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VCREDIT Holdings Limited

維信金科控股有限公司

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

(Stock Code: 2003)

US\$100 Million 11.0% Senior Notes Due 2021

(Stock Code: 5064)

US\$85 Million 11.0% Senior Notes Due 2022

(Stock Code: 40498)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020 (the “**Year**”).

FINANCIAL HIGHLIGHTS

	For the year ended December 31,			For the six months ended December 31,		
	2020	2019	Change	2020	2019	Change
	<i>RMB million</i>	<i>RMB million</i>		<i>RMB million</i>	<i>RMB million</i>	
Total income	2,573.2	3,864.4	-33.4%	1,369.3	2,004.1	-31.7%
Interest type income	2,017.3	2,642.1	-23.6%	706.7	1,489.4	-52.6%
Less: interest expenses	(715.9)	(862.2)	-17.0%	(269.4)	(466.2)	-42.2%
Loan facilitation service fees	713.3	1,247.4	-42.8%	475.1	674.5	-29.6%
Other income	558.5	837.1	-33.3%	456.9	306.4	49.1%
Operating (Loss)/Profit	(1,051.7)	154.4	NM	287.3	97.0	196.2%
Net (Loss)/Profit	(869.6)	64.8	NM	211.7	58.6	261.1%
Non-IFRS Adjusted Operating (Loss)/Profit ⁽¹⁾	(977.0)	457.8	NM	322.9	213.8	51.0%
Non-IFRS Adjusted Net (Loss)/ Profit ⁽²⁾	(794.8)	368.2	NM	247.2	175.4	40.9%

Notes:

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

BUSINESS REVIEW AND OUTLOOK

During 2020, we have achieved further technology improvement and referred more prime and near-prime customers under-served by traditional financial institutions to our licensed funding partners. Although our business was adversely affected by the impact of the Covid-19 pandemic, we were also able to improve our operational metrics, realising by the end of the Year even lower delinquency ratios than pre-pandemic levels, which we believe is evidence of the sophistication of our technology and effectiveness of our risk management.

In addition to the effects of the Covid-19 pandemic, there was a significant tightening-up of the regulatory framework for China's consumer finance industry causing the exit of almost all P2P lending platforms from the market. Our policy of cooperating only with licensed financial institutions as our partners has enabled us to comply with new regulations and grow our operations. During the Year, we added 16 new institutional funding partners. These cooperations are a critical element to our business strategy and to the sustainability and expansion of our business.

Business Review

We saw growth in the number of our new borrowers during the Year, with an increase in the number of new registered users by 14.4% as compared to 2019. We achieved this growth through our optimized customer acquisition model which enables us to use more effective precision marketing and enhance our risk model to target higher-quality customers. As customer acquisition becomes more and more challenging, increasing the utilization of existing reliable high-quality customers is essential for our business. By further improving a customer life-time value model, we are able to better identify the characteristics of customers who will bring long-term value and profit to us. Having the ability to realize customer identification by creating customer portraits based on the common characteristics of these customers helps us define the scope of our customers and expand our customer base and support the long-term or short-term business goals of our Company on a large scale. We succeeded in improving retaining high-quality customers and reducing customer churn rate by more actively servicing and encouraging repeat borrowing.

Moreover, we expanded our customer acquisition channels on different industry platforms in 2020. We sourced our customers primarily through online advertisements principally through feeds and other types of retailers to embed our products in the service they provide to their customers. In order to acquire more customers with customized products, we have partnered with different operators including OPPO, Xiaomi and China Telecom. At the same time, we raised the proposition of feeds advertisements to increase exposure to social media platforms, making it an important supplementary marketing channel to traditional advertisements. We have built up collaboration relationships with leading media proprietors such as Tencent Data Cloud and ByteDance's modeling platform, which places our products closer to customers' daily lives. Through these different customer acquisition channels, we are also able to analyze the characteristics of social media and different internet platform users at regular intervals, which helps us devise ways to reach more prime customers and improve cost efficiency.

During the Year, we implemented a multi-source scorecard to increase our efficiency to evaluate customers' credit profiles and the likelihood of default. Optimizing credit-scoring algorithms enables us to better segment different categories of customers and we believe we have successfully realized the migration of our customer base to higher-quality prime and near prime customers. We believe that technology-advancement is an important driving force for our business development.

We made an investment in Guoren Property and Casualty Insurance Co., Ltd. (國任財產保險股份有限公司) (“**Guoren**”) in 2020 by acquiring a 0.27% interest in the equity of Guoren. We believe this strengthens our strategic relationship with Guoren and should allow us to capture new business opportunities in the tech insurance sector by allying our consumer finance strategy to innovative products offered by Guoren to its customers, which we believe can be achieved at a cost that benefits both Guoren and the customers.

Operating Review

Products and Services

We primarily offer two credit products through our pure online loan origination processes: (1) credit cards balance transfer products, and (2) consumption credit products, both of which are installment-based. For the Year, the total number of transactions was 2.5 million. The average term of our credit products was approximately 9.1 months and the average loan size was approximately RMB12,220.

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

	For the year ended December 31,			
	2020		2019	
Loan Origination Volume	<i>RMB million</i>	%	<i>RMB million</i>	%
Credit card balance transfer products	6,173.0	20.1%	13,068.3	38.7%
Consumption credit products	24,600.0	79.9%	20,678.1	61.3%
Total	<u>30,773.0</u>	<u>100.0%</u>	<u>33,746.4</u>	<u>100.0%</u>

	For the six months ended December 31,			
	2020		2019	
Loan Origination Volume	<i>RMB million</i>	%	<i>RMB million</i>	%
Credit card balance transfer products	3,402.8	19.5%	6,404.6	33.1%
Consumption credit products	14,056.8	80.5%	12,938.9	66.9%
Total	<u>17,459.6</u>	<u>100.0%</u>	<u>19,343.5</u>	<u>100.0%</u>

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,			
	2020		2019	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Direct Lending	224.7	0.7%	295.1	0.9%
Trust Lending	10,439.9	33.9%	15,333.3	45.4%
Credit-enhanced loan facilitation	19,969.2	64.9%	16,254.5	48.2%
Pure loan facilitation	139.2	0.5%	1,863.5	5.5%
Total	30,773.0	100.0%	33,746.4	100.0%

Loan Origination Volume	For the six months ended December 31,			
	2020		2019	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Direct Lending	155.0	0.9%	79.7	0.4%
Trust Lending	5,390.5	30.9%	10,276.4	53.1%
Credit-enhanced loan facilitation	11,914.1	68.2%	8,497.0	44.0%
Pure loan facilitation	—	—	490.4	2.5%
Total	17,459.6	100.0%	19,343.5	100.0%

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

Outstanding Balance of Loans to Customers	As at December 31,			
	2020		2019	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Credit card balance transfer products	2,820.8	20.1%	6,092.7	31.8%
Consumption credit products	11,143.0	79.2%	11,391.6	59.5%
Online-to-offline credit products	101.6	0.7%	1,653.4	8.7%
Total	14,065.4	100.0%	19,137.7	100.0%

Asset Quality

Throughout the Year, we have had to adjust our business approach to manage the impact of the Covid-19 pandemic. With the outbreak of the Covid-19 pandemic and the implementation of lockdown measures at the beginning of the Year, our asset quality experienced sudden but temporary volatilities in the first half of 2020. These circumstances prompted us to adjust our lending policy and introduce measures to enhance our credit and risk management systems to protect our asset quality. With the strong action and firm direction of the Central Government to help restore normal life in China, we started to see a recovery in the macro environment from the second quarter of 2020. This, allied to our credit and risk management adjustments, resulted in gradual improvements to our key indicators of asset quality throughout. Among our key leading indicators of asset quality, our first payment delinquency ratio ⁽¹⁾ declined to 0.4% in the fourth quarter of 2020 from 2.0% at the end of the first quarter of 2020, which is the best first payment delinquency ratio that we have ever achieved. Meanwhile, our M1-M3 ratio ⁽²⁾ and M3+ ratio ⁽³⁾ respectively decreased to 2.5% and 2.9% in the fourth quarter of 2020 from 7.4% and 7.1% in the second quarter of 2020.

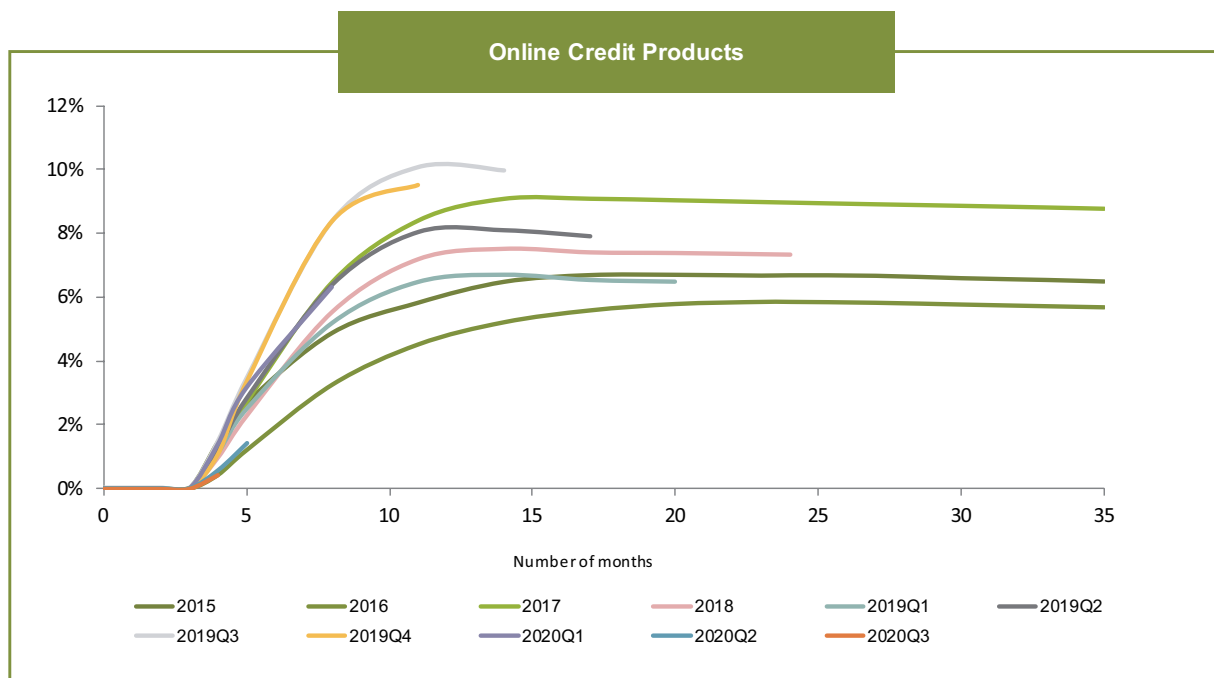
Given the adverse impact of the Covid-19 pandemic on consumption and repayment ability and tighter regulations affecting collection and use of personal data, we continued optimizing our risk management framework to ensure sustainable enhancement in asset quality, such as revamping risk models and policies, optimizing life-time customer level valuation and running multiple high impact tests to better differentiate customers and significantly improve risk performance. We believe that our ongoing overall first payment delinquency ratio will be around 0.5% in 2021. We will continue to monitor the situation closely and catch changes within the industry to better manage uncertainties.

	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4
First payment delinquency ratio ⁽¹⁾	1.7%	2.1%	2.4%	2.1%	2.0%	0.8%	0.6%	0.4%
M1-M3 ratio ⁽²⁾	4.2%	3.7%	3.4%	4.3%	6.3%	7.4%	3.6%	2.5%
M3+ ratio ⁽³⁾	3.7%	3.3%	3.0%	3.2%	4.7%	7.1%	5.6%	2.9%

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 RMB101.6 million as at December 31, 2020.
- (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 RMB101.6 million as at December 31, 2020.

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



Note:

- (4) Cohort-Based M3+ Delinquency Ratio is defined as (i) the total amount of principal for the online loans in a vintage that have become delinquent for more than 3 months, less (ii) the total amount of recovered past due principal, and then divided by (iii) the total amount of initial principal for loans in such vintage excluding offline credit products, which had a negligible balance of RMB101.6 million as at December 31, 2020.

Outlook and Strategies

We expect the Covid-19 pandemic and its effects to be mitigated as the rollout of vaccines for the Covid-19 pandemic within China and around the world gathers pace leading to further improvements in our operating conditions. We will adjust our business approach as these changes allow. We are committed to seeking steady growth by serving higher-quality prime and near-prime borrowers with offerings of innovative financial products delivered in collaboration with our licensed funding partners and business partners, and 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:

- Continue to invest in research and development to empower our technological and risk management capability
- Maintain precision acquisition of higher-quality customers and optimize our products to improve customer service experience

- Further enhance and deepen mutually beneficial relationships with our funding and business partners
- Strengthen compliance capability under changing regulatory environment
- Inspire a dynamic culture and support employees' development and growth needs

MANAGEMENT DISCUSSION AND ANALYSIS

The following selected consolidated statements of comprehensive income for the six months ended December 31, 2019 and 2020 have been derived from our audited consolidated annual financial information and related notes included elsewhere in this results announcement.

Total Income

We derived our total income through (i) net interest type income, (ii) loan facilitation service fees, and (iii) other income. Our total income decreased by 33.4% to RMB2,573.2 million for the Year, compared to RMB3,864.4 million for the year ended December 31, 2019, primarily due to a decrease in loan origination volume and an increase in delinquency rates as a result of the impact of the Covid-19 pandemic during the first quarter of 2020. Our total income decreased by 31.7% to RMB1,369.3 million for the second half of 2020, compared to RMB2,004.1 million for the second half of 2019, primarily due to a decrease in our trust lending structure volume to maintain our liquidity. However, we have benefitted from continued improvements in the macro economy beginning from the second quarter of 2020 and our robust strategy in migrating to higher-quality customers.

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		For the six months ended	
	December 31, 2020	2019	December 31, 2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net Interest Type income				
Interest type income	2,017,326	2,642,081	706,740	1,489,448
Less: interest expenses	(715,915)	(862,174)	(269,431)	(466,235)
Total	<u>1,301,411</u>	<u>1,779,907</u>	<u>437,309</u>	<u>1,023,213</u>

For the Year, we recorded interest type income of RMB2,017.3 million, which was generated from loans to customers originated under direct lending and trust lending structures. The decrease in interest type income for the Year compared to RMB2,642.1 million for the year ended December 31, 2019, and decrease for the second half of 2020 compared to RMB1,489.4 million for the second half of 2019, was primarily due to a decrease in the average outstanding loan balance of our trust lending structure, reflecting our strategy to expand our loan facilitation structure which allows us to maintain liquidity and manage cash flow better.

Interest expenses decreased by 17.0% to RMB715.9 million for the Year, compared to RMB862.2 million for the year ended December 31, 2019. The decrease in interest expenses primarily resulted from the decrease in the average borrowing balance and weighted 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.

	For the year ended December 31,			
	2020		2019	
Interest Type Income	RMB'000	%	RMB'000	%
Credit card balance transfer products	483,059	23.9%	773,222	29.3%
Consumption credit products	1,476,210	73.2%	1,392,506	52.7%
Online-to-offline credit products	58,057	2.9%	476,353	18.0%
Total	2,017,326	100.0%	2,642,081	100.0%

	For the six months ended December 31,			
	2020		2019	
Interest Type Income	RMB'000	%	RMB'000	%
Credit card balance transfer products	157,844	22.3%	386,188	25.9%
Consumption credit products	539,188	76.3%	948,732	63.7%
Online-to-offline credit products	9,708	1.4%	154,528	10.4%
Total	706,740	100.0%	1,489,448	100.0%

Loan Facilitation Service Fees

Loan facilitation service fees decreased by 42.8% to RMB713.3 million for the Year, compared to RMB1,247.4 million for the year ended December 31, 2019. The decrease in loan facilitation service fees was driven by a decrease in facilitation fee rates. Loan facilitation service fees decreased by 29.6% to RMB475.1 million for the second half of 2020, compared to RMB674.5 million for the second half of 2019, primarily due to a decrease in loan facilitation fee rates notwithstanding an increase of loan origination volume commensurate with the recovering of the Covid-19 pandemic environment.

The following table sets forth a breakdown of our loan facilitation service fees for our credit-enhanced loan facilitation structure and our pure loan facilitation structure for the years and periods indicated.

	For the year ended		For the six months ended	
	December 31, 2020	2019	December 31, 2020	2019
Loan Facilitation Service Fees	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>
Credit-enhanced loan facilitation	702,965	1,147,150	474,751	630,316
Pure loan facilitation	10,361	100,227	402	44,196
Total	<u>713,326</u>	<u>1,247,377</u>	<u>475,153</u>	<u>674,512</u>

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

	For the year ended		For the six months ended	
	December 31, 2020	2019	December 31, 2020	2019
Loan Facilitation Service Fees	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>
Upfront loan facilitation service fees	578,934	1,119,343	418,951	584,347
Post loan facilitation service fees	134,392	128,034	56,202	90,165
Total	<u>713,326</u>	<u>1,247,377</u>	<u>475,153</u>	<u>674,512</u>

Other Income

Other income decreased by 33.3% to RMB558.5 million for the Year, compared to RMB837.1 million for the year ended December 31, 2019. The decrease in other income was primarily due to a decrease in referral fees, partially offset by the increase in gain from guarantees resulting from improvements in delinquency rates as we emerged from the adverse impact of the Covid-19 pandemic during the first half of 2020.

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,	
	2020	2019	2020	2019
Other Income	RMB'000	RMB'000	RMB'000	RMB'000
Penalty and service charges	314,908	327,228	131,489	202,134
Membership fees and referral fees	301,808	794,581	761	294,056
Government grants	34,975	—	—	—
Technology and professional service fees	—	28,927	—	11,711
Losses/(gains) from guarantee	(99,368)	(318,381)	322,158	(202,189)
Others	6,091	4,718	2,455	701
Total	<u>558,414</u>	<u>837,073</u>	<u>456,863</u>	<u>306,413</u>

Expenses

Origination and Servicing Expenses

Our origination and servicing expenses increased by 14.3% to RMB811.2 million for the Year, compared to RMB709.5 million for the year ended December 31, 2019, due to our increased efforts on loan collection after the outbreak of the Covid-19 pandemic as part of our credit risk management measures to improve loan collection recovery rates and delinquency trends.

Sales and Marketing Expenses

Overall, our sales and marketing expenses decreased by 28.2% to RMB23.1 million for the Year, compared to RMB32.2 million for the year ended December 31, 2019, due to a decrease in branding expenses and reallocation of resources to improve operation efficiency.

General and Administrative Expenses

Our general and administrative expenses decreased by 44.5% to RMB280.3 million for the Year, compared to RMB505.4 million for the year ended December 31, 2019, mainly due to a decrease in personnel related expenses as a result of improved operating efficiency. Due to the lapse of share options of resigned employees, our share-based compensation decreased by 75.4% to RMB74.7 million for the Year, compared to RMB303.4 million for the year ended December 31, 2019.

Research and Development Expenses

Our research and development expenses decreased by 14.6% to RMB78.9 million for the Year, compared to RMB92.4 million for the year ended December 31, 2019, primarily due to overall cost savings in respect of non-essential research and development expenses.

Operating (Loss)/Profit

We recorded an operating loss of RMB1,051.7 million for the Year, compared to an operating profit of RMB154.4 million for the year ended December 31, 2019, primarily as a result of the adverse impact of the Covid-19 pandemic during the first quarter of 2020 and the decrease of interest income. We recorded an operating profit of RMB287.3 million for the second half of 2020, compared to an operating profit of RMB97.0 million for the second half of 2019, primarily due to improvement in delinquency rates as we migrated our loan portfolio towards better near prime and prime customers.

Net (Loss)/Profit

We recorded a net loss of RMB869.6 million for the Year, compared to a net profit of RMB64.8 million for the year ended December 31, 2019. We recorded a net profit of RMB211.7 million for the second half of 2020, compared to a net profit of RMB58.6 million for the second half of 2019, which is consistent with our operating profit for the same period.

Non-IFRS Adjusted Operating (Loss)/Profit

Our Non-IFRS adjusted operating loss was RMB977.0 million for the Year, compared to our Non-IFRS adjusted operating profit of RMB457.8 million for the year ended December 31, 2019, primarily because of the adverse impact of the Covid-19 pandemic during the first quarter of 2020 and the decrease of trust lending origination volume. Our Non-IFRS adjusted operating profit was RMB322.9 million for the second half of 2020, compared to our Non-IFRS adjusted operating profit of RMB213.8 million for the second half of 2019, primarily due to improved operating conditions as we emerged from the effects of the Covid-19 pandemic and improved asset quality as a result of implementing prudent credit risk management and optimizing our operations to strategically shift towards higher-quality borrowers which resulted in a decrease in the fair value loss and loss from guarantee in the Group's loan portfolio.

Non-IFRS Adjusted Net (Loss)/Profit

Our Non-IFRS adjusted net loss was RMB794.8 million for the Year, compared to our Non-IFRS adjusted net profit of RMB368.2 million for the year ended December 31, 2019, which is in line with our Non-IFRS adjusted operating (loss)/profit.

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 (loss)/profit and Non-IFRS adjusted net (loss)/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 (loss)/profit and Non-IFRS adjusted net (loss)/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,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Operating (Loss)/Profit	(1,051,749)	154,369
Add:		
Share-based compensation expenses	74,723	303,418
Non-IFRS Adjusted Operating (Loss)/Profit	<u>(977,026)</u>	<u>457,787</u>
Non-IFRS Adjusted Operating (Loss)/Profit Margin ⁽¹⁾	<u>-38.0%</u>	<u>11.8%</u>
	For the year ended	
	December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net (Loss)/Profit	(869,564)	64,790
Add:		
Share-based compensation expenses	74,723	303,418
Non-IFRS Adjusted Net (Loss)/Profit	<u>(794,841)</u>	<u>368,208</u>
Non-IFRS Adjusted Net (Loss)/Profit Margin ⁽²⁾	<u>-30.9%</u>	<u>9.5%</u>

	For the six months ended	
	December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Operating Profit	287,314	97,006
Add:		
Share-based compensation expenses	35,543	116,812
Non-IFRS Adjusted Operating Profit	<u>322,857</u>	<u>213,818</u>
Non-IFRS Adjusted Operating Profit Margin ⁽¹⁾	<u>23.6%</u>	<u>10.7%</u>
	For the six months ended	
	December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net Profit	211,664	58,616
Add:		
Share-based compensation expenses	35,543	116,812
Non-IFRS Adjusted Net Profit	<u>247,207</u>	<u>175,428</u>
Non-IFRS Adjusted Net Profit Margin ⁽²⁾	<u>18.1%</u>	<u>8.8%</u>

Notes:

- (1) Non-IFRS adjusted operating (loss)/profit margin is calculated by dividing the Non-IFRS adjusted operating (loss)/profit by the total income.
- (2) Non-IFRS adjusted net (loss)/profit margin is calculated by dividing the Non-IFRS adjusted net (loss)/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 decreased by 57.4% to RMB4,028.2 million as at December 31, 2020, compared to RMB9,457.7 million as at December 31, 2019, primarily due to the decrease in loan origination loan volume from our trust lending structure, reflecting our strategy to expand our loan facilitation structure. 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 at December 31,			
	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Credit card balance transfer products	1,115,815	27.7%	2,003,501	21.2%
Consumption credit products	2,778,288	69.0%	6,097,252	64.5%
Online-to-offline credit products	134,062	3.3%	1,356,920	14.3%
Total	4,028,165	100.0%	9,457,673	100.0%

Contract Assets

Our contract assets decreased by 34.6% to RMB341.9 million as at December 31, 2020, compared to RMB523.0 million as at December 31, 2019, attributable to a decrease in facilitation fee rates.

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	389,568	655,815
Less: expected credit losses (“ECL”) allowance	(47,711)	(132,793)
	341,857	523,022

Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables increased by 14.1% to RMB708.7 million as at December 31, 2020, compared to RMB621.2 million as at December 31, 2019. Our guarantee liabilities increased by 11.6% to RMB807.4 million as at December 31, 2020, compared to RMB723.6 million as at December 31, 2019. The changes in guarantee receivables and guarantee liabilities are primarily due to an increase in our credit-enhanced loan origination volume during the Year.

	For the year ended	
	December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee Receivables		
Opening balance	621,248	206,146
Addition arising from new business	1,699,543	1,426,080
ECL	(169,081)	(165,586)
Reversal due to early repayment	(165,549)	(80,384)
Payment received from borrowers	(1,277,458)	(765,008)
Ending Balance	<u>708,703</u>	<u>621,248</u>
Guarantee Liabilities		
Opening balance	723,617	204,496
Addition arising from new business	1,699,543	1,426,080
Release of the margin	(108,553)	(99,793)
ECL	207,921	418,174
Reversal due to early repayment	(165,549)	(80,384)
Payouts during the year, net	(1,549,558)	(1,144,956)
Ending Balance	<u>807,421</u>	<u>723,617</u>

Borrowings and Senior Notes

Our total borrowings and senior notes, as recorded in our consolidated statement of financial position, comprise (i) payable to trust plan holders, (ii) borrowings from corporations and (iii) senior notes. Our total borrowings and senior notes decreased by 52.4% to RMB4,724.1 million as at December 31, 2020, compared to RMB9,915.2 million as at December 31, 2019, primarily due to decrease of loans originated by us through our trust lending structure.

The senior notes are comprised of the US\$85,000,000 11.0% senior notes due 2022 issued on December 3, 2020 (the “**New Notes**”) and the remaining principal amount of US\$17,750,000 of the US\$100,000,000 11.0% senior notes due 2021 issued on June 21, 2019 (the “**Old Notes**”).

The New Notes have extended the maturity profile of our senior notes and strengthened our capital base and were issued on December 3, 2020 as follows:

- (a) we issued and delivered a principal amount of US\$76,943,000 of New Notes in exchange for the surrender and cancellation of a principal amount of US\$72,250,000 of the Old Notes pursuant to an exchange offer made by the Company to holders of the Old Notes during the Year (the “**Exchange Offer**”); and
- (b) we issued and delivered US\$8,057,000 11.0% of additional New Notes pursuant to an offering made concurrently with the Exchange Offer.

In addition, we repurchased an aggregate principal amount of US\$10,000,000 of the Old Notes on December 21, 2020, which were subsequently cancelled.

	As at December 31,			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Payable to trust plan holders	3,755,797	79.5%	8,637,946	87.1%
Borrowings from corporations	339,502	7.2%	598,383	6.1%
	4,095,299	86.7%	9,236,329	93.2%
Senior notes	628,834	13.3%	678,829	6.8%
Total	4,724,133	100.0%	9,915,158	100.0%

Weighted Average Interest Rates of Borrowings and Senior Notes	As at December 31,	
	2020	2019
Payable to trust plan holders	10.3%	11.0%
Borrowings from corporations	12.1%	10.5%
Borrowings from individuals	—	10.0%
Secured borrowings	—	6.2%
Senior notes	11.0%	11.0%

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows

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

	For the year ended December 31,		For the six months ended December 31,	
	2020	2019	2020	2019
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Net cash inflow/(outflow) from operating activities	5,269,241	367,619	1,451,165	(1,424,353)
Net cash (outflow)/inflow from investing activities	(27,359)	(26,517)	(24,188)	63,238
Net cash (outflow)/inflow from financing activities	(5,913,393)	778,367	(1,743,139)	1,640,860
Net (decrease)/increase in cash and cash equivalents	(671,511)	1,119,469	(316,162)	279,745
Cash and cash equivalents at the beginning of the years and periods	2,169,524	1,050,112	1,814,054	1,889,822
Effects of exchange rate changes on cash and cash equivalents	3,822	(57)	3,943	(43)
Cash and cash equivalents at the end of the year and periods	<u>1,501,835</u>	<u>2,169,524</u>	<u>1,501,835</u>	<u>2,169,524</u>

Our cash inflow generated from operating activities primarily consists of principal and interest, loan facilitation service fees and other service fees received from the consumer finance products we offered. Our cash outflow used in operating activities primarily consists of 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 RMB5,269.2 million for the Year, as compared to net cash inflow generated from operating activities of RMB367.6 million for the year ended December 31, 2019. Net cash inflow from operating activities increased primarily due to a decrease of RMB4,893.4 million in loan volume originated by trust lending structure for the Year.

We had net cash outflow from investing activities of RMB27.4 million for the Year, as compared to net cash outflow of RMB26.5 million for the year ended December 31, 2019. Our net cash outflow mainly comprised payments for property, plant and equipment and intangible assets of RMB34.2 million for the Year.

We had net cash outflow from financing activities of RMB5,913.4 million for the Year, as compared to net cash inflow of RMB778.4 million for the year ended December 31, 2019. For the Year, we had net cash outflow from borrowings and trust plans of RMB5,078.4 million and payment of interest expenses of RMB759.4 million. Additionally, we had a net cash outflow from senior notes of RMB19.7 million for the Year, as compared to a net cash inflow of RMB660.6 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 recognized as liabilities as at December 31, 2020.

Charges on Assets

The Group did not have any charges on assets as at December 31, 2020.

Contingencies

Save as disclosed in this results announcement, the Group did not have any significant contingent liabilities as at December 31, 2020.

ACQUISITIONS AND DISPOSALS

Material Investments and Acquisitions

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

Future Plans for Material Investments and Capital Assets

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

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended December 31,	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations			
Interest type income	4	2,017,326	2,642,081
Less: interest expenses	4	(715,915)	(862,174)
Net interest type income	4	1,301,411	1,779,907
Loan facilitation service fees	5	713,326	1,247,377
Other income	6	558,414	837,073
Total income		2,573,151	3,864,357
Origination and servicing expenses	7	(811,158)	(709,509)
Sales and marketing expenses	7	(23,129)	(32,229)
General and administrative expenses	7	(280,342)	(505,424)
Research and development expenses	7	(78,943)	(92,392)
Credit impairment losses	8	(255,588)	(309,101)
Fair value change of loans to customers		(2,229,521)	(2,058,482)
Other gains/(losses), net	9	53,781	(2,851)
Operating (loss)/profit		(1,051,749)	154,369
Share of net (loss)/profit of associates accounted for using the equity method		(11,070)	9,962
(Loss)/profit before income tax		(1,062,819)	164,331
Income tax credit/(expense)	10	193,255	(99,541)
(Loss)/profit for the year attributable to:			
Owners of the Company		(869,581)	64,790
Non-controlling interests		17	—
		(869,564)	64,790

	<i>Notes</i>	Year ended December 31,	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of financial statements		2,379	(485)
Total comprehensive (loss)/income for the year, net of tax		<u>(867,185)</u>	<u>64,305</u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(867,202)	64,305
Non-controlling interests		17	—
		<u>(867,185)</u>	<u>64,305</u>
Basic (loss)/earnings per share (RMB yuan)	<i>11</i>	<u>(1.77)</u>	<u>0.13</u>
Diluted (loss)/earnings per share (RMB yuan)	<i>11</i>	<u>(1.77)</u>	<u>0.13</u>
Non-IFRS Measure			
Non-IFRS adjusted operating (loss)/profit ⁽¹⁾		(977,026)	457,787
Non-IFRS adjusted net (loss)/profit ⁽²⁾		(794,841)	368,208
Non-IFRS adjusted basic (loss)/earning per share (RMB yuan) ⁽³⁾		(1.62)	0.74

Notes:

- (1) Non-IFRS adjusted operating (loss)/profit is defined as operating (loss)/profit for the year excluding share-based compensation expenses of RMB74.7 million for the Year (2019: RMB303.4 million). For more details, please see the section headed “Management Discussion and Analysis — Non-IFRS Measures”.
- (2) Non-IFRS adjusted net (loss)/profit is defined as net (loss)/profit for the year excluded share-based compensation expenses of RMB74.7 million for the Year (2019: RMB303.4 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 (loss)/profit by the weighted average number of ordinary shares of the Company (“Shares”) outstanding during the Year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31,	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Cash and cash equivalents	12(a)	1,501,830	2,169,522
Restricted cash	12(b)	236,280	264,584
Loans to customers at fair value through profit or loss	13	4,028,165	9,457,673
Contract assets	14	341,857	523,022
Guarantee receivables	15	708,703	621,248
Financial assets at fair value through profit or loss		20,285	280
Investments accounted for using the equity method		20,626	37,430
Deferred income tax assets		682,573	468,256
Right-of-use assets		45,907	25,824
Intangible assets		35,378	22,175
Property and equipment		39,358	51,196
Other assets		676,232	648,147
Total assets		8,337,194	14,289,357
Liabilities			
Borrowings	16	4,095,299	9,236,329
Senior notes		628,834	678,829
Lease liabilities		47,976	25,197
Guarantee liabilities	15	807,421	723,617
Tax payable		34,560	124,960
Deferred income tax liabilities		100,696	86,101
Other liabilities		336,064	314,046
Total liabilities		6,050,850	11,189,079
Equity			
Share capital		40,412	40,913
Share premium		5,558,958	5,581,016
Treasury shares		(37,747)	(51,774)
Reserves		747,075	682,913
Accumulated losses		(4,025,371)	(3,155,790)
Non-controlling interests		3,017	3,000
Total equity		2,286,344	3,100,278
Total liabilities and equity		8,337,194	14,289,357

NOTES

1 General Information

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

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

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

The Shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since June 21, 2018 by way of its initial public offering. As at December 31, 2020, the number of Shares in issue is 493,559,589, with a par value of HK\$0.1 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 24, 2021.

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 Standard Board (“**IASB**”) and disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Hong Kong Companies Ordinance (Cap. 622).

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

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

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

3 Significant Accounting Policies

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

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRSs	Revised Conceptual Framework for Financial Reporting

(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, 2020 reporting periods and have not been early adopted by the Group. These standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to IFRS 16	COVID-19-Related Rent Concessions	June 1, 2020
Amendments to IAS 1	Amended by Classification of Liabilities as Current or Non-current	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37	Cost of Fulfilling a Contract	January 1, 2022
Amendments to IAS 16	Proceeds before Intended Use	January 1, 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements 2018–2020 cycle	January 1, 2022
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to 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,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest type income		
Loans to customers at fair value through profit or loss	<u>2,017,326</u>	<u>2,642,081</u>
Less: interest expenses		
Payable to trust plan holders	(563,190)	(728,433)
Senior notes	(90,251)	(44,438)
Borrowings from corporations	(60,341)	(77,578)
Borrowings from individuals	—	(8,153)
Secured borrowings	—	(13)
Others	(2,133)	(3,559)
	<u>(715,915)</u>	<u>(862,174)</u>
Net interest type income	<u>1,301,411</u>	<u>1,779,907</u>

5 Loan facilitation service fees

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Upfront loan facilitation service fees	578,934	1,119,343
Post loan facilitation service fees	134,392	128,034
	<u>713,326</u>	<u>1,247,377</u>

6 Other income

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Penalty and service charges	314,908	327,228
Membership fees and referral fees	301,808	794,581
Government grants	34,975	—
Technology and professional service fee	—	28,927
Losses from guarantee	(99,368)	(318,381)
Others	6,091	4,718
	<u>558,414</u>	<u>837,073</u>

7 Expenses by nature

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Loan origination and servicing expenses	(693,789)	(593,525)
Employee benefit expenses	(267,972)	(520,559)
Professional service fees	(80,114)	(63,561)
Depreciation and amortization	(64,931)	(65,213)
Office expenses	(36,359)	(48,950)
Tax and surcharge	(25,159)	(22,619)
Branding expenses	(6,645)	(6,066)
Audit remuneration		
— Audit service fees	(4,862)	(5,000)
— Non-audit service fees	(369)	(154)
Others	(13,372)	(13,907)
	<u> </u>	<u> </u>
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses	<u>(1,193,572)</u>	<u>(1,339,554)</u>

8 Credit impairment losses

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	(3)	(1)
Restricted cash	(27)	(34)
Contract assets	(80,396)	(146,069)
Guarantee receivables	(169,081)	(165,586)
Other assets	(6,081)	2,589
	<u> </u>	<u> </u>
	<u>(255,588)</u>	<u>(309,101)</u>

9 Other gains/(losses), net

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gains/(losses)	38,153	(10,261)
Bank interest income	17,858	12,439
Gain from repayment of senior notes	3,411	—
Gain from disposal of investments accounted for using the equity method	468	—
Gain from financial assets at fair value through profit or loss	6	1,781
Bank charges	(2,742)	(1,848)
Interest expense on lease liabilities	(3,373)	(2,548)
Others	—	(2,414)
	53,781	(2,851)

10 Income tax credit/(expense)

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	(6,467)	(145,837)
Deferred income tax	199,722	46,296
	193,255	(99,541)

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

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/earnings attributable to owners of the Company	(869,581)	64,790
Weighted average number of ordinary Shares for calculation of the basic earnings per Share ('000)	491,946	494,987
Weighted average number of ordinary Shares for calculation of the diluted earnings per Share ('000)	491,946	502,738
Basic (loss)/earnings per Share (<i>RMB yuan</i>)	(1.77)	0.13
Diluted (loss)/earnings per Share (<i>RMB yuan</i>)	(1.77)	0.13
Non-IFRS Adjusted basic (loss)/earnings per Share (<i>RMB yuan</i>)	(1.62)	0.74

11.1 Basic (loss)/earnings per Share is calculated by dividing the (loss)/profit of the Group attributable to owners of the Company by the weighted average number of Shares in issue during the Year.

11.2 For year ended December 31, 2019 and the Year, respectively, the potential Shares were share options and share awards granted by the Company. As the Group incurred a loss for the Year, the potential Shares were not included in the calculation of diluted loss per Share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per Share for the Year was the same as basic loss per Share.

For year ended December 31, 2019, 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 (loss)/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.

12 Cash and bank balances

(a) Cash and cash equivalents

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank	1,139,148	1,130,115
Cash held through platform	362,687	1,039,409
Less: ECL allowance	(5)	(2)
	1,501,830	2,169,522

(b) Restricted cash

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Deposits	236,360	264,637
Less: ECL allowance	(80)	(53)
	236,280	264,584

13 Loans to customers at fair value through profit or loss

The composition of loans is as follows:

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured	3,936,927	8,822,968
Pledged	91,238	634,705
	4,028,165	9,457,673

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

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year (including 1 year)	3,880,034	8,028,905
1 to 2 years (including 2 years)	15,145	260,124
2 to 5 years (including 5 years)	132,986	1,168,644
	4,028,165	9,457,673

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

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Overdue	34,932	506,965
Within 1 year (including 1 year)	3,904,881	8,256,618
1 to 2 years (including 2 years)	10,244	363,427
2 to 5 years (including 5 years)	78,108	330,663
	4,028,165	9,457,673

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 at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	389,568	655,815
Less: ECL allowance	(47,711)	(132,793)
	341,857	523,022

15 Guarantee receivables and guarantee liabilities

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee receivables	822,776	760,973
Less: ECL allowance	(114,073)	(139,725)
	708,703	621,248

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

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee receivables		
Opening balance	621,248	206,146
Addition arising from new business	1,699,543	1,426,080
ECL	(169,081)	(165,586)
Reversal due to early repayment	(165,549)	(80,384)
Payment received from borrowers	(1,277,458)	(765,008)
Ending balance	708,703	621,248

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

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee liabilities		
Opening balance	723,617	204,496
Addition arising from new business	1,699,543	1,426,080
Release of the margin	(108,553)	(99,793)
ECL	207,921	418,174
Reversal due to early repayment	(165,549)	(80,384)
Payouts during the year, net	(1,549,558)	(1,144,956)
Ending balance	807,421	723,617

16 Borrowings

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

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Payable to trust plan holders	3,755,797	8,637,946
Borrowings from corporations	339,502	598,383
	4,095,299	9,236,329

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

	As at December 31,	
	2020	2019
Payable to trust plan holders	6.60%~13.00%	6.80%~12.50%
Borrowings from corporations	<u>6.25%~12.00%</u>	<u>6.25%~12.00%</u>

The following table sets forth the contractual maturities of borrowings:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Within 1 year	1,122,586	3,721,399
Between 1 and 2 years	2,641,563	4,903,920
Between 2 and 5 years	331,150	611,010
	<u>4,095,299</u>	<u>9,236,329</u>

The following table sets forth the repayment schedule of borrowings:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Within 1 year	3,339,549	8,382,699
Between 1 and 2 years	755,750	626,210
Between 2 and 5 years	—	227,420
	<u>4,095,299</u>	<u>9,236,329</u>

Gearing ratio

As at December 31, 2020, our gearing ratio, calculated as total liabilities divided by total assets, was approximately 72.6%, representing an decrease of 5.7% as compared with 78.3% as at December 31, 2019. The decrease was primarily due to reduction of borrowings.

As at December 31, 2020, our consolidated debt to equity ratio, calculated as sum of borrowings, senior notes, lease liabilities and guarantee liabilities divided by total equity, was approximately 2.4, as compared with 3.4 as at December 31, 2019.

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 therefore has 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, 2020, the trust plans consolidated by the Group amounted to RMB4.54 billion (December 31, 2019: RMB9.85 billion).

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

18 Subsequent events

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

19 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, 2020. 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, 2020. 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 (2019: Nil).

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, 2020, the Group had a total of 606 employees.

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

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

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

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

CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has, during the Year, applied the principles and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Repurchase of Shares

During the Year, the Company repurchased a total of 5,644,200 shares on the Stock Exchange for an aggregate consideration of HK\$24,019,746 (before expenses). The repurchases were effected pursuant to the repurchase mandates granted to the Directors by the Shareholders on June 28, 2019 and June 1, 2020, 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 (2020)	Number of Shares Repurchased	Lowest Price Paid per Share (HK\$)	Highest Price Paid per Share (HK\$)	Aggregate Consideration (Before Expenses) (HK\$)
May	232,200	3.78	4.29	933,780
June	477,200	3.96	4.32	1,938,052
July	423,400	4.47	4.90	2,028,226
August	1,144,000	4.33	4.59	5,097,048
September	2,700,600	4.03	4.41	11,298,900
October	649,000	3.93	4.29	2,661,168
December	17,800	3.49	3.60	62,572

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

Repurchase of Senior Notes

Exchange Offer and Concurrent New Money Issuance

On December 3, 2020, the Company completed the Exchange Offer and a concurrent new money issuance (the “**Concurrent New Money issuance**”) and pursuant to which the Company issued an aggregate principal amount of US\$85,000,000 11.0% of the New Notes. The New Notes are listed on the Stock Exchange.

Under the Exchange Offer, the Company offered to holders of the Old Notes to exchange Old Notes for, amongst other things, New Notes. Pursuant to the Exchange Offer, the Company accepted a principal amount of US\$72,250,000 of Old Notes in exchange for, amongst other things, a principal amount of US\$76,943,000 of New Notes. The principal amount of the Old Notes validly tendered and accepted by the Company under the Exchange Offer has been cancelled.

Under the Concurrent New Money Issuance, the Company issued a principal amount of US\$8,057,000 of New Notes.

Further details of the Exchange Offer and the Concurrent New Money issuance are contained in the announcements of the Company dated November 18, 2020; November 26, 2020; November 27, 2020; December 3, 2020 and December 4, 2020.

Repurchase of Old Notes

On December 21, 2020, the Company completed the repurchase of an aggregate principal amount of US\$10,000,000 of Old Notes (the “**Repurchased Notes**”) by way of private treaty from Advance Tech Limited (“**ATL**”) at a total repurchase price of US\$9,400,000. ATL is a subsidiary of ITC Properties Group Limited, a company listed on the Stock Exchange under stock code 199.

Following completion of the Exchange Offer and the cancellation of the Old Notes validly tendered and accepted thereunder and the repurchase and cancellation of the Repurchased Notes, a principal amount of US\$17,750,000 of Old Notes remains outstanding as at December 31, 2020.

Further details of the repurchase of the Repurchased Notes are contained in the announcement of the Company dated December 21, 2020.

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 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 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 24, 2021

As at the date of this announcement, the Board 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; Mr. Yip Ka Kay as a non-executive Director; and Mr. Chen Penghui, Mr. Fang Yuan and Mr. Wu Chak Man as independent non-executive Directors.