	As at December 31, 2023 RMB'000 (Audited)
Cash at bank	<b>1,378,720</b>	887,551
Cash held through platform <sup>(i)</sup>	<b>11,825</b>	9,116
Cash on hand	<b>11</b>	33
Less: ECL allowance	<b>(328)</b>	(166)
	<b>1,390,228</b>	896,534

(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, 2024 RMB'000 (Unaudited)</b>	As at December 31, 2023 RMB'000 (Audited)
Deposits to funding partners <sup>(ii)</sup>	<b>338,105</b>	332,121
Deposits for borrowings <sup>(iii)</sup>	<b>357,903</b>	321,263
Less: ECL allowance	<b>(1,466)</b>	(1,143)
	<b>694,542</b>	652,241

(ii) Deposits to funding partners are deposited in designated bank accounts that are restricted by the loan facilitation service contracts between the funding partners and the Group. According to these contracts, the Group cannot withdraw deposits without permission of the funding partners.

(iii) Deposits for borrowings are pledges for secured borrowings (refer to Note 21).

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

Loans to customers are mandatorily measured at fair value through profit or loss in accordance with IFRS 9. The composition of loans is as follows:

	<b>As at June 30, 2024 RMB'000 (Unaudited)</b>	As at December 31, 2023 RMB'000 (Audited)
Unsecured	<b>6,637,053</b>	6,504,421

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

	<b>As at June 30, 2024 RMB'000 (Unaudited)</b>	As at December 31, 2023 RMB'000 (Audited)
Within 1 year (including 1 year)	<b>6,397,635</b>	6,297,615
1 to 2 years (including 2 years)	<b>239,418</b>	206,806
	<b>6,637,053</b>	6,504,421

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

	<b>As at June 30, 2024 RMB'000 (Unaudited)</b>	As at December 31, 2023 RMB'000 (Audited)
Overdue <sup>(i)</sup>	<b>94,791</b>	72,495
Within 1 year (including 1 year)	<b>6,320,544</b>	6,226,665
1 to 2 years (including 2 years)	<b>221,718</b>	205,261
	<b>6,637,053</b>	6,504,421

- (i) As at June 30, 2024, the fair value of loans to customers which have been delinquent up to 30 days was RMB30.70 million, and the fair value of loans to customers which have been delinquent for 31-180 days was RMB64.09 million (December 31, 2023: RMB29.04 million and RMB43.46 million, respectively).

## 16 CONTRACT ASSETS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Contract assets	454,620	552,808
Less: ECL allowance	(73,120)	(87,400)
	<b>381,500</b>	465,408

## Movement of gross carrying amount and ECL allowance

## Contract assets

	Six months ended June 30, 2024			
	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, 2024	498,388	11,758	42,662	552,808
New assets originated	643,046	–	–	643,046
Transfer for the period	(47,875)	(3,264)	51,139	–
Assets derecognised (including final repayment)	(681,757)	(1,493)	(854)	(684,104)
Assets written off	–	–	(57,130)	(57,130)
Ending balance at June 30, 2024	<b>411,802</b>	<b>7,001</b>	<b>35,817</b>	<b>454,620</b>

## ECL allowance

	Six months ended June 30, 2024			
	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, 2024	(38,671)	(8,447)	(40,282)	(87,400)
New assets originated	(50,981)	–	–	(50,981)
Transfer for the period	3,697	2,567	(49,471)	(43,207)
Assets derecognised (including final repayment)	52,654	1,174	826	54,654
Changes to risk parameters (model inputs)	1,643	(1,278)	(3,681)	(3,316)
Assets written off	–	–	57,130	57,130
Ending balance at June 30, 2024	<b>(31,658)</b>	<b>(5,984)</b>	<b>(35,478)</b>	<b>(73,120)</b>



## Notes to the Interim Condensed Consolidated Financial Information

### 16 CONTRACT ASSETS (continued)

#### Movement of gross carrying amount and ECL allowance (continued)

Contract assets	Six months ended June 30, 2023			
	Current	1-30 days	30-180 days	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening balance at January 1, 2023	476,995	4,744	14,942	496,681
New assets originated	953,017	–	–	953,017
Transfer for the period	(44,714)	6,734	37,980	–
Assets derecognised (including final repayment)	(875,475)	(1,404)	(556)	(877,435)
Assets written off	–	–	(24,063)	(24,063)
Ending balance at June 30, 2023	509,823	10,074	28,303	548,200
ECL allowance	Six months ended June 30, 2023			
	Current	1-30 days	30-180 days	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening balance at January 1, 2023	(35,504)	(3,994)	(14,037)	(53,535)
New assets originated	(71,487)	–	–	(71,487)
Transfer for the period	3,376	(5,167)	(36,130)	(37,921)
Assets derecognised (including final repayment)	66,089	1,077	529	67,695
Changes to risk parameters (model inputs)	(1,498)	1,108	(1,687)	(2,077)
Assets written off	–	–	24,063	24,063
Ending balance at June 30, 2023	(39,024)	(6,976)	(27,262)	(73,262)

*Note:* The Group recognises upfront loan facilitation service fees at loan inception and post loan facilitation service fees over the term of the loan. Contract assets represent 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, 2024 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, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Guarantee receivables	1,170,635	1,508,416
Less: ECL allowance	(171,937)	(191,392)
	<b>998,698</b>	1,317,024

A summary of the Group's guarantee receivables movement for the six months ended June 30, 2024 and 2023 is presented below:

	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Guarantee receivables		
Opening balance	1,317,024	787,396
Addition arising from new loan facilitated	1,196,504	1,674,123
ECL	(98,607)	(100,129)
Reversal due to early repayment	(58,786)	(86,228)
Payment received from borrowers	(1,357,437)	(1,012,071)
Ending balance	<b>998,698</b>	1,263,091

**17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES** (continued)**Movement of gross carrying amount and ECL allowance**

<b>Guarantee receivables</b>	<b>Six months ended June 30, 2024</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Current</b>	<b>1-30 days</b>	<b>30-180 days</b>	<b>Total</b>
	<b>RMB'000</b>	<b>past due</b>	<b>past due</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Opening balance at January 1, 2024	1,391,558	32,327	84,531	1,508,416
New financial assets originated	1,196,504	–	–	1,196,504
Transfer for the period:				
<i>From stage 1 to stage 2</i>	(20,801)	20,801	–	–
<i>From stage 1 to stage 3</i>	(94,418)	–	94,418	–
<i>From stage 2 to stage 1</i>	139	(139)	–	–
<i>From stage 2 to stage 3</i>	–	(26,415)	26,415	–
<i>From stage 3 to stage 2</i>	–	10	(10)	–
Assets derecognised (including final repayment)	(1,407,997)	(5,694)	(2,532)	(1,416,223)
Assets written off	–	–	(118,062)	(118,062)
Ending balance at June 30, 2024	1,064,985	20,890	84,760	1,170,635
<b>ECL allowance</b>				
	<b>Six months ended June 30, 2024</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Current</b>	<b>1-30 days</b>	<b>30-180 days</b>	<b>Total</b>
	<b>RMB'000</b>	<b>past due</b>	<b>past due</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Opening balance at January 1, 2024	(94,139)	(21,297)	(75,956)	(191,392)
New financial assets originated	(96,216)	–	–	(96,216)
Transfer for the period:				
<i>From stage 1 to stage 2</i>	1,481	(14,577)	–	(13,096)
<i>From stage 1 to stage 3</i>	6,721	–	(85,224)	(78,503)
<i>From stage 2 to stage 1</i>	(10)	97	–	87
<i>From stage 2 to stage 3</i>	–	18,511	(23,843)	(5,332)
<i>From stage 3 to stage 2</i>	–	(7)	9	2
Assets derecognised (including final repayment)	100,225	3,990	2,285	106,500
Changes to risk parameters (model inputs)	2,368	(2,233)	(12,184)	(12,049)
Assets written off	–	–	118,062	118,062
Ending balance at June 30, 2024	(79,570)	(15,516)	(76,851)	(171,937)

**17 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES** (continued)**Movement of gross carrying amount and ECL allowance** (continued)

Guarantee receivables	Six months ended June 30, 2023			
	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>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening balance at January 1, 2023	839,670	10,383	23,961	874,014
New financial assets originated	1,674,123	–	–	1,674,123
Transfer for the period:				
<i>From stage 1 to stage 2</i>	(26,290)	26,290	–	–
<i>From stage 1 to stage 3</i>	(51,488)	–	51,488	–
<i>From stage 2 to stage 1</i>	158	(158)	–	–
<i>From stage 2 to stage 3</i>	–	(9,668)	9,668	–
<i>From stage 3 to stage 2</i>	–	35	(35)	–
Assets derecognised (including final repayment)	(1,093,872)	(3,611)	(816)	(1,098,299)
Assets written off	–	–	(34,665)	(34,665)
Ending balance at June 30, 2023	<u>1,342,301</u>	<u>23,271</u>	<u>49,601</u>	<u>1,415,173</u>
ECL allowance	Six months ended June 30, 2023			
	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>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening balance at January 1, 2023	(56,689)	(7,944)	(21,985)	(86,618)
New financial assets originated	(120,954)	–	–	(120,954)
Transfer for the period:				
<i>From stage 1 to stage 2</i>	1,779	(18,998)	–	(17,219)
<i>From stage 1 to stage 3</i>	3,484	–	(47,091)	(43,607)
<i>From stage 2 to stage 1</i>	(11)	114	–	103
<i>From stage 2 to stage 3</i>	–	6,986	(8,842)	(1,856)
<i>From stage 3 to stage 2</i>	–	(25)	32	7
Assets derecognised (including final repayment)	74,018	2,609	746	77,373
Changes to risk parameters (model inputs)	7,341	1,430	(2,747)	6,024
Assets written off	–	–	34,665	34,665
Ending balance at June 30, 2023	<u>(91,032)</u>	<u>(15,828)</u>	<u>(45,222)</u>	<u>(152,082)</u>

## Notes to the Interim Condensed Consolidated Financial Information

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

A summary of the Group's guarantee liabilities movement for the six months ended June 30, 2024 and 2023 is presented below:

	<b>Six months ended June 30,</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Guarantee liabilities		
Opening balance	<b>1,533,883</b>	1,140,754
Addition arising from new loan facilitated	<b>1,196,504</b>	1,674,123
Release of the margin	<b>(88,347)</b>	(113,888)
ECL	<b>323,053</b>	(13,838)
Reversal due to early repayment	<b>(58,786)</b>	(86,228)
Payouts during the period, net	<b>(1,882,736)</b>	(1,037,213)
Ending balance	<b>1,023,571</b>	1,563,710

*Note:* The outstanding loan balance for which the Group provided financial guarantee in Stage 1, Stage 2 and Stage 3 were RMB14,334.38 million, RMB40.08 million and RMB692.42 million, respectively, as at June 30, 2024 (December 31, 2023: RMB19,898.51 million, RMB115.80 million and RMB894.29 million, respectively).

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

	<b>As at</b>	As at
	<b>June 30,</b>	December 31,
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trust plan	<b>55,000</b>	100,000
Unlisted equity investments	<b>43,361</b>	29,421
Revenue based financing products	<b>16,926</b>	10,066
Structured deposits	<b>10,000</b>	–
Convertible promissory notes	<b>2,329</b>	2,125
Others	<b>–</b>	7,083
	<b>127,616</b>	148,695

**19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	<b>As at June 30, 2024 RMB'000 (Unaudited)</b>	As at December 31, 2023 RMB'000 (Audited)
Investments accounted for using the equity method	<b>26,224</b>	13,384

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

	<b>Six months ended June 30, 2024 RMB'000 (Unaudited)</b>	2023 RMB'000 (Unaudited)
Opening balance	<b>13,384</b>	20,889
Addition <sup>(i)</sup>	<b>14,585</b>	–
Share of net loss	<b>(1,876)</b>	(1,525)
Translation difference	<b>131</b>	–
Ending balance	<b>26,224</b>	19,364

- (i) The Group acquired an direct 15% interest in EXIO Group Limited, with a wholly-owned subsidiary named Thousand Whales Technology (BVI) Limited by way of a subscription for 6,000,000 Series Angel Preferred Shares for a consideration of HK\$10.00 million on January 19, 2024 and a subscription for 3,592,814 Series Angel Preferred Shares for a consideration of HK\$6.00 million on June 21, 2024. The Group is entitled to nominate one director for appointment to the four-member board of directors of EXIO Group Limited.

**20 OTHER ASSETS**

	<b>As at June 30, 2024 RMB'000 (Unaudited)</b>	As at December 31, 2023 RMB'000 (Audited)
Security deposits in financial institutions	<b>370,993</b>	735,641
Due from business partners	<b>182,982</b>	433,647
Prepaid expense	<b>72,472</b>	67,689
Loans to customers at amortised cost	<b>57,916</b>	19,271
Rental deposits	<b>10,174</b>	9,511
Prepayment of equity investment	<b>7,688</b>	7,688
Others	<b>20,352</b>	14,359
	<b>722,577</b>	1,287,806
Less: ECL allowance	<b>(12,355)</b>	(13,115)
	<b>710,222</b>	1,274,691

## 21 BORROWINGS

	<b>As at June 30, 2024 RMB'000 (Unaudited)</b>	As at December 31, 2023 RMB'000 (Audited)
<b>Secured</b>		
Bank borrowings <sup>(i)</sup>	<b>350,676</b>	314,901
<b>Unsecured</b>		
Payable to trust plan holders	<b>5,151,844</b>	4,999,099
Bank borrowings <sup>(ii)</sup>	<b>188,481</b>	157,888
	<b>5,691,001</b>	5,471,888

(i) As at June 30, 2024, the Group had a principal amount of RMB350.00 million secured bank borrowings guaranteed by deposits (refer to note 14(b)). The terms of the borrowings are 12 months and the weighted average interest rate of the outstanding borrowings as at June 30, 2024 was 4.39%.

(ii) As at June 30, 2024, the Group had drawn down a total of RMB183.93 million in principal amount of unsecured borrowings. The terms of the borrowings are within 12 months or less and the weighted average interest rate of the outstanding borrowings as at June 30, 2024 was 7.13%.

## Effective interest rates of borrowings

	<b>As at June 30, 2024 (Unaudited)</b>	As at December 31, 2023 (Audited)
Payable to trust plan holders	<b>4.90%~9.00%</b>	5.00%~10.50%
Bank borrowings	<b>3.68%~7.45%</b>	3.68%~7.45%

## Contractual maturities of borrowings

	<b>As at June 30, 2024 RMB'000 (Unaudited)</b>	As at December 31, 2023 RMB'000 (Audited)
Within 1 year (including 1 year)	<b>2,657,941</b>	2,339,608
1 to 2 years (including 2 years)	<b>3,033,060</b>	3,132,280
	<b>5,691,001</b>	5,471,888

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

	<b>As at June 30, 2024 RMB'000 (Unaudited)</b>	As at December 31, 2023 RMB'000 (Audited)
Within 1 year (including 1 year)	<b>5,671,001</b>	5,008,938
1 to 2 years (including 2 years)	<b>20,000</b>	462,950
	<b>5,691,001</b>	5,471,888

**22 SENIOR NOTES**

	<b>Six months ended June 30, 2024 RMB'000 (Unaudited)</b>	2023 RMB'000 (Unaudited)
<b>Senior notes due 2025</b>		
Opening Balance	<b>89,989</b>	176,236
Accrued interest	<b>4,293</b>	8,027
Discount amortisation	<b>320</b>	536
Interest paid	<b>(4,317)</b>	(8,398)
Repurchase of principal	<b>–</b>	(87,117)
Exchange difference	<b>644</b>	1,934
<b>Ending Balance</b>	<b>90,929</b>	91,218

**23 OTHER LIABILITIES**

	<b>As at June 30, 2024 RMB'000 (Unaudited)</b>	As at December 31, 2023 RMB'000 (Audited)
Accrued service fees	<b>167,975</b>	142,234
Due to business partners	<b>106,254</b>	36,472
Dividends payable	<b>44,676</b>	–
Contract liabilities	<b>49,178</b>	35,677
Repayment from borrowers to be settled	<b>28,177</b>	33,666
Employee benefit liability	<b>23,532</b>	69,654
Others	<b>23</b>	3
	<b>419,815</b>	317,706



## 24 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares ( <i>'000</i> )	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>
<b>(Unaudited)</b>			
<b>As at January 1, 2024</b>	489,459	40,067	5,243,415
Vesting of share awards	–	–	(93)
Dividends declared	–	–	(44,672)
<b>As at June 30, 2024</b>	<b>489,459</b>	<b>40,067</b>	<b>5,198,650</b>
<b>As at January 1, 2023</b>			
	489,459	40,067	5,355,195
Vesting of share awards	–	–	665
Dividends declared	–	–	(44,627)
<b>As at June 30, 2023</b>	<b>489,459</b>	<b>40,067</b>	<b>5,311,233</b>

## 25 TREASURY SHARES

	As at June 30, 2024		As at December 31, 2023	
	Shares' <i>000</i> (Unaudited)	RMB' <i>000</i> (Unaudited)	Shares' <i>000</i> (Audited)	RMB' <i>000</i> (Audited)
Treasury shares	(880)	(4,541)	(1,010)	(5,399)

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,			
	2024		2023	
	Shares' <i>000</i> (Unaudited)	RMB' <i>000</i> (Unaudited)	Shares' <i>000</i> (Unaudited)	RMB' <i>000</i> (Unaudited)
<b>Opening balance</b>	(1,010)	(5,399)	(2,377)	(16,182)
Vesting of share awards	130	858	1,327	9,451
Acquisition of shares by the VCREDIT No. 1 Share Award Scheme Trusts	–	–	(118)	(314)
<b>Ending balance</b>	<b>(880)</b>	<b>(4,541)</b>	<b>(1,168)</b>	<b>(7,045)</b>

## 26 SHARE-BASED PAYMENTS

### Share award schemes

Movement in the number of share awards for the six months ended June 30, 2024 and 2023 is as follows:

	<b>Six months ended June 30,</b>	
	<b>2024</b>	2023
	<b>Number of</b>	Number of
	<b>share awards</b>	share awards
	<b>('000)</b>	('000)
<b>(Unaudited)</b>		
Opening balance	<b>1,010</b>	2,377
Granted	<b>–</b>	200
Vested	<b>(130)</b>	(1,327)
Forfeited, expired or lapsed	<b>(230)</b>	(127)
<b>Ending balance</b>	<b>650</b>	1,123

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

All related party transactions that took place in the half-year to June 30, 2024 were similar in nature to those disclosed in the annual financial statements for the year ended December 31, 2023.

## 28 CONTINGENT LIABILITY

Other than as disclosed in previous notes, the Group did not have any significant contingent liabilities as at June 30, 2024.

## 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, 2024, remaining injected funds of the trust plans consolidated by the Group amounted to RMB5,624.05 million (December 31, 2023: RMB5,490.58 million).

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

### **30 COMMITMENTS**

Other than as disclosed in previous notes, the Group did not have any other significant commitments as at June 30, 2024.

### **31 DIVIDENDS**

During the six months ended June 30, 2024, a final dividend of HK10 cents per share for the year ended December 31, 2023, amounting to approximately HK\$48.95 million, was declared and subsequently paid in July 2024. As at June 30, 2024, the Group recognised dividends payable of approximately RMB44.68 million. The dividends were paid from the share premium account of the Company (Note 24) in accordance with articles 13(h) and 154 of the Articles of Association and the Companies Act (2021 Revision) of the Cayman Islands.

No interim dividends have been declared by the Company for the six months ended June 30, 2024 (for the six months ended June 30, 2023: an interim dividend of HK15 cents per share).

### **32 SUBSEQUENT EVENTS**

Up to the date of this report, the Group had no material events for disclosure after the end of the reporting period.