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, 2019

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, 2019 (the "**Year**").

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2019	2018	Change
	RMB million	*RMB million*	
Total income	**3,864.4**	2,736.6	41.2%
Interest type income	**2,642.1**	2,930.3	-9.8%
Less: interest expenses	**(862.2)**	(974.7)	-11.6%
Loan facilitation service fees	**1,247.4**	269.8	362.3%
Other income	**837.1**	511.2	63.8%
Operating Profit	**154.4**	101.6	51.9%
Net Profit/(Loss)	**64.8**	(1,027.0)	106.3%
Non-IFRS Adjusted Operating Profit (1)	**457.8**	427.1	7.2%
Non-IFRS Adjusted Net Profit (2)	**368.2**	295.8	24.5%

Notes:

(1) Non-IFRS Adjusted Operating Profit is defined as operating profit for the Year excluded share-based compensation expenses and listing 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 excluded fair value loss of convertible redeemable preferred shares and share-based compensation expenses. For more details, please see the section headed "Management Discussion and Analysis — Non-IFRS Measures".

BUSINESS REVIEW AND OUTLOOK

As a leading independent player at the forefront of China's consumer finance industry, the Company has continuously focused on accessibility and inclusivity. We strive to provide unrivalled user experience to underserved borrowers through our cutting-edge technology and proven risk management capabilities. Positioned at the customer interface of the consumer finance value chain, we are committed to cultivating a responsible and compliance-centric consumer finance universe, while encouraging our talent base to constantly innovate in operations and technological development in order to benefit our business profitability and more importantly, improve our customer experiences.

The Year saw a significant tightening-up of the regulatory framework for China's consumer finance industry, an acceleration in the clampdown on P2P platforms and government authorities raising the qualification requirements and codes of conduct of industry participants that are becoming almost exclusively funded by licensed financial institutions. These developments are pushing China's consumer finance market participants to ensure and value the legitimacy of their funding sources, data privacy and all-in borrowing costs. Our long-standing track record of working with licensed financial institutions enables us to maintain a high standard of business setup that can withstand regulatory changes and challenges. We added 15 more institutional funding partners with diverse backgrounds during the Year to our closely linked institutional funding platform which is critical to the sustainability and expansion of our business. We will continue to foster and optimize cooperation with licensed institutions and explore diversified cooperation scenarios to achieve a win-win situation.

In 2019, we continued to explore new collaborations for joint modeling with leading Chinese internet companies. We strengthened our credit assessment system by consolidating scorecards jointly built with regulatory compliant third parties. This new comprehensive scorecard methodology effectively enables us to differentiate risk between new and repeat borrowers, thereby enhancing our risk underwriting ability vis-a-vis prospective borrowers. For example, we have been working closely with Beijing Baidu Wangxun Technology Co., Ltd. (北京百度網訊科技有限公司) ("**Baidu**") in developing big data incorporated borrowers' credit scores which assist us in making credit decisions. These scores have the potential to be commercially licensed to other financial institutions and third parties to the financial benefit of the Company and Baidu, respectively.

Business Highlights

In 2019, we achieved robust growth, underpinned by our strategy to shift completely to a pure online consumer finance platform while transitioning to a more balanced funding split between direct lending, trust lending and loan facilitation.

Our highly automated and intelligent credit and risk management and transaction processing systems allow us to market products which gain popular acceptance by the market. Additionally, our newly established customer acquisition algorithm has further bolstered our customer reachability, and we added 40.4% new registered users during the Year, allowing us to further boost our nationwide recognition and gain market share.

During the Year, we were confronted by an industry which saw the fall-out from the winding-down of collapsed P2P platforms, disruptions in third-party data services and tightening of debt collection practices, all of which increased the credit risks of our business. We addressed these adverse impacts by collaborating with leading internet companies to jointly build more sophisticated risk assessment models, which allowed us to better differentiate between first-time and repeat borrowers. Under such fluctuating market conditions, we believe our technological developments will help us to better manage risk and reduce volatilities that we encounter in our business. Since the beginning of 2019, we have also actively developed relationships with a number of institutional funding partners. During the Year, in order to expand our consumer finance ecosystem, we have successfully established mutually beneficial cooperation with 15 new institutional funding partners with diversified backgrounds, including commercial banks, consumer finance companies and trusts. With our institutional funding partners, which now number 45 and which we expect to grow, we aim to leverage our stable funding sources to better serve our customers. Moreover, we have cooperated with third-party guarantee companies and have begun to establish strategic cooperation with asset management companies, which offer added flexibility and protection to our institutional funding partners.

Besides our existing cooperation with China Telecom Co., Ltd. (中國電信股份有限公司) ("**China Telecom**"), we have also built a strategic relationship with China Mobile Communications Group Co., Ltd. (中國移動通信集團有限公司) ("**China Mobile**") to develop installment loan products. Through our collaboration with China Telecom, we offer products to help China Telecom customers purchase mobile phones with our financing. During the Year, we offered credit lines to more than 1.5 million China Telecom customers from 230 different cities in China, with more than 60% of them eventually using our collaboration loan products accounting for a total loan volume of RMB873.2 million. For our collaboration with China Mobile, we introduced China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司) as the new funding partner and re-launched our range of collaborative products with China Mobile in December 2019.

As part of our push in the implementation of our technology-driven strategy, we have established a subsidiary, Chengdu Vcredit Jiaozi Digital Technology Co., Ltd. ("**Vcredit Jiaozi**") in Chengdu, which is jointly invested in by Chengdu Financial DreamWorks Investment Management Co., Ltd. ("**Chengdu Financial DreamWorks**"). Chengdu Financial DreamWorks, established with the support of the Chengdu Municipal Party Committee and Government and the Chengdu Branch of the People's Bank of China, is the first financial technology venture with innovation designed to serve small and medium sized micro-finance enterprises. Vcredit Jiaozi was designed to provide one-stop risk management solutions for data collection, third-party data integration, machine learning, business intelligence analytics and model building to equip traditional financial institutions with more comprehensive and intelligent risk prevention capabilities. In 2019, we also formed strategic cooperations with insurance companies to extend our coverage into other traditional financial sectors by leveraging on our expertise in fintech to conduct in-depth cross-border and integrated development in traditional insurance, insurance technology, consumer finance and other business fields. These collaborations further validate our capabilities, commitment and determination, and our strong role in the development of China's financial technology ecosystem, and assisting traditional financial institutions to improve their efficiency of customer acquisition, transaction processing and risk management.

Operating Highlights

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 average term of our credit products was approximately 9.5 months and the average loan size was approximately RMB8,804.

Our credit card balance transfer products allow credit card holders to transfer the outstanding balances of their credit cards to our credit products to bridge their short-term liquidity management needs. Our consumption credit products provide consumers with a variety of installment credit solutions tailored to their specific cases. Credit card balance transfer products and consumption credit products are both purely originated and assessed online through an automated process utilizing our proprietary *Hummingbird system*.

The following tables set forth a breakdown of the number of our loan transactions and loan origination volume by product line for the years indicated.

	For the year ended December 31,			
	2019		2018	
Number of Transactions	***'000***	***%***	*'000*	*%*
Credit card balance transfer products	**1,028.8**	**26.8%**	992.7	44.5%
Consumption credit products	**2,804.4**	**73.2%**	1,217.5	54.5%
Online-to-offline credit products	**—**	**—**	22.2	1.0%
Total	**3,833.2**	**100.0%**	2,232.4	100.0%

	For the year ended December 31,			
	2019		2018	
Loan Origination Volume	***RMB million***	***%***	*RMB million*	*%*
Credit card balance transfer products	**13,068.3**	**38.7%**	13,497.9	65.0%
Consumption credit products	**20,678.1**	**61.3%**	4,652.0	22.4%
Online-to-offline credit products	**—**	**—**	2,606.3	12.6%
Total	**33,746.4**	**100.0%**	20,756.2	100.0%

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

	For the year ended December 31,			
	2019		2018	
Loan Origination Volume	***RMB million***	**%**	*RMB million*	%
Direct lending	**295.1**	**0.9%**	1,279.3	6.2%
Trust lending	**15,333.3**	**45.4%**	12,446.9	60.0%
Credit-enhanced loan facilitation	**16,254.5**	**48.2%**	5,054.6	24.3%
Pure loan facilitation	**1,863.5**	**5.5%**	1,975.4	9.5%
Total	**33,746.4**	**100.0%**	20,756.2	100.0%

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

	As of December 31,			
	2019		2018	
Outstanding Balance of Loans to Customers	***RMB million***	**%**	*RMB million*	%
Credit card balance transfer products	**6,092.7**	**31.8%**	6,881.5	49.9%
Consumption credit products	**11,391.6**	**59.5%**	2,629.4	19.0%
Online-to-offline credit products	**1,653.4**	**8.7%**	4,285.5	31.1%
Total	**19,137.7**	**100.0%**	13,796.4	100.0%

Asset Quality

In the third quarter of 2019, we were confronted with a number of challenges in our industry, including disruptions in third-party data services and ripple effects from continued failures of P2P lending platforms. To address these impacts, we revamped our scoring method to make sure we only work with regulatory compliant third-party service providers. We actively optimized our credit policy to minimise the impact caused by these exogenous factors. Our M3+ ratio normalized in the fourth quarter of 2019, and the first payment delinquency ratio echoed a similar pattern. We believe our ongoing overall first payment delinquency ratio will be around 2.0% in 2020. In January 2020, the outbreak of coronavirus hit China and will potentially impact economic development and our sector. We are monitoring the situation closely and are proactively altering our credit policies to better cope with uncertainties.

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4
First payment delinquency ratio[(1)]	1.5%	1.6%	1.7%	1.6%	1.7%	2.1%	2.4%	2.1%
M1-M3 ratio[(2)]	6.2%	4.5%	3.7%	3.5%	3.9%	3.6%	3.5%	4.1%
M3+ ratio[(3)]	4.8%	7.7%	6.2%	5.0%	5.0%	4.7%	4.3%	4.2%

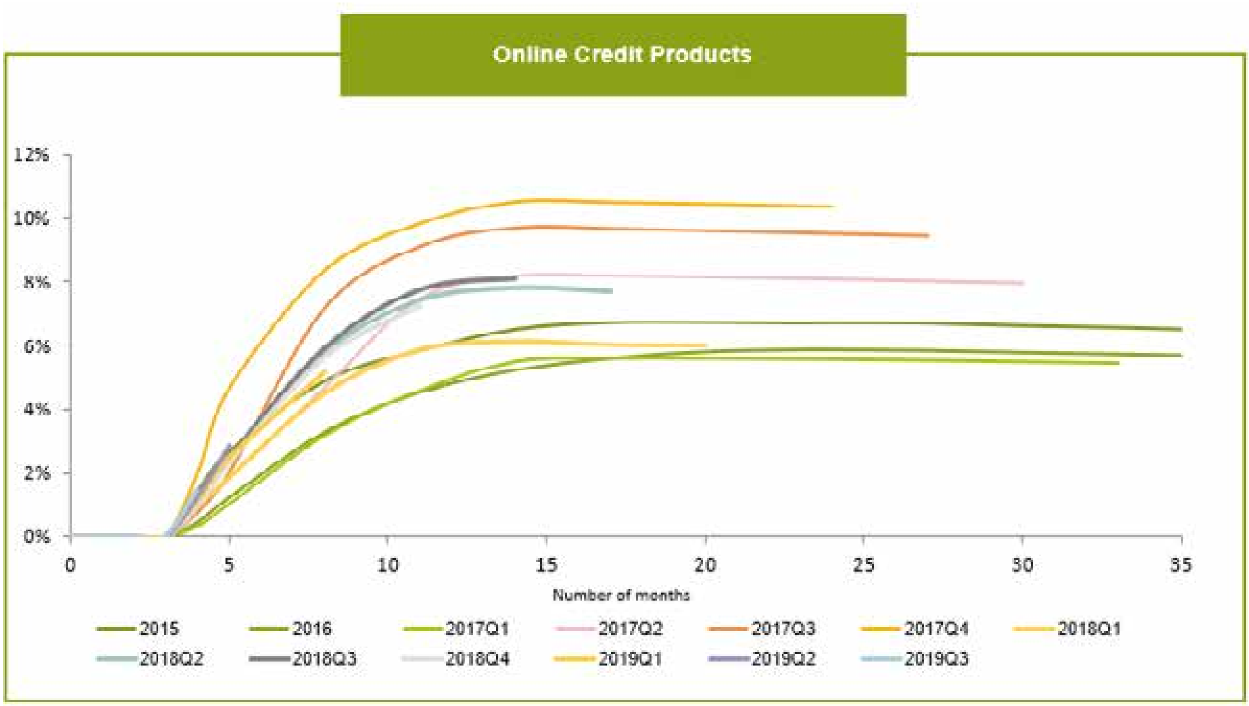
Notes:

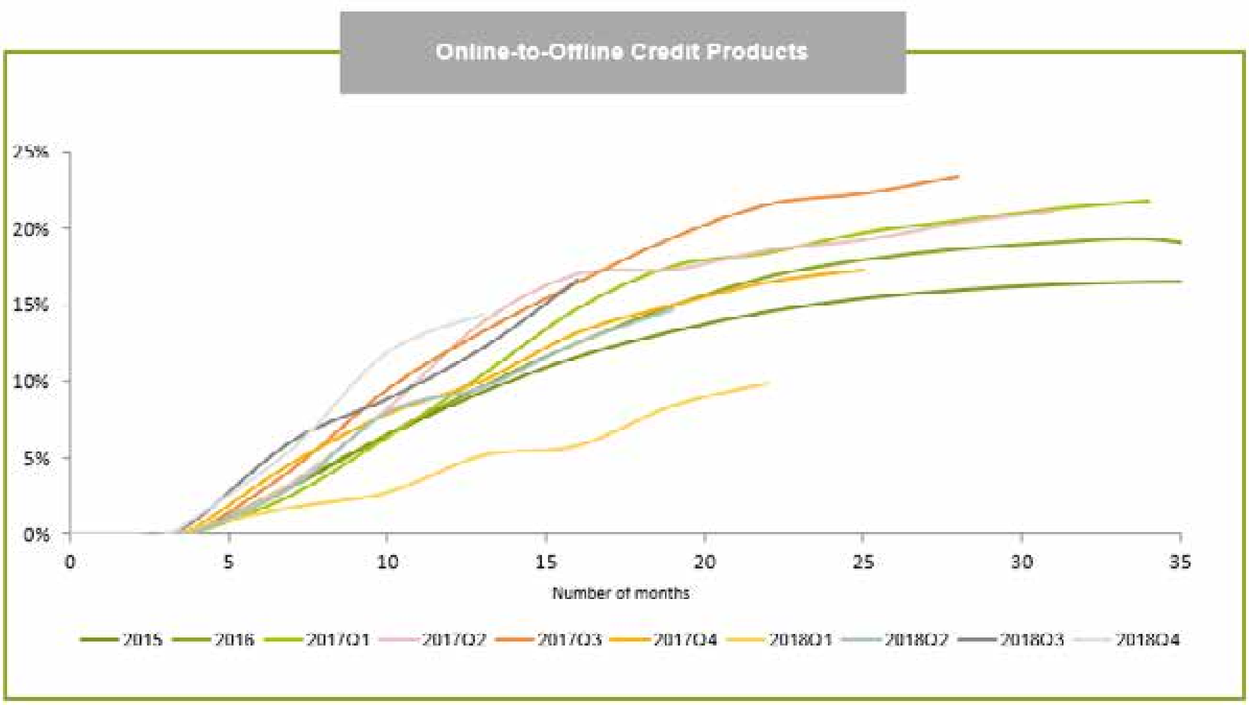
(1) First payment delinquency ratio is defined as the total balance of outstanding principal amount of the loans we originated in the applicable period that were delinquent on their first payment due dates divided by the aggregate loan origination volume in that period.

(2) M1–M3 ratio is calculated by dividing (i) the outstanding balance of loans which have been delinquent up to 3 months, by (ii) the total outstanding balance of loans to customers.

(3) M3+ ratio is calculated by dividing (i) the outstanding balance of 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.

The following diagrams set forth our latest Cohort-Based M3+ Delinquency Ratios by product groups.





Note:

Cohort-Based M3+ Delinquency Ratios is defined as (i) the total amount of principal for all the 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 all loans in such vintage.

Outlook and Strategies

We are committed to further building and expanding our online consumer finance business and our product offering to better serve our borrowers, funding partners and business partners, as well as to bring value to the shareholders of the Company (the "**Shareholders**"). Therefore, moving forward, we intend to continue to execute the following strategies to maintain our leading market position:

- Further develop our risk-based pricing technology and related capabilities
- Expand our borrower base by enriching our tailored product offerings
- Increase value proposition to our existing borrowers
- Continue to invest in research and development to improve our risk management capability
- Continue to develop an AI (artificial intelligence) platform to standardize our customer services and collection process in the long-run
- Strengthen compliance under changing regulatory environment
- Further strengthen mutually beneficial relationships with our funding partners
- Actively foster relationships with large internet companies for business and technology partnerships
- Continue to attract high-quality employees and support talent and professional development

MANAGEMENT DISCUSSION AND ANALYSIS

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 41.2% to RMB3,864.4 million for the year ended December 31, 2019, compared to RMB2,736.6 million for the year ended December 31, 2018, primarily due to the increase in loan origination volume through our credit-enhanced loan facilitation structure.

Net Interest Type Income

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

	For the year ended December 31,	
	2019	2018
Net Interest Type Income	***RMB'000***	*RMB'000*
Interest type income	**2,642,081**	2,930,339
Less: interest expenses	**(862,174)**	(974,770)
Total	**1,779,907**	1,955,569

For the year ended December 31, 2019, we recorded interest type income of RMB2,642.1 million, which was generated from loans to customers originated under direct lending and trust lending structures. The decrease in interest type income, compared to RMB2,930.3 million for the year ended December 31, 2018, was primarily due to the disposal of our O2O online-to-offline business platform ("**O2O Business Platform**") in the second half of 2018 and as we gradually ceased to originate online-to-offline credit products as from such date. Therefore, the interest type income of online-to-offline credit products decreased by 55.9% to RMB476.4 million for the year ended December 31, 2019, compared to RMB1,079.4 million for the year ended December 31, 2018. On the other hand, our online interest type income increased by 17.0% to RMB2,165.7 million for the year ended December 31, 2019, compared to RMB1,850.9 million for the year ended December 31, 2018, due to the growth of loan origination volume through direct lending and trust lending structures. Interest expenses decreased by 11.6% to RMB862.2 million for the year ended December 31, 2019, compared to RMB974.7 million for the year ended December 31, 2018. The decrease in interest expenses primarily resulted from the decrease in the average borrowing balance 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 indicated.

	For the year ended December 31,			
	2019		2018	
Interest Type Income	***RMB'000***	*%*	*RMB'000*	*%*
Credit card balance transfer products	**773,222**	**29.3%**	1,119,175	38.2%
Consumption credit products	**1,392,506**	**52.7%**	731,735	25.0%
Online-to-offline credit products	**476,353**	**18.0%**	1,079,429	36.8%
Total	**2,642,081**	**100.0%**	2,930,339	100.0%

Loan Facilitation Service Fees

Loan facilitation service fees increased by 362.3% to RMB1,247.4 million for the year ended December 31, 2019, compared to RMB269.8 million for the year ended December 31, 2018. The increase in loan facilitation service fees was driven by a significant increase in our loan origination volume through credit-enhanced loan facilitation structure. Loans originated under the form of credit-enhanced loan facilitation structure increased by 221.6% to RMB16,254.5 million for the year ended December 31, 2019, compared to RMB5,054.6 million for the year ended December 31, 2018. 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 indicated.

	For the year ended December 31,	
	2019	2018
Loan Facilitation Service Fees	***RMB'000***	*RMB'000*
Credit-enhanced loan facilitation	**1,147,150**	214,273
Pure loan facilitation	**100,227**	55,559
Total	**1,247,377**	269,832

The upfront loan facilitation service fees increased by 385.5% to RMB1,119.3 million for the year ended December 31, 2019, compared to RMB230.6 million for the year ended December 31, 2018. The following table sets forth the allocation of our loan facilitation service fees for the years indicated.

	For the year ended December 31,	
	2019	2018
Loan Facilitation Service Fees	***RMB'000***	*RMB'000*
Upfront loan facilitation service fees	**1,119,343**	230,560
Post loan facilitation service fees	**128,034**	39,272
Total	**1,247,377**	269,832

Other Income

Other income increased by 63.8% to RMB837.1 million for the year ended December 31, 2019, compared to RMB511.2 million for the year ended December 31, 2018. The increase in other income was primarily due to an increase in referral fees resulting from our targeted efforts in cooperating with our business partners and offering cross-selling opportunities to further enhance the value of our platform. The following table sets forth a breakdown of our other income for the years indicated.

	For the year ended December 31,	
	2019	2018
Other Income	***RMB'000***	*RMB'000*
Membership fees and referral fees	**794,581**	351,653
Penalty and service charges	**327,228**	240,832
Losses from guarantee	**(318,381)**	(160,436)
Others	**33,645**	79,133
Total	**837,073**	511,182

Expenses

Origination and Servicing Expenses

Our origination and servicing expenses decreased by 18.0% to RMB709.5 million for the year ended December 31, 2019 compared to RMB865.6 million for the year ended December 31, 2018, due to the disposal of our O2O Business Platform in the second half of 2018 and the resulting substantial decrease in our employee benefit expenses.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 23.4% to RMB32.2 million for the year ended December 31, 2019, compared to RMB26.1 million for the year ended December 31, 2018, because of increased costs of public relations and market surveillance to monitor the latest market trends in 2019.

General and Administrative Expenses

Our general and administrative expenses increased slightly by 0.6% to RMB505.4 million for the year ended December 31, 2019, compared to RMB502.4 million for the year ended December 31, 2018, mainly due to (i) the decrease of RMB34.6 million in other general and administrative expenses attributable to improved operation efficiency, (ii) an increase of RMB27.8 million in share-based compensation expenses and (iii) an increase of RMB9.8 million in tax and surcharges that resulted from the increased total income.

Research and Development Expenses

Our research and development expenses increased by 24.8% to RMB92.4 million for the year ended December 31, 2019, compared to RMB74.1 million for the year ended December 31, 2018, primarily due to an increase in employee benefit expenses in order to strengthen our technology and risk management capabilities.

Operating Profit

Operating profit was RMB154.4 million for the year ended December 31, 2019, compared to RMB101.6 million for the year ended December 31, 2018, mainly due to the successful implementation of our business strategy to shift to a pure online business platform and steady growth of our business scale. In addition, our operation efficiency has improved since the disposal of our O2O Business Platform.

Net Profit/(Loss)

Net profit was RMB64.8 million for the year ended December 31, 2019, compared to a net loss of RMB1,027.0 million for the year ended December 31, 2018, mainly due to no fair value loss of convertible redeemable preferred shares in 2019.

Non-IFRS Adjusted Operating Profit

Our Non-IFRS adjusted operating profit increased by 7.2% to RMB457.8 million for the year ended December 31, 2019, compared to RMB427.1 million for the year ended December 31, 2018, primarily due to our effective product strategies, streamlining of our business as a result of our constant push in technology implementation and advancement in our operations, and greater operation efficiency in all aspects of our business.

Non-IFRS Adjusted Net Profit

Our Non-IFRS adjusted net profit increased by 24.5% to RMB368.2 million for the year ended December 31, 2019, compared to RMB295.8 million for the year ended December 31, 2018, which is in line with our Non-IFRS adjusted operating profit.

Non-IFRS Measures

To supplement our historical financial information, which are 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.

	For the year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Operating Profit	**154,369**	101,635
Add:		
Share-based compensation expenses	**303,418**	275,610
Listing expenses	**—**	49,870
Non-IFRS Adjusted Operating Profit	**457,787**	427,115
Non-IFRS Adjusted Operating Profit Margin(1)	**11.8%**	15.6%

	For the year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Net Profit/(Loss)	**64,790**	(1,026,953)
Add:		
Fair value loss of convertible redeemable preferred shares	**—**	1,047,156
Share-based compensation expenses	**303,418**	275,610
Non-IFRS Adjusted Net Profit	**368,208**	295,813
Non-IFRS Adjusted Net Profit Margin(2)	**9.5%**	10.8%

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 increased by 6.7% to RMB9,457.7 million as of December 31, 2019, compared to RMB8,863.2 million as of December 31, 2018, primarily due to the increase of loans originated by us through our trust lending structures. 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.

	As of December 31,			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Credit card balance transfer products	**2,003,501**	**21.2%**	2,670,922	30.1%
Consumption credit products	**6,097,252**	**64.5%**	2,202,984	24.9%
Online-to-offline credit products	**1,356,920**	**14.3%**	3,989,340	45.0%
Total	**9,457,673**	**100.0%**	8,863,246	100.0%

Contract Assets

Our contract assets increased sharply by 239.3% to RMB523.0 million as of December 31, 2019, compared to RMB154.1 million as of December 31, 2018, as a result of the development of the credit-enhanced and pure loan facilitation funding structures.

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Contract assets	**655,815**	174,039
Less: expected credit losses ("**ECL**") allowance	**(132,793)**	(19,896)
	523,022	154,143

Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables increased by 201.4% to RMB621.2 million as of December 31, 2019, compared to RMB206.1 million as of December 31, 2018. The guarantee liabilities increased by 253.9% to RMB723.6 million as of December 31, 2019, compared to RMB204.5 million as of December 31, 2018. The change in guarantee receivables and guarantee liabilities are primarily due to the growth of credit-enhanced loan origination volume.

	For the year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Guarantee Receivables		
Opening balance	**206,146**	130,073
Changes on initial application of IFRS 9	**N/A**	(15,209)
Addition arising from new business	**1,426,080**	430,777
ECL	**(165,586)**	(35,998)
Reversal due to early repayment	**(80,384)**	(50,172)
Payment received from borrowers	**(765,008)**	(253,325)
Ending Balance	**621,248**	206,146

	For the year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Guarantee Liabilities		
Opening balance	**204,496**	169,553
Changes on initial application of IFRS 9	**N/A**	65,299
Addition arising from new business	**1,426,080**	430,777
Release of the margin	**(99,793)**	(27,459)
ECL	**337,790**	137,723
Payouts during the year, net	**(1,144,956)**	(571,397)
Ending Balance	**723,617**	204,496

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, (iii) borrowings from individuals, (iv) secured borrowings, and (v) senior notes. Our total borrowings and senior notes increased by 21.4% to RMB9,915.2 million as of December 31, 2019, compared to RMB8,170.2 million as of December 31, 2018, primarily due to (i) the increase of loans originated by us through our trust lending structure, and (ii) issuing senior notes for general working capital. The following table sets forth a breakdown of our borrowings by nature as of the dates indicated.

The senior notes are comprised of US$100 million 11.0% senior notes due 2021 issued on June 21, 2019.

	As of December 31,			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Payable to trust plan holders	**8,637,946**	**87.1%**	6,952,645	85.1%
Borrowings from corporations	**598,383**	**6.1%**	1,077,789	13.2%
Borrowings from individuals	**—**	**—**	139,124	1.7%
Secured borrowings	**—**	**—**	666	0.0%
	9,236,329	**93.2%**	8,170,224	100.0%
Senior notes	**678,829**	**6.8%**	—	—
Total	**9,915,158**	**100.0%**	8,170,224	100.0%

Weighted Average Interest Rates of Borrowings and Senior Notes	**As of December 31,**	
	2019	2018
Payable to trust plan holders	**11.0%**	11.0%
Borrowings from corporations	**10.5%**	10.0%
Borrowings from individuals	**10.0%**	10.0%
Secured borrowings	**6.2%**	6.2%
Senior notes	**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 indicated.

	For the year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Net cash inflow from operating activities	**367,619**	3,128,239
Net cash (outflow)/inflow from investing activities	**(26,517)**	123,435
Net cash inflow/(outflow) from financing activities	**778,367**	(2,765,474)
Net increase in cash and cash equivalents	**1,119,469**	486,200
Cash and cash equivalents at the beginning of the financial year	**1,050,112**	568,196
Effects of exchange rate changes on cash and cash equivalents	**(57)**	(4,284)
Cash and cash equivalents at the end of the year	**2,169,524**	1,050,112

Our cash inflow generated from operating activities primarily consists of principal and interest, loan facilitation service fees and other services received from the consumer finance products we offered. Our cash outflow used in operating activities primarily consists of 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 RMB367.6 million for the year ended December 31, 2019, as compared to net cash inflow generated from operating activities of RMB3,128.2 million the year ended December 31, 2018. Net cash inflow from operating activities decreased primarily due to the increase of RMB2,886.4 million in loans originated by trust lending structure for the year ended December 31, 2019.

We had net cash outflow from investing activities of RMB26.5 million for the year ended December 31, 2019, as compared to net cash inflow of RMB123.4 million for the year ended December 31, 2018. Our net cash outflow mainly comprised payments for property, plant and equipment and intangible assets of RMB24.5 million for the Year.

We had net cash inflow from financing activities of RMB778.4 million for the year ended December 31, 2019, as compared to net cash outflow of RMB2,765.5 million for the year ended December 31, 2018. For the year ended December 31, 2019, we had net cash inflow from financing activities which was primarily due to RMB660.6 million from issuance of senior notes on June 21, 2019. In addition, we also had net cash inflow from borrowings and trust plans of RMB1,012.0 million and cash outflow from payment of interest expenses of RMB807.3 million for the year ended December 31, 2019.

Capital Commitments

The Group did not have any significant capital commitments contracted for at the end of the year but not recognised as liabilities as of December 31, 2019.

Contingencies

The Group did not have any significant contingent liabilities as of December 31, 2019.

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Continuing operations			
Interest type income	*4*	**2,642,081**	2,930,339
Less: interest expenses	*4*	**(862,174)**	(974,770)
Net interest type income	*4*	**1,779,907**	1,955,569
Loan facilitation service fees	*5*	**1,247,377**	269,832
Other income	*6*	**837,073**	511,182
Total income		**3,864,357**	2,736,583
Origination and servicing expenses	*7*	**(709,509)**	(865,581)
Sales and marketing expenses	*7*	**(32,229)**	(26,117)
General and administrative expenses	*7*	**(505,424)**	(502,369)
Research and development expenses	*7*	**(92,392)**	(74,058)
Credit impairment losses	*8*	**(309,101)**	(54,348)
Fair value change of loans to customers		**(2,058,482)**	(1,130,058)
Other (losses)/gains, net	*9*	**(2,851)**	17,583
Operating profit		**154,369**	101,635
Share of net profit/(loss) of associates accounted for using the equity method		**9,962**	(2,900)
Fair value loss of convertible redeemable preferred shares		**—**	(1,047,156)
Profit/(Loss) before income tax		**164,331**	(948,421)
Income tax expense	*10*	**(99,541)**	(78,532)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**64,790**	(1,026,953)
Non-controlling interests		**—**	—
		64,790	(1,026,953)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Notes	Year ended December 31, 2019 RMB'000	2018 RMB'000
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange difference on translation of financial statements		**(485)**	44,105
Items that will not be reclassified to profit or loss			
Change in fair value attributable to change in the credit risk of financial liability designated at fair value through profit or loss		**—**	(14,109)
Total comprehensive income/(loss) for the year, net of tax		**64,305**	(996,957)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**64,305**	(996,957)
Non-controlling interests		**—**	—
		64,305	(996,957)
Basic earnings/(loss) per share	*11*	**0.13**	(2.93)
Diluted earnings/(loss) per share	*11*	**0.13**	(2.93)
Non-IFRS Measure			
Non-IFRS Adjusted Operating Profit(1)		**457,787**	427,115
Non-IFRS Adjusted Net Profit(2)		**368,208**	295,813
Non-IFRS Adjusted Basic Earnings per Share(3)	*11*	**0.74**	0.84

Notes:

(1) Non-IFRS adjusted Operating Profit is defined as operating profit excluded share-based compensation expenses of RMB303.4 million in 2019 (2018: RMB275.6 million) and listing expenses of RMB49.9 million in 2018. 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 excluded fair value loss of convertible redeemable preferred shares of RMB1,047.2 million in 2018 and share-based compensation expenses of RMB303.4 million in 2019 (2018: RMB275.6 million). 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 ordinary shares outstanding during the Year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of December 31,	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Assets			
Cash and cash equivalents	*12(a)*	**2,169,522**	1,050,111
Restricted cash	*12(b)*	**264,584**	127,902
Loans to customers at fair value through profit or loss	*13*	**9,457,673**	8,863,246
Contract assets	*14*	**523,022**	154,143
Guarantee receivables	*15*	**621,248**	206,146
Financial assets at fair value through profit or loss		**280**	—
Investments accounted for using the equity method		**37,430**	27,684
Deferred income tax assets		**468,256**	413,117
Right-of-use assets		**25,824**	N/A
Intangible assets		**22,175**	16,814
Property and equipment		**51,196**	59,066
Other assets		**648,147**	759,446
Total assets		**14,289,357**	11,677,675
Liabilities			
Borrowings	*16*	**9,236,329**	8,170,224
Senior notes		**678,829**	—
Lease liabilities		**25,197**	N/A
Guarantee liabilities	*15*	**723,617**	204,496
Tax payable		**124,960**	85,400
Deferred income tax liabilities		**86,101**	77,734
Other liabilities		**314,046**	355,094
Total liabilities		**11,189,079**	8,892,948
Equity			
Share capital		**40,913**	40,938
Share premium		**5,581,016**	5,581,926
Treasury shares		**(51,774)**	—
Reserves		**682,913**	380,455
Accumulated losses		**(3,155,790)**	(3,218,592)
Non-controlling interests		**3,000**	—
Total equity		**3,100,278**	2,784,727
Total liabilities and equity		**14,289,357**	11,677,675

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 2nd Floor, The Grand Pavilion Commercial Center, 802 West Bay Road, P.O. Box 10338 Grand Cayman KY1-1003, 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.

The Company's 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 ("**IPO**"). Upon the completion of the IPO, all of the Company's outstanding convertible redeemable preferred shares were converted into the Company's ordinary shares on a one-to-one basis. As of December 31, 2019, the number of ordinary shares of the Company (the "**Shares**") in issue was 499,203,789, 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, 2020.

2 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRSs issued by International Accounting Standard Board ("**IASB**") and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange 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 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.

3.1 New and Amended Standards Adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019:

- IFRS 16, "*Leases*"
- Prepayment Features with Negative Compensation — Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures — Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement — Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The adoption of the revised International Financial Reporting Standards have no significant impact on the Group in 2019.

The Group has adopted IFRS 16, "*Lease*" as issued by the IASB. The Group elected to adopt the new standard retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 3.3. Most of the other standards and 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.

3.2 New Standards and Interpretations not yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 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.

3.3 Changes in Accounting Policy and Disclosures

The Group has adopted IFRS 16, "*Leases*" retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.18%.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	2019
	RMB'000
Operating lease commitments disclosed as of December 31, 2018	**76,319**
(Less): short-term leases recognised on a straight-line basis as expense	**(4,013)**
(Less): lease commitments beginning after January 1, 2019	**(16,956)**
(Less): others	**(2,957)**
	52,393
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**49,179**
Lease liabilities recognised as of January 1, 2019	**49,179**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the consolidated statement of financial position on January 1, 2019:

- right-of-use assets — increase by RMB49,336,000
- deferred tax assets — increase by RMB476,000
- prepayments — decrease by RMB2,621,000
- lease liabilities — increase by RMB49,179,000

The adoption of IFRS 16 increased accumulated losses on January 1, 2019 by RMB1,988,000.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4 Net interest type income

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Interest type income		
Loans to customers at fair value through profit or loss	**2,642,081**	2,930,339
Less: interest expenses		
Payable to trust plan holders	**(728,433)**	(817,766)
Borrowings from corporations	**(77,578)**	(116,458)
Senior notes	**(44,438)**	—
Borrowings from individuals	**(8,153)**	(33,174)
Secured borrowings	**(13)**	(93)
Others	**(3,559)**	(7,279)
	(862,174)	(974,770)
Net interest type income	**1,779,907**	1,955,569

5 Loan facilitation service fees

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Upfront loan facilitation service fees	**1,119,343**	230,560
Post loan facilitation service fees	**128,034**	39,272
	1,247,377	269,832

6 Other income

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Membership fees and referral fees	**794,581**	351,653
Penalty and service charges	**327,228**	240,832
Losses from guarantee	**(318,381)**	(160,436)
Others	**33,645**	79,133
	837,073	511,182

7 Expenses by nature

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Loan origination and servicing expenses	**(593,525)**	(580,377)
Employee benefit expenses	**(520,559)**	(615,745)
Depreciation and amortization	**(65,213)**	(31,430)
Professional service fees	**(63,561)**	(83,758)
Office expenses	**(48,950)**	(39,966)
Tax and surcharge	**(22,619)**	(12,827)
Branding expenses	**(6,066)**	(16,242)
Audit remuneration		
— Audit service fees	**(5,000)**	(9,406)
— Non-audit service fees	**(154)**	(792)
Office rental	**—**	(57,534)
Others	**(13,907)**	(20,048)
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses	**(1,339,554)**	(1,468,125)

8 Credit impairment losses

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Cash and cash equivalents	**(1)**	3
Restricted cash	**(34)**	1
Contract assets	**(146,069)**	(17,293)
Guarantee receivables	**(165,586)**	(35,998)
Other assets	**2,589**	(1,061)
	(309,101)	(54,348)

9 Other (losses)/gains, net

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Finance cost, net[(i)]	**(4,632)**	(19,366)
Gain from financial assets at fair value through profit or loss	**1,781**	1,360
Gain from disposal of subsidiary	**—**	35,589
	(2,851)	17,583

(i) Finance cost, net

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Exchange losses	**(10,261)**	(25,718)
Interest expense on lease liabilities	**(2,548)**	N/A
Bank charges	**(1,848)**	(999)
Bank interest income	**12,439**	7,351
Others	**(2,414)**	—
	(4,632)	(19,366)

10 Income tax expense

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**(145,837)**	(185,241)
Deferred income tax	**46,296**	106,709
	(99,541)	(78,532)

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

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Earnings/(Loss) attributable to owners of the Company	**64,790**	(1,026,953)
Non-IFRS Adjusted net profit	**368,208**	295,813
Weighted average number of ordinary shares for calculation of the basic earnings per Share *('000)*	**494,987**	350,239
Weighted average number of ordinary shares for calculation of the diluted earnings per Share *('000)*	**502,738**	350,239
Basic earnings/(loss) per Share (RMB)	**0.13**	(2.93)
Diluted earnings/(loss) per Share (RMB)	**0.13**	(2.93)
Non-IFRS Adjusted basic earnings per Share (RMB)	**0.74**	0.84

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 ordinary shares in issue during the Year.

11.2 For the year ended December 31, 2019, diluted earnings per Share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and restricted share units 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, 2018, the Group had two categories of potential ordinary shares, the share options awarded and convertible redeemable preferred shares. As the Group incurred a loss for the year ended December 31, 2018, the potential ordinary 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, 2018 was the same as basic loss per Share.

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 ordinary shares in issue during the Year.

12 Cash and bank balances

(a) Cash and cash equivalents

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Cash at bank	**1,130,115**	839,324
Cash held through platform	**1,039,409**	210,788
Less: ECL allowance	**(2)**	(1)
	2,169,522	1,050,111

(b) Restricted cash

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Pledged cash in banks	**264,637**	127,921
Less: ECL allowance	**(53)**	(19)
	264,584	127,902

13 Loans to customers at fair value through profit or loss

The composition of loans is as follows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Unsecured	**8,822,968**	7,288,408
Pledged	**634,705**	1,574,838
	9,457,673	8,863,246

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

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year (including 1 year)	**8,028,905**	5,026,719
1 to 2 years (including 2 years)	**260,124**	716,378
2 to 5 years (including 5 years)	**1,168,644**	3,120,149
	9,457,673	8,863,246

Remaining period at the reporting date to the contractual maturity date of loans to customers at fair value through profit and loss:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Overdue	**506,965**	485,282
Within 1 year (including 1 year)	**8,256,618**	5,261,049
1 to 2 years (including 2 years)	**363,427**	1,579,993
2 to 5 years (including 5 years)	**330,663**	1,536,922
	9,457,673	8,863,246

14 Contract assets

The Group uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of the different deliverables as the basis for allocation. The service fee allocated to loan facilitation is recognized 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 of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Contract assets	**655,815**	174,039
Less: ECL allowance	**(132,793)**	(19,896)
	523,022	154,143

15 Guarantee receivables and guarantee liabilities

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Guarantee receivables	**760,973**	235,934
Less: ECL allowance	**(139,725)**	(29,788)
	621,248	206,146

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

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Guarantee receivables		
Opening balance	**206,146**	130,073
Changes on initial application of IFRS 9	**N/A**	(15,209)
Addition arising from new business	**1,426,080**	430,777
ECL	**(165,586)**	(35,998)
Reversal due to early repayment	**(80,384)**	(50,172)
Payment received from borrowers	**(765,008)**	(253,325)
Ending balance	**621,248**	206,146

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

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Guarantee liabilities		
Opening balance	**204,496**	169,553
Changes on initial application of IFRS 9	**N/A**	65,299
Addition arising from new business	**1,426,080**	430,777
Release of the margin	**(99,793)**	(27,459)
ECL	**337,790**	137,723
Payouts during the year, net	**(1,144,956)**	(571,397)
Ending balance	**723,617**	204,496

16 Borrowings

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

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Payable to trust plan holders	**8,637,946**	6,952,645
Borrowings from corporations	**598,383**	1,077,789
Borrowings from individuals	**—**	139,124
Secured borrowings	**—**	666
	9,236,329	8,170,224

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

	As of December 31, 2019	2018
Payable to trust plan holders	**6.80%~12.50%**	7.03%~15.00%
Borrowings from corporations	**6.25%~12.00%**	6.25%~10.50%
Borrowings from individuals	**—**	10.00%
Secured borrowings	**—**	6.18%

The following table sets forth the contractual maturities of borrowings:

	As of December 31, 2019	2018
	RMB'000	*RMB'000*
Within 1 year	**3,721,399**	4,054,230
Between 1 and 2 years	**4,903,920**	4,065,760
Between 2 and 5 years	**611,010**	50,234
	9,236,329	8,170,224

The following table sets forth the repayment schedule of borrowings:

	As of December 31, 2019	2018
	RMB'000	*RMB'000*
Within 1 year	**8,382,699**	6,923,744
Between 1 and 2 years	**626,210**	1,196,910
Between 2 and 5 years	**227,420**	49,570
	9,236,329	8,170,224

Gearing ratio

As of December 31, 2019, our gearing ratio, calculated as total liabilities divided by total assets, was approximately 78.3%, representing an increase of 2.1% as compared with 76.2% as of December 31, 2018. The increase was primarily due to issuance of senior notes.

As of December 31, 2019, our consolidated debt to equity ratio, calculated as sum of borrowings, senior notes, lease liabilities and guarantee liabilities divided by total equity, was approximately 3.4, as compared with 3.0 as of December 31, 2018.

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. These 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 therefore 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 of December 31, 2019, the trust plans consolidated by the Group amounted to RMB9.85 billion (December 31, 2018: RMB9.30 billion).

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

18 Subsequent events

The following significant events took place subsequent to December 31, 2019.

Since early 2020, the outbreak of the novel coronavirus pneumonia ("**COVID-19 outbreak**") has spread across China and beyond, causing disruptions to business and economic activity. The Group will continue to monitor the development of the COVID-19 outbreak and market situation, assess its impact on our operations and take measures to best protect our employees from being infected.

Furthermore, the ECL as of December 31, 2019 was estimated based on a range of forecast economic conditions as of that date. The impact on gross domestic product and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate under IFRS 9 in 2020.

19 Foreign exchange exposure

Foreign currency transactions during the year ended December 31, 2019 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 of December 31, 2019. 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 of December 31, 2019. 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.

20 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 does not recommend the payment of a dividend for the year ended December 31, 2019 (2018: Nil).

EMPLOYEES' REMUNERATION AND POLICY

As of December 31, 2019, the Group had a total of 745 employees.

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

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

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

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

CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct to regulate dealings in the securities of the Company by its Directors and senior management of the Company. Each director has confirmed, following specific enquiry by the Company, that he or she 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 to December 31, 2019, as the case may be.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year, the Company repurchased a total of 560,600 Shares on the Stock Exchange for an aggregate consideration of HK$3,414,156 (before expenses). The repurchases were effected pursuant to the repurchase mandate granted to the Directors by the Shareholders on June 28, 2019, 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:

Date	Number of Shares Repurchased	Lowest Price Paid per Share	Highest Price Paid per Share	Aggregate Consideration (Before Expenses)
		(HK$)	*(HK$)*	*(HK$)*
November 2019	363,200	5.81	6.05	2,168,890
December 2019	197,400	6.01	6.50	1,245,266

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

During the Year, (i) the Company issued the Senior Notes and (ii) the trustees of the Share Award Scheme, pursuant to the terms of the rules and trust deeds of the Share Award Scheme, purchased on the Stock Exchange a total of 6,530,360 Shares at a total consideration of HK$60,164,206.

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 which was 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 two independent non-executive Directors, Mr. Wu Chak Man and Mr. Chen Penghui, and a non-executive Director, Mr. Yip Ka Kay.

The audit committee has conducted an audit committee meeting with the external auditor, PricewaterhouseCoopers, and the management team to review the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control, risk management and financial reporting, including a review of the audited consolidated financial information of the Group for the year ended December 31, 2019.

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

Hong Kong, March 23, 2020

As of the date of this announcement, the board of Directors of the Company comprises Mr. Ma Ting Hung as the chairman and a non-executive Director; Mr. Liu Sai Wang Stephen and Mr. Liu Sai Keung Thomas as executive Directors; Ms. Shen Jing and Mr. Yip Ka Kay as non-executive Directors; and Mr. Chen Penghui, Dr. Seek Ngee Huat and Mr. Wu Chak Man as independent non-executive Directors.