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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)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022 (the “**Year**”).

#### FINANCIAL HIGHLIGHTS

	For the year ended December 31,			For the six months ended December 31,		
	2022	2021	Change	2022	2021	Change
	<i>RMB million</i>	<i>RMB million</i>		<i>RMB million</i>	<i>RMB million</i>	
<b>Total Income</b>	<b>3,119.3</b>	3,458.2	-9.8%	<b>1,536.8</b>	1,578.2	-2.6%
Interest type income	1,922.1	1,971.8	-2.5%	797.4	1,146.8	-30.5%
Less: interest expenses	(529.1)	(591.8)	-10.6%	(218.9)	(327.0)	-33.0%
Loan facilitation service fees	1,564.4	1,540.0	1.6%	872.0	566.7	53.9%
Other income	161.9	538.2	-69.9%	86.3	191.7	-55.0%
<b>Operating Profit</b>	<b>695.1</b>	1,513.6	-54.1%	<b>264.7</b>	504.8	-47.6%
<b>Net Profit</b>	<b>532.5</b>	1,179.3	-54.8%	<b>204.5</b>	401.7	-49.1%
<b>Non-IFRS Adjusted Operating Profit<sup>(1)</sup></b>	<b>700.1</b>	1,546.9	-54.7%	<b>266.3</b>	510.7	-47.9%
<b>Non-IFRS Adjusted Net Profit<sup>(2)</sup></b>	<b>537.4</b>	1,212.6	-55.7%	<b>205.9</b>	407.6	-49.5%

Notes:

- (1) Non-IFRS Adjusted Operating Profit is defined as operating profit for the Year and for the year ended December 31, 2021, 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 is defined as net profit for the Year and for the year ended December 31, 2021, 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 16, 2023 (the “**AGM**”), the payment of a final dividend of HK10 cents (the “**Final Dividend**”) per share of the Company (“**Shares**”) (2021: HK15 cents).

## **BUSINESS REVIEW AND OUTLOOK**

Ongoing COVID-19 pandemic, volatile international markets, evolving macro-economic environment and policy and regulatory changes ensured our Company worked constantly throughout the Year to proactively optimize our business strategy and model to capture ever more higher quality borrowers. We continued our migration to better-quality borrowers and our performance for the Year demonstrates the resilience and flexibility of our business strategy, model and operations.

### **Business Review**

We achieved a solid performance during the Year from our operations, in line with our expectations.

The COVID-19 pandemic had a material influence on our business approach as related measures evolved. A zero-COVID policy was in place for most of the Year and lockdowns in cities such as Shanghai were experienced in 1H 2022, eventually pivoting to a major nationwide loosening with most COVID-19 measures being relaxed at the end of the Year. We overcame the distinct challenges and risks resulting from the changing COVID-19 policies by successfully adjusting our business strategy and model.

Evolutionary adjustments to our risk management model were also made to reflect market developments and behavioural changes to ensure the competitiveness and demand for our products amongst our targeted higher quality prime and near-prime borrowers. As a data intelligence-embraced organization, we constantly refine our operational efficiency and enhance our target customer identification and market penetration using dynamic data analytics and by connecting with high-quality customer acquisition channels.

We consistently strive to improve our user experience to retain high quality customers by optimizing our products, service and processes and strengthening our technological capabilities. As well as enriching our service to customers during each stage of their life-time cycle, we encourage their greater participation in the diversified channels that we actively collaborate with. These efforts paid dividends as 84.0% of our loan volume for the Year was contributed by repeat borrowers which, allied to a meaningful increase in new borrowers especially in 2H 2022, delivered rapid growth in our loan volume. Our user scale expanded during 2022 and the number of registered users increased to 126.8 million by the end of the Year.

Our collaborations with channels such as OPPO, Xiaomi and China Telecom continue to be mutually beneficial, and we have expanded our network of acquisition channels and industry platforms and improved our customer capture methodologies to reach and stay connected with more of our target customers. To ensure optimum return and gain market efficiency, we reinforced feedback exchanges and analytics with our channel partners and succeeded in formulating more precise depictions for more effective marketing to capture prime customers. In order to improve customer experience on our digital platform, we refined our online APPs along with various loan facilitation and post-loan management services. Under our precise operation, new customers acquired in 2H 2022 exceeded targets both quantitatively and qualitatively, which will help sustain long-term growth and profitability.

Promising outcomes of asset quality are driven by the continuous optimizations of our credit risk model which we constantly iterate to reflect behavioural changes and trends that impact its efficiency and effectiveness, so that we remain focused on delivering products and user experience attractive to our targeted prime and near-prime customers. We implemented a new generation multi-dimensional scorecard with significant risk identification power in January 2022, allowing us to differentiate customers with a higher degree of accuracy and measure their creditworthiness more effectively and intelligently. At the same time, sophisticated testing was conducted throughout the Year to closely monitor the volatility in the changing macro environment, and especially in 2H 2022 due to the surge in COVID-19 cases that weakened borrower repayment ability at the end of the Year. We were able to quickly optimize our risk policy to mitigate the impact on portfolio asset quality and as a result considerably better our levels than 2H 2021. With the loosening of the zero-COVID policies at the end of the Year, China's economy has since shown good momentum and recovery. The Chinese government has made the recovery and expansion of consumption a priority and adopted a combination of measures to stimulate consumption in 2023. We are optimistic that our business will benefit from the improving conditions in 2023 without impacting the stability of our asset quality.

Our collaboration with financial institutional funding partners increased significantly, enabling us to build a sustainable and regulatory compliant business. By the end of 2022, we maintained effective relationships with 92 external funding partners, including 20 nationwide joint-stock commercial banks, consumer finance companies and trusts, constituting a diverse and affluent funding pool to support our goals. With this foundation, allied to third-party guarantee companies and asset management companies capable of providing funding flexibility and protection for our funding partners, we were able to place emphasis on our pure loan facilitation model and achieved triple-digit year-on-year growth in both loan volume and partner numbers. Moreover, to strengthen relationships with our funding partners, we continued our collaborative work with them to explore potential technology cooperation opportunities to empower their digital capabilities.

## **Operating Review**

### ***Products and Services***

We primarily offer two credit products through our pure online loan origination processes: (1) credit card balance transfer products, and (2) consumption credit products, both of which are installment-based. Interest rates (inclusive, where applicable, of our funding partners' interest share and guarantee charges of credit enhancement organisations) payable in respect of loans to customers ranged from 15.0% per annum to 36.0% per annum according to the type of consumer loan product and depending on factors such as results of the credit assessment and allocated score, loan size and loan tenor. As the Group is primarily engaged in lending to consumers, the Group did not have any concentration of loans in any single borrower during the Year. As at December 31, 2022, the aggregate principal amount outstanding from the five largest borrowers of the Group was RMB1,170,733 (representing 0.005% of the total loan balance of the Group as at December 31, 2022) and the principal amount outstanding from the largest borrower of the Group was RMB243,922 (representing approximately 0.001% of the total loan balance of the Group as at December 31, 2022). For the Year, the total number of transactions was 4.9 million. The average term of our credit products was approximately 10.3 months and the average loan size was approximately RMB10,660.

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,			
	2022		2021	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Direct Lending	1,258.3	2.4%	1,106.9	2.7%
Trust Lending	11,661.9	22.3%	16,355.8	40.2%
Credit-enhanced loan facilitation	31,671.1	60.7%	21,842.0	53.6%
Pure loan facilitation	7,597.8	14.6%	1,406.8	3.5%
<b>Total</b>	<b>52,189.1</b>	<b>100.0%</b>	<b>40,711.5</b>	<b>100.0%</b>

Loan Origination Volume	For the six months ended December 31,			
	2022		2021	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Direct Lending	593.6	2.2%	658.0	3.6%
Trust Lending	4,908.2	17.8%	8,682.1	47.8%
Credit-enhanced loan facilitation	17,318.7	62.8%	7,438.9	40.9%
Pure loan facilitation	4,726.9	17.2%	1,406.8	7.7%
<b>Total</b>	<b>27,547.4</b>	<b>100.0%</b>	<b>18,185.8</b>	<b>100.0%</b>

From 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,			
	2022		2021	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Online consumption products	25,066.3	99.9%	15,619.8	99.9%
Online-to-offline credit products	4.2	0.1%	17.2	0.1%
<b>Total</b>	<b>25,070.5</b>	<b>100.0%</b>	<b>15,637.0</b>	<b>100.0%</b>

## Asset Quality

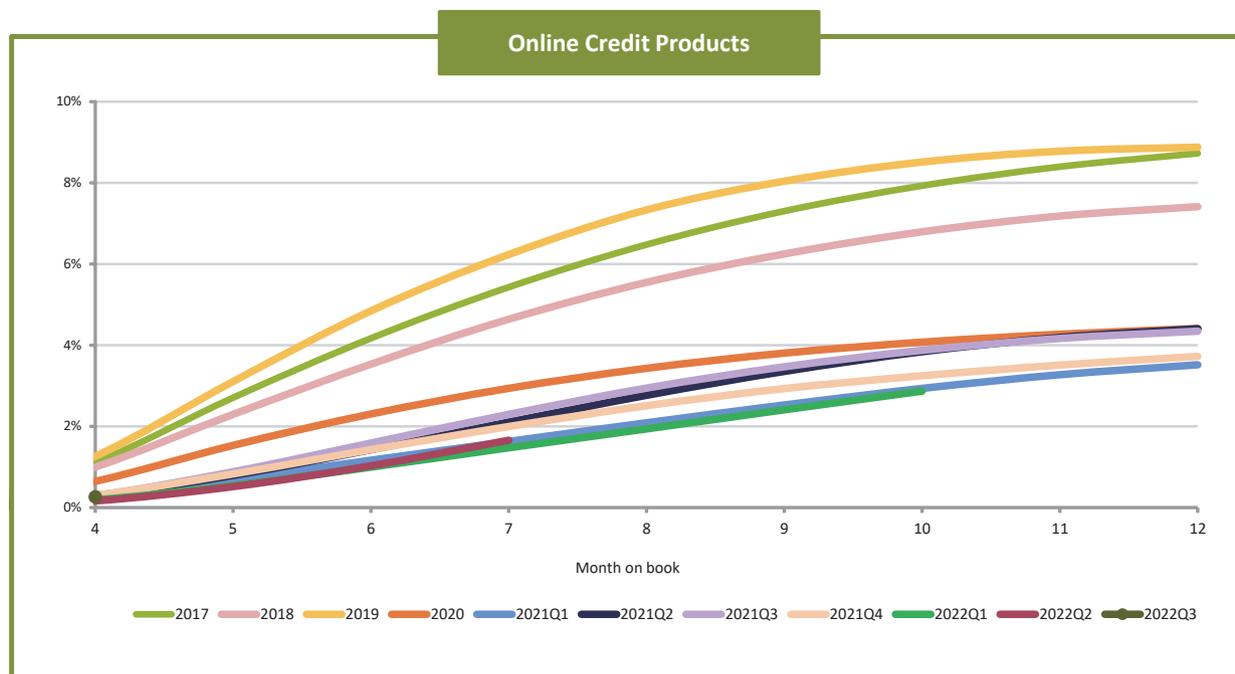
During the Year, we faced a number of challenges, including difficult macroeconomic conditions, falling interest rates and the spread of liquidity risk from the real estate market, coupled with the ongoing COVID-19 pandemic, which weakened the ability of our borrowers to repay their loans on time resulting in a rise in delinquencies. To ensure our business functioned optimally against these challenges, we implemented a new generation of multi-source scorecards and timely adjusted our credit policies to reduce the systemic risks. At the same time, we adjusted our customer segmentation to re-balance long-term revenue and risk, with more resilient portfolio. As a result, our asset quality indicators remained relatively stable, and were lower than the previous year. We were able to maintain our 2022 first payment delinquency ratio<sup>(1)</sup> at a low industry-wide level of approximately 0.43%, while our M1-M3 ratio<sup>(2)</sup> and M3+ ratio<sup>(3)</sup> declined from 4.01% and 2.39%, respectively, in the fourth quarter of 2021 to 3.53% and 1.77%, respectively, in the fourth quarter of 2022.

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4
First payment delinquency ratio <sup>(1)</sup>	0.40%	0.43%	0.42%	0.43%	0.27%	0.23%	0.35%	0.43%
M1-M3 ratio <sup>(2)</sup>	2.07%	2.06%	2.91%	4.01%	2.83%	2.07%	2.33%	3.53%
M3+ ratio <sup>(3)</sup>	1.81%	1.40%	1.53%	2.39%	2.28%	2.06%	1.44%	1.77%

### 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 RMB4.2 million as at December 31, 2022.
- (3) M3+ ratio is calculated by dividing (i) the outstanding balance of online loans which have been delinquent for more than 3 months and have not been written off by (ii) the total outstanding balance of loans to customers, excluding offline credit products which had a negligible balance of RMB4.2 million as at December 31, 2022.

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



Note:

- (4) Cohort-Based M3+ Delinquency Ratio is defined as (i) the total amount of principal for the online loans in a vintage that have become delinquent for more than 3 months, less (ii) the total amount of recovered past due principal, and then divided by (iii) the total amount of initial principal for loans in such vintage excluding offline credit products which had a negligible balance of RMB4.2 million as at December 31, 2022.

### Outlook and Strategies

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

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

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

- Streamline and extend our credit solutions to better serve our customers to improve brand recognition and the loyalty and creditworthiness profile of our customer base
- Enhance risk management capability through evolving technology and artificial intelligence

- Strengthen long-term collaborations with licensed financial institutional partners and other business partners
- Ensure our business is conducted within applicable regulatory parameters to achieve regulation-centric sustainability
- Review and assess potential business prospects and invest or collaborate in or acquire similar, related or complementary businesses and industries in China and other jurisdictions
- Cultivate dynamic enterprise value and culture, grow our in-house talents

## MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information has 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 decreased by 9.8% to RMB3,119.3 million for the Year, compared to RMB3,458.2 million for the year ended December 31, 2021, and decreased by 2.6% to RMB1,536.8 million for the six months ended December 31, 2022 (the “**Period**”), compared to RMB1,578.2 million for the six months ended December 31, 2021, primarily due to a decrease in interest rates reflecting compliance with regulatory guidance, but with partial offset due to an increase in loan volume through our credit-enhanced and pure loan facilitation structures.

### Net Interest Type Income

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

	For the year ended December 31,		For the six months ended December 31,	
	2022	2021	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Net Interest Type income</b>				
Interest type income	<b>1,922,140</b>	1,971,752	<b>797,477</b>	1,146,786
Less: interest expenses	<b>(529,160)</b>	(591,773)	<b>(218,979)</b>	(327,008)
<b>Total</b>	<b><u>1,392,980</u></b>	<u>1,379,979</u>	<b><u>578,498</u></b>	<u>819,778</u>

We recorded interest type income generated from loans to customers originated under direct lending and trust lending structures of RMB1,922.1 million for the Year and RMB797.4 million for the Period, a decrease of 2.5% compared to RMB1,971.8 million for the year ended December 31, 2021 and 30.5% compared to RMB1,146.8 million for the six months ended December 31, 2021, primarily due to a change in the average outstanding loan balance of our trust lending structure and a decrease in average interest rates.

Interest expenses decreased by 10.6% to RMB529.1 million for the Year, compared to RMB591.8 million for the year ended December 31, 2021, and decreased by 33.0% to RMB218.9 million for the Period, compared to RMB327.0 million for the six months ended December 31, 2021, primarily due to decreases in the average borrowing balance and the weighted average interest rate during the Year.

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.

<b>Interest Type Income</b>	<b>For the year ended December 31,</b>			
	<b>2022</b>		<b>2021</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Online consumption products	<b>1,921,472</b>	<b>99.9%</b>	1,967,323	99.8%
Online-to-offline credit products	<b>668</b>	<b>0.1%</b>	4,429	0.2%
<b>Total</b>	<b>1,922,140</b>	<b>100.0%</b>	<b>1,971,752</b>	<b>100.0%</b>

<b>Interest Type Income</b>	<b>For the six months ended December 31,</b>			
	<b>2022</b>		<b>2021</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Online consumption products	<b>797,175</b>	<b>99.9%</b>	1,146,314	99.9%
Online-to-offline credit products	<b>302</b>	<b>0.1%</b>	472	0.1%
<b>Total</b>	<b>797,477</b>	<b>100.0%</b>	<b>1,146,786</b>	<b>100.0%</b>

### ***Loan Facilitation Service Fees***

Loan facilitation service fees increased by 1.6% to RMB1,564.4 million for the Year, compared to RMB1,540.0 million for the year ended December 31, 2021, and increased by 53.9% to RMB872.0 million for the Period, compared to RMB566.7 million for the six months ended December 31, 2021, primarily due to an increase in loan origination volume through our credit-enhanced and pure loan facilitation structures, although partially offset by a decrease in facilitation fee rates.

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.

<b>Loan Facilitation Service Fees</b>	<b>For the year ended December 31,</b>		<b>For the six months ended December 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Credit-enhanced loan facilitation	<b>1,355,086</b>	1,499,170	<b>734,806</b>	525,831
Pure loan facilitation	<b>209,273</b>	40,782	<b>137,167</b>	40,782
<b>Total</b>	<b>1,564,359</b>	<b>1,539,952</b>	<b>871,973</b>	<b>566,613</b>

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 December 31,		For the six months ended December 31,	
	2022	2021	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Loan Facilitation Service Fees</b>				
Upfront loan facilitation service fees	<b>1,092,829</b>	1,053,621	<b>618,853</b>	289,398
Post loan facilitation service fees	<b>471,530</b>	486,331	<b>253,120</b>	277,215
<b>Total</b>	<b><u>1,564,359</u></b>	<u>1,539,952</u>	<b><u>871,973</u></b>	<u>566,613</u>

### *Other Income*

Other income decreased by 69.9% to RMB161.9 million for the Year, compared to RMB538.2 million for the year ended December 31, 2021, and decreased by 55.0% to RMB86.3 million for the Period, compared to RMB191.7 million for the six months ended December 31, 2021, primarily due to the change in asset quality and a decrease in penalty and other charges, although partially offset by the increase in customer referral fees from other third-party platforms.

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

	For the year ended December 31,		For the six months ended December 31,	
	2022	2021	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Other Income</b>				
Membership fees, referral fees and other service fees	<b>85,851</b>	22,867	<b>57,901</b>	16,217
Government grants	<b>36,010</b>	1,000	–	1,000
Penalty and other charges	<b>16,413</b>	58,097	<b>9,082</b>	12,924
Gains from guarantee	<b>12,277</b>	455,604	<b>8,569</b>	161,710
Others	<b>11,391</b>	719	<b>10,767</b>	–
<b>Total</b>	<b><u>161,942</u></b>	<u>538,287</u>	<b><u>86,319</u></b>	<u>191,851</u>

## **Expenses**

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

Our origination and servicing expenses increased by 11.1% to RMB1,266.7 million for the Year, compared to RMB1,139.8 million for the year ended December 31, 2021, due to an increase in loan origination volume and our strategy to deploy more resources to target and retain better-quality customers on our platform.

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

Our sales and marketing expenses increased by 25.9% to RMB35.6 million for the Year, compared to RMB28.3 million for the year ended December 31, 2021, due to the growth in employee benefit expenses required to further develop the business.

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

Our general and administrative expenses decreased by 4.3% to RMB284.4 million for the Year, compared to RMB297.2 million for the year ended December 31, 2021, mainly due to improvements in operating efficiency.

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

Our research and development expenses increased by 20.8% to RMB97.7 million for the Year, compared to RMB80.9 million for the year ended December 31, 2021, primarily due to an increase in employee benefit expenses required to enhance technological capabilities.

### ***Operating Profit***

We recorded an operating profit of RMB695.1 million for the Year, a decrease of 54.1% compared to RMB1,513.6 million for the year ended December 31, 2021 and our operating profit decreased by 47.6% to RMB264.7 million for the Period, compared to RMB504.8 million for the six months ended December 31, 2021, primarily due to a decline in customer fee rates as we strategically migrated our loan portfolio towards loans with interest rates of 24.0% per annum to align with regulatory pricing caps and an increase in our expenses and credit impairment losses as a result of an expansion in loan origination scale.

### ***Net Profit***

We recorded a net profit of RMB532.5 million for the Year, a decrease of 54.8% compared to RMB1,179.3 million for the year ended December 31, 2021 and our net profit decreased by 49.1% to RMB204.5 million for the Period, compared to RMB401.7 million for the six months ended December 31, 2021, which is consistent with our operating profit for the same periods.

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

Our Non-IFRS adjusted operating profit was RMB700.1 million for the Year, a decrease of 54.7% compared to RMB1,546.9 million for the year ended December 31, 2021 and our Non-IFRS adjusted operating profit decreased by 47.9% to RMB266.3 million for the Period, compared to RMB510.7 million for the six months ended December 31, 2021.

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

Our Non-IFRS adjusted net profit was RMB537.4 million for the Year, a decrease of 55.7% compared to RMB1,212.6 million for the year ended December 31, 2021 and our Non-IFRS adjusted net profit decreased by 49.5% to RMB205.9 million for the Period, compared to RMB407.6 million for the six months ended December 31, 2021.

### ***Non-IFRS Measures***

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

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Operating Profit</b>	<b>695,120</b>	1,513,587
Add:		
Share-based compensation expenses	<b>4,965</b>	33,292
<b>Non-IFRS Adjusted Operating Profit</b>	<b>700,085</b>	1,546,879
<b>Non-IFRS Adjusted Operating Profit Margin<sup>(1)</sup></b>	<b>22.4%</b>	44.7%
	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Net Profit</b>	<b>532,471</b>	1,179,296
Add:		
Share-based compensation expenses	<b>4,965</b>	33,292
<b>Non-IFRS Adjusted Net Profit</b>	<b>537,436</b>	1,212,588
<b>Non-IFRS Adjusted Net Profit Margin<sup>(2)</sup></b>	<b>17.2%</b>	35.1%

	<b>For the six months ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Operating Profit</b>	<b>264,768</b>	504,831
Add:		
Share-based compensation expenses	<b>1,480</b>	5,883
<b>Non-IFRS Adjusted Operating Profit</b>	<b>266,248</b>	510,714
<b>Non-IFRS Adjusted Operating Profit Margin<sup>(1)</sup></b>	<b>17.3%</b>	32.4%
	<b>For the six months ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Net Profit</b>	<b>204,473</b>	401,672
Add:		
Share-based compensation expenses	<b>1,480</b>	5,883
<b>Non-IFRS Adjusted Net Profit</b>	<b>205,953</b>	407,555
<b>Non-IFRS Adjusted Net Profit Margin<sup>(2)</sup></b>	<b>13.4%</b>	25.8%

*Notes:*

- (1) Non-IFRS Adjusted Operating Profit Margin is calculated by dividing the Non-IFRS Adjusted Operating Profit by the total income.
- (2) Non-IFRS Adjusted Net Profit Margin is calculated by dividing the Non-IFRS Adjusted Net Profit by the total income.

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

Our loans to customers at fair value through profit or loss primarily represent the fair value of total balance of loans originated by us through our trust lending and direct lending structures. Our loans to customers at fair value through profit or loss decreased by 28.6% to RMB5,230.5 million as at December 31, 2022, compared to RMB7,322.0 million as at December 31, 2021, primarily due to a decrease in our trust lending loan origination volume.

	As at December 31,			
	2022		2021	
	<u>RMB'000</u>	<u>%</u>	<u>RMB'000</u>	<u>%</u>
Online consumption products	5,226,433	99.9%	7,302,402	99.7%
Online-to-offline credit products	4,038	0.1%	19,632	0.3%
<b>Total</b>	<b><u>5,230,471</u></b>	<b><u>100.0%</u></b>	<b><u>7,322,034</u></b>	<b><u>100.0%</u></b>

## Contract Assets

Our contract assets increased by 48.5% to RMB443.1 million as at December 31, 2022, compared to RMB298.4 million as at December 31, 2021, primarily due to a sustained increase in our credit-enhanced and pure loan origination volume, partially offset by the decrease in facilitation fee rates during the Year.

	As at December 31,	
	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>
Contract assets	496,681	351,584
Less: expected credit losses (“ECL”) allowance	<u>(53,535)</u>	<u>(53,228)</u>
	<b><u>443,146</u></b>	<b><u>298,356</u></b>

## Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables increased by 142.0% to RMB787.4 million as at December 31, 2022, compared to RMB325.3 million as at December 31, 2021. Our guarantee liabilities increased by 141.5% to RMB1,140.8 million as at December 31, 2022, compared to RMB472.5 million as at December 31, 2021. The growth in guarantee receivables and guarantee liabilities are primarily due to an increase in our credit-enhanced loan origination volume by 45.0% to RMB31,671.1 million for the Year, compared to RMB21,842.0 million for the year ended December 31, 2021.

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>
<b>Guarantee Receivables</b>		
Opening balance	325,331	708,703
Addition arising from new business	1,676,179	1,057,203
ECL	(80,580)	(4,814)
Reversal due to early repayment	(52,759)	(47,278)
Payment received from borrowers	(1,080,775)	(1,388,483)
<b>Ending Balance</b>	<b><u>787,396</u></b>	<b><u>325,331</u></b>
	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>
<b>Guarantee Liabilities</b>		
Opening balance	472,454	807,421
Addition arising from new business	1,676,179	1,057,203
Release of the margin	(116,538)	(79,012)
ECL	104,261	(376,592)
Reversal due to early repayment	(52,759)	(47,278)
Payouts during the year, net	(942,843)	(889,288)
<b>Ending Balance</b>	<b><u>1,140,754</u></b>	<b><u>472,454</u></b>

## 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) bank borrowings and (iii) senior notes. Our payable to trust plan holders decreased by 36.0% to RMB4,137.6 million as at December 31, 2022, compared to RMB6,463.8 million as at December 31, 2021, primarily due to a decrease in loans originated by us through our trust lending structure.

As at December 31, 2022, the Group had a secured bank borrowing with a principal amount of RMB186.5 million guaranteed by deposits of RMB205.2 million.

The senior notes are comprised of HK\$200,000,000 9.5% senior notes due 2025 issued on June 16, 2022.

During the Year, we repurchased an aggregate principal amount of US\$40,470,000 (the “**Repurchased Notes**”) of the US\$85,000,000 11.0% senior notes due 2022 issued on December 3, 2020 (the “**2022 Senior Notes**”). All of the Repurchased Notes were subsequently cancelled. The remaining principal amount of US\$44,530,000 of the 2022 Senior Notes was redeemed in December 2022.

	As at December 31,			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Payable to trust plan holders	<b>4,137,616</b>	<b>91.8%</b>	6,463,774	92.5%
Secured bank borrowings	<b>186,990</b>	<b>4.1%</b>	–	–
Unsecured bank borrowings	<b>6,720</b>	<b>0.2%</b>	–	–
	<b>4,331,326</b>	<b>96.1%</b>	6,463,774	92.5%
Senior notes	<b>176,236</b>	<b>3.9%</b>	523,542	7.5%
<b>Total</b>	<b>4,507,562</b>	<b>100.0%</b>	6,987,316	100.0%

Weighted Average Interest Rates of Borrowings and Senior Notes	As at December 31,	
	2022	2021
Payable to trust plan holders	<b>8.8%</b>	9.2%
Bank borrowings	<b>5.6%</b>	–
Senior notes	<b>10.5%</b>	11.0%
Borrowings from corporations	–	11.9%

## 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,	
	2022	2021	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Net cash inflow/(outflow) from operating activities	<b>3,042,945</b>	(1,017,949)	<b>1,424,275</b>	648,870
Net cash (outflow)/inflow from investing activities	<b>(176,109)</b>	(122,736)	<b>43,415</b>	(89,883)
Net cash (outflow)/inflow from financing activities	<b>(3,177,292)</b>	1,545,565	<b>(1,707,914)</b>	(303,525)
Net (decrease)/increase in cash and cash equivalents	<b>(310,456)</b>	404,880	<b>(240,224)</b>	255,462
Cash and cash equivalents at the beginning of the years and periods	<b>1,908,110</b>	1,501,835	<b>1,843,129</b>	1,650,716
Effects of exchange rate changes on cash and cash equivalents	<b>(5,140)</b>	1,395	<b>(10,391)</b>	1,932
Cash and cash equivalents at the end of the years and periods	<b><u>1,592,514</u></b>	<u>1,908,110</u>	<b><u>1,592,514</u></b>	<u>1,908,110</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 inflow generated from operating activities of RMB3,042.9 million for the Year, as compared to net cash outflow used in operating activities of RMB1,017.9 million for the year ended December 31, 2021, primarily due to a decrease of RMB4,693.9 million in loan volume origination by trust lending structure for the Year.

We had net cash outflow from investing activities of RMB176.1 million for the Year, as compared to net cash outflow of RMB122.7 million for the year ended December 31, 2021. Net cash outflow increased mainly due to our acquisition of an indirect 29.9% interest in Opus Financial Group Limited at a purchase price of HK\$23,385,000 on December 16, 2022, while we had cash inflow of RMB21.0 million from the disposal of our 10.0% interest in Shanghai COSCO Shipping Micro-finance Co., Ltd. in 2021.

We had net cash outflow from financing activities of RMB3,177.3 million for the Year, as compared to net cash inflow from financing activities of RMB1,545.6 million for the year ended December 31, 2021. For the Year, we had net cash outflow from borrowings and trust plans of RMB2,123.5 million and payment of interest expenses of RMB514.6 million. Additionally, we had a net cash outflow from senior notes of RMB402.6 million for the Year and we had a net cash outflow from dividends of RMB105.2 million for the Year, as compared to a net cash outflow from senior notes of RMB114.5 and from dividends of RMB80.8 million for the year ended December 31, 2021.

### **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, 2022.

### **Charges on Assets**

As at December 31, 2022, the Group had cash deposits of RMB205.2 million pledged to banks as securities for banking facilities.

### **Contingencies**

Save as disclosed in this results announcement, the Group did not have any significant contingent liabilities as at December 31, 2022.

## **ACQUISITIONS AND DISPOSALS**

### **Material Investments and Acquisitions**

The Group acquired an indirect 29.9% interest in Opus Financial Group Limited for a consideration of HK\$23,385,000 on December 16, 2022. 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 aforementioned, the Group did not hold any material investments or make any material acquisitions during the Year.

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

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 arise in China and other jurisdictions, including Hong Kong, South-East Asia and Europe.

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

	<i>Notes</i>	<b>Year ended December 31,</b>	
		<b>2022</b>	<b>2021</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Continuing operations</b>			
Interest type income	4	<b>1,922,140</b>	1,971,752
Less: interest expenses	4	<b>(529,160)</b>	(591,773)
Net interest type income	4	<b>1,392,980</b>	1,379,979
Loan facilitation service fees	5	<b>1,564,359</b>	1,539,952
Other income	6	<b>161,942</b>	538,287
<b>Total income</b>		<b>3,119,281</b>	3,458,218
Origination and servicing expenses	7	<b>(1,266,673)</b>	(1,139,827)
Sales and marketing expenses	7	<b>(35,611)</b>	(28,287)
General and administrative expenses	7	<b>(284,380)</b>	(297,188)
Research and development expenses	7	<b>(97,710)</b>	(80,872)
Credit impairment losses	8	<b>(129,548)</b>	(45,654)
Fair value change of loans to customers		<b>(571,879)</b>	(378,909)
Other (losses)/gains, net	9	<b>(38,360)</b>	26,106
<b>Operating profit</b>		<b>695,120</b>	1,513,587
Share of net profit of associates accounted for using the equity method		<b>–</b>	691
<b>Profit before income tax</b>		<b>695,120</b>	1,514,278
Income tax expense	10	<b>(162,649)</b>	(334,982)
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>532,466</b>	1,179,275
Non-controlling interests		<b>5</b>	21
		<b>532,471</b>	1,179,296

	Notes	Year ended December 31,	
		2022	2021
		RMB'000	RMB'000
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of financial statements		621	(4,891)
<b>Total comprehensive income for the year, net of tax</b>		<u>533,092</u>	<u>1,174,405</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		533,087	1,174,384
Non-controlling interests		5	21
		<u>533,092</u>	<u>1,174,405</u>
<b>Basic earnings per Share (RMB yuan)</b>	11	<u>1.09</u>	<u>2.42</u>
<b>Diluted earnings per Share (RMB yuan)</b>	11	<u>1.09</u>	<u>2.40</u>
<b>Non-IFRS Measure</b>			
Non-IFRS Adjusted Operating Profit <sup>(1)</sup>		700,085	1,546,879
Non-IFRS Adjusted Net Profit <sup>(2)</sup>		537,436	1,212,588
Non-IFRS Adjusted basic earnings per Share (RMB yuan) <sup>(3)</sup>		1.10	2.48

*Notes:*

- (1) Non-IFRS Adjusted Operating Profit is defined as operating profit for the Year and for the year ended December 31, 2021, 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 is defined as net profit for the Year and for the year ended December 31, 2021, 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 per Share is calculated by dividing the Non-IFRS Adjusted Net Profit by the weighted average number of Shares outstanding during the Year and the year ended December 31, 2021, respectively.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>			
Cash and cash equivalents	12(a)	1,592,365	1,907,940
Restricted cash	12(b)	514,941	55,110
Loans to customers at fair value through profit or loss	13	5,230,471	7,322,034
Contract assets	14	443,146	298,356
Guarantee receivables	15	787,396	325,331
Financial investments at fair value through profit or loss		243,526	133,798
Investments accounted for using the equity method		20,889	–
Deferred income tax assets		342,458	381,035
Right-of-use assets		28,247	24,598
Intangible assets		38,441	40,590
Property and equipment		42,406	35,056
Other assets		819,150	753,097
		<b>10,103,436</b>	<b>11,276,945</b>
<b>Liabilities</b>			
Tax payable		199,748	59,691
Guarantee liabilities	15	1,140,754	472,454
Lease liabilities		27,789	25,286
Borrowings	16	4,331,326	6,463,774
Senior notes		176,236	523,542
Deferred income tax liabilities		–	92,979
Other liabilities		401,842	245,494
		<b>6,277,695</b>	<b>7,883,220</b>
<b>Equity</b>			
Share capital		40,067	40,145
Share premium		5,355,195	5,461,908
Treasury shares		(16,182)	(29,084)
Reserves		757,248	763,814
Accumulated losses		(2,313,630)	(2,846,096)
Non-controlling interests		3,043	3,038
		<b>3,825,741</b>	<b>3,393,725</b>
<b>Total equity</b>		<b>3,825,741</b>	<b>3,393,725</b>
<b>Total liabilities and equity</b>		<b>10,103,436</b>	<b>11,276,945</b>

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

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

The 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, 2022, the number of Shares in issue is 489,459,789, 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, 2023.

### 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 and disclosure requirements of 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 consolidated financial statements.

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, 2022:

		<i>Notes</i>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	<i>(i)</i>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	<i>(ii)</i>
Amendments to IFRS 3	Reference to the Conceptual Framework	<i>(iii)</i>
Annual Improvements to IFRS Standards 2018-2020		<i>(iv)</i>

#### (i) Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.

#### (ii) Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

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

#### (iii) Amendments to IFRS 3: Reference to the Conceptual Framework

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

### 3 Significant Accounting Policies (continued)

#### (a) New and amended standards adopted by the Group (continued)

##### (iv) Annual Improvements to IFRS Standards 2018-2020

The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.
- The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### (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, 2022 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.

		<b>Effective for annual periods beginning on or after</b>
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,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Interest type income</b>		
Loans to customers at fair value through profit or loss	<u>1,922,140</u>	<u>1,971,752</u>
<b>Less: interest expenses</b>		
Payable to trust plan holders	(459,865)	(479,785)
Senior notes	(68,333)	(89,140)
Borrowings from corporations	–	(22,484)
Bank borrowings	(961)	–
Others	(1)	(364)
	<u>(529,160)</u>	<u>(591,773)</u>
<b>Net interest type income</b>	<u><u>1,392,980</u></u>	<u><u>1,379,979</u></u>

#### 5 Loan facilitation service fees

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Upfront loan facilitation service fees	1,092,829	1,053,621
Post loan facilitation service fees	<u>471,530</u>	<u>486,331</u>
	<u><u>1,564,359</u></u>	<u><u>1,539,952</u></u>

#### 6 Other income

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Membership fees, referral fees and other service fees	85,851	22,867
Government grants	36,010	1,000
Penalty and other charges	16,413	58,097
Gains from guarantee	12,277	455,604
Others	11,391	719
	<u>161,942</u>	<u>538,287</u>

## 7 Expenses by nature

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Loan origination and servicing expenses	(1,123,097)	(1,006,387)
Employee benefit expenses	(337,782)	(299,661)
Professional service fees	(83,730)	(89,012)
Office expenses	(32,837)	(33,060)
Depreciation and amortization	(28,024)	(24,630)
Depreciation of right-of-use assets	(25,752)	(25,698)
Tax and surcharge	(16,503)	(16,915)
Branding expenses	(7,773)	(9,125)
Audit remuneration		
– Audit service fees	(5,500)	(5,350)
– Non-audit service fees	(407)	–
Others	(22,969)	(36,336)
	<u>(1,684,374)</u>	<u>(1,546,174)</u>
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses	<u>(1,684,374)</u>	<u>(1,546,174)</u>

## 8 Credit impairment losses

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	21	(165)
Restricted cash	(132)	51
Contract assets	(51,555)	(36,712)
Guarantee receivables	(80,580)	(4,814)
Other assets	2,698	(4,014)
	<u>(129,548)</u>	<u>(45,654)</u>

**9 Other (losses)/gains, net**

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Bank interest income	22,155	13,972
Gains from repurchase of senior notes	3,778	–
Losses from disposal of investments accounted for using the equity method	–	(337)
Interest expense on lease liabilities	(1,870)	(2,150)
Bank charges	(2,298)	(995)
Losses from financial investments at fair value through profit or loss	(14,824)	(4,570)
Exchange (losses)/gains	(45,301)	20,186
	<b>(38,360)</b>	<b>26,106</b>

**10 Income tax expense**

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current income tax	(217,051)	(41,161)
Deferred income tax	54,402	(293,821)
	<b>(162,649)</b>	<b>(334,982)</b>

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

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Earnings attributable to owners of the Company (RMB'000)	532,466	1,179,275
Non-IFRS Adjusted Net Profit (RMB'000)	537,436	1,212,588
Weighted average number of Shares for calculation of the basic earnings per Share ('000)	487,274	488,094
Weighted average number of Shares for calculation of the diluted earnings per Share ('000)	490,176	492,168
Basic earnings per Share (RMB yuan)	1.09	2.42
Diluted earnings per Share (RMB yuan)	1.09	2.40
Non-IFRS Adjusted basic earnings per Share (RMB yuan)	1.10	2.48

- 11.1 Basic earnings per Share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of Shares in issue during the Year and the year ended December 31, 2021, 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).
- 11.3 Non-IFRS Adjusted basic earnings per Share is calculated by dividing the Non-IFRS Adjusted Net Profit by the weighted average number of Shares in issue during the Year and the year ended December 31, 2021, respectively.

## 12 Cash and bank balances

### (a) Cash and cash equivalents

	As at December 31,	
	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>
Cash on hand	28	13
Cash at bank	1,585,539	1,867,231
Cash held through platform	6,947	40,866
Less: ECL allowance	(149)	(170)
	<u>1,592,365</u>	<u>1,907,940</u>

### (b) Restricted cash

	As at December 31,	
	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>
Deposits to funding partners	309,912	55,139
Deposits for borrowings	205,190	–
Less: ECL allowance	(161)	(29)
	<u>514,941</u>	<u>55,110</u>

### 13 Loans to customers at fair value through profit or loss

The composition of loans is as follows:

	As at December 31,	
	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>
Unsecured	5,226,433	7,302,406
Pledged	4,038	19,628
	<u>5,230,471</u>	<u>7,322,034</u>

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

	As at December 31,	
	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>
Within 1 year (including 1 year)	5,227,719	7,300,942
1 to 2 years (including 2 years)	885	2,718
2 to 5 years (including 5 years)	1,867	18,374
	<u>5,230,471</u>	<u>7,322,034</u>

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

	As at December 31,	
	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>
Overdue	76,646	56,465
Within 1 year (including 1 year)	5,153,636	7,246,670
1 to 2 years (including 2 years)	189	18,899
	<u>5,230,471</u>	<u>7,322,034</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 upfront 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,	
	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>
Contract assets	496,681	351,584
Less: ECL allowance	<u>(53,535)</u>	<u>(53,228)</u>
	<u><b>443,146</b></u>	<u><b>298,356</b></u>

## 15 Guarantee receivables and guarantee liabilities

	As at December 31,	
	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>
Guarantee receivables	874,014	376,971
Less: ECL allowance	<u>(86,618)</u>	<u>(51,640)</u>
	<u><b>787,396</b></u>	<u><b>325,331</b></u>

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

	As at December 31,	
	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>
<b>Guarantee receivables</b>		
Opening balance	325,331	708,703
Addition arising from new business	1,676,179	1,057,203
ECL	(80,580)	(4,814)
Reversal due to early repayment	(52,759)	(47,278)
Payment received from borrowers	<u>(1,080,775)</u>	<u>(1,388,483)</u>
<b>Ending balance</b>	<u><b>787,396</b></u>	<u><b>325,331</b></u>

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

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Guarantee liabilities</b>		
Opening balance	472,454	807,421
Addition arising from new business	1,676,179	1,057,203
Release of the margin	(116,538)	(79,012)
ECL	104,261	(376,592)
Reversal due to early repayment	(52,759)	(47,278)
Payouts during the year, net	(942,843)	(889,288)
<b>Ending balance</b>	<b>1,140,754</b>	<b>472,454</b>

## 16 Borrowings

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

	<b>As at December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Secured</b>		
Bank borrowings	186,990	–
<b>Unsecured</b>		
Payable to trust plan holders	4,137,616	6,463,774
Bank borrowings	6,720	–
	<b>4,331,326</b>	<b>6,463,774</b>

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

	<b>As at December 31,</b>	
	<b>2022</b>	<b>2021</b>
	Payable to trust plan holders	<b>6.60%~10.50%</b>
Bank borrowings	<b>5.50%~7.14%</b>	–

The following table sets forth the contractual maturities of borrowings:

	<b>As at December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within 1 year (including 1 year)	<b>2,035,366</b>	2,741,556
1 to 2 years (including 2 years)	<b>2,295,960</b>	3,602,868
2 to 5 years (including 5 years)	<b>–</b>	119,350
	<b><u>4,331,326</u></b>	<b><u>6,463,774</u></b>

The following table sets forth the repayment schedule of borrowings:

	<b>As at December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within 1 year (including 1 year)	<b>4,231,926</b>	6,108,724
1 to 2 years (including 2 years)	<b>99,400</b>	355,050
	<b><u>4,331,326</u></b>	<b><u>6,463,774</u></b>

### **Gearing ratio**

As at December 31, 2022, our gearing ratio, calculated as total liabilities divided by total assets, was approximately 62.1%, representing a decrease of 7.8% as compared with 69.9% as at December 31, 2021.

As at December 31, 2022, our consolidated debt to equity ratio, calculated as the sum of borrowings, Senior Notes, lease liabilities and guarantee liabilities divided by total equity, was approximately 1.5x, as compared with 2.2x as at December 31, 2021.

## **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, 2022, the trust plans consolidated by the Group amounted to RMB4.60 billion (December 31, 2021: RMB7.28 billion).

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

## 18 Dividends

	Year ended December 31,	
	2022	2021
	<u>RMB'000</u>	<u>RMB'000</u>
Interim dividend for the Year of HK10 cents (2021 – HK10 cents) per Share	(42,037)	(40,613)
Final dividend for the year ended December 31, 2021 of HK15 cents per Share	(61,212)	–
Special dividend for the year ended December 31, 2021 of HK10 cents per Share	–	(40,612)
	<u>(103,249)</u>	<u>(81,225)</u>

The final dividend, interim dividend and the special dividend were paid out of the share premium account of the Company 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 HK10 cents per Share) for the Year (for the year ended December 31, 2021: HK15 cents per Share).

## 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, 2022. 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, 2022. 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 the Shareholders at the AGM, the payment of the Final dividend of HK10 cents per Share for the Year (2021: HK15 cents), amounting to approximately HK\$48.9 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 Wednesday, July 12, 2023.

An interim dividend for the six months ended June 30, 2022 of HK10 cents per Share (for the six months ended June 30, 2021: an interim dividend of HK10 cents per Share and a special dividend of HK10 cents per Share) was paid to the Shareholders on Friday, November 11, 2022.

## **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 the entitlement of the proposed Final Dividend, the Register of Members will be closed from Monday, June 26, 2023 to Tuesday, June 27, 2023, both days inclusive, during which period no transfers of Shares shall be effected. The record date will be Tuesday, June 27, 2023. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, June 23, 2023.

## **DIRECTORS’ AND EMPLOYEES’ REMUNERATION AND POLICY**

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

As at December 31, 2022, the Group had a total of 762 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 Part 2 of 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.

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

### Repurchase of Shares

During the Year, the Company repurchased a total of 850,800 Shares on the Stock Exchange for an aggregate consideration of HK\$2,801,818 (before expenses). The repurchases were effected pursuant to the repurchase mandate granted to the Directors by the Shareholders on June 17, 2022, 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 (2022)	Number of Shares Repurchased	Lowest Price Paid per Share (HK\$)	Highest Price Paid per Share (HK\$)	Aggregate Consideration (Before Expenses) (HK\$)
September	660,800	3.17	3.55	2,181,242
October	190,000	3.20	3.34	620,576

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.

### Repurchase of 2022 Senior Notes

During the Year, the Company repurchased the Repurchased Notes, being an aggregate principal amount of US\$40,470,000 of the 2022 Senior Notes, by way of private treaty from independent third parties for a total consideration of US\$38,869,525, plus accrued interest, if applicable. The Repurchased Notes have been cancelled.

Following cancellation of the Repurchased Notes, a principal amount of US\$44,530,000, representing 52.4% of the original principal amount, of the 2022 Senior Notes remained outstanding until redeemed in December 2022.

Further details of the repurchase of the Repurchased Notes are contained in the announcements of the Company dated April 8, 2022, April 22, 2022, April 26, 2022, July 22, 2022 and August 29, 2022.

In December 2022, the Company redeemed the outstanding principal amount of US\$44,530,000 of the 2022 Senior Notes.

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, 2023

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