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VCREDIT Holdings Limited

維信金科控股有限公司

(registered by way of continuation in the Cayman Islands with limited liability)
(Stock Code: 2003)

US\$85 Million 11.0% Senior Notes Due 2022
(Stock Code: 40498)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of VCREDIT Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2021 (the “**Year**”).

FINANCIAL HIGHLIGHTS

	For the year ended December 31,			For the six months ended December 31,		
	2021	2020	Change	2021	2020	Change
	RMB million	RMB million		RMB million	RMB million	
Total Income	3,458.2	2,573.2	34.4%	1,578.2	1,369.3	15.3%
Interest type income	1,971.8	2,017.3	-2.3%	1,146.8	706.7	62.3%
Less: interest expenses	(591.8)	(715.9)	-17.3%	(327.0)	(269.4)	21.4%
Loan facilitation service fees	1,540.0	713.3	115.9%	566.7	475.1	19.2%
Other income	538.2	558.5	-3.6%	191.7	456.9	-58.0%
Operating Profit/(Loss)	1,513.6	(1,051.7)	NM	504.8	287.3	75.7%
Net Profit/(Loss)	1,179.3	(869.6)	NM	401.7	211.7	89.8%
Non-IFRS Adjusted Operating Profit/(Loss)⁽¹⁾	1,546.9	(977.0)	NM	510.7	322.9	58.2%
Non-IFRS Adjusted Net Profit/(Loss)⁽²⁾	1,212.6	(794.8)	NM	407.6	247.2	64.9%

Notes:

- (1) Non-IFRS Adjusted Operating Profit/(Loss) is defined as operating profit/(loss) for the Year and for the year ended December 31, 2020, respectively, excluding share-based compensation expenses. For more details, please see the section headed “Management Discussion and Analysis — Non-IFRS Measures”.
- (2) Non-IFRS Adjusted Net Profit/(Loss) is defined as net profit/(loss) for the Year and for the year ended December 31, 2020, respectively, excluding share-based compensation expenses. For more details, please see the section headed “Management Discussion and Analysis — Non-IFRS Measures”.

FINAL DIVIDEND

The Board has recommended, subject to approval by shareholders of the Company (the “**Shareholders**”) at the annual general meeting of the Company expected to be held on Friday, June 17, 2022 (the “**AGM**”), the payment of a final dividend of HK15 cents (the “**Final Dividend**”) per share of the Company (“**Shares**”) (2020: Nil).

BUSINESS REVIEW AND OUTLOOK

Whilst we continued to be affected by the ongoing COVID-19 pandemic and evolving macro-economic environment and ensuing challenges and uncertainties, the Company has delivered an outstanding operating performance and financial results for the Year, driven by our technology-focused risk management and dynamic operational strategies.

Business Review

Throughout the Year, we constantly adjusted our risk management and credit policies to maintain a prudent risk approach and efficiency of operations to deliver outstanding business growth and a controllable credit risk performance during 2021.

As a result of our proactive management, enhanced communication channels, focused marketing and higher profile brand recognition, we were able to expand our user base by increasing the number of our registered users to 112.5 million and achieve a significant increase in our loan facilitation volume, whilst at the same maintaining healthy and stable credit risk metrics as shown by our first payment delinquency ratio and M1-M3 and M3+ ratios, amidst prevailing socio-economic uncertainties.

We have successfully transitioned our customer base towards higher quality prime and near-prime borrowers as evidenced by the significant improvement in our delinquency levels, and this transition will be a constant and ongoing objective of the Group. To target and reach a high-quality customer base, we adopted omni-channel cooperation to better communicate with our target customers and deliver value to them. We have improved our operational efficiency and enhanced our target customer identification and market penetration through the use of big data customer acquisition models driven by artificial intelligence. In addition, we have continued to refine our online APPs and system to enhance customer experience, which has improved customer loyalty and repeat business to the benefit of long-term value and profit to the Company. As a result, our repeat borrower contribution was 85.0% of loan origination volume for the Year.

Our credit risk management capability enables us to maintain our core competitiveness and well positions us to sustain healthy business growth and defend macroeconomic uncertainties. Credit risk models were iterated through the introduction of multi-dimension data sources, deep analytics of credit risk performance and sophisticated testing. Our dynamic and effective management of our operations allows us to proactively and precisely react to macroeconomic changes and changes in customer behavior.

Our collaboration with financial institutional funding partners enables us to grow a sustainable and regulatory compliant business. By the end of 2021, we had 69 external funding partners, including 11 nationwide joint-stock commercial banks, consumer finance companies and trusts, that constituted a diverse and affluent funding pool to support our goal of meeting the borrowing needs of under-served high quality prime and near-prime borrowers. These long-term and stable collaborative relationships have allowed us to improve our funding costs. Furthermore, our guarantee companies, third-party guarantee companies and asset management companies form an ecosystem that ensures us funding flexibility and provides protection to our funding partners.

Operating Review

Products and Services

We primarily offer two credit products through our pure online loan origination processes: (1) credit cards balance transfer products, and (2) consumption credit products, both of which are installment-based. For the Year, the total number of transactions was 3.4 million. The average term of our credit products was approximately 9.4 months and the average loan size was approximately RMB11,965.

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

Loan Origination Volume	For the year ended December 31,			
	2021		2020	
	<i>RMB million</i>	%	<i>RMB million</i>	%
Direct Lending	1,106.9	2.7%	224.7	0.7%
Trust Lending	16,355.8	40.2%	10,439.9	33.9%
Credit-enhanced loan facilitation	21,842.0	53.6%	19,969.2	64.9%
Pure loan facilitation	1,406.8	3.5%	139.2	0.5%
Total	40,711.5	100.0%	30,773.0	100.0%

Loan Origination Volume	For the six months ended December 31,			
	2021		2020	
	<i>RMB million</i>	%	<i>RMB million</i>	%
Direct Lending	658.0	3.6%	155.0	0.9%
Trust Lending	8,682.1	47.8%	5,390.5	30.9%
Credit-enhanced loan facilitation	7,438.9	40.9%	11,914.1	68.2%
Pure loan facilitation	1,406.8	7.7%	—	—
Total	18,185.8	100.0%	17,459.6	100.0%

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

Outstanding Balance of Loans to Customers	As at December 31,			
	2021		2020	
	<i>RMB million</i>	%	<i>RMB million</i>	%
Online consumption products	15,619.8	99.9%	13,963.8	99.3%
Online-to-offline credit products	17.2	0.1%	101.6	0.7%
Total	15,637.0	100.0%	14,065.4	100.0%

Asset Quality

Since the third quarter of 2021, China's economy has faced strong headwinds due to factors such as a downturn in the real-estate sector and lower consumption caused by intermittent COVID-19 outbreaks and related lockdowns. These same factors have also negatively impacted on borrowers' repayment ability. As a result of these external environmental uncertainties, we refined our credit policy to proactively manage our business in compliance with stricter pricing guidance from regulators. As a consequence, as reflected in our portfolio, certain metrics have not been trending as well as we initially predicted. However, we were able to maintain our first payment delinquency ratio at a stable level throughout the Year, by quickly adjusting policy and optimizing risk models. Among our key leading indicators of asset quality, we were able to maintain our first payment delinquency ratio⁽¹⁾ at an industry-wide low level of around 0.42% for 2021, although our M1-M3 ratio⁽²⁾ and M3+ ratio⁽³⁾ increased to 4.01% and 2.39%, respectively, in the fourth quarter of 2021 from 2.06% and 1.40%, respectively, in the second quarter of 2021.

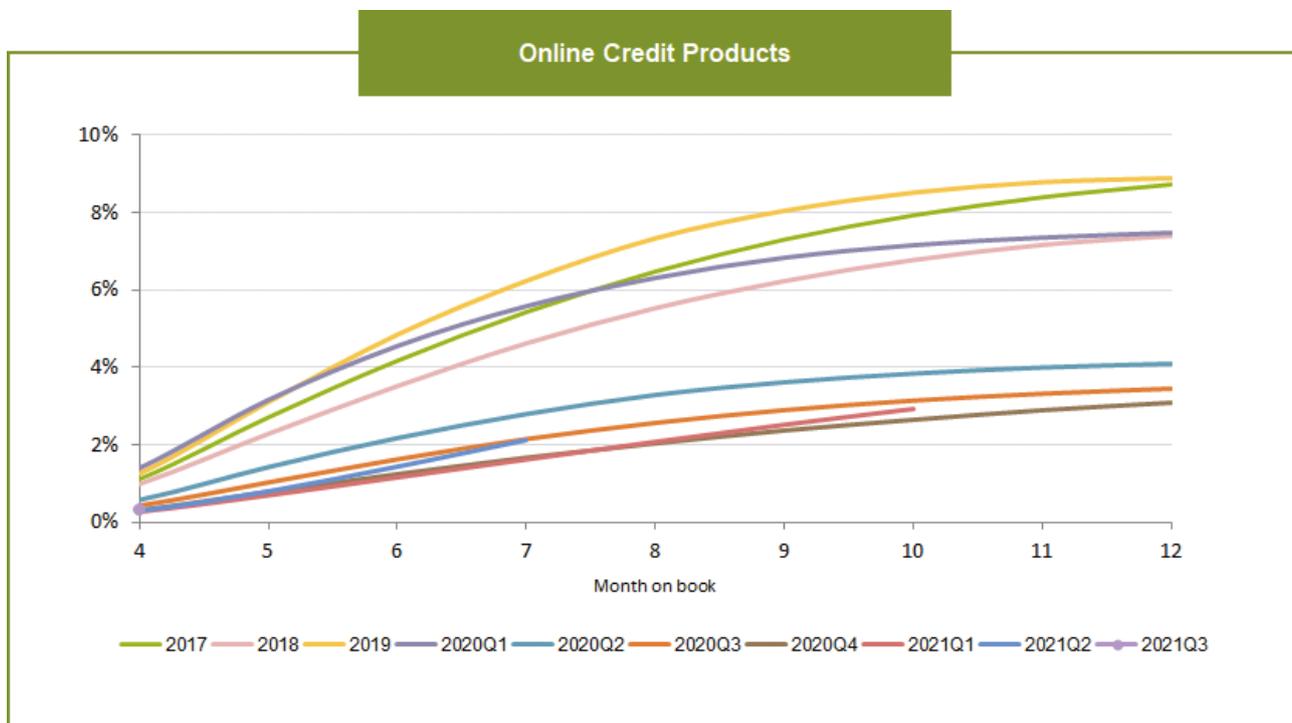
Furthermore, we continue to leverage ever-increasing legitimate data sources to enhance our understanding and better differentiate customers at each stage of their credit-life cycle and to identify customers who generate optimal life-time value for us, especially in light of guidance from regulators that imposes significantly lower pricing ceiling on consumer finance products.

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
First payment delinquency ratio ⁽¹⁾	2.04%	0.81%	0.55%	0.44%	0.40%	0.43%	0.42%	0.43%
M1-M3 ratio ⁽²⁾	6.35%	7.35%	3.59%	2.50%	2.07%	2.06%	2.91%	4.01%
M3+ ratio ⁽³⁾	4.72%	7.07%	5.56%	2.86%	1.81%	1.40%	1.53%	2.39%

Notes:

- (1) First payment delinquency ratio is defined as the total balance of outstanding principal amount of the loans we originated in the applicable period that were delinquent on their first payment due dates divided by the aggregate loan origination volume in that period.
- (2) M1-M3 ratio is calculated by dividing (i) the outstanding balance of online loans which have been delinquent up to 3 months, by (ii) the total outstanding balance of loans to customers excluding offline credit products, which had a negligible balance of RMB17.2 million as at December 31, 2021.
- (3) M3+ ratio is calculated by dividing (i) the outstanding balance of online loans which have been delinquent for more than 3 months and have not been written off by (ii) the total outstanding balance of loans to customers excluding offline credit products, which had a negligible balance of RMB17.2 million as at December 31, 2021.

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



Note:

- (4) Cohort-Based M3+ Delinquency Ratio is defined as (i) the total amount of principal for the online loans in a vintage that have become delinquent for more than 3 months, less (ii) the total amount of recovered past due principal, and then divided by (iii) the total amount of initial principal for loans in such vintage excluding offline credit products, which had a negligible balance of RMB17.2 million as at December 31, 2021.

Outlook and Strategies

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

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 their loyalty and creditworthiness
- Enhance risk management capability through evolving technology and artificial intelligence
- Strengthen regulated and long-term collaborations with licensed financial institutional partners and other business partners
- Ensure our business is conducted within applicable regulatory frameworks to achieve 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 a dynamic enterprise value and culture and grow our in-house talents

MANAGEMENT DISCUSSION AND ANALYSIS

The following selected consolidated statements of comprehensive income for the six months ended December 31, 2021 and 2020 have been derived from our audited consolidated annual financial information and related notes included elsewhere in this results announcement.

Total Income

We derived our total income through (i) net interest type income, (ii) loan facilitation service fees, and (iii) other income. Our total income increased by 34.4% to RMB3,458.2 million for the Year, compared to RMB2,573.2 million for the year ended December 31, 2020, and increased by 15.3% to RMB1,578.2 million for the six months ended December 31, 2021 (the “**Period**”), compared to RMB1,369.3 million for the six months ended December 31, 2020, primarily due to the significant growth in loan origination volume as a result of recovery of the macro economy in China in the first half of the Year, and stable overall asset quality as a result of our migrating to higher-quality borrower and borrower acquisition model.

Net Interest Type Income

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

	For the year ended December 31,		For the six months ended December 31,	
	2021	2020	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Net Interest Type income				
Interest type income	1,971,752	2,017,326	1,146,786	706,740
Less: interest expenses	(591,773)	(715,915)	(327,008)	(269,431)
Total	<u>1,379,979</u>	<u>1,301,411</u>	<u>819,778</u>	<u>437,309</u>

We recorded interest type income generated from loans to customers originated under direct lending and trust lending structures of RMB1,971.8 million for the Year, a decrease of RMB45.5 million compared to RMB2,017.3 million for the year ended December 31, 2020, primarily due to a decrease in the average outstanding loan balance of our trust lending structure. However, our interest type income increased by 62.3% to RMB1,146.8 million for the Period, compared to RMB706.7 million for the six months ended December 31, 2020, which was driven by the substantial increase in loan origination volume.

Interest expenses decreased by 17.3% to RMB591.8 million for the Year, compared to RMB715.9 million for the year ended December 31, 2020. The decrease in interest expenses primarily resulted from the decrease in the average borrowing balance and weighted average interest rates during the Year. However, interest expenses increased by 21.4% to RMB327.0 million for the Period, compared to 269.4 million for the six months ended December 31, 2020, as borrowings increased by RMB2,368.5 million to RMB6,463.8 million as at December 31, 2021, compared to RMB4,095.3 million as at December 31, 2020.

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

	For the year ended December 31,			
	2021		2020	
Interest Type Income	RMB'000	%	RMB'000	%
Online consumption products	1,967,323	99.8%	1,959,269	97.1%
Online-to-offline credit products	4,429	0.2%	58,057	2.9%
Total	1,971,752	100.0%	2,017,326	100.0%

	For the six months ended December 31,			
	2021		2020	
Interest Type Income	RMB'000	%	RMB'000	%
Online consumption products	1,146,314	99.9%	697,032	98.6%
Online-to-offline credit products	472	0.1%	9,708	1.4%
Total	1,146,786	100.0%	706,740	100.0%

Loan Facilitation Service Fees

Loan facilitation service fees increased by 115.9% to RMB1,540.0 million for the Year, compared to RMB713.3 million for the year ended December 31, 2020, due to an increase of loan origination volume and improvement of asset quality. Loan facilitation service fees increased by 19.2% to RMB566.7 million for the Period, compared to RMB475.1 million for the six months ended December 31, 2020, primarily due to a rolling impact of deferred post loan facilitation service fees derived from legacy loans through our credit-enhanced loan facilitation structure originated in the first half of 2021.

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 years and periods indicated.

	For the year ended		For the six months ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Loan Facilitation Service Fees	RMB'000	RMB'000	RMB'000	RMB'000
Credit-enhanced loan facilitation	1,499,170	702,965	525,831	474,751
Pure loan facilitation	40,782	10,361	40,782	402
Total	1,539,952	713,326	566,613	475,153

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

	For the year ended		For the six months ended	
	December 31,		December 31,	
	2021	2020	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Loan Facilitation Service Fees				
Upfront loan facilitation service fees	1,053,621	578,934	289,398	418,951
Post loan facilitation service fees	486,331	134,392	277,215	56,202
Total	<u>1,539,952</u>	<u>713,326</u>	<u>566,613</u>	<u>475,153</u>

Other Income

Other income decreased by 3.6% to RMB538.2 million for the Year, compared to RMB558.5 million for the year ended December 31, 2020, primarily due to a decrease in both referral fees and penalty and other charges, although partially offset by the increase in gains from guarantee resulting from improvement in asset quality. Other income decreased by 58.0% to RMB191.7 million for the Period, compared to RMB456.9 million for the six months ended December 31, 2020, as a result of improved asset quality.

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

	For the year ended		For the six months ended	
	December 31,		December 31,	
	2021	2020	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Other Income				
Gains/(losses) from guarantee	455,604	(99,368)	161,710	322,158
Penalty and other charges	58,097	320,978	12,924	133,931
Membership fees and referral fees	15,963	301,808	11,015	761
Government grants	1,000	34,975	1,000	—
Others	7,623	21	5,202	13
Total	<u>538,287</u>	<u>558,414</u>	<u>191,851</u>	<u>456,863</u>

Expenses

Origination and Servicing Expenses

Our origination and servicing expenses increased by 40.5% to RMB1,139.8 million for the Year, compared to RMB811.2 million for the year ended December 31, 2020, due to a growth in loan origination and servicing expenses as we deployed more resources to better implement customer acquisition and risk management policies commensurate with retaining higher-quality new and repeat borrowers on our platform, so as to enhance our loan origination portfolio.

Sales and Marketing Expenses

Overall, our sales and marketing expenses increased by RMB5.2 million to RMB28.3 million for the Year, compared to RMB23.1 million for the year ended December 31, 2020, due to the growth in branding expenses and employee benefit expenses to promote brand awareness.

General and Administrative Expenses

Our general and administrative expenses increased by 6.0% to RMB297.2 million for the Year, compared to RMB280.3 million for the year ended December 31, 2020, mainly due to less tax incentives for the Year.

Research and Development Expenses

Our research and development expenses increased by 2.4% to RMB80.9 million for the Year, compared to RMB78.9 million for the year ended December 31, 2020, primarily due to an increase in employee benefit expenses to enhance technological capabilities.

Operating Profit/(Loss)

We recorded an operating profit of RMB1,513.6 million for the Year, compared to an operating loss of RMB1,051.7 million for the year ended December 31, 2020 and our operating profit increased by 75.7% to RMB504.8 million for the Period, compared to RMB287.3 million for the six months ended December 31, 2020. The remarkable turnaround from the operating loss is primarily attributable to improvements in asset quality arising from the successful implementation of our business strategy in migrating to higher-quality prime and near-prime borrowers and an expansion of our business scale in line with a recovery in demand for consumer finance products.

Net Profit/(Loss)

We recorded a net profit of RMB1,179.3 million for the Year, compared to a net loss of RMB869.6 million for the year ended December 31, 2020 and our net profit increased by 89.8% to RMB401.7 million for the Period, compared to RMB211.7 million for the six months ended December 31, 2020, which is consistent with our operating profit/(loss) for the same periods.

Non-IFRS Adjusted Operating Profit/(Loss)

Our Non-IFRS adjusted operating profit was RMB1,546.9 million for the Year, compared to our Non-IFRS adjusted operating loss of RMB977.0 million for the year ended December 31, 2020, and our Non-IFRS adjusted operating profit for the Period increased by 58.2% to RMB510.7 million compared to RMB322.9 million for the six months ended December 31, 2020. The remarkable financial performance benefited from stable asset quality as a result of effective strategies in customer acquisition and credit policies to migrate to higher-quality prime and near-prime borrowers and an expansion of our business scale in line with a recovery in demand for consumer finance products.

Non-IFRS Adjusted Net Profit/(Loss)

Our Non-IFRS adjusted net profit was RMB1,212.6 million for the Year, compared to our Non-IFRS adjusted net loss of RMB794.8 million for the year ended December 31, 2020 and our Non-IFRS adjusted net profit for the Period increased by 64.9% to RMB407.6 million, compared to RMB247.2 million for the six months ended December 31, 2020, which is in line with our Non-IFRS adjusted operating profit/(loss) for the same periods.

Non-IFRS Measures

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

	For the year ended	
	December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Operating Profit/(Loss)	1,513,587	(1,051,749)
Add:		
Share-based compensation expenses	33,292	74,723
Non-IFRS Adjusted Operating Profit/(Loss)	<u>1,546,879</u>	<u>(977,026)</u>
Non-IFRS Adjusted Operating Profit/(Loss) Margin⁽¹⁾	<u>44.7%</u>	<u>-38.0%</u>

	For the year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net Profit/(Loss)	1,179,296	(869,564)
Add:		
Share-based compensation expenses	<u>33,292</u>	<u>74,723</u>
Non-IFRS Adjusted Net Profit/(Loss)	<u>1,212,588</u>	<u>(794,841)</u>
Non-IFRS Adjusted Net Profit/(Loss) Margin⁽²⁾	<u>35.1%</u>	<u>-30.9%</u>
	For the six months ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Operating Profit	504,831	287,314
Add:		
Share-based compensation expenses	<u>5,883</u>	<u>35,543</u>
Non-IFRS Adjusted Operating Profit	<u>510,714</u>	<u>322,857</u>
Non-IFRS Adjusted Operating Profit Margin⁽¹⁾	<u>32.4%</u>	<u>23.6%</u>
	For the six months ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net Profit	401,672	211,664
Add:		
Share-based compensation expenses	<u>5,883</u>	<u>35,543</u>
Non-IFRS Adjusted Net Profit	<u>407,555</u>	<u>247,207</u>
Non-IFRS Adjusted Net Profit Margin⁽²⁾	<u>25.8%</u>	<u>18.1%</u>

Notes:

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

Loans to Customers at Fair Value through Profit or Loss

Our loans to customers at fair value through profit or loss primarily represent the total balance of loans originated by us through our trust lending and direct lending structures. Our loans to customers at fair value through profit or loss increased by 81.8% to RMB7,322.0 million as at December 31, 2021, compared to RMB4,028.2 million as at December 31, 2020, due to the increase in loan origination volume from our trust lending and direct lending structures.

	As at December 31,			
	2021		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Online consumption products	7,302,402	99.7%	3,894,103	96.7%
Online-to-offline credit products	19,632	0.3%	134,062	3.3%
Total	<u>7,322,034</u>	<u>100.0%</u>	<u>4,028,165</u>	<u>100.0%</u>

Contract Assets

Our contract assets decreased by 12.7% to RMB298.4 million as at December 31, 2021, compared to RMB341.9 million as at December 31, 2020, due to a decrease in our credit-enhanced and pure loan origination volume by 25.8% to RMB8,845.7 million for the Period, compared to RMB11,914.1 million for the six months ended December 31, 2020.

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	351,584	389,568
Less: expected credit losses (“ECL”) allowance	(53,228)	(47,711)
	<u>298,356</u>	<u>341,857</u>

Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables decreased by 54.1% to RMB325.3 million as at December 31, 2021, compared to RMB708.7 million as at December 31, 2020. Our guarantee liabilities decreased by 41.5% to RMB472.5 million as at December 31, 2021, compared to RMB807.4 million as at December 31, 2020. The decrease in guarantee receivables and guarantee liabilities are primarily due to more stable delinquency ratios.

	For the year ended	
	December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee Receivables		
Opening balance	708,703	621,248
Addition arising from new business	1,057,203	1,699,543
ECL	(4,814)	(169,081)
Reversal due to early repayment	(47,278)	(165,549)
Payment received from borrowers	(1,388,483)	(1,277,458)
Ending Balance	<u>325,331</u>	<u>708,703</u>
Guarantee Liabilities		
Opening balance	807,421	723,617
Addition arising from new business	1,057,203	1,699,543
Release of the margin	(79,012)	(108,553)
ECL	(376,592)	207,921
Reversal due to early repayment	(47,278)	(165,549)
Payouts during the year, net	(889,288)	(1,549,558)
Ending Balance	<u>472,454</u>	<u>807,421</u>

Borrowings and Senior Notes

Our total borrowings and senior notes, as recorded in our consolidated statement of financial position, comprise (i) payable to trust plan holders, (ii) borrowings from corporations and (iii) senior notes. Our total borrowings and senior notes increased by 47.9% to RMB6,987.3 million as at December 31, 2021, compared to RMB4,724.1 million as at December 31, 2020, due to an increase in our payable to trust plan holders. Our payable to trust plan holders increased by 72.1% to RMB6,463.8 million as at December 31, 2021, compared to RMB3,755.8 million as at December 31, 2020, due to an increase of loans originated by us through our trust lending structure.

The senior notes are comprised of US\$85,000,000 11.0% senior notes due 2022 issued on December 3, 2020 (“**Senior Notes**”).

In addition, in June 2021, we repaid the remaining principal amount of US\$17,750,000 of the outstanding US\$100,000,000 11.0% senior notes due 2021, issued on June 21, 2019.

	As at December 31,			
	2021		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Payable to trust plan holders	6,463,774	92.5%	3,755,797	79.5%
Borrowings from corporations	—	—	339,502	7.2%
	6,463,774	92.5%	4,095,299	86.7%
Senior notes	523,542	7.5%	628,834	13.3%
Total	<u>6,987,316</u>	<u>100.0%</u>	<u>4,724,133</u>	<u>100.0%</u>

Weighted Average Interest Rates of Borrowings and Senior Notes	As at December 31,	
	2021	2020
Payable to trust plan holders	9.2%	10.3%
Borrowings from corporations	11.9%	12.1%
Senior notes	11.0%	11.0%

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 years and periods indicated.

	For the year ended December 31,		For the six months ended December 31,	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (outflow)/inflow from operating activities	(1,017,949)	5,269,241	648,870	1,451,165
Net cash outflow from investing activities	(122,736)	(27,359)	(89,883)	(24,188)
Net cash inflow/(outflow) from financing activities	1,545,565	(5,913,393)	(303,525)	(1,743,139)
Net increase/(decrease) in cash and cash equivalents	404,880	(671,511)	255,462	(316,162)
Cash and cash equivalents at the beginning of the years and periods	1,501,835	2,169,524	1,650,716	1,814,054
Effects of exchange rate changes on cash and cash equivalents	1,395	3,822	1,932	3,943
Cash and cash equivalents at the end of the years and periods	<u>1,908,110</u>	<u>1,501,835</u>	<u>1,908,110</u>	<u>1,501,835</u>

Our cash inflow generated from operating activities during the Year primarily consists of principal and interest, loan facilitation service fees and other service fees received from the consumer finance products we provided. Our cash outflow used in operating activities during the Year primarily consists of loan volume origination by direct and trust lending structure, cash payment of guarantee indemnification, employee salaries and benefits, taxes and surcharges, and other operating expenses. We had net cash outflow used in operating activities of RMB1,017.9 million for the Year, as compared to net cash inflow generated from operating activities of RMB5,269.2 million for the year ended December 31, 2020. Net cash outflow from operating activities during the Year increased primarily due to an increase of RMB5,915.9 million in loan volume originated by trust lending structure for the Year.

We had net cash outflow from investing activities of RMB122.7 million for the Year, as compared to net cash outflow of RMB27.4 million for the year ended December 31, 2020. Net cash outflow increased mainly due to an increase of RMB97.2 million in money market funds partially offset by cash inflow of RMB21.0 million for the Year from the disposal of our 10% interest in Shanghai COSCO Shipping Micro-finance Co., Ltd.

We had net cash inflow from financing activities of RMB1,545.6 million for the Year, as compared to net cash outflow of RMB5,913.4 million for the year ended December 31, 2020. For the Year, we had net cash inflow from borrowings and trust plans of RMB2,363.3 million and payment of interest expenses of RMB563.7 million. Additionally, we had net cash outflow from dividends of RMB80.8 million for the Year and we had a net cash outflow from payment of senior notes of RMB114.5 million for the Year, as compared to a net cash outflow of RMB61.4 million for the year ended December 31, 2020.

Capital Commitments

The Group did not have any significant capital commitments contracted for at the end of the Year but not recognized as liabilities as at December 31, 2021.

Charges on Assets

The Group did not have any charges on assets as at December 31, 2021.

Contingencies

Save as disclosed in this results announcement, the Group did not have any significant contingent liabilities as at December 31, 2021.

ACQUISITIONS AND DISPOSALS

Material Investments and Acquisitions

The Group invested in Shanghai COSCO Shipping Micro-finance Co., Ltd. as a 10.00% shareholder for a consideration of RMB20.0 million on December 28, 2017 and disposed of the investment on November 30, 2021. The Group recognised a loss of RMB0.3 million from the disposal.

Future Plans for Material Investments and Capital Assets

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

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2021	2020
	Notes	RMB'000	RMB'000
Continuing operations			
Interest type income	4	1,971,752	2,017,326
Less: interest expenses	4	(591,773)	(715,915)
Net interest type income	4	1,379,979	1,301,411
Loan facilitation service fees	5	1,539,952	713,326
Other income	6	538,287	558,414
Total income		3,458,218	2,573,151
Origination and servicing expenses	7	(1,139,827)	(811,158)
Sales and marketing expenses	7	(28,287)	(23,129)
General and administrative expenses	7	(297,188)	(280,342)
Research and development expenses	7	(80,872)	(78,943)
Credit impairment losses	8	(45,654)	(255,588)
Fair value change of loans to customers		(378,909)	(2,229,521)
Other gains, net	9	26,106	53,781
Operating profit/(loss)		1,513,587	(1,051,749)
Share of net profit/(loss) of associates accounted for using the equity method		691	(11,070)
Profit/(loss) before income tax		1,514,278	(1,062,819)
Income tax (expense)/credit	10	(334,982)	193,255
Profit/(loss) for the year attributable to:			
Owners of the Company		1,179,275	(869,581)
Non-controlling interests		21	17
		1,179,296	(869,564)

	Notes	Year ended December 31,	
		2021	2020
		RMB'000	RMB'000
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of financial statements		(4,891)	2,379
Total comprehensive income/(loss) for the year, net of tax		1,174,405	(867,185)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		1,174,384	(867,202)
Non-controlling interests		21	17
		1,174,405	(867,185)
Basic earnings/(loss) per Share (RMB yuan)	11	2.42	(1.77)
Diluted earnings/(loss) per Share (RMB yuan)	11	2.40	(1.77)
Non-IFRS Measure			
Non-IFRS adjusted operating profit/(loss) ⁽¹⁾		1,546,879	(977,026)
Non-IFRS adjusted net profit/(loss) ⁽²⁾		1,212,588	(794,841)
Non-IFRS adjusted basic earnings/(loss) per Share (RMB yuan) ⁽³⁾		2.48	(1.62)

Notes:

- (1) Non-IFRS adjusted operating profit/(loss) is defined as operating profit/(loss) for the Year and for the year ended December 31, 2020, respectively, excluding share-based compensation expenses. For more details, please see the section headed “Management Discussion and Analysis — Non-IFRS Measures”.
- (2) Non-IFRS adjusted net profit/(loss) is defined as net profit/(loss) for the Year and for the year ended December 31, 2020, respectively, excluding share-based compensation expenses. For more details, please see the section headed “Management Discussion and Analysis — Non-IFRS Measures”.
- (3) Non-IFRS adjusted basic earnings/(loss) per Share is calculated by dividing the Non-IFRS adjusted net profit/(loss) by the weighted average number of Shares outstanding during the Year and the year ended December 31, 2020, respectively.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31,	
		2021	2020
		<u>RMB'000</u>	<u>RMB'000</u>
Assets			
Cash and cash equivalents	12(a)	1,907,940	1,501,830
Restricted cash	12(b)	55,110	236,280
Loans to customers at fair value through profit or loss	13	7,322,034	4,028,165
Contract assets	14	298,356	341,857
Guarantee receivables	15	325,331	708,703
Financial investments at fair value through profit or loss		133,798	20,285
Investments accounted for using the equity method		—	20,626
Deferred income tax assets		381,035	682,573
Right-of-use assets		24,598	45,907
Intangible assets		40,590	35,378
Property and equipment		35,056	39,358
Other assets		753,097	676,232
Total assets		<u>11,276,945</u>	<u>8,337,194</u>
Liabilities			
Tax payable		59,691	34,560
Guarantee liabilities	15	472,454	807,421
Lease liabilities		25,286	47,976
Borrowings	16	6,463,774	4,095,299
Senior notes		523,542	628,834
Deferred income tax liabilities		92,979	100,696
Other liabilities		245,494	336,064
Total liabilities		<u>7,883,220</u>	<u>6,050,850</u>
Equity			
Share capital		40,145	40,412
Share premium		5,461,908	5,558,958
Treasury shares		(29,084)	(37,747)
Reserves		763,814	747,075
Accumulated losses		(2,846,096)	(4,025,371)
Non-controlling interests		3,038	3,017
Total equity		<u>3,393,725</u>	<u>2,286,344</u>
Total liabilities and equity		<u>11,276,945</u>	<u>8,337,194</u>

NOTES

1 General Information

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

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

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

The Shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since June 21, 2018 by way of its initial public offering (the “**IPO**”). Upon the completion of the IPO, all of the Company’s outstanding convertible redeemable preferred shares were converted into Shares on a one-to-one basis. As at December 31, 2021, the number of Shares in issue is 490,355,389, with a par value of HK\$0.10 per Share.

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

These consolidated financial statements have been approved and authorised for issue by the Board on March 23, 2022.

2 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”) and disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the results.

The Group continued to adopt the going concern basis in preparing its consolidated financial statements.

3 Significant Accounting Policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2021:

Amendments to IFRS 16	COVID-19-related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2

(b) New standards and interpretations not yet adopted

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group. These standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to IAS 16	Proceeds before Intended Use	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements 2018–2020 cycle	January 1, 2022
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after January 1, 2016. The effective date has now been deferred.

4 Net interest type income

	Year ended December 31,	
	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>
Interest type income		
Loans to customers at fair value through profit or loss	1,971,752	2,017,326
Less: interest expenses		
Payable to trust plan holders	(479,785)	(563,190)
Senior notes	(89,140)	(90,251)
Borrowings from corporations	(22,484)	(60,341)
Others	(364)	(2,133)
	<u>(591,773)</u>	<u>(715,915)</u>
Net interest type income	<u><u>1,379,979</u></u>	<u><u>1,301,411</u></u>

5 Loan facilitation service fees

	Year ended December 31,	
	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>
Upfront loan facilitation service fees	1,053,621	578,934
Post loan facilitation service fees	486,331	134,392
	<u><u>1,539,952</u></u>	<u><u>713,326</u></u>

6 Other income

	Year ended December 31,	
	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>
Gains/(losses) from guarantee	455,604	(99,368)
Penalty and other charges	58,097	320,978
Membership fees and referral fees	15,963	301,808
Government grants	1,000	34,975
Others	7,623	21
	<u><u>538,287</u></u>	<u><u>558,414</u></u>

7 Expenses by nature

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Loan origination and servicing expenses	(1,006,387)	(693,789)
Employee benefit expenses	(299,661)	(267,972)
Professional service fees	(89,012)	(80,114)
Office expenses	(33,060)	(36,359)
Depreciation of right-of-use assets	(25,698)	(32,300)
Depreciation and amortization	(24,630)	(32,631)
Tax and surcharge	(16,915)	(25,159)
Branding expenses	(9,125)	(6,645)
Audit remuneration		
— Audit service fees	(5,350)	(4,862)
— Non-audit service fees	—	(369)
Others	(36,336)	(13,372)
	<u> </u>	<u> </u>
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses	<u>(1,546,174)</u>	<u>(1,193,572)</u>

8 Credit impairment losses

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	(165)	(3)
Restricted cash	51	(27)
Contract assets	(36,712)	(80,396)
Guarantee receivables	(4,814)	(169,081)
Other assets	(4,014)	(6,081)
	<u> </u>	<u> </u>
	<u>(45,654)</u>	<u>(255,588)</u>

9 Other gains, net

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gains	20,186	38,153
Bank interest income	13,972	17,858
Gains from repurchase of senior notes	—	3,411
(Losses)/gains from disposal of investments accounted for using the equity method	(337)	468
Bank charges	(995)	(2,742)
Interest expense on lease liabilities	(2,150)	(3,373)
(Losses)/gains from financial investments at fair value through profit or loss	(4,570)	6
	<u>26,106</u>	<u>53,781</u>

10 Income tax (expense)/credit

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	(41,161)	(6,467)
Deferred income tax	(293,821)	199,722
	<u>(334,982)</u>	<u>193,255</u>

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

	Year ended December 31,	
	2021	2020
Earnings/(loss) attributable to owners of the Company (<i>RMB'000</i>)	1,179,275	(869,581)
Non-IFRS Adjusted net profit/(loss) (<i>RMB'000</i>)	1,212,588	(794,841)
Weighted average number of Shares for calculation of the basic earnings per Share (<i>'000</i>)	488,094	491,946
Weighted average number of Shares for calculation of the diluted earnings per Share (<i>'000</i>)	492,168	491,946
Basic earnings/(loss) per Share (<i>RMB yuan</i>)	2.42	(1.77)
Diluted earnings/(loss) per Share (<i>RMB yuan</i>)	2.40	(1.77)
Non-IFRS Adjusted basic earnings/(loss) per Share (<i>RMB yuan</i>)	2.48	(1.62)

11.1 Basic earnings/(loss) per Share is calculated by dividing the profit/(loss) of the Group attributable to owners of the Company by the weighted average number of Shares in issue during the Year and the year ended December 31, 2020, respectively.

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

For the year ended December 31, 2020, the potential Shares were share options and share awards granted by the Company. As the Group incurred loss for the year ended December 31, 2020, the potential Shares were not included in the calculation of diluted loss per Share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per Share for the year ended December 31, 2020 was the same as basic loss per Share.

11.3 Non-IFRS Adjusted basic earnings/(loss) per Share is calculated by dividing the Non-IFRS adjusted net profit by the weighted average number of Shares in issue during the Year and the year ended December 31, 2020, respectively.

12 Cash and bank balances

(a) Cash and cash equivalents

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cash on hand	13	—
Cash at bank	1,867,231	1,139,148
Cash held through platform	40,866	362,687
Less: ECL allowance	(170)	(5)
	<u>1,907,940</u>	<u>1,501,830</u>

(b) Restricted cash

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Deposits	55,139	236,360
Less: ECL allowance	(29)	(80)
	<u>55,110</u>	<u>236,280</u>

13 Loans to customers at fair value through profit or loss

The composition of loans is as follows:

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured	7,302,406	3,936,927
Pledged	19,628	91,238
	<u>7,322,034</u>	<u>4,028,165</u>

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

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year (including 1 year)	7,300,942	3,880,034
1 to 2 years (including 2 years)	2,718	15,145
2 to 5 years (including 5 years)	18,374	132,986
	<u>7,322,034</u>	<u>4,028,165</u>

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

	As at December 31,	
	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>
Overdue	56,465	34,932
Within 1 year (including 1 year)	7,246,670	3,904,881
1 to 2 years (including 2 years)	18,899	10,244
2 to 5 years (including 5 years)	—	78,108
	<u>7,322,034</u>	<u>4,028,165</u>

14 Contract assets

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

	As at December 31,	
	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>
Contract assets	351,584	389,568
Less: ECL allowance	(53,228)	(47,711)
	<u>298,356</u>	<u>341,857</u>

15 Guarantee receivables and guarantee liabilities

	As at December 31,	
	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>
Guarantee receivables	376,971	822,776
Less: ECL allowance	(51,640)	(114,073)
	<u>325,331</u>	<u>708,703</u>

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

	As at December 31,	
	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>
Guarantee receivables		
Opening balance	708,703	621,248
Addition arising from new business	1,057,203	1,699,543
ECL	(4,814)	(169,081)
Reversal due to early repayment	(47,278)	(165,549)
Payment received from borrowers	(1,388,483)	(1,277,458)
Ending balance	<u>325,331</u>	<u>708,703</u>

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

	Year ended December 31,	
	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>
Guarantee liabilities		
Opening balance	807,421	723,617
Addition arising from new business	1,057,203	1,699,543
Release of the margin	(79,012)	(108,553)
ECL	(376,592)	207,921
Reversal due to early repayment	(47,278)	(165,549)
Payouts during the year, net	(889,288)	(1,549,558)
Ending balance	<u>472,454</u>	<u>807,421</u>

16 Borrowings

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

	As at December 31,	
	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>
Payable to trust plan holders	6,463,774	3,755,797
Borrowings from corporations	—	339,502
	<u>6,463,774</u>	<u>4,095,299</u>

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

	As at December 31,	
	2021	2020
Payable to trust plan holders	6.60%~11.80%	6.60%~13.00%
Borrowings from corporations	—	6.25%~12.00%

The following table sets forth the contractual maturities of borrowings:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Within 1 year(including 1 year)	2,741,556	1,122,586
1 to 2 years(including 2 years)	3,602,868	2,641,563
2 to 5 years(including 5 years)	119,350	331,150
	6,463,774	4,095,299

The following table sets forth the repayment schedule of borrowings:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Within 1 year(including 1 year)	6,108,724	3,339,549
1 to 2 years(including 2 years)	355,050	755,750
	6,463,774	4,095,299

Gearing ratio

As at December 31, 2021, our gearing ratio, calculated as total liabilities divided by total assets, was approximately 69.9%, representing a decrease of 2.7% as compared with 72.6% as at December 31, 2020.

As at December 31, 2021, our consolidated debt to equity ratio, calculated as the sum of borrowings, Senior Notes, lease liabilities and guarantee liabilities divided by total equity, was approximately 2.2x, as compared with 2.4x as at December 31, 2020.

17 Consolidated structured entities

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

As at December 31, 2021, the trust plans consolidated by the Group amounted to RMB7.28 billion (December 31, 2020: RMB4.54 billion).

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

18 Dividends

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Interim dividend for the Year of HK10 cents per Share	(40,613)	—
Special dividend for the Year of HK10 cents per Share	(40,612)	—
	<u>(81,225)</u>	<u>—</u>

The interim dividend and the special dividend were paid out of the share premium account pursuant to Articles 13(h) and 154 of the Articles of Association of the Company and in accordance with the Companies Act (2021 Revision) of the Cayman Islands.

The Board has recommended, subject to approval by Shareholders at the AGM, the payment of the Final Dividend (being HK15 cents per Share) for the Year (for the year ended December 31, 2020: nil).

19 Subsequent events

Since the end of the reporting period, the Board has recommended the payment of the Final Dividend.

20 Foreign exchange exposure

Foreign currency transactions during the Year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing as at December 31, 2021. Exchange gains and losses are recognized in profit or loss.

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

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating to the foreign exchange rates prevailing at the dates of translation. Consolidated statement of financial position items are translated into RMB at the closing foreign exchange rates prevailing as at December 31, 2021. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

21 Opinion

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

DIVIDEND

The Board has recommended, subject to approval by Shareholders at the AGM, the payment of the Final Dividend (being HK15 cents per Share for the Year) (2020: Nil), amounting to approximately HK\$73.5 million to be paid out of the share premium account of the Company. If approved by Shareholders at the AGM, the Final Dividend will be payable on or around Friday, July 15, 2022.

An interim dividend for the Period of HK10 cents per Share (six months ended June 30, 2020: Nil) and a special dividend of HK10 cents per Share were paid to the Shareholders on November 12, 2021.

Going forward, the Company will seek to provide Shareholders with regular dividends with a normal target payout ratio of between 20% to 30% of the Group's audited consolidated net profits each year, subject however to factors that the Board deems relevant such as but not limited to the Group's financial results, available distributable reserves and cash position, future capital expenditure and working capital requirements, contractual, statutory and regulatory limitations or restrictions on the payment of dividends and taxation implications.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the “**Register of Members**”) will not be closed for the purpose of ascertaining the right of Shareholders to attend and vote at the AGM.

To determine entitlement to the Final Dividend, the Register of Members will be closed from Thursday, June 23, 2022 to Monday, June 27, 2022, both days inclusive, during which period no transfers of Shares shall be effected. The record date will be Monday, June 27, 2022. To be eligible to receive the Final Dividend, transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, June 22, 2022.

DIRECTORS' AND EMPLOYEES' REMUNERATION AND POLICY

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

As at December 31, 2021, the Group had a total of 677 employees.

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

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

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

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

CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has, during the Year, applied the principles and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 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 10 to the Listing Rules (the "Model Code") as the code of conduct to regulate dealings in the securities of the Company by its 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 Year or throughout the period from the date of appointment during the Year, as the case may be.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year, the Company repurchased a total of 3,249,000 Shares on the Stock Exchange for an aggregate consideration of HK\$18,169,840 (before expenses). The repurchases were effected pursuant to the repurchase mandates granted to the Directors by the Shareholders on June 1, 2020 and June 18, 2021, respectively, with a view to benefiting the Shareholders as a whole to enhance the net asset value per Share.

Particulars of the Shares repurchased are as follows:

Month (2021)	Number of Shares Repurchased	Lowest Price Paid per Share (HK\$)	Highest Price Paid per Share (HK\$)	Aggregate Consideration (Before Expenses) (HK\$)
January	283,000	3.58	4.85	1,250,376
February	219,400	4.82	6.40	1,200,960
July	1,799,600	6.02	6.58	11,327,868
August	201,400	5.45	5.54	1,111,360
September	700,800	4.18	4.63	3,092,634
December	44,800	3.98	4.25	186,642

All of the Shares repurchased during the Year have been cancelled. The issued share capital of the Company has been accordingly reduced by the par value of the repurchased Shares so cancelled.

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

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has an audit committee established in compliance with rule 3.21 of the Listing Rules with responsibility for reviewing and providing supervision over the Group's financial reporting process. The audit committee comprises three independent non-executive Directors, Mr. Fang Yuan, Mr. Chen Derek and Mr. Chen Penghui, and a non-executive Director, Mr. Yip Ka Kay.

The audit committee has reviewed the financial statements for the Year with senior management and the external auditor of the Company.

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

Hong Kong, March 23, 2022

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