VCREDIT
維信金科

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

ANNUAL REPORT 2023

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ma Ting Hung *(Chairman)*
Mr. Liu Sai Wang Stephen
(Chief Executive Officer)
Mr. Liu Sai Keung Thomas
(Chief Operating Officer)

Non-Executive Director

Mr. Yip Ka Kay

Independent Non-Executive Directors

Mr. Chen Derek
Mr. Chen Penghui
Mr. Fang Yuan

AUDIT COMMITTEE

Mr. Fang Yuan *(Chairman)*
Mr. Chen Derek
Mr. Chen Penghui
Mr. Yip Ka Kay

REMUNERATION COMMITTEE

Mr. Chen Penghui *(Chairman)*
Mr. Chen Derek
Mr. Fang Yuan
Mr. Liu Sai Wang Stephen

NOMINATION COMMITTEE

Mr. Ma Ting Hung *(Chairman)*
Mr. Chen Derek
Mr. Chen Penghui
Mr. Fang Yuan

AUTHORISED REPRESENTATIVES

Mr. Ma Ting Hung
Ms. Lau Wing Yee

COMPANY SECRETARY

Ms. Lau Wing Yee

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1918, 19/F
Two Pacific Place
88 Queensway, Hong Kong
Telephone : (852) 2918 5500
Facsimile : (852) 2918 0859
E-mail : ir@vcredit.com

PRINCIPAL PLACE OF BUSINESS IN PRC

28/F, Tower 1, Landmark Centre
88 North Sichuan Road
Shanghai 200085
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

PRINCIPAL BANKER

China Construction Bank
(Suzhou Yuanqu Branch)

STOCK CODE

2003

WEBSITE

https://www.vcredit.com

Dear Shareholders,

I am pleased to see that our business and operations have once again successfully navigated testing market conditions, achieving a solid operating and financial performance in 2023.

Despite a moderate recovery in the consumption market, the demand for consumer finance was weaker than anticipated in 2023. Notwithstanding, supported by our proven risk management capabilities and our long-term revenue-driven customer acquisition strategy which form some of our core strengths and competitive advantages, we accomplished a remarkable achievement by recording the highest ever number of annual loan originations in our history. We dedicate significant resources to maintaining the effectiveness of our proprietary AI-driven technology and by iterating and refining our proprietary credit risk models to accomplish optimal operation and management of our business, and deliver relevant product and service offerings to our growing number of high-quality customers, which enables us to successfully expand our credit business to cater to diverse financing needs.

We have continued our policy of transitioning to higher quality borrowers in 2023. High quality users generally have more stable credit demands and higher repayment capability, thus generating more long-term value for our business. Using relevant multi-dimensional and legitimate data is key to our ability to hone our credit risk capabilities, improve quality new customer identification, acquisition and segmentation and tailor our credit products and services to various risk levels to sustain our business approach. In addition to data from our own borrower behavior monitoring through the entire life cycle of our loans, our omni-channel customer acquisition strategy allows us to reach a wider range of our target customers. Our goal is to constantly improve our ability to provide tailored and specific credit products and services to our target customers with a seamless customer experience.

Our business continues to collaborate with a growing portfolio of stable and diversified licensed financial and institutional funding partners. Their recognition of our cutting-edge technology and efficient risk management system validates the value of our proprietary technology and know-how and contributed to the increase in our off-balance sheet business during 2023, thereby enabling us to expand our overall credit business in 2023.

Operating as a regulatory compliant entity is a bedrock of our business philosophy. We make it an absolute priority to ensure that we operate and maintain our business in full compliance with an evolving regulatory environment. As a licensed industry player, we maintain proactive and constructive dialogue with our regulators, and preemptively adjust our operational strategy and practices to ensure full compliance. In 2023, we have proactively implemented forward-looking adjustments in our post-loan collection and customer complaints management and established a Consumer Protection Committee, aimed at fostering a healthy consumption environment. Additionally, to better comply with regulatory requirements, we have fully implemented the credit agency reform, namely "斷直連", to better safeguard customer privacy and information security. Adhering to the highest level of regulatory compliance and ensuring a sustainable business model has always been and will continue to be one of our top priorities, as well as another of our core strengths and competitive advantages.

The Chairman's Statement

As we endeavoured to maintain growth in our business and assimilated restrictions in our post-loan collection practices, we experienced increased volatility in our risk and default ratios and therefore increased fluctuations in our asset quality. Our ability to measure and manage risk in our business is of paramount importance. In light of the slower-than-expected macroeconomic recovery and lingering uncertainties, we will continue to adopt a prudent approach in business planning and risk management. We will seek to strike a balance between risk indicators and consumer credit demand, aiming to maintain high-quality borrowers, to sustain growth.

We have initiated steps to establish or invest in businesses in the consumer lending and related spaces outside of China and intend to grow our business portfolio organically, with a focus on markets in Hong Kong, South-East Asia and Europe where we can deploy or leverage on our proprietary AI driven credit assessment and risk management technology. In 2023, we launched a consumer finance brand "CreFIT" in Hong Kong, which is tailored to the local market and will allow us to expand our business portfolio and presence. Furthermore, we continue to work on completing our acquisition of Banco Português de Gestão, S.A., a credit institution registered with the Bank of Portugal. With seventeen years of industry know-how and risk management track record and experienced management, we are well-positioned to manage our operating performance across different locations and economic and credit cycles.

Our employees and personnel are our valuable resource and we are committed to maintaining a humanised enterprise culture and nurturing inspiring talents. In 2023, China's macro environment continued to face significant uncertainties, and the social unemployment rate continued to fluctuate. However, we have always insisted on creating a good working environment and corporate culture, paying attention to the development and welfare of employees, and enhancing their sense of belonging and happiness through employee training, team building and employee benefits. We believe that this fosters a spirit that unleashes the potential of our talents, and builds an even brighter future for our Company, employees, funding partners and shareholders.

With our seventeen years in the industry, I have confidence that we have built a solid and sustainable foundation from which we will continue to grow and retain our relevance as a leading online consumer credit finance institution.

I would like to take this opportunity, on behalf of the board of directors and the Company, to express our appreciation to our employees for their dedication and to our business partners, funding partners and shareholders for their support.

Ma Ting Hung
Executive Director and Chairman

Hong Kong, March 26, 2024

Dear Shareholders,

Following an initial rebound at the start of the year, the momentum of China's macroeconomic recovery slowed, with consumer credit demand falling and being weaker than expected towards the end of 2023. To address these challenges, we promptly and proactively adjusted our business strategy. Our performance in 2023 validates the effectiveness of our strategy adjustments and demonstrates the resilience of our business operation.

As a reflection of our solid performance, we have recommended the payment of a final dividend of HK10 cents per share for 2023, subject to shareholders' approval.

OPERATIONAL PERFORMANCE

In 2023, our total loan origination volume was RMB75.25 billion, representing a substantial increase of 44.2%, compared to RMB52.19 billion in 2022. Our outstanding loan balance exceeded RMB34.47 billion as at December 31, 2023, representing an increase of 37.5% compared to RMB25.07 billion as at December 31, 2022.

The significant growth in loan volume is attributed to our continuous optimization of operations. On the customer acquisition side, we continue to expand our high-quality customer acquisition channels. We have established cooperation with well-known content platforms, photo editing applications, internet-based logistics platforms, lifestyle service information platforms and other premium channels. Through comprehensive user behavior analysis models and refined user segmentation, we improved our precise targeting of high-quality customers. In 2023, our cumulative registered users grew to 144.1 million, an increase of 13.6% compared to last year. At the same time, we continued to enhance customer experience by optimizing our product offerings and systems to improve the retention and engagement of existing users. Repeat borrowers accounted for 85.1% of our total loan volume in 2023.

While achieving significant business growth, we maintained our efforts to adjust and optimize our risk management framework to address market and user behavior changes. We persisted in refining multi-source scorecards and risk management policies, and leveraging the robust risk identification capabilities of our models to more accurately assess customer risk levels. In response to regulatory guidelines on collection, we proactively implemented forward-looking management in the areas of post-loan collection and customer complaints in the first half of 2023. In addition, since November 2023, the industry has experienced line control by telecom carriers which has led to lower connection rates in collection operation. As a result, our first payment default rate rose to 0.71% in the fourth quarter of 2023, and our M1-M3 ratio and M3+ ratio also increased compared to last year, standing at 5.07% and 2.98%, respectively, at the end of 2023. To cope with the regulatory changes and macroeconomic challenges, we undertook several conservative risk policy measures in addition to multiple impactful model upgrades and complex tests to improve our capability of differentiating customers. With these efforts, we have already begun to observe a decline in our Day 1 delinquency rate and improved asset quality for new loans originated in early 2024. With our effective risk models and prudent risk management, we are confident that our asset quality will continue to improve in 2024.

Furthermore, fostering a stable and diversified funding partner base is critical to our business. Our funding costs during 2023 continued to present a declining trend as we optimized our funding structure. We have been able to maintain healthy and long-term collaboration with our funding partners by offering a value proposition which includes efficient risk management and attractive risk-adjusted returns. By the end of 2023, we had business cooperation with 104 external licensed funding partners, including 24 nationwide joint-stock commercial banks, consumer finance companies and trust institutions. In 2023, we managed diversified forms of cooperation to ensure fund security and compliant operations, while achieving a win-win situation and stable growth for all stakeholders. In the end, the total loan volume facilitated through our loan facilitation structure amounted to RMB63.15 billion, 83.9% of our total loan origination volume, representing an increase of 60.8% as compared with RMB39.27 billion in 2022.

In 2023, the artificial intelligence wave swept across the globe, and we have been proactively harnessing this technology for our business. Leveraging advanced large language models, we have successfully launched our AI-powered intelligent online customer service bot that can engage in personalized interactions with users, further enhancing user experience and customer retention. Following the implementation of these initiatives, we are currently able to achieve a customer self-resolution rate of up to 97%. Furthermore, we have introduced a smart office assistant, which has significantly enhanced our employees' productivity and optimized operational efficiency. To further exploit AI applications for our business, we also aim to explore collaborations with our partners in a variety of areas such as intelligent marketing, intelligent post-loan management, and intelligent risk control.

Apart from developing our existing consumer finance business domestically, we are also actively expanding our operations to different regions and countries to establish an operating model in line with our long-term strategy.

As a Hong Kong-based enterprise, by capitalizing on our insights into Hong Kong's consumer credit market and technological strengths, we successfully obtained a money lender license in April 2023 and in September 2023, officially launched "CreFIT", a localized consumer finance brand in Hong Kong. With a core mission of "safeguarding credit health", our first product under our CreFIT brand, "CreFIT ClearCard Credit", is dedicated to helping Hong Kong residents clear their credit card debts without affecting their credit ratings. Since its launch, CreFIT has been recognized for its emphasis on customer experience in the Hong Kong market. Our CreFIT App has received a rating of 4.6 out of 5, reflecting high user satisfaction. Looking ahead, we will continue to position ourselves as a trustworthy and customer-centric provider of innovative financial services. Moreover, in May 2023, we successfully reached an agreement to acquire Banco Português de Gestào, S.A., a credit institution registered with the Bank of Portugal, and we are currently undergoing the standard regulatory approval process. We look forward to building on these new endeavors to extract the best returns for our shareholders.

FINANCIAL PERFORMANCE

Our total income was RMB3,569.5 million in 2023, representing an increase of 14.4% as compared to RMB3,119.3 million in 2022, primarily due to the increase in our loan origination volume.

Our fair value loss of loans to customers increased to RMB574.1 million in 2023, as compared to RMB571.9 million in 2022. Our credit impairment loss increased to RMB344.6 million in 2023, as compared to RMB129.5 million in 2022, primarily due to an increase in loan volume generated through our credit-enhanced loan facilitation structures.

In line with the expansion of our loan origination volume, our operating expenses, excluding share-based compensation expenses, increased by 22.6% to RMB2,058.3 million in 2023, as compared to RMB1,679.4 million in 2022.

As a result, we recorded net profit and adjusted net profit of RMB453.9 million and RMB455.6 million, respectively, a decrease of 14.8% and 15.2% as compared to RMB532.5 million and RMB537.4 million, respectively, in 2022.

OUTLOOK AND STRATEGIES

China's macroeconomic environment remained challenging in 2023 after rebounding earlier in the year. In June this year, the Ministry of Commerce announced that it would introduce targeted supporting measures to promote the automobile, household and catering sectors, and continue to organize consumption events. In the same month, the National Development and Reform Commission also indicated that it would step up efforts to formulate and introduce policies to restore and expand consumption, continue to improve the consumption environment and unleash the potential of service consumption. As these policies take effect and economic growth steadies and consumer confidence rises, China's consumer market should continue to recover moderately, and the consumer finance industry is also expected to continue to recover in 2024.

On the regulatory front, in May 2023, the National Internet Finance Association of China held a working meeting in Beijing on the development of national standards for debt collection and the standardized and healthy development of the debt collection business. Participants discussed the core contents of the "Guidelines on Risk Control of Post-Loan Collection for Internet Financial Individuals with Online Consumer Credit" (《互聯網金融個人網絡消費信貸–貸後催收風控指引》), with the aim of formulating standards based on the nature of the collection business and protecting the legitimate rights and interests of creditors and debtors alike.

We have proactively implemented forward-looking adjustments in our post-loan collection and customer complaints management, established a Consumer Protection Committee, aimed at fostering a healthy consumption environment. In order to better comply with regulatory requirements, we have fully implemented the credit agency reform, namely "斷直連", to better safeguard customer privacy and information security. Adhering to the highest level of regulatory compliance and ensuring a sustainable business model has always been and will continue to be our top priority, as well as our core strength and competitive advantage.

Looking ahead in 2024, macroeconomic uncertainties remain. We will focus on pursuing high-quality growth by optimizing risk performance and operations, and enhancing overall profitability.

I look forward to delivering more value to our stakeholders including our customers, shareholders, employees and the society.

Sincerely,

Liu Sai Wang Stephen
Executive Director and Chief Executive Officer

Hong Kong, March 26, 2024

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS

	For the year ended December 31, 2023 RMB million	2022 RMB million	Change
Total Income	**3,569.5**	3,119.3	14.4%
Interest type income	**1,477.3**	1,922.1	–23.1%
Less: interest expenses	**(327.6)**	(529.1)	–38.1%
Loan facilitation service fees	**2,241.0**	1,564.4	43.3%
Other income	**178.8**	161.9	10.5%
Operating Profit	**604.8**	695.1	–13.0%
Net Profit	**453.9**	532.5	–14.8%
Non-IFRS Adjusted Operating Profit(1)	**606.5**	700.1	–13.4%
Non-IFRS Adjusted Net Profit(2)	**455.6**	537.4	–15.2%

Notes:

(1) Non-IFRS Adjusted Operating Profit is defined as operating profit for the year ended December 31, 2023 (the "**Year**") and for the year ended December 31, 2022, respectively, excluding share-based compensation expenses. For more details, please see the section headed "Management Discussion and Analysis – *Non-IFRS Measures*".

(2) Non-IFRS Adjusted Net Profit is defined as net profit for the Year and for the year ended December 31, 2022, respectively, excluding share-based compensation expenses. For more details, please see the section headed "Management Discussion and Analysis – *Non-IFRS Measures*".

BUSINESS REVIEW AND OUTLOOK

In 2023, following an initial rebound at the start, the Chinese macro-economy and consumption rate slowed with demand weakening for consumer credit and overall recovery still clearly requiring time. Our industry continues to face strengthening fintech governance and requires growing investment in intelligent upgrades as technologies like artificial intelligence and big data application in the financial sector deepen. Meanwhile, our business framework is being further improved to sustain and support a secure compliant digital financial ecosystem.

During the Year, VCREDIT Holdings Limited (the "**Company**" or "**we**" and together with our subsidiaries, the "**Group**") continued to optimize our business model, innovate development strategy and improve technological standards, and maintain focus on higher quality borrowers. We are committed to ensuring that financial technology innovation and risk control go hand in hand, emphasizing consumer rights and safeguarding personal information security. At the same time, we are strengthening talent development and compliance construction to promote the sustained and healthy development of our business. The results during the Year demonstrate the resilience and flexibility of our development strategy, business model and operations.

Business Review

In 2023, the year-on-year GDP growth rate in China experienced a gradual slowdown after a brief rebound, and the Consumer Price Index for the entire year showed a downward trend. After experiencing a rebound in consumer market demand in 2022, the overall demand in 2023 was weaker than expected. Nevertheless, we still achieved remarkable growth and profitability through refined operations. In 2023, our loan origination volume reached a historical high of RMB75.2 billion, representing a 44.2% increase as compared to 2022.

In terms of addressing macroeconomic conditions and changes in user behavior, we continued optimizing our risk management framework by improving multi-source scoring cards, adjusting risk control policies, and undertaking significant model upgrades and complex testing. Furthermore, we introduced more comprehensive dimensions of customer features, enhancing our ability to accurately construct target customer risk profiles. These updates contributed to our ongoing shift towards higher-quality borrowers on the business asset side and achieving a balance between short-term risk and long-term returns.

With the rapid development of artificial intelligence technology, we actively embraced the trends and undertook deep iterative upgrades to our core business systems. In the first half of 2023, we formally launched VOS (VCREDIT operating system), a new generation platform that streamlines our business modules, enhances our system architecture and significantly boosts our research and development efficiency.

We continue to expand our network of high-quality customer acquisition channels. We have formed cooperative agreements with well-known content platforms, photo editing applications, internet-based logistics platforms, lifestyle service information platforms and other premium channels. This allows us to enhance our precision marketing and higher-quality customer acquisition. In the second half of 2023, we established a partnership with a leading data company. By jointly building a precise customer acquisition model, we significantly enhanced our ability to acquire customers more accurately in diverse scenarios. In 2023, our cumulative registered users reached 144 million, an increase of 13.6% as compared to 2022. For our existing customers, we have continued to improve their user experience by introducing a user willingness model to help raise our brand recognition and improve customer loyalty. In 2023, repeat loan customers accounted for 85.1% of our total loan volume.

While solidifying our performance and optimizing risk levels, we also prioritised compliance and enhancing consumer experiences. To align with our industry's evolving regulatory framework, we proactively adjusted our post-loan strategies, achieving forward-looking compliance transformations. Simultaneously, we actively responded to data security requirements, and implemented a "Duanzhilian (斷直連)" approach for credit data by the end of 2023.

In terms of consumer protection, we established a Consumer Rights Protection Committee, gradually building a comprehensive consumer protection framework to fulfill our responsibilities. Leveraging artificial intelligence large language models, we introduced an AI-powered online customer service bot that serves both customer service and marketing scenarios, therefore continuously optimizing user interaction experiences.

Our collaboration with financial institution funding partners has significantly increased, particularly deepening partnerships with systemically important banks. As of the end of 2023, we had established collaborations with 104 external funding partners, including 24 nationwide joint-stock commercial banks, consumer finance companies, and trust funds. These partnerships contribute to the formation of a diverse financing pool, supporting our progress towards our goals. While expanding the number of funding partners, we have gradually implemented a standardized scoring system, continually improved operational efficiency and steadily reduced funding costs. Building on this strong foundation, coupled with flexible financing and capital protection provided by third-party guarantee and asset management companies, we placed an emphasis on providing consumer finance through our pure loan facilitation model, consistently moving towards asset-light operations. Additionally, we increased opportunities for more technological collaborations with funding partners to deepen digital alliances, and have established in-depth cooperation in loan monitoring and consumer rights protection through joint modeling efforts.

Apart from strengthening and developing our existing consumer finance business in Mainland China, we undertook a member of initiatives to expand our presence and operations to different regions and countries to establish a diversified operating model in line with our business strategy. As a Hong Kong-based enterprise, we leveraged our understanding of the Hong Kong consumer credit market and existing technological advantages, and successfully launched a new consumer finance brand 'CreFIT' in Hong Kong in 2023. Additionally, we agreed to acquire Banco Português de Gestào, S.A. ("**BPG**"), a credit institution registered with the Bank of Portugal, allowing us to enter the Portuguese and broader European markets. Through these new initiatives, we aim to achieve significant breakthroughs in our business and deliver optimal returns for shareholders of the Company ("**Shareholders**").

Operating Review

Products and Services

We primarily offer two credit products through our pure online loan origination processes: (1) credit card balance transfer products, and (2) consumption credit products, both of which are installment-based. Interest rates (inclusive, where applicable, of our funding partners' interest share and guarantee charges of credit enhancement organisations) payable in respect of loans to customers ranged from 8.0% per annum to 36.0% per annum according to the type of consumer loan product and depending on factors such as results of the credit assessment and allocated score, loan size and loan tenor. As the Group is primarily engaged in lending to consumers, the Group did not have any concentration of loans in any single borrower during the Year. As at December 31, 2023, the aggregate principal amount outstanding from the five largest borrowers of the Group was RMB1,031,518 (representing 0.003% of the total loan balance of the Group as at December 31, 2023) and the principal amount outstanding from the largest borrower of the Group was RMB209,072 (representing approximately 0.001% of the total loan balance of the Group as at December 31, 2023). For the Year, the total number of transactions was 6.4 million. The average term of our credit products was approximately 10.0 months and the average loan size was approximately RMB11,748.

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,			
	2023		2022	
Loan Origination Volume	*RMB million*	%	*RMB million*	%
Direct Lending	1,296.5	1.7%	1,258.3	2.4%
Trust Lending	10,802.6	14.4%	11,661.9	22.3%
Credit-enhanced loan facilitation	50,676.4	67.3%	31,671.1	60.7%
Pure loan facilitation	12,472.7	16.6%	7,597.8	14.6%
Total	75,248.2	100.0%	52,189.1	100.0%

From all the loans originated by us, the outstanding loan principal is calculated using an amortisation schedule and is defined as the online consumption products outstanding balance of loans to customers. As at December 31, 2023, the online consumption products outstanding balance of loans to customers was RMB34,465.6 million, which represents a 37.5% increase from the balance of RMB25,066.3 million reported on December 31, 2022.

Asset Quality

Despite a moderate recovery in the consumption market at the start of the Year, China's macroeconomic conditions softened, which posed challenges to our business.

To tackle these challenges, we enhanced our capacity to recognize different customer types through several rounds of impactful model upgrades and complex testing, and by segmenting customers using a wider range of data sources. Additionally, we promptly adjusted credit limits to reinforce risk control and have continued to make compliance adjustments ahead of the implementation of new industry requirements to help us stay on the 'high ground' in the increasingly stringent regulatory environment expected in 2024 and beyond. In terms of relevant indicators of asset quality, we have maintained the first payment delinquency ratio at 0.71% in 2023Q4. The M1-M3 ratio and M3+ ratio for 2023Q4 are 5.07% and 2.98%, respectively.

	2022Q1	2022Q2	2022Q3	2022Q4	**2023Q1**	**2023Q2**	**2023Q3**	**2023Q4**
First payment delinquency ratio(1)	0.27%	0.23%	0.35%	0.43%	**0.53%**	**0.64%**	**0.61%**	**0.71%**
M1-M3 ratio(2)	2.83%	2.07%	2.33%	3.53%	**3.20%**	**4.09%**	**4.45%**	**5.07%**
M3+ ratio(3)	2.28%	2.06%	1.44%	1.77%	**2.49%**	**2.26%**	**2.83%**	**2.98%**

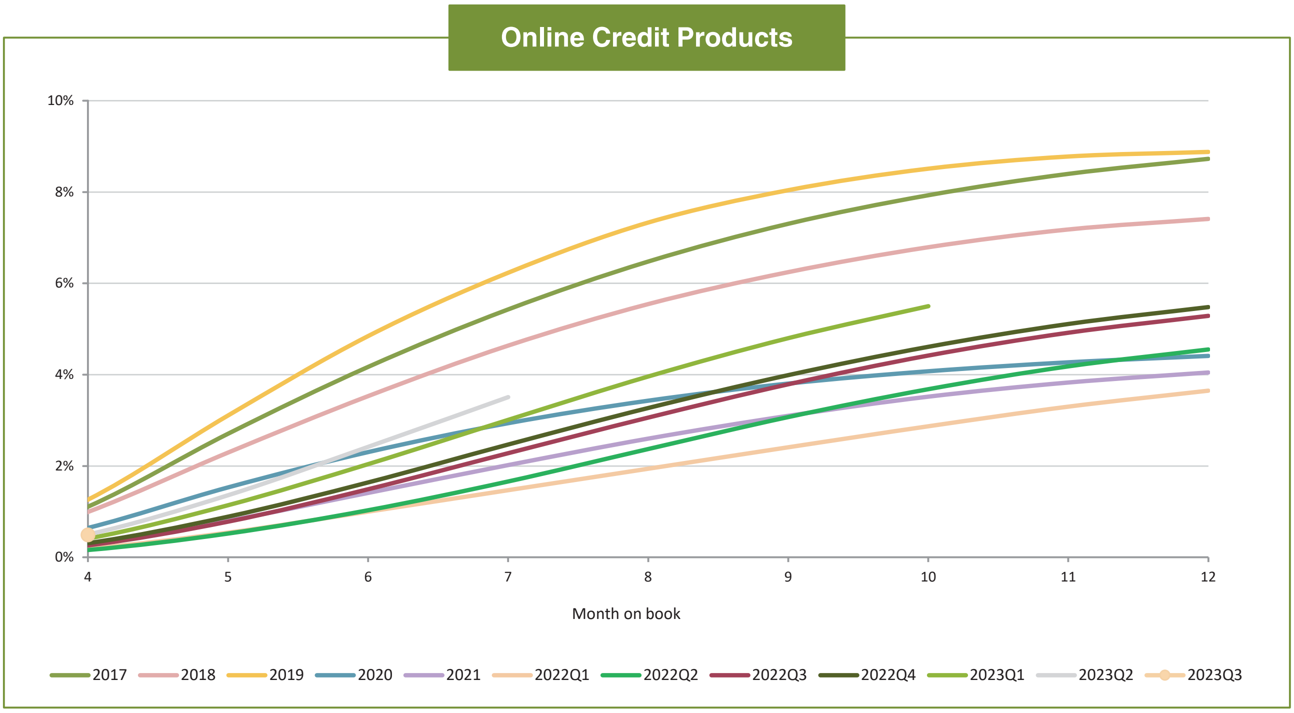
Notes:

(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 RMB2.1 million as at December 31, 2023.

(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 RMB2.1 million as at December 31, 2023.

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



Note:

(4) Cohort-Based M3+ Delinquency Ratio is defined as (i) the total amount of principal for the online loans in a vintage that have become delinquent for more than 3 months, less (ii) the total amount of recovered past due principal, and then divided by (iii) the total amount of initial principal for loans in such vintage excluding offline credit products which had a negligible balance of RMB2.1 million as at December 31, 2023

Outlook and Strategies

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

The Group will continue to focus on leveraging our advanced expertise and knowledge and actively embrace trends and innovation that are shaping our industry and society more broadly.

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

- Streamline and extend our credit solutions to better serve our customers to improve brand recognition and the loyalty and creditworthiness profile of our customer base

- Enhance risk management capability through deployment of evolving technology and artificial intelligence

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information has been derived from our audited consolidated annual financial information and related notes included elsewhere in this report.

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 14.4% to RMB3,569.5 million for the Year, compared to RMB3,119.3 million for the year ended December 31, 2022, primarily due to an increase in loan volume through our credit-enhanced and pure loan facilitation structures with partial offset due to a decrease in the average outstanding loan balance of our trust lending 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,	
	2023	2022
Net Interest Type income	***RMB'000***	*RMB'000*
Interest type income	**1,477,300**	1,922,140
Less: interest expenses	**(327,646)**	(529,160)
Total	**1,149,654**	1,392,980

We recorded interest type income generated from loans to customers originated under direct lending and trust lending structures of RMB1,477.3 million for the Year, a decrease of 23.1% compared to RMB1,922.1 million for the year ended December 31, 2022, primarily due to a decrease in the average outstanding loan balance of our trust lending structure.

Interest expenses decreased by 38.1% to RMB327.6 million for the Year, compared to RMB529.1 million for the year ended December 31, 2022, primarily due to a decrease in the average borrowing balance and the weighted average interest rate during the Year.

Loan Facilitation Service Fees

Loan facilitation service fees increased by 43.3% to RMB2,241.0 million for the Year, compared to RMB1,564.4 million for the year ended December 31, 2022, primarily due to an increase in loan origination volume through our credit-enhanced and pure loan facilitation structures.

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

	For the year ended December 31,	
	2023	2022
Loan Facilitation Service Fees	***RMB'000***	*RMB'000*
Credit-enhanced loan facilitation	**1,894,538**	1,355,086
Pure loan facilitation	**346,420**	209,273
Total	**2,240,958**	1,564,359

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

	For the year ended December 31,	
	2023	2022
Loan Facilitation Service Fees	***RMB'000***	*RMB'000*
Upfront loan facilitation service fees	**1,489,865**	1,092,829
Post loan facilitation service fees	**751,093**	471,530
Total	**2,240,958**	1,564,359

Other Income

Other income increased by 10.5% to RMB178.8 million for the Year, compared to RMB161.9 million for the year ended December 31, 2022, primarily due to the increase in referral fees from growing third-party platforms and increase in penalty and other charges and gains from guarantee caused by an increase in loan origination volume, although partially offset by a decrease in government grants.

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

Other Income	For the year ended December 31, 2023 RMB'000	2022 RMB'000
Membership fees, referral fees and other service fees	**107,289**	85,851
Penalty and other charges	**24,193**	16,413
Gains from guarantee	**20,922**	12,277
Government grants	**12,790**	36,010
Others	**13,682**	11,391
Total	**178,876**	161,942

Expenses

Origination and Servicing Expenses

Our origination and servicing expenses increased by 21.9% to RMB1,543.9 million for the Year, compared to RMB1,266.7 million for the year ended December 31, 2022, due to an increase in customer acquisition cost as we continue to expand high-quality customer acquisition channels, and increase in our facilitation costs and loan collection fees as a result of increase in loan origination volume.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 49.9% to RMB53.4 million for the Year, compared to RMB35.6 million for the year ended December 31, 2022, due to the increase in branding expenses and employee benefit expenses as a result of our efforts to expand our operations to different regions to establish a diversified operating model in line with our business strategy.

General and Administrative Expenses

Our general and administrative expenses increased by 18.4% to RMB336.8 million for the Year, compared to RMB284.4 million for the year ended December 31, 2022, due to the increase in office expenses, employee benefit expenses and professional service fees to support our growing business scale and scope.

Research and Development Expenses

Our research and development expenses increased by 28.8% to RMB125.9 million for the Year, compared to RMB97.7 million for the year ended December 31, 2022, primarily due to an increase in employee benefit expenses required for our investments in technological research and development.

Operating Profit

We recorded an operating profit of RMB604.8 million for the Year, a decrease of 13.0% compared to RMB695.1 million for the year ended December 31, 2022, primarily due to an increase in our operating expenses and credit impairment losses as a result of an increase in loan origination and business scale through the uneven macro environment.

Net Profit

We recorded a net profit of RMB453.9 million for the Year, a decrease of 14.8% compared to RMB532.5 million for the year ended December 31, 2022, which is consistent with our operating profit for the Year.

Non-IFRS Adjusted Operating Profit

Our Non-IFRS adjusted operating profit was RMB606.5 million for the Year, a decrease of 13.4% compared to RMB700.1 million for the year ended December 31, 2022.

Non-IFRS Adjusted Net Profit

Our Non-IFRS adjusted net profit was RMB455.6 million for the Year, a decrease of 15.2% compared to RMB537.4 million for the year ended December 31, 2022.

Non-IFRS Measures

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

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Operating Profit	**604,845**	695,120
Add:		
Share-based compensation expenses	**1,640**	4,965
Non-IFRS Adjusted Operating Profit	**606,485**	700,085
Non-IFRS Adjusted Operating Profit Margin(1)	**17.0%**	22.4%

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Net Profit	**453,911**	532,471
Add:		
Share-based compensation expenses	**1,640**	4,965
Non-IFRS Adjusted Net Profit	**455,551**	537,436
Non-IFRS Adjusted Net Profit Margin[2]	**12.8%**	17.2%

Notes:

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

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

Loans to Customers at Fair Value through Profit or Loss

Our loans to customers at fair value through profit or loss primarily represent the fair value of total balance of loans originated by us through our trust lending and direct lending structures. Our loans to customers at fair value through profit or loss increased by 24.4% to RMB6,504.4 million as at December 31, 2023, compared to RMB5,230.5 million as at December 31, 2022, primarily due to an increase in our trust lending loan origination volume for the six months ended December 31, 2023.

	As at December 31,			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Online consumption products	**6,504,421**	**100.0%**	5,226,433	99.9%
Online-to-offline credit products	**–**	**–**	4,038	0.1%
Total	**6,504,421**	**100.0%**	5,230,471	100.0%

Contract Assets

Our contract assets increased by 5.0% to RMB465.4 million as at December 31, 2023, compared to RMB443.1 million as at December 31, 2022, primarily due to a sustained increase in our credit-enhanced and pure loan origination volume by 60.8% to RMB63,149.1 million for the Year, compared to RMB39,268.9 million for the year ended December 31, 2022.

	As at December 31, 2023	2022
	RMB'000	*RMB'000*
Contract assets	552,808	496,681
Less: expected credit losses ("**ECL**") allowance	(87,400)	(53,535)
	465,408	443,146

Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables increased by 67.3% to RMB1,317.0 million as at December 31, 2023, compared to RMB787.4 million as at December 31, 2022. Our guarantee liabilities increased by 34.5% to RMB1,533.9 million as at December 31, 2023, compared to RMB1,140.8 million as at December 31, 2022. The growth in guarantee receivables and guarantee liabilities are primarily due to an increase in our credit-enhanced loan origination volume by 60.0% to RMB50,676.4 million for the Year, compared to RMB31,671.1 million for the year ended December 31, 2022.

	For the year ended December 31, 2023	2022
	RMB'000	*RMB'000*
Guarantee Receivables		
Opening balance	787,396	325,331
Addition arising from new business	3,359,307	1,676,179
ECL	(226,801)	(80,580)
Reversal due to early repayment	(164,675)	(52,759)
Payment received from borrowers	(2,438,203)	(1,080,775)
Ending Balance	1,317,024	787,396

	For the year ended December 31, 2023	2022
	RMB'000	*RMB'000*
Guarantee Liabilities		
Opening balance	1,140,754	472,454
Addition arising from new business	3,359,307	1,676,179
Release of the margin	(233,509)	(116,538)
ECL	212,587	104,261
Reversal due to early repayment	(164,675)	(52,759)
Payouts during the year, net	(2,780,581)	(942,843)
Ending Balance	1,533,883	1,140,754

Borrowings and Senior Notes

Our total borrowings and senior notes, as recorded in our consolidated statement of financial position, comprise (i) payable to trust plan holders, (ii) bank borrowings and (iii) senior notes. Our payable to trust plan holders increased by 20.8% to RMB4,999.1 million as at December 31, 2023, compared to RMB4,137.6 million as at December 31, 2022, primarily due to an increase in loans originated by us through our trust lending structure for the six months ended December 31, 2023.

As at December 31, 2023, the Group had a secured bank borrowing with a principal amount of RMB313.8 million guaranteed by deposits of RMB321.3 million.

The senior notes comprised the remaining principal amount of HK$100,000,000 of the HK$200,000,000 9.5% senior notes due 2025 ("**2025 Senior Notes**") issued on June 16, 2022.

During the Year, we repurchased the principal amount of HK$100,000,000 of the 2025 Senior Notes on June 16, 2023. All of the repurchased 2025 Senior Notes were subsequently cancelled.

	As at December 31,			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Payable to trust plan holders	4,999,099	89.9%	4,137,616	91.8%
Secured bank borrowings	314,901	5.7%	186,990	4.1%
Unsecured bank borrowings	157,888	2.8%	6,720	0.2%
	5,471,888	98.4%	4,331,326	96.1%
Senior notes	89,989	1.6%	176,236	3.9%
Total	5,561,877	100.0%	4,507,562	100.0%

Weighted Average Interest Rates of Borrowings and Senior Notes	As at December 31, 2023	2022
Payable to trust plan holders	8.3%	8.8%
Bank borrowings	5.1%	5.6%
Senior notes	9.5%	10.5%

Gearing ratio

As at December 31, 2023, our gearing ratio, calculated as total liabilities divided by total assets, was approximately 65.1%, representing an increase of 3.0% as compared with 62.1% as at December 31, 2022.

As at December 31, 2023, our consolidated debt to equity ratio, calculated as the sum of borrowings, senior notes, lease liabilities and guarantee liabilities divided by total equity, was approximately 1.7x, as compared with 1.5x as at December 31, 2022.

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,	
	2023	2022
	RMB'000	*RMB'000*
Net cash (outflow)/inflow from operating activities	**(1,344,871)**	3,042,945
Net cash inflow/(outflow) from investing activities	**70,356**	(176,109)
Net cash inflow/(outflow) from financing activities	**580,516**	(3,177,292)
Net decrease in cash and cash equivalents	**(693,999)**	(310,456)
Cash and cash equivalents at the beginning of the years	**1,592,514**	1,908,110
Effects of exchange rate changes on cash and cash equivalents	**(1,815)**	(5,140)
Cash and cash equivalents at the end of the years	**896,700**	1,592,514

Our cash inflow generated from operating activities during the Year primarily consists of principal and interest, loan facilitation service fees and other service fees received from the consumer finance products we offered. Our cash outflow used in operating activities during the Year primarily consists of loan volume origination by direct and trust lending structures, cash payment of guarantee indemnification, security deposits in financial institutions funding partners, employee salaries and benefits, taxes and surcharges, and other operating expenses. We had net cash outflow used in operating activities of RMB1,344.9 million for the Year, as compared to net cash inflow generated from operating activities of RMB3,042.9 million for the year ended December 31, 2022, primarily due to a cash outflow used in expanded loan volume originated by our trust lending structure for the six months ended December 31, 2023, and our loans to customers at fair value through profit or loss had an increase of RMB1,274.0 million as at December 31, 2023. Additionally, we had an increase in cash outflow used for payment of security deposits to financial institution funding partners as a result of an increase in loan origination volume through our credit-enhanced loan facilitation structure.

We had net cash inflow from investing activities of RMB70.4 million for the Year, as compared to net cash outflow of RMB176.1 million for the year ended December 31, 2022. For the Year, we had net cash inflow of RMB94.6 million compared to a net cash outflow of RMB122.6 million for the year ended December 31, 2022 as a result of the change of our financial investments at fair value through profit or loss.

We had net cash inflow from financing activities of RMB580.5 million for the Year, as compared to net cash outflow for financing activities of RMB3,177.3 million for the year ended December 31, 2022, mainly because we had a net cash inflow from borrowings and trust plans of RMB1,133.3 million, as compared to a net cash outflow of RMB2,123.5 million for the year ended December 31, 2022. We also had net outflow from payment of interest expenses of RMB319.9 million, as compared to a net outflow of RMB514.6 million for the year ended December 31, 2022. Additionally, we had a net cash outflow of RMB88.4 million used in repayment of senior notes, as compared to a net cash outflow of RMB402.6 million for the year ended December 31, 2022.

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, 2023.

Charges on Assets

As at December 31, 2023, the Group had cash deposits of RMB321.3 million pledged to banks as securities for banking facilities.

Contingencies

Save as disclosed in this report, the Group did not have any significant contingent liabilities as at December 31, 2023.

ACQUISITIONS AND DISPOSALS

Material Investments and Acquisitions

On May 5, 2023, the Company entered into an agreement to purchase, amongst other things, 98.87% of BPG. Further details of the transaction are set out in the announcement of the Company dated May 5, 2023.

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

Board of Directors and Senior Management

DIRECTORS

Mr. Ma Ting Hung	*Executive Director and Chairman*
Mr. Liu Sai Wang Stephen	*Executive Director and Chief Executive Officer*
Mr. Liu Sai Keung Thomas	*Executive Director and Chief Operating Officer*
Mr. Yip Ka Kay	*Non-Executive Director*
Mr. Chen Derek	*Independent Non-Executive Director*
Mr. Chen Penghui	*Independent Non-Executive Director*
Mr. Fang Yuan	*Independent Non-Executive Director*

Directors – Biographies

Mr. Ma Ting Hung, aged 60, joined as a director of the Company in September 2007. He is an executive director and the Chairman of the Company and the chairman of the nomination committee of the Company. Mr. Ma was redesignated from a non-executive director to an executive director of the Company in March 2022. He is also a director of several subsidiaries of the Company. Mr. Ma is responsible for the overall strategic planning and business direction of the Group, as well as management of the Company. Mr. Ma has over 28 years of experience in banking and finance, and the natural resources industry. Mr. Ma served as an executive director of CITIC Resources Holdings Limited (Stock Code: 1205) ("**CRH**"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), from August 2000 to August 2007 and as a non-executive director of CRH from August 2007 to June 2009 and from September 2015 to June 2018, as chief executive officer of CRH from August 2000 to September 2005 and as vice chairman of CRH from August 2000 to August 2007. He was also an independent non-executive director of Universe Entertainment and Culture Group Company Limited (formerly known as Universe International Holdings Limited) (Stock Code: 1046), a company listed on the Main Board of the Stock Exchange, from September 2004 to November 2008.

Mr. Ma received his Bachelor of Arts degree majoring in Economics from the University of Southern California in December 1985. Mr. Ma is a member of the China Overseas Friendship Association and a member of The Hong Kong Independent Non-Executive Directors Association.

Mr. Ma is a director of each of Skyworld-Best Limited, Wealthy Surplus Limited and Glory Global International Limited, substantial shareholders (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) of the Company.

Mr. Liu Sai Wang Stephen ("**Mr. Stephen Liu**"), aged 56, joined as a director of the Company in September 2007. He is an executive director and the Chief Executive Officer of the Company and a member of the remuneration committee of the Company. He is also a director of several subsidiaries of the Company. Mr. Stephen Liu is responsible for the overall strategic planning and business oversight of the Group, as well as management of the Company. Prior to joining the Company, Mr. Stephen Liu held various positions at the Hong Kong Branch of The Sanwa Bank Ltd. between July 1989 and September 2000, including as Senior Manager of its China Department.

Mr. Stephen Liu received his Bachelor of Science degree from The Chinese University of Hong Kong in December 1989 and a master's degree in business administration from The University of Michigan in April 2003.

Mr. Stephen Liu is the brother of Mr. Liu Sai Keung Thomas, an executive director and the Chief Operating Officer of the Company.

Mr. Stephen Liu is a director of each of Magic Mount Limited and Perfect Castle Development Limited, substantial shareholders (within the meaning of Part XV of the SFO) of the Company.

Mr. Liu Sai Keung Thomas (“**Mr. Thomas Liu**”), aged 51, joined as a director of the Company in November 2017. He is an executive director and the Chief Operating Officer of the Company. Mr. Thomas Liu is also a director or supervisor of several subsidiaries of the Company. He is responsible for overseeing the day-to-day operations of the Company. Prior to joining the Company, Mr. Thomas Liu worked as managing director in the Strategic Investment division at GroupM, a division of J. Walker Thompson-Bridge Advertising Co., Ltd., from August 2007 to May 2009. He was also Vice President in the Business Development department at Star (China) Company Limited, a then subsidiary of 21st Century Fox (Asia) Ltd. (formerly known as the News Corporation) from February 2006 to July 2007. From April 2003 to February 2006, Mr. Thomas Liu held various positions in the group of TOM Group Limited (Stock Code: 2383), a company listed on the Main Board of the Stock Exchange, including as director of the Corporate Development department at TOM Online Inc. Mr. Thomas Liu was an associate in Lehman Brothers Inc. in New York from 2001 to 2002.

Mr. Thomas Liu is an independent non-executive director of NetDragon Websoft Holdings Limited (Stock Code: 777), a company listed on the Main Board of the Stock Exchange.

Mr. Thomas Liu received his bachelor’s degree in business administration in May 1995 and a master’s degree in finance (evening program) in December 1999, both from The Chinese University of Hong Kong. He also received a master’s degree in business administration, majoring in Finance and Strategy, from The Anderson School at the University of California, Los Angeles, in June 2001.

Mr. Thomas Liu is the brother of Mr. Stephen Liu, an executive director and the Chief Executive Officer of the Company.

Mr. Yip Ka Kay, aged 59, joined as a director of the Company in March 2012. He is a non-executive director of the Company and a member of the audit committee of the Company.

Mr. Yip is the managing director and responsible officer of GRE Investment Advisors Limited, a Hong Kong Securities and Futures Commission licensed advisor to NM Strategic Management, LLC. He is also a managing director of General Oriental Investments (HK) Limited, a wholly owned subsidiary of General Oriental Investments S.A., the investment manager of the Cavenham Group of Funds. Mr. Yip is also an independent non-executive director of Shun Tak Holdings Limited (Stock Code: 242), a company listed on the Main Board of the Stock Exchange. Mr. Yip has extensive experience in private equity and alternative and portfolio investment. He was previously the managing director and responsible officer of Bosera Asset Management (International) Co., Limited in Hong Kong. Prior to that, he was a founding and senior partner of General Enterprise Management Services (HK) Limited, a private equity management company. He was also previously a vice president of JP Morgan International Capital Corporation.

Mr. Yip is currently a member of the Investment Advisory Committee of EQT Partners, a leading private equity group in Europe, which works with portfolio companies to achieve sustainable growth, operational excellence and market leadership. He is also a member of the Routine and Expedited Panel of the Hospital Authority Central Institutional Review Board.

Mr. Yip holds an A.B. Degree in Economics (Magna Cum Laude) from Harvard University. He sits as a non-scientific member of the Institutional Review Board of the University of Hong Kong/Hospital Authority Hong Kong West Cluster. He was chairman emeritus of the Hong Kong Venture Capital and Private Equity Association. Mr. Yip has also served on the Financial Services Advisory Committee of the Trade Development Council of the Hong Kong Special Administrative Region of the People’s Republic of China.

Mr. Chen Derek, aged 48, joined as an independent non-executive director of the Company in December 2021. He is a member of each of the remuneration committee, the audit committee and the nomination committee of the Company. He was a director of the Company from October 2017 to October 2019. Mr. Chen is also an independent non-executive director of Zhihu Inc.. (Stock Code: 2390 and New York Stock Exchange under Stock Code: ZH). He was a Partner of TPG Capital (Beijing) Limited from September 2013 to 2019 and was responsible for Growth Equity investments in China. Prior to joining TPG Capital (Beijing) Limited, Mr. Chen worked at SAIF (Beijing) Advisors Ltd. from March 2004 with a focus on private equity and capital market investments, and he was a principal of the firm when he left in September 2009. He has significant experience in the private equity and fintech industries.

Mr. Chen received a master's degree in business administration from Columbia Business School in 2001.

Mr. Chen Penghui, aged 52, joined as an independent non-executive director of the Company in June 2018. He is the chairman of the remuneration committee of the Company and a member of the audit committee and the nomination committee of the Company. Mr. Chen is a partner at Biotrack Capital (博遠醫療基金), an investment fund, which he co-founded in June 2017. Prior to that, Mr. Chen was a partner at Sequoia Capital China (紅杉資本中國基金) from May 2014 to May 2017 and a managing director at China Everbright Holdings Co., Ltd. (中國光大集團股份公司) from December 2011 to May 2014. Mr. Chen was also the President of ShangPharma Co., Ltd. ("**ShangPharma**") (previously listed on the New York Stock Exchange under Stock Code: SHP) from January 2011 to December 2011, the chief operating officer of ShangPharma from 2008 to 2011 and the chief financial officer of ShangPharma from September 2010 to January 2011, and a director of Jiangsu Yuyue Medical Equipment & Supply Co., Ltd. (江蘇魚躍醫療設備股份有限公司) (Stock Code: 002223), a company listed on the Shenzhen Stock Exchange, from April 2015 to November 2017. He was a director of BGI Genomics Co., Ltd. (深圳華大基因股份有限公司) (Stock Code: 300676), a company listed on the Shenzhen Stock Exchange, from June 2015 to June 2021.

Mr. Chen received his bachelor's degree in chemistry from Nanjing University in July 1993 and master's degree in medicinal chemistry from Tulane University in May 1998. Mr. Chen was awarded a master's degree in business administration from Kellogg School of Management, Northwestern University in June 2003.

Mr. Fang Yuan, aged 46, joined as an independent non-executive director of the Company in August 2020. He is the chairman of the audit committee of the Company and a member of the nomination committee and the remuneration committee of the Company. Mr. Fang is the founding managing partner of Starquest Capital, a China based private equity and fund of funds firm with investment strategy focused on the consumer, healthcare and technology sectors. Prior to founding Starquest Capital in 2018, Mr. Fang served as the Head of LGT Capital Partners in China for 12 years. Prior to joining LGT Capital Partners in early 2007, Mr. Fang worked for AXA Private Equity Group in Singapore focusing on fund of funds and direct investment in the Pan-Asia region. Mr. Fang has over 20 years' experience in the finance industry.

Mr. Fang holds a Bachelor's degree in Accounting from Shanghai Jiao Tong University, a MBA degree from INSEAD Business School and an EMBA degree from People's Bank of China School of Finance of Tsinghua University. Mr. Fang also holds the Chinese certified public accountant qualification.

Senior Management – Biographies

Ms. Bai Hong, aged 49, joined in September 2019 and is the Chief Financial Officer of the Group. Prior to joining the Group, Ms. Bai served as the Chief Risk Officer of Citigroup China Consumer bank. During her 15 years in the United States of America, Ms. Bai worked at Citigroup, Royal Bank of Scotland and The Hongkong and Shanghai Banking Corporation Limited.

Ms. Bai received her Master of Science degree in Statistics from Iowa State University and Doctor of Philosophy in Economy Management from China Agricultural University.

Mr. Gong Yisheng, aged 49, joined in January 2019 and is the Chief Risk Officer of the Group. Prior to joining the Group, Mr. Gong had extensive experience in consumer lending risk management having spent 10 years at Capital One in the United States of America before returning to China to spearhead risk management at two independent consumer finance lenders.

Mr. Gong received his bachelor's degree from Guanghua School of Management, Peking University, and a master's degree in economics from Temple University in the United States of America.

Mr. Jin Jiafang, aged 46, joined in March 2013 and is the Chief Strategy Officer of the Group. He was the Chief Technology Officer of the Group from March 2013 to May 2021. Prior to joining the Group, Mr. Jin served as a Vice President of Information Management at International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司) from May 2007 to January 2013.

Mr. Jin received his master's degree in business administration from Tongji University in November 2007. Mr. Jin also received a bachelor's degree in economics from Tsinghua University in July 2007, through long distance learning.

Mr. Shi Hongzhe, aged 45, joined in June 2021 and is the Chief Technology Officer of the Group. Prior to joining the Group, Mr. Shi served as a Vice President of Technology at Lexinfintech Holdings Ltd. (樂信控股有限公司) from February 2017 to August 2020.

Mr. Shi received his master's degree in business administration from South China University of Technology in June 2011 and his bachelor's degree in computer science from Tianjin University in July 2001.

Ms. Xue Lan, aged 60, joined in 2001 and is the General Manager of the Group. She is also the general manager of Vision Credit Financial Technology Co., Ltd. (上海維信薈智金融科技有限公司), Vision Credit Financing Guarantee Co., Ltd. (維仕融資擔保有限公司), and Chengdu Weishi Microfinance Co., Ltd. (成都維仕小額貸款有限公司). Ms. Xue is currently a member of the 15th Chinese People's Political Consultative Conference and a member of the 15th Standing Committee of the China Federation of Industry and Commerce in Hongkou District, Shanghai, China. She has been awarded the title of Shanghai New Long March pacesetter and the title of Shanghai women pacesetter for 2017 to 2018.

Mr. Yu Rui, aged 47, joined in June 2007 and is the Chief Marketing Officer of the Group. Prior to joining the Group, Mr. Yu worked at NEC (China) Co., Ltd. and Beijing Jiexun Ruizhi Technology Development Co., Ltd.

Mr. Yu received a master's degree from the University of Nottingham, the United Kingdom, and an EMBA degree from the China Europe International Business School.

Corporate Governance Report

The board of directors of the Company (the "**Board**") is committed to applying good corporate governance practices and procedures in its management of the Company and the conduct of its business and operations

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has, during the Year, applied the principles and complied with the applicable code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 (the "**CG Code**") 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 C3 to the Listing Rules (the "**Model Code**") as the code of conduct to regulate dealings in the securities of the Company by the directors and senior management of the Company.

Save as provided below, each director has confirmed, following specific enquiry by the Company, that he has complied with the required standards set out in the Model Code throughout the Year.

On February 17, 2023, during the blackout period relating to the issue of the Company's annual results for the year ended December 31, 2022, CPED (KY) Limited ("**CPED (KY)**") transferred its 4,015,628 shares of the Company (the "**Relevant Shares**") to Cavenham Private Equity and Directs ("**Cavenham Private**") pursuant to an intra-group reorganisation. As Mr. Yip Ka Kay ("**Mr. Yip**") is deemed to have a notifiable interest in the Relevant Shares through his ownership of shares in CPED (KY), the transfer of the Relevant Shares by CPED (KY) to Cavenhem Private was contrary to the provisions of the Model Code. The Company has reminded Mr. Yip, and all other directors, of the dealing restrictions contained in the Model Code.

BOARD OF DIRECTORS

As at the date of this report, the Board comprised the following directors:

Executive Directors

Mr. Ma Ting Hung *(Chairman)*
Mr. Liu Sai Wang Stephen *(Chief Executive Officer)*
Mr. Liu Sai Keung Thomas *(Chief Operating Officer)*

Non-Executive Director

Mr. Yip Ka Kay

Independent Non-Executive Directors

Mr. Chen Derek
Mr. Chen Penghui
Mr. Fang Yuan

Mr. Liu Sai Wang Stephen and Mr. Liu Sai Keung Thomas are siblings. Save as aforesaid, there are no other material or relevant financial, business, family or other relationships between the directors.

Responsibilities of the Board

The Board is responsible for the overall management of the Group and its business and affairs, which includes providing leadership and control to and over the Group's management, determining business strategy, monitoring financial and operating performance and reviewing the effectiveness of internal control and risk management systems.

The Board possesses the required knowledge, skills and experience appropriate for the requirements of the Group's business and the ability to exercise independent judgement in the interests of the Company and its Shareholders.

The Board is provided with monthly management reports on the Group's business and financial performance.

Board Meetings

The Board holds meetings regularly and holds at least four meetings a year at about quarterly intervals to review the operations and financial and business performance of the Group, including the interim and annual financial results of the Group. Regular Board meetings are scheduled in advance to give directors an opportunity to attend. Additional meetings of the Board are held to deal with Board matters as necessary. At least 14 days' notice of regular Board meetings is given to directors and such notice as is reasonable in the circumstances in all other cases. Directors are invited to include matters in the agenda for regular Board meetings. Directors can attend Board meetings either in person or by electronic means of communication.

A total of four regular Board meetings were held during the Year. There was satisfactory attendance for Board meetings, which evidences prompt attention of the directors to the affairs of the Company.

If a substantial shareholder (as defined under the Listing Rules) or a director has a material conflict of interest in respect of a matter to be considered by the Board, the matter will be dealt with by a physical Board meeting (and not by a written resolution). Independent non-executive directors who, and whose associates, have no material interest in the transaction will be present at such board meeting.

Efforts are made to ensure that directors' questions or requests are dealt with promptly. All directors have access to the advice and services of the company secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The directors also have separate and independent access to senior management to make further enquiries or to obtain more information where necessary.

Delegation by the Board

Authority and responsibility for the day-to-day management, administration and operation of the Group is delegated by the Board to a senior management team, led by the chief executive officer.

Under the leadership of the chief executive officer, senior management is responsible for executing the Board's strategy and implementing its policies through the day-to-day management and operations of the Group's businesses.

The Board determines which functions are reserved to the Board and which are delegated to senior management. The Board delegates appropriate aspects of its management and administrative functions to senior management and gives clear directions as to the powers of senior management, in particular, with respect to the circumstances where senior management must report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. These arrangements are reviewed periodically to ensure that they remain appropriate to the needs of the Company.

Important matters are reserved to the Board for its decision, including long term objectives and strategies, extension of the Group's activities into new business areas, appointments to the Board and the Board committees, annual budgets, material acquisitions and disposals, material connected transactions, material banking facilities, approval of interim and final results and payment of dividends.

Appointment and Re-election of Directors

The second amended and restated articles of association of the Company (the "**Articles**") require that at each annual general meeting one-third of the Board shall retire from office by rotation, and that each director (including those appointed for a specific term) are subject to retirement by rotation at least once every three years.

Directors, including non-executive and independent non-executive directors, are now appointed for an initial term of one year, and thereafter from year to year, subject to retirement in accordance with the Articles.

The Articles also require that a director appointed to fill a casual vacancy or as an additional director shall hold office only until the first annual general meeting after his/her appointment and is subject to re-election at such meeting.

Non-Executive Directors

The non-executive directors (including the independent non-executive directors) are experienced individuals from diversified backgrounds and industries including the financial sector, and one independent non-executive director has appropriate accounting and related financial management expertise as required by the Listing Rules. With their expertise and experience, the non-executive directors (including the independent non-executive directors) provide independent judgement and advice on the overall management of the Company.

The total number of non-executive directors (including the independent non-executive directors) currently represents more than half of the Board members which lends a very strong independent element to the Board and its judgement and decision-making. The non-executive directors (including the independent non-executive directors) take the lead where potential conflicts of interests arise.

Independent non-executive directors are invited to fully participate in Board meetings.

During the Year, the chairman has held a meeting with the independent non-executive directors.

Independent Non-Executive Directors

The Company has received an annual confirmation of independence from each of the independent non-executive directors. The Board is of the view that all of the independent non-executive directors meet the guidelines for assessing independence as set out in rule 3.13 of the Listing Rules and considers them to be independent.

Directors' Training and Professional Development

On appointment, each new director is provided with orientation, induction and relevant materials regarding his or her duties and responsibilities under the Articles, the Listing Rules, the SFO and the Company's corporate governance policies, as well as an understanding of the Group's corporate goals, activities and business, strategic plans and financial performance and position. The directors receive annual training on their duties and responsibilities as directors and the requirements of and their obligations under, amongst others, the Listing Rules and the SFO and did so during the Year.

The company secretary is responsible for keeping directors updated on the Listing Rules and other regulatory and reporting requirements changes and developments.

To develop and refresh their knowledge and skills, the directors are expected to participate in appropriate continuous professional development training that covers updates on laws, rules and regulations and also directors' duties and responsibilities. During the Year, Mr. Ma Ting Hung, Mr. Liu Sai Wang Stephen, Mr. Liu Sai Keung Thomas, Mr. Yip Ka Kay, Mr. Chen Derek, Mr. Chen Penghui and Mr. Fang Yuan received e-training regarding the Stock Exchange's requirements in environmental, social and governance reporting and the Board's responsibilities under the requirements, and read materials regarding corporate governance practice and the independent non-executive directors' roles and responsibilities. The directors have confirmed they have received appropriate continuous professional development training during the Year.

Indemnification of Directors and Officers

The directors and officers are indemnified under insurance policies against any liability incurred by them in the discharge of their duties while holding office as directors and officers of the Company. The directors and officers are not indemnified if negligence, fraud, breach of duty or breach of trust is proven against them.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles, responsibilities, authorities and powers of the chairman and the chief executive officer are separate and distinct and are not performed by the same individual.

The chairman focuses on the Group's strategic business planning while the chief executive officer has overall executive responsibility for the Group's day-to-day development and management. They receive significant support from the directors and senior management.

The chairman is responsible for, amongst other things, ensuring the whole Board receives, in a timely manner, adequate information regarding the Group and its financial and business performance which is accurate, clear, complete and reliable. The Board, led by the chairman, sets the overall direction, strategy and policies of the Company.

The chairman provides leadership for the Board to ensure that it works effectively, performs its responsibilities and acts in the best interests of the Company. He is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures. The chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings. He also encourages the directors, especially non-executive directors (including the independent non-executive directors), to make full and active contributions to the Board's affairs, to voice their concerns or different views and ensure that the Board's decisions fairly reflect the consensus.

BOARD COMMITTEES

The Board has established an audit committee, nomination committee and remuneration committee, each with specific terms of reference that deal clearly with their respective authorities and responsibilities. The terms of reference of each of these committees is available on the websites of the Company and the Stock Exchange.

There was satisfactory attendance for meetings of the board committees during the Year. The minutes of committee meetings are circulated to all members of the relevant committee unless a conflict of interest arises. The committees are required to report back to the Board on key findings, recommendations and decisions.

Audit Committee

The role and responsibilities of the audit committee include:

(A) the review and supervision of the financial reporting process, financial controls, internal control and risk management system and to make recommendations and provide advice to the Board on the appointment, re-appointment and removal and the terms of appointment of the external auditor; and

(B) reporting to the Board any suspected fraud and irregularities and suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

Members of the audit committee during the Year were:

Mr. Fang Yuan *(Independent Non-Executive Director) (Chairman)*
Mr. Chen Derek *(Independent Non-Executive Director)*
Mr. Chen Penghui *(Independent Non-Executive Director)*
Mr. Yip Ka Kay *(Non-Executive Director)*

The Board believes that members of the audit committee possess appropriate professional qualifications and/or experience in financial matters. None of the audit committee members is or has been a partner of the existing external auditor.

During the Year, the audit committee met twice, together with senior management and the external auditor, to review, amongst other things, the annual financial statements of the Company for the year ended December 31, 2022 and the interim financial statements of the Company for the six months ended June 30, 2023, the accounting principles and practices adopted by the Group, statutory compliance, other financial reporting matters, the adequacy and effectiveness of the Group's internal audit, risk management and internal control system, and the adequacy of resources, staff qualifications and experience of the Company's accounting, internal audit and financial reporting functions.

Nomination Committee

The role and responsibilities of the nomination committee include reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying appropriate candidates to serve as directors, overseeing the process for evaluating the performance of the Board, assessing the independence of the independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

To assist the nomination committee in considering the nomination of new directors, the Board has adopted:

(A) a diversity policy which sets out the approach to achieve diversity on the Board, requiring consideration of a range of diversity perspectives with regard to the selection of candidates as directors including, but not limited to, gender, age, cultural and educational background and professional experience; and

(B) a nomination policy which, amongst other things, sets out the factors which the nomination committee should consider in discharging its responsibilities.

Members of the nomination committee during the Year were:

Mr. Ma Ting Hung *(Executive Director) (Chairman)*
Mr. Chen Derek *(Independent Non-Executive Director)*
Mr. Chen Penghui *(Independent Non-Executive Director)*
Mr. Fang Yuan *(Independent Non-Executive Director)*

One meeting of the nomination committee was held during the Year to review, among other things, the structure, size and composition (including the skills, knowledge and experience and diversity) of the Board, the independence of independent non-executive directors and the retirement and re-election of directors in accordance with the Articles and the Listing Rules.

Remuneration Committee

The role and responsibilities of the remuneration committee are to make recommendations to the Board in determining the policy and structure for the remuneration of directors and senior management, to establish a formal and transparent procedure for developing policy, to evaluate the performance of directors and senior management, to review and approve the terms of incentive schemes and directors' service contracts, and to recommend the remuneration packages for all directors and senior management.

The remuneration committee consults the chairman of the Board and/or the chief executive officer about the remuneration proposals for executive directors, and may also seek independent professional advice if considered necessary.

Members of the remuneration committee during the Year were:

Mr. Chen Penghui *(Independent Non-Executive Director) (Chairman)*
Mr. Chen Derek *(Independent Non-Executive Director)*
Mr. Fang Yuan *(Independent Non-Executive Director)*
Mr. Liu Sai Wang Stephen *(Executive Director)*

One meeting of the remuneration committee was held during the Year to review and recommend to the Board adjustments in directors' fees and remuneration, authorise the chief executive officer to determine senior management's remuneration and review the terms of reference of the remuneration committee. The remuneration committee meets as and when required to perform its responsibilities, and at least once in each financial year.

ATTENDANCE AT MEETINGS OF THE BOARD AND BOARD COMMITTEES, AND GENERAL MEETINGS

	Number of meetings held during the Year Attended/Eligible to attend					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting held on June 16, 2023	Extraordinary General Meeting held on October 12, 2023
Executive Directors						
Mr. Ma Ting Hung	4/4	–	1/1	–	1/1	1/1
Mr. Liu Sai Wang Stephen	4/4	–	–	1/1	1/1	1/1
Mr. Liu Sai Keung Thomas	4/4	–	–	–	1/1	1/1
Non-Executive Director						
Mr. Yip Ka Kay	4/4	1/2	–	–	1/1	1/1
Independent Non-Executive Directors						
Mr. Chen Derek	4/4	2/2	1/1	1/1	1/1	1/1
Mr. Chen Penghui	4/4	2/2	1/1	1/1	1/1	0/1
Mr. Fang Yuan	4/4	2/2	1/1	1/1	1/1	0/1

DIVERSITY

The Company sees diversity, including but not limited to gender, at the Board level and amongst its employees as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent.

To achieve gender diversity on the Board, the nomination committee has initiated steps to identify non-male candidates with appropriate experience and qualifications for recommendation to the Board for consideration and appointment as a director. The Company will use its best endeavours to appoint a non-male director on or before the end of 2024.

As of December 31, 2023, the overall gender ratio of the Group's employees (including senior management) was 52% (male) and 48% (female).

CORPORATE GOVERNANCE FUNCTIONS

The Board has the following responsibilities:

(A) to develop and review the Company's policies and practices on corporate governance and to review compliance with the CG Code and disclosures in the corporate governance report;

(B) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(C) to review and monitor the training and continuous professional development of the directors and senior management; and

(D) to develop, review and monitor the code of conduct applicable to the directors and employees.

COMPANY SECRETARY

Ms. Lau Wing Yee is the company secretary of the Company. Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Lau has completed no less than 15 hours of relevant professional training during the Year in compliance with rule 3.29 of the Listing Rules.

The Company has not appointed an external service provider to act as company secretary.

FINANCIAL REPORTING

The directors acknowledge their responsibilities for preparing the financial statements of the Group. The directors are regularly provided with updates on the Company's businesses, potential investments, financial objectives, plans and actions. The Board aims at presenting a balanced, clear and comprehensive assessment of the Group's performance, financial and business position and prospects. Senior management provides explanation and information to the directors to enable the Board to make informed assessments of the financial, business and other matters put before the Board for approval.

Based on a review conducted by the audit committee, the Board considers that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function are adequate.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a system of risk management and internal control appropriate for the Group's business and for reviewing its effectiveness.

As a consumer finance service provider, the Group is subject to a variety of risks to its business operations, including credit risk, liquidity risk, legal and compliance risk, market risk, data privacy risk and operation risk. Among these risks, credit risk of borrowers is the primary exposure of the Group. The overall objective of the Group's risk management system is to maintain and optimise robust and efficient risk management and internal control to ensure the security of the Group's operations and assets, to achieve a balance between business growth and risk control, and to protect the long-term interests of Shareholders.

The Group applies a risk management and internal control system that monitors, assesses and manages the risks associated with the Group's business and operations.

(A) The Group's process for receiving and assessing loan applications is managed entirely online through the Group's proprietary technology known as *'Hummingbird'*. *Hummingbird* undertakes credit assessment by, amongst other things, verifying applicants' identities, detecting and preventing fraudulent applications and risk quantification through the application of proprietary multi-dimensional scorecards which are based on aspects of applicants' profiles including information available from applicable agencies such as the Credit Reference Center of the People's Bank of China ("**CCRC**"), past payment behavior, number of bank credit cards, e-commerce activities and online social behaviour. Based on the Group's credit risk assessment, borrowers are allocated a credit score and credit rating category and, according to which, the Group will determine successful applicants and the amount and tenor of loans and interest rate chargeable.

(B) The Group re-assesses existing customers' creditworthiness monthly by scoring them according to a behavior score card (a credit risk model for existing customers) and tracks the performance of loans granted to customers throughout their terms, especially through the application of the First Payment Delinquency Ratio, the M1-M3 ratio and the M3+ ratio. Comprehensive risk metrics are easily accessible on a daily basis through systems such as the Group's internal APP and BI (business intelligence) portal.

(C) In the event of a loan delinquency, the Group at present applies different collection methods depending on the delinquency stage. From the due date to early delinquency stage (due date and two days after due date), automatic reminders are sent by instant messages and AI (artificial intelligence) calls to delinquent borrowers, during the mid-delinquency stage (delinquency is 3 days or more to 90 days), collection calls are made and instant messages are sent and where delinquency exceeds the mid-delinquency stage (delinquency is over 90 days), the Group's collection methods will extend to lawyer's demand letters, pre-litigation mediation and litigation and other remedies available to the Group such as disclosure of the delinquency to the CCRC or other agencies or to outsource collection to third party agencies.

Implementation of the risk management and internal control system is conducted by senior management through a risk management framework. This includes, amongst others, a risk management committee comprising senior management members including the chief executive officer and chief risk officer, a risk management and control department which reports to the chief risk officer and other risk management functions such as the credit policy and underwriting department which formulates and updates credit policies and supervises the execution of risk management policies, the loan servicing department which is responsible for loan servicing and collection, the IT department which is responsible for providing technical support to the Group's proprietary risk management system, and the internal control and compliance department which is primarily responsible for formulating and implementing internal control rules and procedures, standardising business processes and promoting best business practices.

The Board has received from management a confirmation on the effectiveness of the risk management and internal control systems for the Year.

The Board, as supported by the audit committee as well as the internal audit department which has reviewed the risk management and internal control systems twice during the Year, including the financial, operational and compliance controls, considers that such systems are effective and adequate. The reviews also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company also takes appropriate measures to identify inside information and preserve its confidentiality until proper dissemination via the electronic publication system operated by the Stock Exchange.

INTERNAL AUDIT

The internal audit department is supervised by the audit committee. It conducts independent internal audits of the effectiveness of the Group's risk management and internal control.

The internal audit department is authorised to perform comprehensive inspection, review, and assessment of the Group's business process and corporate governance to identify deficiencies and other material issues including risk-related issues, and to provide recommendations for improvement and rectification. The internal audit department also conducts follow-up of audits to ensure previously identified issues have been duly addressed and corrected.

AUDITOR'S REMUNERATION

PricewaterhouseCoopers ("**PwC**") is the Company's external auditor until the next annual general meeting, when PwC will stand for re-appointment. PwC is primarily responsible for providing audit services in connection with the financial statements of the Group for the Year.

During the Year, PwC charged the Group RMB5.76 million for the provision of audit services and RMB0.20 million for the provision of non-audit services. The non-audit services included tax consulting services.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

Shareholder(s) holding not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings may, by written requisition to the Board or the company secretary, require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purpose of the meeting, be signed by the requisitionist(s) and deposited with the Board or the company secretary at the Company's principal place of business at Suite 1918, 19/F, Two Pacific Place, 88 Queensway, Hong Kong.

The share registrar will verify the particulars of the requisitionist(s) in the request and provided the request is in order and valid, the company secretary will ask the Board to convene an extraordinary general meeting by serving notice to all registered Shareholders in accordance with relevant statutory and regulatory requirements. If the request is found to be not in order and valid, the requisitionist(s) will be advised of the outcome and an extraordinary general meeting will not be convened as requested. If within 21 days from the date of a proper and valid requisition the Board fails to proceed to convene an extraordinary general meeting, the requisitionist(s) may convene such a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene an extraordinary general meeting shall be reimbursed by the Company to the requisitionist(s).

Procedures for putting forward proposals at general meetings

There are no provisions allowing Shareholders to propose new resolutions at general meetings under the Cayman Islands Companies Act. Shareholders who wish to move a resolution may request the Company to convene an extraordinary general meeting in accordance with the procedures set out in the preceding section "Procedures for shareholders to convene an extraordinary general meeting". Shareholders can also send written enquiries and proposals to the Board to, but without obligation on the part of the Board, consider putting the matter before Shareholders at a general meeting. Such enquiries or proposals may be sent to the Board or the company secretary at the Company's principal place of business at Suite 1918, 19/F, Two Pacific Place, 88 Queensway, Hong Kong.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time put enquiries to the Board. Enquiries should be in writing and sent by post to the principal place of business of the Company or by email for the attention of the Investor Relations Department to "ir@vcredit.com".

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a shareholders' communication policy with the aims of promoting effective communication with Shareholders and other stakeholders, and encourage Shareholders to engage actively with the Company.

The Company maintains a number of communications channels between itself and Shareholders, investors and other stakeholders. These include annual and other general meetings, annual and interim results and reports, notices, announcements and circulars and the Company's website "www.vcredit.com".

After a review of the implementation and effectiveness of the shareholders' communication policy including the communication channels between the Company and Shareholders and taking into account the high voting rate at general meetings, the Company considers the policy to be effective.

DIVIDEND POLICY

The Board has adopted a dividend policy which sets out the general objective, procedure and principles relating to the determination and declaration of dividends and distributions by the Company. In summary, the Company will seek to provide Shareholders with regular dividends with a normal target payout ratio of between 20% to 30% of the Group's audited consolidated net profits each year, subject however to factors such as but not limited to the Group's financial results, available distributable reserves and cash position, future capital expenditure and working capital requirements, contractual, statutory and regulatory limitations or restrictions on the payment of dividends, taxation implications and any other factors that the Board deems relevant. Dividends and distributions by the Company are required to comply with applicable legislation and the Articles and the Board shall exercise care in its financial management of the Company and in declaring dividends and distributions. Final dividends declared by the Company are subject to the approval of Shareholders in general meeting.

CONSTITUTIONAL DOCUMENTS

There was no change to the Articles during the Year.

Report of the Directors

The directors present their report and the audited financial statements of the Company for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries during the Year were the provision of consumer finance in China and Hong Kong. There were no significant changes in the nature of the Group's principal activities during the Year.

Details of the principal activities of the Company's subsidiaries are set out in note 1 and note 2.2.1 to the financial statements.

RESULTS

The Group's profit for the Year and the Group's financial position as at December 31, 2023 are set out in the financial statements on pages 59 to 154.

DIVIDEND

The Board has recommended, subject to approval by Shareholders at the forthcoming annual general meeting of the Company to be held on Friday, June 14, 2024 (the "**AGM**"), the payment of a final dividend of HK10 cents (the "**Final Dividend**") per share of the Company ("**Share(s)**") for the Year (2022: HK10 cents), amounting to approximately HK$48.9 million, to be paid out of the share premium account of the Company. If approved by Shareholders at the AGM, the Final Dividend will be payable on or around Wednesday, July 10, 2024.

An interim dividend for the six months ended June 30, 2023 of HK15 cents per Share (for the six months ended June 30, 2022: an interim dividend of HK10 cents per Share) was paid to Shareholders on Friday, November 10, 2023.

BUSINESS REVIEW

A fair review of the business of the Group for the Year, the significant events affecting the Group that have occurred since the end of 2023 and an indication of likely future development of the Group are provided in the sections headed "The Chairman's Statement", "Letter from the CEO" and "Management's Discussion and Analysis" of this annual report and the financial statements and the notes thereto on pages 59 to 154. A description of the principal risks and uncertainties facing the Group is provided in the sections headed "Letter from the CEO" and the "Corporate Governance Report" of this annual report, while an analysis using financial key performance indicators can be found in the section headed "Management's Discussion and Analysis" of this annual report. An account of the Company's relationship with its key stakeholders can also be found in the sections headed "The Chairman's Statement", "Letter from the CEO" and "Corporate Governance Report" of this annual report.

Compliance with Laws and Regulations

The Group operates in a regulatory environment which is evolving, particularly in China, and the Group is required to adapt its business operations and processes to conform with new requirements that impact its business and operations as they are promulgated. During the Year, to the best of the information, knowledge and belief of the Board, the Group has complied with the laws in the Cayman Islands, Hong Kong and China applicable to the Group's business and operations and any non-compliance, should not have a material impact on the Group.

Corporate Social Responsibility Policies and Performance

The Group is committed to promoting and advancing corporate social responsibility, environmental protection and community engagement.

The Group seeks to sustain mutually beneficial relationships with our stakeholders such as our employees, investors, customers and suppliers. Employees are our important asset and, therefore, the Group delivers training and development activities to provide them with an equitable, safe and harmonious working environment.

In terms of environmental protection, the Group complies with applicable environmental laws and regulations, promotes green office policies, advocates environmental protection and energy conservation awareness through effective control measures, resource recycling and encourages employees to travel with low carbon footprint.

As a socially responsible corporate citizen, the Group incorporates philanthropy into its corporate values. The Group contributes to various social initiatives and engages in community activities through charitable donations and collaborating with a range of charity groups and partners, and volunteering.

For specific details of the Group's corporate social responsibilities, environmental and social policies and performances, please refer to the annual environmental, social and governance report of the Group (the "**ESG Report**"), which is available on the website of the Company at "https://www.vcredit.com" under the section "Investor Relations" and the website of the Stock Exchange.

If you wish to receive a printed copy of the 2023 ESG Report, please send your request in writing by post to the principal place of business of the Company or by email for the attention of the Investor Relations Department to "ir@vcredit.com".

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The related party transactions set out in note 34 to the financial statements are connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are fully exempt connected transactions or fully exempt continuing connected transactions under Chapter 14A of the Listing Rules.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the published audited financial statements, is set out on page 155. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the Year are set out in note 30 and note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer Shares on a pro rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

TAX RELIEF AND EXEMPTION

To the best of their knowledge, information and belief, the directors are not aware of any tax relief or exemption available to Shareholders by reason of their holding Shares. Shareholders are advised to obtain their own tax advice to ascertain the availability of any such tax relief or exemption.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in note 32 to the financial statements.

There are no reserves available for distribution to Shareholders as at December 31, 2023 (2022: Nil).

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions of RMB0.08 million (2022: RMB0.77 million).

MAJOR CUSTOMERS AND SUPPLIERS

Due to the nature of our business, the Group did not have any major customers or suppliers during the Year. The Group purchases human resources services from employment agents, IT infrastructure hardware from computer and other hardware suppliers, software licenses from computer software suppliers, and various other services from payment transfer service suppliers, online traffic suppliers, advertising agencies, loan guarantee service suppliers and loan servicing professionals. The Group also pays trust management fees to the trust plans to which it subscribes subordinated tranches. The Group did not have any single customer who accounted for more than 5% of the Group's revenue during the Year.

None of the directors, their close associates or any Shareholders (which to the knowledge of the directors owns more than 5% of the Shares in issue) has any interest in the Group's five largest customers and five largest suppliers.

DIRECTORS

The directors during the Year and up to the date of this report were as follows:

Executive Directors:

Mr. Ma Ting Hung
Mr. Liu Sai Wang Stephen
Mr. Liu Sai Keung Thomas

Non-Executive Director:

Mr. Yip Ka Kay

Independent Non-Executive Directors:

Mr. Chen Derek
Mr. Chen Penghui
Mr. Fang Yuan

Directors, including non-executive and independent non-executive directors, are now appointed for an initial term of one year and thereafter from year to year and all of the directors, including executive directors, are subject to retirement by rotation and re-election in accordance with the Articles.

In accordance with Article 109 of the Articles, Mr. Liu Sai Wang Stephen, Mr. Yip Ka Kay and Mr. Chen Derek will retire by rotation and all, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

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, 2023, the Group had a total of 856 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 (see section headed "Share Incentive Schemes" below).

Details of the directors' remuneration, the five highest paid individuals and the senior management's emoluments are set out in note 10, note 11 and note 34(b)(ii), respectively, to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

During the Year, none of the directors or their connected entities had an interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

DIRECTORS' COMPETING INTERESTS

So far as is known to the directors, as at December 31, 2023, none of the directors or their respective associates had any interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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

As at December 31, 2023, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Long positions in Shares and underlying Shares

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

Notes:

(1) The calculation is based on the total number of 489,459,789 Shares in issue as at December 31, 2023.

(2) Ma Ting Hung controls 100%, and is a director, of each of Skyworld-Best Limited, Wealthy Surplus Limited and Glory Global International Limited, each of which has an interest in 84,719,154 Shares, 46,607,010 Shares and 45,595,933 Shares, respectively.

(3) Liu Sai Wang Stephen controls 50%, and is a director, of Magic Mount Limited, which has an interest in 27,093,858 Shares, and controls 100% of, and is a director of, each of Perfect Castle Development Limited and Union Fair International Limited. Perfect Castle Development Limited has an interest in 27,523,810 Shares and of which, 20,000,000 Shares have been lent under securities lending agreements. Union Fair International Limited has an interest in 4,124,505 Shares.

(4) Liu Sai Keung Thomas controls 100% of, and is a director of, International Treasure Limited which has an interest in 6,828,585 Shares.

(5) Yip Ka Kay is the sole director and the sole shareholder of NM Strategic Partners, LLC which manages NM Strategic Focus Fund L.P., which has an interest in 7,575,314 Shares.

Save as disclosed herein and in the section headed "Board of Directors and Senior Management", and so far as is known to the directors, as at December 31, 2023:

(a) none of the directors or the chief executive had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required pursuant to the Model Code to be notified to the Company and the Stock Exchange; and

(b) none of the directors was a director or employee of a company which had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above and in the section headed "Share Incentive Schemes" below, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate of the Group.

PERMITTED INDEMNITY PROVISION

Article 192 of the Articles provides, amongst other things, that every director for the time being acting in relation to the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has arranged appropriate insurance cover for the directors and officers of the Company and its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Incentive Schemes" below, the Company has not entered into any equity-linked agreement and no equity-linked agreement subsisted as at the date of this report.

SHARE INCENTIVE SCHEMES

Share Option Schemes

Pre-IPO Share Option Schemes

The Company has two pre-IPO share option schemes which were approved by the Board on March 1, 2018 (the "**2017 ESOP I**") and March 1, 2018 (the "**2017 ESOP II**", together with the 2017 ESOP I, the "**Pre-IPO Share Option Schemes**"), respectively. The Pre-IPO Share Option Schemes are not subject to the provisions of Chapter 17 of the Listing Rules.

The purpose of the Pre-IPO Share Option Schemes is to advance the interests of the Company and its shareholders by providing key employees, directors and consultants of the Group a performance incentive for the purpose of continuing and improving their services with the Group and a motivational force to improve the operating efficiency of the Group. The Pre-IPO Share Option Schemes also help to enhance key employees', directors' and consultants' contribution to profits of the Group by encouraging capital accumulation and share ownership and direct participation in the success of the Group and are an effective tool to retain key employees.

The following table discloses movements during the Year in the share options granted under the Pre-IPO Share Option Schemes:

Name or category of participant	Options outstanding as at December 31, 2023	Exercised during the Year	Lapsed during the Year	Date of grant	Exercise period	Exercise price per Share (US$)	Approximate percentage of issued Shares [1]
2017 ESOP I							
Director							
Liu Sai Wang Stephen[2]	0	Nil	8,954,665	10-05-2018	09-05-2019 to 09-05-2023	1.6123	0%
	0	Nil	8,954,665	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	0	Nil	8,954,667	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
Other employees							
In aggregate	0	Nil	2,631,000	10-05-2018	09-05-2019 to 09-05-2023	1.6123	0%
	0	Nil	2,631,000	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	0	Nil	2,631,000	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
2017 ESOP II							
Director							
Liu Sai Wang Stephen[2]	0	Nil	6,704,939	10-05-2018	09-05-2019 to 09-05-2023	1.6123	0%
	0	Nil	6,704,939	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	0	Nil	6,704,941	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
Ma Ting Hung[3]	0	Nil	1,333,333	10-05-2018	09-05-2019 to 09-05-2023	1.6123	0%
	0	Nil	1,333,333	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	0	Nil	1,333,334	10-05-2018	09-05-2021 to 09-05-2023	1.6123	
Other employees							
In aggregate	0	Nil	333,333	10-05-2018	09-05-2019 to 09-05-2023	1.6123	0%
	0	Nil	333,333	10-05-2018	09-05-2020 to 09-05-2023	1.6123	
	0	Nil	333,334	10-05-2018	09-05-2021 to 09-05-2023	1.6123	

Notes:

(1) The percentage calculations are based on the total number of 489,459,789 Shares in issue as at December 31, 2023.

(2) Liu Sai Wang Stephen had an interest in an aggregate of 46,978,816 share options granted under the 2017 ESOP I and the 2017 ESOP II. The interest was held through Perfect Castle Development Limited, a company that is 100% controlled by Liu Sai Wang Stephen.

(3) Ma Ting Hung had an interest in 4,000,000 share options granted under the 2017 ESOP II. The interest was held through Skyworld-Best Limited, a company that is 100% controlled by Ma Ting Hung.

No share options have been granted under the Pre-IPO Share Option Schemes after the listing of the Shares on the Stock Exchange on June 21, 2018 (the "**Listing Date**") and, save as disclosed above, no share option granted under the Pre-IPO Share Option Schemes was exercised, lapsed or cancelled during the Year. The Company will not grant any further share options under the Pre-IPO Share Option Schemes.

Post-IPO Share Option Scheme

The Company has a post-IPO share option scheme which was approved by the Board on May 10, 2018 (the "**Post-IPO Share Option Scheme**"). The Post-IPO Share Option Scheme is subject to the provisions of Chapter 17 of the Listing Rules.

Pursuant to the Post-IPO Share Option Scheme, the Company may grant share options to eligible persons to subscribe for Shares subject to the terms and conditions stipulated therein. A summary of some of the principal terms of the Post-IPO Share Option Scheme is as follows.

(a) *Purpose:* To provide eligible persons, including employees, directors, officers, consultants, advisors, distributors, contractors, customers, suppliers, agents, business partners and service providers, with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons.

(b) *Eligible persons:* The eligible persons include employees and directors of the Company and its subsidiaries (including their respective executive and non-executive directors), business associates and advisers who provide or have provided services to the Group.

(c) *Total number of Shares available for issue:* The total number of Shares which may be issued upon the exercise of all outstanding share options granted under the Post-IPO Share Option Scheme and any other schemes of the Company is 49,730,386 Shares, being not more than 10% of the Shares in issue on the Listing Date.

(d) *Consideration:* a sum of HK$1.00 is payable by accepting eligible persons within 20 business days from the date on which the letter of grant is delivered.

(e) *Maximum entitlement of each eligible person:* Unless otherwise approved by Shareholders, the total number of Shares issued and to be issued upon the exercise of the share options granted to an eligible person (including any exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of Shares in issue at the date of grant.

(f) *Exercise period:* The period during which a share option may be exercised is determined by the Board at its absolute discretion, except no share option may be exercised after 10 years from the date of grant.

(g) *Performance Target:* The Board may at its sole discretion specify, as part of the terms and conditions of any share option, such performance conditions that must be satisfied before the share option can be exercised.

(h) *Subscription price:* The subscription price payable in respect of each Share shall be not less than the higher of (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant (which must be a business day); (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

(i) *Remaining life:* The Post-IPO Share Option Scheme remains in force until June 20, 2028 unless otherwise terminated in accordance with the terms stipulated therein.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

No share options have been granted or agreed to be granted under the Post-IPO Share Option Scheme as at December 31, 2023.

Share Award Schemes

The Company adopted the VCREDIT No. 1 Share Award Scheme on January 11, 2019 (the "**Share Award Scheme No. 1**"), pursuant to which the Company may grant share awards ("**Awards**") in respect of up to 24,974,369 Shares. The Company also adopted the VCREDIT No. 2 Share Award Scheme on May 27, 2021 (the "**Share Award Scheme No. 2**", together with the Share Award Scheme No. 1, the "**Share Award Schemes**"). Pursuant to the Share Award Scheme No. 2, the Company may grant Awards in respect of up to 49,305,718 Shares. The Share Award Schemes are discretionary schemes of the Company. The purpose of the Share Award Schemes is to align the interests of eligible persons with those of the Group and to help encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. The Share Award Schemes are subject to the provisions of Chapter 17 of the Listing Rules.

Share Award Scheme No. 1

A summary of the Share Award Scheme No. 1 is as follows.

(a) *Purpose:* To align the interests of eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in the value of the Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

(b) *Eligible persons:* The eligible persons include any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of the Company or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group; however, no individual who is resident in a place where the award, acceptance or vesting of an Award pursuant to the scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the scheme and such individual shall therefore be excluded from the term eligible person.

(c) *Total number of Shares to be issued:* The Awards will be satisfied by Shares acquired through on-market transactions. No new Shares will be issued.

(d) *Maximum entitlement of each eligible person:* Save as otherwise restricted by scheme limit or by the Listing Rules, there shall be no limit on the total number of Awards that may be granted to a selected participant under the scheme.

(e) *Vesting Period:* The Board may determine such vesting criteria and conditions or periods for any award of Shares and the related income.

(f) *Consideration:* No payment shall be made upon the acceptance of the Awards.

(g) *Purchase price:* For the purposes of satisfying the grant of Awards, the Company shall instruct the trustee to acquire Shares through on-market transactions at the prevailing market price.

(h) *Remaining life:* Unless terminated by the Board, the Share Award Scheme No. 1 shall be valid and effective until January 10, 2029.

During the Year, Awards in respect of a total of 400,000 Shares were awarded to eligible persons pursuant to the Share Award Scheme No. 1. As of December 31, 2023, Awards in respect of a total of 9,020,360 Shares have been awarded to eligible persons under the Share Award Scheme No. 1, and out of which 1,800,000 Shares have been awarded to connected persons.

As at December 31, 2023, the trustee of the trusts established to administer the Share Award Scheme No. 1 held a total of 1,010,300 Shares which can be applied to satisfy Awards granted under the Share Award Scheme No. 1 to connected persons and non-connected persons.

The movements during the Year in the Shares underlying Awards granted under the Share Award Scheme No. 1 are as follows:

		Number of Shares underlying Awards					
Grantees	Date of Award	Originally Granted	As at January 1, 2023	Granted during the Year(2) (3)	Vested during the Year(4)	Forfeited/ Lapsed during the Year	As at December 31, 2023
Directors							
Liu Sai Wang Stephen	26-03-2019	1,200,000(1) (a)	300,000	Nil	300,000	Nil	0
Liu Sai Keung Thomas	26-03-2019	600,000(1) (a)	150,000	Nil	150,000	Nil	0
Other Employees							
Non-connected Persons	26-03-2019	4,645,360(1) (a)	784,890	Nil	747,390	37,500	0
Non-connected Person	08-07-2020	200,000(1) (b)	50,000	Nil	50,000	Nil	0
Non-connected Person	08-07-2020	250,000(1) (c)	62,500	Nil	0	62,500	0
Non-connected Person	08-07-2020	200,000(1) (d)	50,000	Nil	50,000	Nil	0
Non-connected Person	19-07-2021	120,000(1) (e)	90,000	Nil	30,000	Nil	60,000
Non-connected Person	19-07-2021	120,000(1) (f)	90,000	Nil	0	90,000	0
Non-connected Person	19-07-2021	400,000(1) (g)	300,000	Nil	100,000	Nil	200,000
Non-connected Person	02-09-2021	200,000(1) (h)	150,000	Nil	50,000	Nil	100,000
Non-connected Person	01-04-2022	200,000(1) (i)	150,000	Nil	50,000	Nil	100,000
Non-connected Person	03-10-2022	200,000(1) (j)	200,000	Nil	50,000	Nil	150,000
Non-connected Person	30-06-2023	200,000(1) (k)	Nil	200,000	Nil	Nil	200,000
Non-connected Person	16-10-2023	200,000(1) (l)	Nil	200,000	Nil	Nil	200,000

Notes:

(1) The Shares underlying Awards granted under the Share Award Scheme No. 1 vest in the tranches as follows:

No.	First Tranche	Second Tranche	Third Tranche	Fourth Tranche
(a)	one-quarter, on March 25, 2020	one-quarter, on March 25, 2021	one-quarter, on March 25, 2022	one-quarter, on March 25, 2023
(b)	one-quarter, on September 2, 2020	one-quarter, on September 2, 2021	one-quarter, on September 2, 2022	one-quarter, on September 2, 2023
(c)	one-quarter, on November 4, 2020	one-quarter, on November 4, 2021	one-quarter, on November 4, 2022	one-quarter, on November 4, 2023
(d)	one-quarter, on November 18, 2020	one-quarter, on November 18, 2021	one-quarter, on November 18, 2022	one-quarter, on November 18, 2023
(e)	one-quarter, on March 1, 2022	one-quarter, on March 1, 2023	one-quarter, on March 1, 2024	one-quarter, on March 1, 2025
(f)	one-quarter, on May 6, 2022	one-quarter, on May 6, 2023	one-quarter, on May 6, 2024	one-quarter, on May 6, 2025
(g)	one-quarter, on June 1, 2022	one-quarter, on June 1, 2023	one-quarter, on June 1, 2024	one-quarter, on June 1, 2025
(h)	one-quarter, on August 9, 2022	one-quarter, on August 9, 2023	one-quarter, on August 9, 2024	one-quarter, on August 9, 2025
(i)	one-quarter, on September 28, 2022	one-quarter, on September 28, 2023	one-quarter, on September 28, 2024	one-quarter, on September 28, 2025
(j)	one-quarter, on October 3, 2023	one-quarter, on October 3, 2024	one-quarter, on October 3, 2025	one-quarter, on October 3, 2026
(k)	one-quarter, on July 1, 2024	one-quarter, on July 1, 2025	one-quarter, on July 1, 2026	one-quarter, on July 1, 2027
(l)	one-quarter, on October 16, 2024	one-quarter, on October 16, 2025	one-quarter, on October 16, 2026	one-quarter, on October 16, 2027

(2) The closing price of the Shares on June 29, 2023 and October 13, 2023, immediately before the dates on which the Awards were granted during the Year, were HK$2.97 per Share and HK$2.60 per Share, respectively.

(3) In respect of the Awards granted under the Share Award Scheme No. 1 during the Year, their fair value as at the date of award on June 30, 2023 was HK$590,000 and on October 16, 2023 was HK$518,000. The methodology and assumptions used to estimate such value is set out in note 33 to the financial statements.

(4) A total of 1,577,390 Shares vested during the Year. The weighted average closing price of these Shares before the relevant vesting dates during the Year is HK$2.58.

(5) No Award was cancelled during the Year.

Share Award Scheme No. 2

A summary of the Share Award Scheme No. 2 is as follows.

(a) *Purpose:* To align the interests of eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

(b) *Eligible persons:* The eligible persons include any person, being an employee, a director (including executive directors, non-executive directors and independent non-executive directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group (including nominees and/or trustees of any employee benefit trust established for them) whom the Board or its delegate considers, in their sole discretion, to have contributed or will contribute to the Group; provided however, no such person who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such person, shall be entitled to participate in the scheme and such person shall therefore be excluded from the term eligible person.

(c) *Total number of Shares to be issued:* The Awards may be satisfied by Shares acquired through on-market transactions or new Shares to be issued and allotted under the general mandate, or a specific mandate or specific approval of Shareholders at a duly convened general meeting of the Company in accordance with all applicable laws, rules and regulations (including the Listing Rules).

(d) *Maximum entitlement of each eligible person:* Save as otherwise restricted by the scheme limit or the Listing Rules, there is no limit on the total number of Awards that may be granted to a selected participant under the scheme.

(e) *Vesting Period:* The Board or the delegate may in respect of each Award and subject to all applicable laws, rules and regulations determine such vesting criteria and conditions or periods for vesting of Awards in its sole and absolute discretion.

(f) *Consideration:* No payment shall be made upon the acceptance of the Awards.

(g) *Purchase price:* For the purposes of satisfying the grant of Awards, the Company shall instruct the trustee to acquire Shares on-market at prevailing market prices or issue and allot new Shares on terms and at issue prices (including at par value) as shall be determined by the Board and from funds provided by the Company to the extent permitted by applicable laws, rules and regulations.

(h) *Remaining life:* Unless terminated by the Board, the Share Award Scheme No. 2 shall be valid and effective until May 26, 2031.

As of December 31, 2023, no Awards have been granted pursuant to the Share Award Scheme No. 2.

Further details of the Share Award Schemes are set out in the announcements of the Company dated January 11, 2019 and May 27, 2021.

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

As at December 31, 2023, the interests and short positions of the substantial shareholders (within the meaning of Part XV of the SFO) and other persons in Shares or underlying Shares, as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares Long Position	Number of Shares *Short Position*	Percentage of total issued Shares (1)
Ma Ting Hung	Personal interest	18,127,000		39.85%
	Interest in controlled corporations (2)	176,922,097		
Skyworld-Best Limited	Beneficial interest (2)	84,719,154		17.31%
Wealthy Surplus Limited	Beneficial interest (2)	46,607,010		9.52%
Glory Global International Limited	Beneficial interest (2)	45,595,933		9.32%
Liu Sai Wang Stephen	Personal interest	1,200,000		12.25%
	Interest in controlled corporations (3)	58,742,173		
Perfect Castle Development Limited	Beneficial interest (3)	27,523,810		5.62%
Kwok Lim Ying	Interest in a controlled corporation (4)	27,093,858		5.54%
Magic Mount Limited	Beneficial interest (3) (4)	27,093,858		5.54%
Kwok Peter Viem	Interest in a controlled corporation (5)	70,740,770		14.45%
	Interest in a controlled corporation (5)		*20,000,000*	*4.09%*
Kwok Chang Shiu Feng	Interest in a controlled corporation (5)	70,740,770		14.45%
	Interest in a controlled corporation (5)		*20,000,000*	*4.09%*
High Loyal Management Limited	Beneficial interest (5)	70,740,770		14.45%
	Beneficial interest (5)		*20,000,000*	*4.09%*
Cavamont Holdings Limited	Interest in a controlled corporation (6)	41,339,885		8.45%
Cavamont Investments Limited	Interest in a controlled corporation (7)	41,339,885		8.45%
Cavenham Private Equity and Directs	Interest in controlled corporations (7)	41,339,885		8.45%
David Bonderman	Interest in a controlled corporation (8)	31,011,598		6.34%
James George Coulter	Interest in a controlled corporation (8)	31,011,598		6.34%
TPG Group Holdings (SBS) Advisors, Inc.	Interest in a controlled corporation (9)	31,011,598		6.34%
TPG Group Holdings (SBS) Advisors, LLC	Interest in a controlled corporation (10)	31,011,598		6.34%
TPG Group Holdings (SBS), L.P.	Interest in a controlled corporation (11)	31,011,598		6.34%
TPG Holding III-A, Inc.	Interest in a controlled corporation (12)	31,011,598		6.34%
TPG Holdings III-A, L.P.	Interest in a controlled corporation (13)	31,011,598		6.34%
TPG Holdings III, LP	Interest in a controlled corporation (14)	31,011,598		6.34%
TPG Growth III SF AIV GenPar Advisors, Inc.	Interest in a controlled corporation (15)	31,011,598		6.34%
TPG Growth III SF AIV GenPar, LP	Interest in a controlled corporation (16)	31,011,598		6.34%
TPG Growth III SF Finance, Limited Partnership	Interest in a controlled corporation (17)	31,011,598		6.34%
TPG Growth III SF Pte. Ltd	Beneficial interest	31,011,598		6.34%

Notes:

(1) The calculation is based on (i) the aggregate number of Shares and (ii) the total number of 489,459,789 Shares in issue, as at December 31, 2023.

(2) Ma Ting Hung controls 100% of each of Skyworld-Best Limited, Wealthy Surplus Limited and Glory Global International Limited.

(3) Liu Sai Wang Stephen controls 100% of each of Perfect Castle Development Limited and Union Fair International Limited, and 50% of Magic Mount Limited. Perfect Castle Development Limited has an interest in 27,523,810 Shares, and amongst which, 20,000,000 Shares have been lent under securities lending agreements. Union Fair International Limited has an interest in 4,124,505 Shares.

(4) Kwok Lim Ying controls 50% of Magic Mount Limited.

(5) Kwok Peter Viem and Kwok Chang Shiu Feng each controls 50% of High Loyal Management Limited. The short position disclosed by High Loyal Management Limited relates to 20,000,000 borrowed Shares (with an obligation to return the Shares) under securities lending agreements.

(6) Cavamont Holdings Limited controls 100% of Cavamont Investments Limited ("**Cavamont Investments**").

(7) Cavamont Investments controls 100% of Cavenham Private.

(8) David Bonderman and James George Coulter each controls 50% of TPG Group Holdings (SBS) Advisors, Inc.

(9) TPG Group Holdings (SBS) Advisors, Inc. controls 100% of TPG Group Holdings (SBS) Advisors, LLC.

(10) TPG Group Holdings (SBS) Advisors, LLC controls 100% of TPG Group Holdings (SBS), L.P.

(11) TPG Group Holdings (SBS), L.P. controls 100% of TPG Holdings III-A, Inc.

(12) TPG Holdings III-A, Inc. controls 100% of TPG Holdings III-A, L.P.

(13) TPG Holdings III-A, L.P. controls 100% of TPG Holdings III, LP.

(14) TPG Holdings III, LP controls 100% of TPG Growth III SF AIV GenPar Advisors, Inc.

(15) TPG Growth III SF AIV GenPar Advisors, Inc. controls 100% of TPG Growth III SF AIV GenPar, LP.

(16) TPG Growth III SF AIV GenPar, LP controls 100% of TPG Growth III SF Finance, Limited Partnership.

(17) TPG Growth III SF Finance, Limited Partnership controls 100% of TPG Growth III SF Pte. Ltd.

Save as disclosed herein and in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above, and so far as is known to the directors, as at December 31, 2023, no person had an interest or a short position in the Shares or underlying Shares required to be recorded in the register to be kept under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued Shares are held by the public as at the date of this report.

AUDIT COMMITTEE

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

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

AUDITOR

PwC, the auditor of the Company, shall retire, and a resolution for its re-appointment as auditor of the Company will be proposed, at the AGM.

On behalf of the Board
Ma Ting Hung
Chairman

Hong Kong, March 26, 2024

To the Shareholders of VCREDIT Holdings Limited
(registered by way of continuation in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of VCREDIT Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 59 to 154, comprise:

- the consolidated statement of comprehensive income for the year ended December 31, 2023;
- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of fair value of loans to customers
- Measurement of expected credit losses
- Revenue recognition of loan facilitation service fees

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of fair value of loans to customers Please refer to the following notes to the consolidated financial statements: Notes 2.8, 3.2 and 17 As at December 31, 2023, the Group's fair value of loans to customers amounted to RMB6,504.42 million, and fair value loss of RMB574.08 million was recognised in the Group's consolidated statement of comprehensive income for the year ended December 31, 2023. The preparation of the consolidated financial statements in conformity with IFRS 9 requires the Group to make considerable judgements, assumptions, and interpretations of the standard and requires the use of discounted cash flow in the development of fair value models to estimate loans to customers. The method to determine discount rate for each loan is a significant management judgment. The fair value model of loans to customers under IFRS 9 is a highly complex process and involved considerable assumptions and interpretations, and accordingly, we identified this as a key audit matter.	Our procedures included: 1. We understood, evaluated and tested the relevant internal controls over the selection and approval of the accounting policies and fair value model methodologies; 2. We reviewed the modelling methodology for measurement of fair value of loans to customers, and assessed the reasonableness of the key parameters calculations, judgements and assumptions in relation to the models; 3. We reviewed the encoding for model measurement as a whole, tested whether or not the measurement models reflect the modelling methodology documented by the management, and examined the major data inputs to assess their accuracy and completeness; 4. We assessed whether the disclosures in the consolidated financial statements, including fair value hierarchy information and sensitivity to key inputs, appropriately reflected the Group's exposure to valuation risk with reference to the requirements of the prevailing accounting standards. Based on the procedures we have performed, in the context of the inherent uncertainties associated with measurement of fair value of loans to customers, the models, the parameters and the key assumptions adopted by management and the measurement results were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses Please refer to the following notes to the consolidated financial statements: Notes 2.7, 3.1, 12, 18 and 19 As at December 31, 2023, the Group's expected credit losses ("**ECL**") allowance of contract assets and guarantee receivables amounted to approximately RMB87.40 million and RMB191.39 million respectively, and the ECL allowance of guarantee liability amounted to approximately RMB1,533.88 million was recognised. The implementation of IFRS 9 requires the Group to make considerable judgements, assumptions, and interpretations of the standard and requires the use of numerous parameters and data inputs in the development of complex models to estimate the impairment losses on its contract assets, guarantee receivables and guarantee liabilities using the expected credit losses concept. Significant management judgments and assumptions primarily included the following: (1) Choosing appropriate models and assumptions and determination of relevant key measurement parameters; (2) Criteria for determining whether or not there was a significant increase in credit risk and definition of default; (3) Economic variables for forward-looking measurement, and the application of economic scenarios and relative weightings; (4) The estimated future cash flows for the outstanding contract assets, guarantee receivables and loan balances under the credit-enhancement model in stage 3. The ECL model under IFRS 9 is a highly complex process and involved significant management judgments and interpretations, and accordingly, we identified this as a key audit matter.	Our procedures included: 1. We understood, evaluated and tested the relevant internal controls over the selection and approval of the accounting policies and ECL model methodologies; 2. We reviewed the modelling methodology for measurement of expected credit losses, and assessed the reasonableness of the key parameters calculations, judgements and assumptions in relation to the models. We examined the calculation for model measurement on selected samples and tested whether or not the measurement model reflects the modelling methodology documented by the management; 3. We reviewed the entry of key data inputs for the ECL models on selected samples, including historical data and data on the measurement date, to assess their completeness and accuracy; 4. We selected samples, taken into consideration of the overdue status of the borrowers, to assess the appropriateness of the management's determination of significant increase in credit risk of contract assets, guarantee receivables and guarantee liabilities; 5. We reviewed retrospective testing of the economic indicator forecasts used in the measurement of expected credit losses, and reviewed sensitivity testing of forecasting of forward-looking economic indicators, economic scenarios and weightings. Based on the procedures we have performed, in the context of the inherent uncertainties associated with a measurement of expected credit losses for contract assets, guarantee receivables and guarantee liabilities, the models, the parameters and the key assumptions adopted by management and the measurement results were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of loan facilitation service fees Please refer to the following notes to the consolidated financial statements: Notes 2.19, 3.6, and 6 For the year ended December 31, 2023, the Group had recognised revenue of loan facilitation service fees approximately RMB2,240.96 million, and the Group's contract assets amounted to RMB465.41 million as at December 31, 2023. The Group has assessed and concluded that upfront loan facilitation services and post loan facilitation services are distinct and separate performance obligations. Management estimated the total consideration to be received over the life of the underlying loan by modelling early termination scenarios. The estimated total consideration was then allocated to the two performance obligations using their relative standalone selling prices. Management did not have an observable standalone selling price for upfront loan facilitation services and post loan facilitation services because it did not provide such services on a standalone basis in similar circumstances to similar customers, and because there was no directly observable standalone selling price that was reasonably available for similar services in the market. As a result, management used an expected "cost plus margin" approach to estimate the standalone selling prices of the services. When estimating total consideration, management made certain assumptions, including the applicability of historical early payment and other termination scenarios to the current loan portfolio. When estimating the standalone selling prices, management made certain assumptions, including estimates of the relative cost of providing the services. The significant judgement exercised by management in estimating total consideration and the relative standalone selling prices resulted in this matter being identified as a key audit matter.	Our procedures included: 1. We understood, evaluated and tested the related internal controls that management adopted on the recognition of loan facilitation service fees; 2. We read service agreements between the Group and its customers to identify the nature of services provided as part of upfront loan facilitation services and post loan facilitation services; 3. We assessed the appropriateness and tested management's process for determining the total consideration calculation, including the accuracy of the major historical early termination data used in the calculation; 4. We assessed the appropriateness of the expected cost-plus margin method used and evaluated the estimates of cost of providing the service. We tested the allocation of expenses driven by the roles and responsibility of each department, and tested the accuracy, relevance, and classification of expenses; 5. We recalculated the revenue amount of loan facilitation service fees, and examined the major data used in the calculation to assess their accuracy and completeness. Based on the procedures we have performed, management's recognition of loan facilitation service fees was considered acceptable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Sheung Yuen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 26, 2024

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2023

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Continuing operations			
Interest type income	5	**1,477,300**	1,922,140
Less: interest expenses	5	**(327,646)**	(529,160)
Net interest type income	5	**1,149,654**	1,392,980
Loan facilitation service fees	6	**2,240,958**	1,564,359
Other income	7	**178,876**	161,942
Total income		**3,569,488**	3,119,281
Origination and servicing expenses	8	**(1,543,932)**	(1,266,673)
Sales and marketing expenses	8	**(53,374)**	(35,611)
General and administrative expenses	8	**(336,830)**	(284,380)
Research and development expenses	8	**(125,853)**	(97,710)
Credit impairment losses	12	**(344,558)**	(129,548)
Fair value change of loans to customers		**(574,077)**	(571,879)
Other gains/(losses), net	13	**13,981**	(38,360)
Operating profit		**604,845**	695,120
Share of net profit of associates accounted for using the equity method	21	**(7,851)**	–
Profit before income tax		**596,994**	695,120
Income tax expense	14	**(143,083)**	(162,649)
Profit for the year		**453,911**	532,471
Profit for the year attributable to:			
Owners of the Company		**453,906**	532,466
Non-controlling interests		**5**	5
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange difference on translation of financial statements		**2,206**	621
Total comprehensive income for the year, net of tax		**456,117**	533,092
Total comprehensive income attributable to:			
Owners of the Company		**456,112**	533,087
Non-controlling interests		**5**	5
Basic earnings per share (RMB yuan)	15	**0.93**	1.09
Diluted earnings per share (RMB yuan)	15	**0.93**	1.09

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

As at December 31, 2023

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
Assets			
Cash and cash equivalents	16(a)	896,534	1,592,365
Restricted cash	16(b)	652,241	514,941
Loans to customers at fair value through profit or loss	17	6,504,421	5,230,471
Contract assets	18	465,408	443,146
Guarantee receivables	19	1,317,024	787,396
Financial investments at fair value through profit or loss	20	148,695	243,526
Investments accounted for using the equity method	21	13,384	20,889
Deferred income tax assets	22	522,217	342,458
Right-of-use assets	23	58,187	28,247
Intangible assets	24	36,292	38,441
Property and equipment	25	45,369	42,406
Other assets	26	1,274,691	819,150
Total assets		11,934,463	10,103,436
Liabilities			
Tax payable		285,651	199,748
Guarantee liabilities	19	1,533,883	1,140,754
Lease liabilities	23	59,256	27,789
Borrowings	27	5,471,888	4,331,326
Senior notes	28	89,989	176,236
Deferred income tax liabilities	22	7,500	–
Other liabilities	29	317,706	401,842
Total liabilities		7,765,873	6,277,695
Equity			
Share capital	30	40,067	40,067
Share premium	30	5,243,415	5,355,195
Treasury shares	31	(5,399)	(16,182)
Reserves	32	749,536	757,248
Accumulated losses		(1,859,724)	(2,313,630)
Non-controlling interests		695	3,043
Total equity		4,168,590	3,825,741
Total liabilities and equity		11,934,463	10,103,436

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 59 to 154 were approved by the Board of Directors on March 26, 2024 and were signed on its behalf by:

Ma Ting Hung
Director

Liu Sai Wang Stephen
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to owners of the Company							
				Reserves				
	Share capital *RMB'000* *Note 30*	Share premium *RMB'000* *Note 30*	Treasury shares *RMB'000* *Note 31*	Share-based payment reserves *RMB'000*	Translation reserve *RMB'000*	Accumulated losses *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at January 1, 2023	40,067	5,355,195	(16,182)	684,114	73,134	(2,313,630)	3,043	3,825,741
Profit for the year	–	–	–	–	–	453,906	5	453,911
Exchange difference on translation of financial statements	–	–	–	–	2,206	–	–	2,206
Total comprehensive income for the year	–	–	–	–	2,206	453,906	5	456,117
Transactions with owners in their capacity as owners								
Shares purchases for share awards	–	–	(561)	–	–	–	–	(561)
Vesting of share awards	–	214	11,344	(11,558)	–	–	–	–
Dividends declared	–	(111,994)	–	–	–	–	–	(111,994)
Change in non-controlling interests due to the subsidiary liquidation	–	–	–	–	–	–	(3,048)	(3,048)
Contributions from non-controlling interests	–	–	–	–	–	–	695	695
Share-based payment	–	–	–	1,640	–	–	–	1,640
Total transactions with owners in their capacity as owners	–	(111,780)	10,783	(9,918)	–	–	(2,353)	(113,268)
Balance at December 31, 2023	40,067	5,243,415	(5,399)	674,196	75,340	(1,859,724)	695	4,168,590

	Attributable to owners of the Company							
				Reserves				
	Share capital *RMB'000* *Note 30*	Share premium *RMB'000* *Note 30*	Treasury shares *RMB'000* *Note 31*	Share-based payment reserves *RMB'000*	Translation reserve *RMB'000*	Accumulated losses *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at January 1, 2022	40,145	5,461,908	(29,084)	691,301	72,513	(2,846,096)	3,038	3,393,725
Profit for the year	–	–	–	–	–	532,466	5	532,471
Exchange difference on translation of financial statements	–	–	–	–	621	–	–	621
Total comprehensive income for the year	–	–	–	–	621	532,466	5	533,092
Transactions with owners in their capacity as owners								
Shares purchases for share awards	–	–	(323)	–	–	–	–	(323)
Shares repurchased and cancelled	(74)	(2,395)	–	–	–	–	–	(2,469)
Shares cancelled	(4)	(150)	154	–	–	–	–	–
Vesting of share awards	–	(919)	13,071	(12,152)	–	–	–	–
Dividends declared	–	(103,249)	–	–	–	–	–	(103,249)
Share-based payment	–	–	–	4,965	–	–	–	4,965
Total transactions with owners in their capacity as owners	(78)	(106,713)	12,902	(7,187)	–	–	–	(101,076)
Balance at December 31, 2022	40,067	5,355,195	(16,182)	684,114	73,134	(2,313,630)	3,043	3,825,741

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Operating activities			
Cash (used in)/generated from operating activities	35(a)	**(1,121,686)**	3,209,363
Income tax paid		**(223,185)**	(166,418)
Net cash (outflow)/inflow from operating activities		**(1,344,871)**	3,042,945
Investing activities			
Payments for property and equipment		**(20,747)**	(29,212)
Payments for intangible assets		**(4,211)**	(3,684)
Payments for financial investments at fair value through profit or loss	35(b)	**(568,303)**	(2,124,009)
Payments for investments in associates accounted for using the equity method		**–**	(20,889)
Proceeds from disposal of financial investments at fair value through profit or loss	35(b)	**662,945**	2,001,450
Proceeds from sale of property, plant and equipment		**672**	235
Net cash inflow/(outflow) from investing activities		**70,356**	(176,109)
Financing activities			
Proceeds from issuance of senior notes	35(b)	**–**	168,216
Proceeds from/(repayment of) borrowings, net	35(b)	**1,133,279**	(2,123,459)
Including: proceeds from/(repayment of) trust plan holders, net	35(b)	**856,735**	(2,316,687)
Interest expenses paid	35(b)	**(319,874)**	(514,588)
Dividends		**(110,888)**	(105,203)
Payments for lease liabilities	35(b)	**(31,248)**	(28,604)
Payments for shares repurchased		**–**	(2,792)
Repurchase/repayment of senior notes	35(b)	**(88,400)**	(570,862)
Cash distribution to non-controlling interests on liquidation of subsidiary		**(3,048)**	–
Cash received from capital contribution in subsidiary from non-controlling interests		**695**	–
Net cash inflow/(outflow) from financing activities		**580,516**	(3,177,292)
Net decrease in cash and cash equivalents		**(693,999)**	(310,456)
Cash and cash equivalents at the beginning of the financial year		**1,592,514**	1,908,110
Effects of exchange rate changes on cash and cash equivalents		**(1,815)**	(5,140)
Cash and cash equivalents at end of the year		**896,700**	1,592,514

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

VCREDIT Holdings Limited (the "**Company**" or "**VCREDIT**") was incorporated in the British Virgin Islands ("**BVI**") on July 24, 2007 as an exempted company with limited liability under the laws of the BVI.

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

The Company is an investment holding company. The Company together with its subsidiaries (the "**Group**") is a technology-driven consumer financial service provider in the People's Republic of China ("**China**", or the "**PRC**") and the Hong Kong special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Group offers tailored consumer finance products to prime and near-prime borrowers, who are underserved by traditional financial institutions, by facilitating transactions between borrowers and financial institutions or lending to borrowers.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 at December 31, 2023, the number of ordinary shares in issue was 489,459,789, with a par value of HK$0.10 per share.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

The consolidated financial statements have been approved and authorised for issue by the board of directors (the "**Board**") of the Company on March 26, 2024.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material 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.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- International Accounting Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

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 IFRS Accounting Standards 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 material to the consolidated financial statements, are disclosed in Note 3.

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

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2023:

		Notes
IFRS 17	Insurance Contracts	*(i)*
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	*(ii)*
Amendments to IAS 8	Definition of Accounting Estimates	*(iii)*
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	*(iv)*
Amendments to IAS 12	International Tax Reform– Pillar Two Model Rules	*(v)*

Key requirements of those standards and amendments are set out below.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(i) IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("**CSM**") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for eligible groups of insurance contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to January 1, 2023.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(ii) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The International Accounting Standard Board ("**IASB**") amended IAS 1 to require entities to disclose their material accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

(iii) Amendments to IAS 8: Definition of Accounting Estimates

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

(iv) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(iv) *Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)*

The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate.

IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

(v) *Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules*

The IASB amended IAS 12 to require entities to disclose the exceptions that they applied to the recognition and disclosure of deferred tax assets and liabilities related to Pillar Two income taxes. They further clarify that current tax expense (income) relating to Pillar Two income taxes should be disclosed separately.

The amendment also provides guidance on how entities should disclose known or reasonably estimable information to meet the disclosure objective in periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect and at the end of the reporting period.

The amendments listed above did not have any significant impact on the amounts recognised in prior periods and current period and are not expected to significantly affect the future periods.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) ***New standards and interpretations not yet adopted***

Certain amendments to accounting standards have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

			Effective for annual periods beginning on or after
Amendments to IAS 1	*(i)*	Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16	*(ii)*	Lease Liability in Sale and Leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7	*(iii)*	Supplier Finance Arrangements	January 1, 2024
Amendments to IFRS 10 and IAS 28	*(iv)*	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Key requirements of those standards and amendments are set out below.

(i) *Amendments to IAS 1: Classification of Liabilities as Current or Non-current & Amendments to IAS 1: Non-current Liabilities with Covenants*

Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) ***New standards and interpretations not yet adopted****(continued)*

(i) *Amendments to IAS 1: Classification of Liabilities as Current or Non-current & Amendments to IAS 1: Non-current Liabilities with Covenants* (continued)

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

(ii) *Amendments to IFRS 16: Lease Liability in Sale and Leaseback*

In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) New standards and interpretations not yet adopted *(continued)*

(iii) Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

The IASB has issued new disclosure requirements about supplier financing arrangements ("**SFAs**"), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:

Disclosures falls short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

The terms and conditions of SFAs.

(1) The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.

(2) The carrying amount of the financial liabilities in (1) for which suppliers have already received payment from the finance providers.

(3) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.

(4) Non-cash changes in the carrying amounts of financial liabilities in (1).

(5) Access to SFA facilities and concentration of liquidity risk with finance providers.

The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) New standards and interpretations not yet adopted (continued)

(iv) Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

These standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (see note 2.2.1(c)).

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 *Consolidation (continued)*

(a) The Group's principal subsidiaries (other than consolidated structured entities) at December 31, 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Company name [i]	Place of establishment and nature of legal entity	Particulars of issued/paid-in capital	Ownership interest held by the Group 2023 %	Ownership interest held by the Group 2022 %	Ownership interest held by non-controlling interests 2023 %	Ownership interest held by non-controlling interests 2022 %	Principal activities and place of operations
Directly owned:							
VISION CREDIT LIMITED	Hong Kong/Limited liability company	HK$1,500,000,000	100	100	–	–	Investment holding, Hong Kong
VCREDIT Ventures Limited	The Cayman Islands/ Limited liability company	US$1	100	100	–	–	Investment holding, Hong Kong
VCREDIT Finance Limited	Hong Kong/Limited liability company	HK$100,000	100	100	–	–	Money lending, Hong Kong
Asia Jumbo Group Limited	BVI/Limited liability company	US$1	100	100	–	–	Investment holding, Hong Kong
VCREDIT Investment Limited	The Cayman Islands/ Limited liability company	US$1	100	100	–	–	Investment holding, Hong Kong
VCREDIT Financial Holdings Limited	Hong Kong/Limited liability company	HK$1	100	–	–	–	Investment holding, Hong Kong
Vision Capital Investments Limited	BVI/Limited liability company	US$1	100	–	–	–	Investment holding, Hong Kong
Wincomply Strategic Limited	BVI/Limited liability company	US$1	100	–	–	–	Investment holding, Hong Kong

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

Company name [i]	Place of establishment and nature of legal entity	Particulars of issued/paid-in capital	Ownership interest held by the Group 2023 %	Ownership interest held by the Group 2022 %	Ownership interest held by non-controlling interests 2023 %	Ownership interest held by non-controlling interests 2022 %	Principal activities and place of operations
Indirectly owned [ii]:							
Vision Credit Financial Technology Co., Ltd.	PRC/Wholly foreign owned enterprise	RMB689,310,000	100	100	–	–	Loan facilitation service, the PRC
Shanghai Jingan Vision Small Loan Co., Ltd.	PRC/Wholly foreign owned enterprise	RMB200,000,000	100	100	–	–	Microcredit service, the PRC
Qingdao Vcredit Information Technology Management Co., Ltd.	PRC/Wholly foreign owned enterprise	RMB5,000,000	100	100	–	–	Technology service, the PRC
Chengdu Weishi Microfinance Co., Ltd.	PRC/Wholly foreign owned enterprise	US$46,500,000	100	100	–	–	Microcredit service, the PRC
Vision Credit Financing Guarantee Co., Ltd.	PRC/Wholly foreign owned enterprise	US$160,700,000	100	100	–	–	Guarantee service, the PRC
Vision Financial Leasing (Suzhou) Co., Ltd.	PRC/Wholly foreign owned enterprise	US$10,000,000	100	100	–	–	Financial leasing service, the PRC
Shanghai Tiantian Asset Management Co., Ltd. [iii]	PRC/Limited liability company	RMB20,000,000	100	100	–	–	Asset management service, the PRC
Multi Fortune Asia Corporation	BVI/Limited liability company	US$1	100	100	–	–	Investment holding, Hong Kong
Double Kingdom International Limited	Hong Kong/Limited liability company	HK$1	100	100	–	–	Investment holding, Hong Kong
Guangdong Weishi Data Technology Co., Ltd.	PRC/Wholly foreign owned enterprise	–	100	100	–	–	Technology service, the PRC
Hangzhou Vision Credit Information Technology Co., Ltd.	PRC/Limited liability company	–	100	100	–	–	Technology service, the PRC
Shanghai Fengchi Information Technology Co., Ltd.	PRC/Limited liability company	–	100	100	–	–	Technology service, the PRC

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

Company name [i]	Place of establishment and nature of legal entity	Particulars of issued/paid-in capital	Ownership interest held by the Group 2023 %	Ownership interest held by the Group 2022 %	Ownership interest held by non-controlling interests 2023 %	Ownership interest held by non-controlling interests 2022 %	Principal activities and place of operations
Zhonghong Hengjia Blockchain Co., Ltd. [v]	PRC/Limited liability company	RMB15,000,000	100	100	–	–	Technology service, the PRC
Yaohui Commercial Factoring (Shenzhen) Co., Ltd.	PRC/Limited liability company	RMB5,000,000	100	100	–	–	Factoring service, the PRC
VVL (No.1) Limited	BVI/Limited liability company	US$1	100	100	–	–	Investment holding, Hong Kong
Skyline Asia Holdings Limited	BVI/Limited liability company	US$1,000,000	90	–	10	–	Investment holding, Hong Kong
Wincomply Holdings Limited	BVI/Limited liability company	US$1	100	–	–	–	Cross-border agency service, BVI
CREDIKA PTE. LIMITED	Singapore/Limited liability company	US$1	90	–	10	–	Cross-border agency service, Singapore
Wincomply Investments Limited	Hong Kong/Limited liability company	HK$1	100	–	–	–	Investment holding, Hong Kong
WINCOMPLY SERVICE UK LIMITED	UK/Private company limited by shares	£100	100	–	–	–	Cross-border agency service, UK
DEUC Business GmbH	Germany/Limited liability company	€12,500	100	–	–	–	Cross-border agency service, Germany
Shenzhen Wincomply Technology Co., Ltd.	PRC/Wholly foreign owned enterprise	–	100	–	–	–	Cross-border agency service, the PRC
Chengdu Vcredit Jiaozi Digital Technology Co., Ltd. [iv]	PRC/Limited liability company	–	–	70	–	30	Technology service, the PRC
VCREDIT Connect Investment (Hainan) Co., Ltd. [v]	PRC/Limited liability company	RMB1,000,000	100	–	–	–	Investment holding, the PRC

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(i) All companies in the Group have adopted December 31, as their financial year end date.

(ii) The English names of subsidiaries of the Group registered in the PRC represent the best efforts by the Company's management to translate their Chinese names, as these subsidiaries do not have official English names.

(iii) In 2023, the issued capital of Shanghai Tiantian Asset Management Co., Ltd. was reduced from RMB400 million to RMB20 million.

(iv) In September 2023, Chengdu Vcredit Jiaozi Digital Technology Co., Ltd. completed the deregistration of the company.

(v) As at December 31, 2023, the Group injected RMB1 million and RMB15 million into VCREDIT Connect Investment (Hainan) Co., Ltd. and Zhonghong Hengjia Blockchain Co., Ltd., respectively.

(b) Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Structured entities often have restricted activities and a narrow and well defined objective.

The Group's structured entities include trust plans. Trust plans are managed by unaffiliated trust companies which invested the funds raised in loans to individuals (Note 17).

According to the trust plan agreements, the principal of the trust senior tranche holders and their expected fixed return were fully guaranteed by the Group and the Group is entitled to the residual profits of the trusts. In addition, the trusts only invested in loans recommended by the Group which has the power to direct the relevant activities of the trust plans. As a result, the Group is considered as the primary beneficiary of the trust plans and therefore, consolidated the trust plans' assets, liabilities, results of operations and cash flows.

As at December 31, 2023, remaining injected funds of the trust plans consolidated by the Group amounted to RMB5,490.58 million (December 31, 2022: RMB4,601.21 million).

Interests in the trust plans held by third party investors are included in the payables to trust plans holders.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(b) Structured entities (continued)

Consolidated structured entities as at December 31, 2023 and 2022 are set out below:

Name	Funds injected by the Group As at December 31		Remaining injected funds of structured entities As at December 31	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trust Plan N	**–**	63	**–**	63
Trust Plan X	**12,600**	14,400	**1,841,910**	3,287,010
Trust Plan Y	**471,200**	418,040	**471,200**	418,040
Trust Plan Z	**–**	49,440	**–**	494,100
Trust Plan AA	**2,400**	2,100	**275,000**	402,000
Trust Plan AB	**14,100**	–	**2,681,750**	–
Trust Plan AC	**273**	–	**45,417**	–
Trust Plan AD	**14,000**	–	**14,000**	–
Trust Plan AE	**2,100**	–	**161,300**	–
	516,673	484,043	**5,490,577**	4,601,213

In addition to the structed entities above, as at December 31, 2023 and 2022, the Group consolidated the VCREDIT No. 1 Share Award Scheme Trusts and the VCREDIT No. 2 Share Award Scheme Trusts, which held the treasury shares for the purpose of share award scheme (Note 31).

Investments in subsidiaries (including structured entities) are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiary in the period the dividends are declared or if the carrying amount of the investments in the separate financial statements exceed the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation (continued)

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

– fair values of the assets transferred

– liabilities incurred to the former owners of the acquired business

– equity interests issued by the Group

– fair value of any asset or liability resulting from a contingent consideration arrangement, and

– fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

– consideration transferred

– amount of any non-controlling interest in the acquired entity, and

– acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(c) Business combinations (continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, investment in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

At each period end, the Group assesses whether there is an indication of possible impairment with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised only to the extent of interests in the associate that are not related to the Group.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.4 Functional currency and foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ("**the functional currency**"). United States dollars ("**USD**" or "**US$**") is the functional currency of the Company and majority of its overseas subsidiaries in Hong Kong, except for VCREDIT Finance Limited, whose functional currency is Hong Kong dollars ("**HKD**" or "**HK$**"). RMB is the functional currency of the subsidiaries in the PRC. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Translation of foreign currency

Foreign currency transactions are, on initial recognition, translated by applying the foreign exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date, the resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the transaction dates. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rates ruling at the dates the fair value was determined. The exchange differences are recognised in profit or loss, except that exchange differences arising from non-monetary items (such as equities held at fair value through other comprehensive income) denominated in foreign currencies are recognised as other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer and the vice presidents of the Group that make strategic decisions.

Currently, the Group operates its business as one single segmentation. No separate segment information is necessary to be disclosed.

2.6 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.7 Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any ECL allowance) or to the amortised cost of a financial liability. The calculation does not consider ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ("**POCI**") financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of ECL in estimated future cash flows.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Financial assets and liabilities *(continued)*

Measurement methods *(continued)*

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the ECL provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

2.7 FINANCIAL ASSETS AND LIABILITIES *(continued)*

2.7 Financial assets and liabilities *(continued)*

2.7.1 *Financial assets*

(i) *Classification and subsequent measurement*

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("**FVPL**");
- Fair value through other comprehensive income ("**FVOCI**"); and
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans to customers and guarantee receivables.

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("**SPPI**"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("**OCI**"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Financial assets and liabilities *(continued)*

2.7.1 *Financial assets (continued)*

(i) *Classification and subsequent measurement (continued)*

Debt instruments (continued)

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Any gain or loss on a financial asset at FVPL is recognised immediately in profit or loss. Income arising from loans to customers at FVPL that is calculated using an approach similar to the effective interest method is presented within 'interest type income' (Note 2.19(a)). The change in fair value apart from interest type income of loans to customers at FVPL is separately presented in the consolidated statement of comprehensive income within 'fair value change of loans to customers' in the period in which it arises. Fair value gains or losses arising from other financial investments at FVPL are presented in the consolidated statement of comprehensive income within 'other gains, net'.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "**SPPI test**"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Financial assets and liabilities *(continued)*

2.7.1 *Financial assets (continued)*

(i) *Classification and subsequent measurement (continued)*

Debt instruments (continued)

The contractual term of loans to customers originated by the Group permits the borrowers to pre-pay the loans before maturity. The prepayment amount does not always provide reasonable compensation for early termination of the loans. As a result the loans to customers fail the SPPI test thus are classified as FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of comprehensive income as applicable.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Financial assets and liabilities *(continued)*

2.7.1 *Financial assets (continued)*

(ii) Impairment

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and with the exposure arising from financial guarantee contracts and contract assets. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

(iv) Write-off

Financial assets (and the related ECL allowance) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Financial assets and liabilities *(continued)*

2.7.2 Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to the financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial guarantee contracts (see Note 2.10).

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

2.8 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.8 Determination of fair value *(continued)*

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of quoted market prices or dealer quotes for similar instruments, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the beneficiary for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans.

2.10.1 Guarantee liabilities

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the ECL model under IFRS 9 *Financial Instruments*; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.10 Financial guarantee contracts *(continued)*

2.10.2 Guarantee receivables

Guarantee premium is collected from borrowers on a monthly basis in accordance with guarantee contracts. The guarantee receivables are recognised at loan inception based on future contractual cash-in, which is the same amount as guarantee liability recognised initially. At each reporting date, the Group applies the ECL model to measure the expected credit loss allowance for the guarantee receivables and any resulted impairment gain or loss is recognised within 'credit impairment losses' in the statement of comprehensive income.

2.10.3 Gains from guarantee

In accordance with the principles of IFRS 15, income from guarantee is recognised over the term of the guarantee which generally aligns with the term of the guaranteed loans. Losses from guarantee are recognised when the amount of guarantee liability determined in accordance with the ECL model is higher than the amortised balance (Note 2.10.1). Aforesaid income and losses from guarantee are recognised as gains/(losses) from guarantee on a net basis for each reporting period within 'other income' in the statement of comprehensive income.

2.11 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The income taxes are recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial statements date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.11 Current and deferred income tax *(continued)*

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.12 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.13 Senior notes

Senior notes are notes issued by the Group to finance working capital, which are measured at amortised cost. Interest expense is calculated by applying the effective interest rate to the gross carrying amount of senior notes.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.14 Share capital and share premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares have a par value of HK$0.10 per share. Initial capital injection over par value per share are accounted for as share premium.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.

Shares held by the VCREDIT No. 1 Share Award Scheme Trusts are disclosed as treasury shares.

2.15 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.16 Employee benefits

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(b) *Pension obligations*

The employees of the Group are mainly covered by various defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate fund. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

(c) *Housing benefits*

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(d) *Medical benefits*

The Group makes monthly contributions for medical benefits to the local authorities in accordance with the relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.17 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group.

Share award schemes

Under the share award scheme, shares are acquired by the independent trustee from the market, at the cost of the Company and are held on trust for the selected participants until they vest. Vested shares are transferred at no cost to the selected participants. Since the grant date, the market value of the shares issued is recognised over the vesting period as employee benefits expense, with a corresponding increase in equity.

(b) Share-based payment transactions among group entities

The grant by the Company of share options and share awards to the employees of subsidiaries in the Group is treated as a capital contribution to the subsidiaries. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Interest type income

The Group has originated and held loans mainly through the consolidated trust plans, and also directly lends to borrowers. The Group uses nominal interest rates to calculate total income for each loan and recognise the income using an approach similar to the effective interest method as interest type income. The differences from the effective interest method as set out below are that (i) the transaction costs of the loans are not added to the initial fair value, but are immediately recognised in profit or loss on initial recognition; (ii) no interest income would be accrued for loans that are overdue more than 90 days.

The effective interest method is a method of calculating the amortised cost of a financial asset (including a group of financial assets) and of allocating the interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (but does not consider future credit losses). The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(b) Non-interest income

Revenue is recognised when service is provided to the customer. Depending on the terms of the contract and the laws that apply to the contract, service may be provided over time or at a point in time. Service is provided over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition *(continued)*

(b) ***Non-interest income*** *(continued)*

If service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains the service.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation.

If a contract involves multiple services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Loan facilitation service fees and gains from guarantee

In some loan arrangements where the Group is not the lender or borrower by contract terms, the Group generates non-interest service fees by facilitating transactions between borrowers and financial institutions as the lenders. The Group determines that it is not the legal lender and legal borrower in the loan origination and repayment process. Therefore, the Group does not record loans receivable and payable arising from the loans.

The Group's services consist of:

(i) Upfront loan facilitation service: matching potential qualified borrowers to institutional investors and facilitating the execution of loan agreements between the parties;

(ii) Post loan facilitation service: providing repayment processing services for the institutional investors over the loan term, including following up on late repayments;

(iii) Guarantee service provided to financial institutions, if applicable.

The Group receives payments from borrowers over the term of the loan. The total service fees are first allocated to the guarantee liabilities (Note 2.10.1) at fair value which meets the definition of a financial guarantee contract under IFRS 9. The remaining amount is then allocated to upfront loan facilitation service and post loan facilitation service using best estimated selling price (Note 3.6), as neither vendor specific objective evidence or third party evidence of selling price is available.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition *(continued)*

(b) ***Non-interest income*** *(continued)*

Loan facilitation service fees and gains from guarantee (continued)

Upfront loan facilitation service fees are recognised at loan inception. When the cash received is not equal to the fee allocated to the upfront loan facilitation service, a "Contract Asset" or "Contract Liability" is recognised in the consolidated statements of financial position. Post loan facilitation service fees are recognised over the term of the loan, which approximates the pattern of when the underlying services are performed. Income from guarantee is recognised over the term of the guarantee (Note 2.10.3). Since the average term of the loans recommended by the Group was less than one year, as a practical expedient, the Group recognised the incremental costs of obtaining a contract as an expense when incurred.

Penalty charges

Penalty charges are the additional charges upon default of borrowers. Penalty charges are recognised as other income when incurred on a case-by-case basis. The collectability of these amounts is often highly uncertain. Penalty charges are only highly probable to be collected when the actual overdue amounts are repaid and are recognised as revenue when the cash of the penalty payments is actually collected.

User membership fees

Since August 2021, a membership program was launched by providing the users who registered on a platform operated by the Group with accelerating loan application process, interest and fee coupons, daily-life services related discounted vouchers, and other exclusive rights. User membership prices are determined by the Group according to various service packages and membership terms. Each service in the user membership program is treated as an individual obligation and is allocated with a standalone transaction price. User membership fees are collected at inception and are recognised as other income when certain obligations are satisfied. The upfront payments by the users are initially recognised as a liability and charged to profit or loss based on the expected or actual utilisation of the benefits contemplated in the membership program.

Referral fees

The Group provides referral services to third-party service providers. Upon the third-party service providers' confirmation of the successful provision of services to referred customers and receipt of the payment, the Group will charge the third-party service providers a fixed rate referral service fee based on the transaction amount and recognise the amount in other income. The third-party service provider will settle the payments periodically.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.20 Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2.21 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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 readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.21 Leases *(continued)*

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

3.1 Measurement of the ECL allowance

The measurement of the ECL allowance for financial assets measured at amortised cost, contract assets and financial guarantee contracts is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

(i) Determining criteria for significant increase in credit risk;

- The financial instrument is considered to have experienced a significant increase in credit risk if the borrower is past due on its contractual payments.

(ii) Choosing appropriate models and assumptions for the measurement of ECL;

- Apart from contract assets for which a lifetime ECL has been always applied, ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the Probability for Default ("**PD**"), Exposure at Default ("**EAD**"), and Loss Given Default ("**LGD**"), or ECL=PD*LGD*EAD*discount rate.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

3.1 Measurement of the ECL allowance *(continued)*

(ii) Choosing appropriate models and assumptions for the measurement of ECL; (continued)

- The calculation of PD and LGD starts with the Group's historical information. PD and LGD are calculated by type of products, internal risk grades and loan durations as appropriate.

- EAD is calculated based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

- The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

(iii) Establishing the number and relative weighting of forward-looking scenarios for each type of product/market and the associated ECL;

- The Group used the Merton Model to estimate the relationship between ECL and forward-looking scenarios.

- Based on economic statistics, three different prospective scenarios, namely the "base", the "upside" and the "downside" are used with 80%, 10% and 10% weighting respectively.

- The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL of each portfolio. The most significant assumptions used are CPI and GDP, given their impact on the underlying loans of financial guarantees provided by the Group.

3.2 Fair value of loans to customers

Fair value of loans to customers represents management's best estimate of discounted cash flow of the loan portfolios at the reporting date. Management is required to exercise judgement in making assumptions and estimates when calculating fair value of loans to customers.

The Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from each loan before the decrease can be identified. This evidence may include observable data indicating that there has been an adverse change in the payment status of a borrower (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the Group. Management measures the fair value of loans to customers using risk-adjusted discount rate and contractual cash flow (the "**discount rate adjustment technique**"). The risk-adjusted discount rate is the key input of the valuation technique and is estimated based on historical loss experience for assets with credit risk characteristics similar to each loan. The methodology and assumptions are reviewed regularly to reduce any differences between fair value change of loans to customers and actual loss experience.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

3.3 Initial measurement of financial guarantee liability

The initial measurement of the financial guarantee liability represents an expected amount which will be received in the future for the issuer to take on the obligations under the guarantee contracts. When initially recognising the financial guarantee liabilities for each underlying loan, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the guarantee contracts plus the compensation required for taking on the guarantee obligation. The estimates of the payments in fulfilling the obligations under the guarantee contracts are determined based on the estimated loss rate of the loans, taking into account the underlying risk profile and historical loss record.

3.4 Valuation of share-based compensation expenses

The fair value of share-based awards granted are measured on the respective grant dates based on the fair value of the underlying shares. The Company has used binomial option pricing model to determine the fair value of the share options as at the grant date before listing, and has used market price of the ordinary shares of the Company to determine the fair value of share awards after listing. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognises an expense for those share options and share awards that are expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share-based awards and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

The fair value of share options and share awards at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting instalment of a graded vesting award is treated as a separate share-based award, which means that each vesting instalment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

3.5 Recognition of deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profits of the individual entities together with tax planning strategies.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

3.6 Recognition of loan facilitation service fees

The Group considers the upfront loan facilitation services and post loan facilitation services as distinct performance obligations. However, the Group does not provide these services separately, and the third-party evidence of selling price does not exist either, as public information is not available regarding the amount of fees competitors charge for these services. As a result, the Group uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of the different services as the basis for allocation. When estimating the selling prices, the Group considers the cost related to such services, profit margin, customer demand, effect of competition, and other market factors, if applicable.

3.7 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to asset management fees earned as the asset manager, the retention of residual profits, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

4 RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(i) Market risk – foreign exchange risk

The transactions of the Company and majority of its overseas subsidiaries are mainly denominated and settled in their functional currency, USD. They are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. The Company's subsidiaries whose functional currency is RMB are exposed to foreign exchange risk primarily arising from currency exposures with respect to USD.

At the end of the reporting period, financial instruments of the Company and its subsidiaries with USD as functional currency denominated in currencies other than USD, were as follows:

	As at December 31, 2023					
	RMB	HKD	EUR	GBP	SGD	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	83,850	3,952	17,479	81	59	105,421
Borrowings	(314,901)	–	–	–	–	(314,901)
Senior notes	–	(89,989)	–	–	–	(89,989)
Net exposure to foreign currency risk	(231,051)	(86,037)	17,479	81	59	(299,469)

	As at December 31, 2022					
	RMB	HKD	EUR	GBP	SGD	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	186,616	1,775	7,493	–	–	195,884
Borrowings	(186,990)	(6,720)	–	–	–	(193,710)
Senior notes	–	(176,236)	–	–	–	(176,236)
Net exposure to foreign currency risk	(374)	(181,181)	7,493	–	–	(174,062)

4 RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk – foreign exchange risk (continued)

Financial instruments of the Company's subsidiaries in the PRC denominated in currencies other than RMB at the end of the reporting period, were as follows:

	As at December 31, 2023				
	USD	**EUR**	**GBP**	**SGD**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Cash and cash equivalents	**–**	**–**	**–**	**–**	**–**
Net exposure to foreign currency risk	**–**	**–**	**–**	**–**	**–**

	As at December 31, 2022				
	USD	EUR	GBP	SGD	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	1,300	72	–	–	1,372
Net exposure to foreign currency risk	1,300	72	–	–	1,372

The table below illustrates the impact of an appreciation or depreciation of USD/HKD spot and forward rates against RMB by 5% on the Group's profit and equity:

	Expected changes in profit and equity Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
5% appreciation of USD/HKD	**10,617**	(347)
5% depreciation of USD/HKD	**(10,617)**	347

The table below illustrates the impact of an appreciation or depreciation of EUR spot and forward rates against RMB by 5% on the Group's profit and equity:

	Expected changes in profit and equity Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
5% appreciation of EUR	**850**	384
5% depreciation of EUR	**(850)**	(384)

4 RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) ***Market risk – foreign exchange risk*** *(continued)*

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- Analysis is based on static gap on reporting date, regardless of subsequent changes;
- No consideration of impact on the customers' behavior resulted from the change in foreign exchange rate;
- No consideration of impact on market price resulted from the change in foreign exchange rate; and
- No consideration of actions taken by the Group.

Therefore, the actual changes of profit and equity may differ from the analysis above.

(ii) ***Market risk – interest rate risk***

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavorable fluctuations which impact the overall profitability and fair value resulting in losses to the Group.

Group's interest-bearing liabilities comprise borrowings and senior notes with fixed interest rates. The Group is exposed to fair value changes relating to interest rate risk, which are recognised in profit or loss. Please refer to Note 4(d) for the sensitivity analysis for fair value change of loans to customers.

The Group's financial department and risk management department jointly monitored and managed the Group's interest rate risk.

4 RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Credit risk

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group. The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, contract assets, loans to customers and other financial assets, but can also arise from credit enhancement provided, such as financial guarantees. The Group manages the credit risk through a comprehensive credit assessment system.

To manage this risk arising from cash and cash equivalents, and restricted cash, the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

The Group has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection. Credit risks arising from financial guarantees and contract assets are similar to those associated with loans. Transactions of financial guarantees are subject to the same portfolio management and the same requirements for application as loans to customers.

For other assets, including deposits, due from business partners and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other assets based on historical settlement records and past experience. The directors of the Group believe that credit risk in the Group's outstanding balance of other assets has been appropriately managed.

Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using PD, EAD and LGD. This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

4 RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) ***Credit risk*** *(continued)*

Measurement of ECL

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ("**SICR**") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

<u>Change in credit quality since initial recognition</u>

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month ECL	Lifetime ECL	Lifetime ECL

4 RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) *Credit risk* *(continued)*

Measurement of ECL (continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The Group monitors and reviews the criteria used to identify SICR periodically for appropriateness by the independent Credit Risk team based on changes in credit quality since initial recognition, including probability of default, loss given default, etc. According to the independent Credit Risk team's updated evaluation, the Group considers a financial instrument to have experienced a significant increase in credit risk if the borrower is past due on its contractual payments.

No qualitative criterion has been considered by the Group since the Group monitors the risk of borrowers purely based on overdue information.

Definition of default

The Group defines a financial instrument as in default, if the debtor is more than three months past due on its contractual payments. No qualitative criterion is considered by the Group since the Group monitors the risk of borrowers purely based on overdue information.

The criterion above has been applied to all financial instruments held by the Group and consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model PD, EAD and LGD throughout the Group's expected credit loss calculations.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of PD, EAD, and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "**Definition of default**" above), either over the next 12 months ("**12M PD**"), or over the remaining lifetime ("**Lifetime PD**") of the obligation.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

4 RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Credit risk *(continued)*

Measurement of ECL (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within each product type which is determined by the asset class, type of industry, lending period, month on book and principal overdue status. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. Early repayment/refinance assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

Forward-looking economic information is included in determining the 12-month and lifetime PD.

Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses.

The Group applies expert judgment in the forecast of the economic variables to obtain the best estimate view of the economy over the next one year. The impact of the economic variables on the PD has been determined by performing Euclidean Distance analysis to understand the impact changes in the variables have had historically on default rates.

4 RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) ***Credit risk*** *(continued)*

Measurement of ECL (continued)

Forward-looking information incorporated in the ECL models (continued)

In addition to the base economic scenario, the Group also obtained other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. As at December 31, 2023 and 2022, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting. The Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

The assessment of ECL incorporates forward-looking information in respect of PD. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for its credit exposures.

Key economic variables	Scenario	2023	2022
CPI (Consumer Price Index)	Base	**1.25%**	1.90%
	Upside	**1.95%**	2.00%
	Downside	**0.35%**	1.18%
GDP (Gross Domestic Product)	Base	**4.88%**	4.88%
	Upside	**5.36%**	5.00%
	Downside	**4.14%**	4.43%

The Group uses economic variable assumptions when it determines expected CPI and GDP. The weightings assigned to base, upside and downside economic scenario at December 31, 2023 are 80%, 10% and 10%, respectively (at December 31, 2022: 80%, 10% and 10%, respectively).

4 RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) ***Credit risk*** *(continued)*

Measurement of ECL (continued)

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are CPI and GDP.

Set out below are the changes to the ECL as at December 31, 2023 and 2022 that would result by varying CPI and GDP by 0.5 standard deviation ("**σ**") respectively. In each of the base, upside and downside scenarios:

As at December 31, 2023

	GDP		
	–0.5 σ *RMB'000*	**No change** *RMB'000*	**+0.5 σ** *RMB'000*
CPI –0.5 σ	**288,366**	**138,810**	**–**
CPI No change	**138,810**	**–**	**(124,268)**
CPI +0.5 σ	**–**	**(124,268)**	**(230,657)**

As at December 31, 2022

	GDP		
	–0.5 σ *RMB'000*	No change *RMB'000*	+0.5 σ *RMB'000*
CPI –0.5 σ	223,756	107,678	–
CPI No change	107,678	–	(99,292)
CPI +0.5 σ	–	(99,292)	(191,363)

The ECL allowance is sensitive to the weightings assigned to each economic scenario.

For CPI and GDP, assuming a 10% increase in the weight of the upside scenario and a 10% reduction in the weight of the base scenario, the Group's ECL allowance as at December 31, 2023 would be reduced by RMB18.46 million (December 31, 2022: RMB2.88 million); assuming a 10% increase in the weight of the downside scenario and a 10% reduction in the weight of the base scenario, the Group's ECL allowance as at December 31, 2023 would be increased by RMB29.40 million (December 31, 2022: RMB17.87 million).

4 RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) ***Credit risk*** *(continued)*

Measurement of ECL (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

Maximum Credit Risk Exposure – on balance sheet items	As at December 31, 2023 RMB'000	2022 RMB'000
Cash and cash equivalents	**896,534**	1,592,365
Restricted cash	**652,241**	514,941
Loans to customers at fair value through profit or loss	**6,504,421**	5,230,471
Contract assets	**465,408**	443,146
Guarantee receivables	**1,317,024**	787,396
Other assets	**1,184,955**	736,940
	11,020,583	9,305,259

The outstanding loan balance for which the Group provided financial guarantee in Stage 1, Stage 2 and Stage 3 were RMB19,898.51 million, RMB115.80 million and RMB894.29 million, respectively, as at December 31, 2023 (December 31, 2022: RMB15,032.16 million, RMB42.39 million and RMB318.60 million, respectively).

(iv) ***Liquidity risk***

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due. The liquidity of the assets will affect the Group's ability for paying the due debt. The Group is responsible for its own cash flow prediction and continues to monitor both short-term and long-term funding needs, in order to maintain sufficient reserves of cash and marketable securities available at any time.

4 RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk (continued)

The amounts disclosed in the table are the carrying amounts of the financial assets and the contractual undiscounted cash flows of the financial liabilities.

	As at December 31, 2023						
	On demand or undated *RMB'000*	Overdue *RMB'000*	Less than 1 month *RMB'000*	1–6 months *RMB'000*	7 months–1 year *RMB'000*	1-5 years *RMB'000*	Total *RMB'000*
Assets							
Cash and cash equivalents	750,926	–	124,658	949	–	20,001	896,534
Restricted cash	–	–	1,403	276,168	242,285	132,385	652,241
Loans to customers at fair value through profit or loss	–	72,495	1,004,427	3,643,069	1,694,989	89,441	6,504,421
Financial investments at fair value through profit or loss	38,629	–	–	–	100,000	10,066	148,695
Guarantee receivables	–	19,605	1,072	416,380	874,522	5,445	1,317,024
Other financial assets	–	–	422,187	242,725	155,607	364,436	1,184,955
Total financial assets	789,555	92,100	1,553,747	4,579,291	3,067,403	621,774	10,703,870
Liabilities							
Borrowings	–	–	(371,162)	(1,519,571)	(3,281,919)	(463,920)	(5,636,572)
Senior notes	–	–	–	(4,304)	(4,304)	(94,924)	(103,532)
Lease liabilities	–	–	(2,292)	(13,076)	(14,996)	(31,591)	(61,955)
Guarantee liabilities	–	–	(17,035)	(566,830)	(945,738)	(4,280)	(1,533,883)
Other financial liabilities	–	–	(169,093)	(9,618)	–	–	(178,711)
Total financial liabilities	–	–	(559,582)	(2,113,399)	(4,246,957)	(594,715)	(7,514,653)
Net value	789,555	92,100	994,165	2,465,892	(1,179,554)	27,059	3,189,217

4 RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) ***Liquidity risk*** *(continued)*

	As at December 31, 2022						
	On demand or undated *RMB'000*	Overdue *RMB'000*	Less than 1 month *RMB'000*	1–6 months *RMB'000*	7 months–1 year *RMB'000*	1-5 years *RMB'000*	Total *RMB'000*
Assets							
Cash and cash equivalents	1,407,953	–	73,351	111,061	–	–	1,592,365
Restricted cash	–	–	5	178,331	212,327	124,278	514,941
Loans to customers at fair value through profit or loss	–	76,646	979,344	3,049,283	1,125,168	30	5,230,471
Financial investments at fair value through profit or loss	243,526	–	–	–	–	–	243,526
Guarantee receivables	–	4,415	29,227	200,346	553,406	2	787,396
Other financial assets	–	–	202,468	12,188	11,748	510,536	736,940
Total financial assets	1,651,479	81,061	1,284,395	3,551,209	1,902,649	634,846	9,105,639
Liabilities							
Borrowings	–	–	(534,791)	(2,060,447)	(1,775,179)	(99,696)	(4,470,113)
Senior notes	–	–	–	(8,486)	(8,486)	(204,112)	(221,084)
Lease liabilities	–	–	(2,230)	(6,225)	(5,205)	(16,750)	(30,410)
Guarantee liabilities	–	–	(11,274)	(316,493)	(812,973)	(14)	(1,140,754)
Other financial liabilities	(1,585)	–	(187,530)	(96,956)	–	(23)	(286,094)
Total financial liabilities	(1,585)	–	(735,825)	(2,488,607)	(2,601,843)	(320,595)	(6,148,455)
Net value	1,649,894	81,061	548,570	1,062,602	(699,194)	314,251	2,957,184

(b) Operation risk

Operation risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees and systems or from uncontrollable external events. The Group is exposed to many types of operation risks in the conduct of its business. The Group attempts to manage operation risk by establishing clear policies and requiring well documented business processes to ensure that transactions are properly authorised, supported and recorded.

China Banking and Insurance Regulatory Commission, jointly with other regulatory authorities, issued the Circular on Issuing Supplementary Provisions on Supervision of Financing Guarantee Companies (the "**Circular**") on October 24, 2019 to further regulate certain financial guarantee activities. The Group has acknowledged the requirements set forth in the Circular and noted the potential non-compliance risk to the current business model for its trust scheme operations and loan facilitation services going forward. Such potential non-compliance could subject the Group to penalties and/or it being required to change its current business models.

4 RISK MANAGEMENT *(continued)*

(b) Operation risk *(continued)*

The Group has established its own financial guarantee company and restructuring future credit enhancement arrangements, to cope with the implications of the Circular. Taking into consideration current market practice and the implementation status of the related regulatory requirements, the Group has assessed that the potential impact of changes to its future business plans is not significant and does not believe that it is probable there will be a material outflow of resources during the process of complying with the new regulations. The Group will pay close attention to market developments and will continue to monitor the impact to its operations and financial position.

(c) Capital management

The "capital" in capital management is a broader concept than "equity" on the consolidated statement of financial position. The Group's objectives in capital management are:

- To comply with the capital requirements set by the regulators of the markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term; and
- To maintain a strong capital base to support the development of its business.

The Group adopts administrative measures issued by the regulators of subsidiaries with financial license. To meet the requirement, the Group manage assets at different levels in accordance with the provisions of these measures and maintain certain net asset balance at subsidiary level to support the financial guarantee services.

The Group also monitors capital by regularly reviewing the total equity attributable to owners' of the Company. Adjustments to current capital structure are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders, issue capital securities or repurchase the Company's shares.

In the opinion of the directors of the Company, the Group's capital risk is low.

4 RISK MANAGEMENT *(continued)*

(d) Fair value measurement of financial instruments

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at December 31, 2023 and 2022 on a recurring basis:

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

	Valuation techniques	As at December 31, 2022 Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets					
Loans to customers at fair value through profit or loss	Discounted cash flow method [(i)]	–	–	5,230,471	5,230,471
Financial investments at fair value through profit or loss					
– Unlisted equity investments	Market comparable companies	–	–	13,800	13,800
– Unlisted equity investments	Net asset value	–	–	17,637	17,637
– Structured deposits	Discounted cash flow method	–	200,000	–	200,000
– Convertible promissory note	The Binominal Model	–	–	2,089	2,089
– Wealth management product	Quoted market price	–	10,000	–	10,000
		–	210,000	5,263,997	5,473,997

(i) The key unobservable input used in the discounted cash flow method is the risk-adjusted discount rate (Note 3.2).

4 RISK MANAGEMENT *(continued)*

(d) Fair value measurement of financial instruments *(continued)*

Fair value hierarchy *(continued)*

The following table presents the changes in level 3 asset instruments for the years ended December 31, 2023 and 2022:

	Loans to customers at fair value through profit or loss *RMB'000*	Financial investments at fair value through profit or loss *RMB'000*	Total *RMB'000*
At January 1, 2023	**5,230,471**	**33,526**	**5,263,997**
Additions	**12,099,045**	**110,066**	**12,209,111**
Derecognition	**(10,251,018)**	**–**	**(10,251,018)**
Losses recognised in profit or loss within fair value change of loans to customers [(i)]	**(574,077)**	**–**	**(574,077)**
Losses recognised in profit or loss within other losses, net	**–**	**(2,617)**	**(2,617)**
Exchange difference	**–**	**637**	**637**
At December 31, 2023	**6,504,421**	**141,612**	**6,646,033**
At January 1, 2022	7,322,034	36,270	7,358,304
Additions	12,918,614	14,008	12,932,622
Derecognition	(14,438,298)	–	(14,438,298)
Losses recognised in profit or loss within fair value change of loans to customers [(i)]	(571,879)	–	(571,879)
Losses recognised in profit or loss within other losses, net	–	(18,746)	(18,746)
Exchange difference	–	1,994	1,994
At December 31, 2022	5,230,471	33,526	5,263,997

(i) Losses recognised in profit or loss include unrealised losses attributable to balances held as at December 31, 2023 of RMB85.82 million (December 31, 2022: RMB120.47 million).

There were no transfers between the levels of the fair value hierarchy in the year ended December 31, 2023. There were no changes made to any of the valuation techniques applied as at December 31, 2023.

4 RISK MANAGEMENT *(continued)*

(d) Fair value measurement of financial instruments *(continued)*

Fair value hierarchy *(continued)*

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair value measurements using significant unobservable inputs

The Group has a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. The team manages the valuation exercise of the investments on a case by case basis. The team would use valuation techniques to determine the fair value of the Group's level 3 instruments once every month. External valuation experts will be involved when necessary.

As at December 31, 2023, the level 3 instruments were mainly loans to customers at fair value through profit or loss. As the loans to customers are not traded in an active market, its fair value has been determined using the discounted cash flows method whereby the discount rate adjustment technique is applied. The discount rate used to determine the present value was a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the assets as at each reporting date. The managements determined the risk-free interest rates based on the yield of China Government Bonds with a maturity equal to periods from the respective reporting date to expected cash flow date. The determination of risk premiums to derive the risk-adjusted discount rates involved critical estimates and judgements (see Note 3.2).

4 RISK MANAGEMENT *(continued)*

(d) Fair value measurement of financial instruments *(continued)*

Fair value measurements using significant unobservable inputs *(continued)*

The table below illustrates the impact to profit before income tax for the years ended December 31, 2023 and 2022, if the risk-adjusted discount rate had increased/decreased by 100 basis points with all other variables held constant.

Expected changes in profit before income tax	Year ended December 31, 2023 RMB'000	2022 RMB'000
+100 basis points	**(21,000)**	(14,511)
–100 basis points	**21,277**	14,690

Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the statement of financial position such as guarantee receivables, other receivables, senior notes, borrowings and other payables. For these instruments, the fair values are not materially different to their carrying amounts, since the interest rate is close to current market rates, or the instruments are short-term in nature.

5 NET INTEREST TYPE INCOME

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Interest type income		
Loans to customers at fair value through profit or loss	**1,477,300**	1,922,140
Less: interest expenses		
Payable to trust plan holders	**(299,955)**	(459,865)
Bank borrowings	**(14,374)**	(961)
Senior notes	**(13,314)**	(68,333)
Others	**(3)**	(1)
	(327,646)	(529,160)
Net interest type income	**1,149,654**	1,392,980

6 LOAN FACILITATION SERVICE FEES

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Upfront loan facilitation service fees	**1,489,865**	1,092,829
Post loan facilitation service fees	**751,093**	471,530
	2,240,958	1,564,359

Note: The Group considers the upfront loan facilitation services and post loan facilitation services as distinct performance obligations. Upfront loan facilitation service fees are recognised at loan inception. Post loan facilitation service fees are recognised over the term of the loan, which approximates to the pattern of when the underlying services are performed. The unsatisfied performance obligations as at December 31, 2023 were RMB326.33 million (December 31, 2022: RMB271.73 million). Management expects that 98.5% of the transaction price allocated to the unsatisfied contracts as at December 31, 2023 will be recognised as revenue within the next 12 months (December 31, 2022: 99.99%).

7 OTHER INCOME

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Membership fees, referral fees and other service fees	**107,289**	85,851
Penalty and other charges	**24,193**	16,413
Gains from guarantee	**20,922**	12,277
Government grants	**12,790**	36,010
Others	**13,682**	11,391
	178,876	161,942

8 EXPENSES BY NATURE

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Loan origination and servicing expenses	**(1,403,513)**	(1,123,097)
Employee benefit expenses (Note 9)	**(404,777)**	(337,782)
Office expenses	**(79,325)**	(55,374)
Professional service fees	**(65,512)**	(83,730)
Depreciation of right-of-use assets	**(30,585)**	(25,752)
Depreciation and amortization	**(25,665)**	(28,024)
Tax and surcharge	**(24,222)**	(14,640)
Branding expenses	**(16,551)**	(7,773)
Audit remuneration		
– Audit service fees	**(5,764)**	(5,500)
– Non-audit service fees	**(204)**	(407)
Others	**(3,871)**	(2,295)
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses	**(2,059,989)**	(1,684,374)

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Wages, salaries and bonuses	**(328,631)**	(273,588)
Other social security costs, housing benefits and other employee benefits	**(43,791)**	(35,027)
Pension costs – defined contribution plans	**(30,715)**	(24,202)
Share-based compensation expenses	**(1,640)**	(4,965)
	(404,777)	(337,782)

10 DIRECTORS' REMUNERATION

The remuneration of every director for the year ended December 31, 2023 is set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension costs – defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive Directors						
Ma Ting Hung	18,020	–	–	48	–	18,068
Liu Sai Wang Stephen	18,020	967	–	23	137	19,147
Liu Sai Keung Thomas	5,958	967	–	47	68	7,040
Non-Executive Director						
Yip Ka Kay	356	–	–	–	–	356
Independent Non-Executive Directors						
Chen Penghui	384	–	–	–	–	384
Chen Derek	356	–	–	–	–	356
Fang Yuan	384	–	–	–	–	384
	43,478	1,934	–	118	205	45,735

10 DIRECTORS' REMUNERATION *(continued)*

The remuneration of every director for the year ended December 31, 2022 is set out as follows:

	Director's fee	Salaries, wages and bonuses	Pension costs – defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
Ma Ting Hung	21,055	–	–	1,447	–	22,502
Liu Sai Wang Stephen	22,347	834	5	25	741	23,952
Liu Sai Keung Thomas	4,654	834	5	47	370	5,910
Non-Executive Director						
Yip Ka Kay	–	–	–	–	–	–
Independent Non-Executive Directors						
Chen Penghui	335	–	–	–	–	335
Chen Derek	309	–	–	–	–	309
Fang Yuan	335	–	–	–	–	335
	49,035	1,668	10	1,519	1,111	53,343

No director's termination benefit subsisted at the end of the year or at any time during the year.

No consideration provided to or receivable by third parties for making available directors' services subsisted at the end of the year or at any time during the year.

No loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and connected entities subsisted at the end of the year or at any time during the year.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office at the end of the year or at any time during the year.

11 FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2023 and 2022 include 3 and 3 directors whose emoluments are reflected in the analysis shown in Note 10. All highest paid individuals have not received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office for each of the years ended December 31, 2023 and 2022.

The emoluments payable to the remaining 2 and 2 individuals for each of the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**3,735**	2,913
Share-based compensation expenses	**753**	1,207
Other social security costs, housing benefits and other employee benefits	**105**	132
Pension costs – defined contribution plans	**62**	108
	4,655	4,360

The emoluments fell within the following bands:

	Year ended December 31,	
	2023	2022
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
Over HK$2,000,000	**2**	2
	2	2

12 CREDIT IMPAIRMENT LOSSES

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cash and cash equivalents	**(17)**	21
Restricted cash	**(982)**	(132)
Contract assets	**(112,625)**	(51,555)
Guarantee receivables	**(226,801)**	(80,580)
Other assets	**(4,133)**	2,698
	(344,558)	(129,548)

13 OTHER GAINS/(LOSSES), NET

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Bank interest income	**21,712**	22,155
Interest expense on lease liabilities	**(3,697)**	(1,870)
Bank charges	**(1,348)**	(2,298)
(Losses)/Gains from repurchase of senior notes	**(1,283)**	3,778
Losses from financial investments at fair value through profit or loss	**(827)**	(14,824)
Exchange losses	**(576)**	(45,301)
	13,981	(38,360)

14 INCOME TAX EXPENSE

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Current income tax	**(315,342)**	(217,051)
Deferred income tax	**172,259**	54,402
	(143,083)	(162,649)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit of the consolidated entities as follows:

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Profit before income tax:	**596,994**	695,120
Tax calculated at PRC statutory income tax rate of 25%	**(149,249)**	(173,780)
Tax effects of:		
– Differential income tax rates applicable to the Company and subsidiaries	**16,528**	24,721
– Super deduction for research and development expenses	**12,410**	6,043
– Withholding tax on distributed profits	**(17,083)**	(13,200)
– No recognition of deferred tax assets on tax losses	**(4,761)**	(3,931)
– Expenses not deductible for income tax purpose	**(928)**	(2,502)
Share-based compensation	**(410)**	(1,241)
Others	**(518)**	(1,261)
Income tax expense	**(143,083)**	(162,649)

14 INCOME TAX EXPENSE *(continued)*

The Group's main applicable taxes and tax rates are as follows:

Cayman Islands

The Company re-domiciled to the Cayman Islands by way of continuation as an exempted company with limited liability from the BVI prior to listing. The Company is governed by the laws of the Cayman Islands after completion of the continuation. Accordingly, the Company is not subject to income tax under Cayman Islands' law.

China

The PRC Enterprise Income Tax Law (the "**EIT Law**") applies an income tax rate of 25% to all enterprises but grants preferential tax treatments to High and New Technology Enterprises ("**HNTEs**") and Small Low-profit Enterprise.

Under these preferential tax treatments, HNTEs can enjoy a preferential income tax rate of 15% for three years, but need to re-apply after the end of the three-year period. In November 2023, Vision Credit Financial Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company, was further approved as HNTE under the EIT Law and will continue to enjoy the preferential income tax rate of 15% from 2023 to 2025. Therefore, Vision Credit Financial Technology Co., Ltd. was entitled to a preferential income tax rate of 15% for the year ended December 31, 2023.

The income tax rate of entities qualified as "Small Low-profit Enterprise" is 20%. According to the circular of the State Administration of Taxation in 2023, from January 1, 2023 to December 31, 2024, the annual taxable income amount of small low-profit enterprise shall be calculated at a reduced rate of 25%, and the income tax is paid at a rate of 20%. Zhonghong Hengjia Blockchain Co., Ltd. and Guangdong Weishi Data Technology Co., Ltd., etc. which are indirectly owned subsidiaries of the Company, were qualified as Small Low-profit Enterprises and were entitled to the aforementioned preferential income tax rate for the year ended December 31, 2023.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the Company's subsidiaries incorporated in Hong Kong are subject to 16.5% income tax on their taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax. Commencing from the year of assessment of 2018/2019, the first HKD2.00 million of profits earned by the Company's subsidiaries incorporated in Hong Kong will be taxed at half the current tax rate (i.e. 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate.

14 INCOME TAX EXPENSE *(continued)*

The Group's main applicable taxes and tax rates are as follows: (continued)

Withholding Tax on Undistributed Profits

Under the EIT Law, dividends, interests, rent, royalties and gains on transfers of property payable by a foreign-invested enterprise in the PRC to its parent company who is a non-resident enterprise will be subject to withholding tax of 10%, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with the PRC that provides for a reduced rate of withholding taxes. The withholding tax rate is 5% for the parent company incorporated in certain qualified jurisdictions if the parent company is the beneficial owner of the dividend and approved by the PRC tax authority to enjoy the preferential tax benefit.

Deferred income tax liability on withholding tax is accrued based on the best estimation when the Group has a plan to require its PRC subsidiaries to distribute their retained earnings.

15 EARNINGS PER SHARE

Weighted average number of ordinary shares used as the denominator

	Year ended December 31,	
	2023	2022
Earnings attributable to owners of the Company *(RMB'000)*	**453,906**	532,466
Weighted average number of ordinary shares for calculation of the basic earnings per share *('000)*	**488,051**	487,274
Weighted average number of ordinary shares for calculation of the diluted earnings per share *('000)*	**489,960**	490,176
Basic earnings per share *(RMB yuan)*	**0.93**	1.09
Diluted earnings per share *(RMB yuan)*	**0.93**	1.09

(a) Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

15 EARNINGS PER SHARE *(continued)*

(b) For the year ended December 31, 2023 and 2022, 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 share awards granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	Year ended December 31,	
	2023	2022
	Number of ordinary shares ('000)	*Number of ordinary shares ('000)*
Weighted average number of ordinary shares for calculation of the basic earnings per share	**488,051**	487,274
Adjustments for share options and share awards granted	**1,909**	2,902
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	**489,960**	490,176

16 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cash at bank	**887,551**	1,585,539
Cash held through platform [i]	**9,116**	6,947
Cash on hand	**33**	28
Less: ECL allowance	**(166)**	(149)
	896,534	1,592,365

(i) Cash held through platform is the cash balance held by the Group in third party payment companies.

16 CASH AND BANK BALANCES *(continued)*

(b) Restricted Cash

	As at December 31, 2023 RMB'000	2022 RMB'000
Deposits to funding partners[i]	**332,121**	309,912
Deposits for borrowings[ii]	**321,263**	205,190
Less: ECL allowance	**(1,143)**	(161)
	652,241	514,941

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

(ii) Deposits for borrowings are pledges for secured borrowings(refer to Note 27).

17 LOANS TO CUSTOMERS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	As at December 31, 2023 RMB'000	2022 RMB'000
Unsecured	**6,504,421**	5,226,433
Pledged	**–**	4,038
	6,504,421	5,230,471

The Group has established business relationship with the trust plans which were administered by third-party trust companies. The trust plans invested solely in loans on the Group's platform to provide returns to the beneficiaries of the trust plans. The Group entered into agreements pursuant to which the principal of the trust senior tranche holders and their expected fixed return were fully guaranteed by the Group. Meanwhile, all the junior tranches issued by the trust plans were held by the Group, thereby the Group was entitled to the residual profits/losses of the trusts. The Group holds variable interests in the trust plans. In addition, since the trust plans only invest in loans recommended by the Group and the Group continued to service the loans, the Group has the power over the trust plans and has the ability to use its power to affect its returns from its involvement with the trust plans. As a result, the Group was considered to have control over the trust plans and therefore consolidated the trust plans' assets, liabilities, results of operations and cash flows.

17 LOANS TO CUSTOMERS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year (including 1 year)	**6,297,615**	5,227,719
1 to 2 years (including 2 years)	**206,806**	885
2 to 5 years (including 5 years)	**–**	1,867
	6,504,421	5,230,471

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Overdue[(i)]	**72,495**	76,646
Within 1 year (including 1 year)	**6,226,665**	5,153,636
1 to 2 years (including 2 years)	**205,261**	189
	6,504,421	5,230,471

(i) As at December 31, 2023, the fair value of loans to customers which have been delinquent up to 30 days was RMB29.04 million, and the fair value of loans to customers which have been delinquent for 31-180 days was RMB43.46 million (December 31, 2022: RMB27.42 million and RMB49.23 million, respectively).

18 CONTRACT ASSETS

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

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Contract assets	**552,808**	496,681
Less: ECL allowance	**(87,400)**	(53,535)
	465,408	443,146

18 CONTRACT ASSETS *(continued)*

Movement of gross carrying amount and ECL allowance

Contract assets	Year ended December 31, 2023 Current *RMB'000*	 1-30 days past due *RMB'000*	 30-180 days past due *RMB'000*	 Total *RMB'000*
Opening balance at January 1, 2023	476,995	4,744	14,942	496,681
New assets originated	2,042,904	–	–	2,042,904
Transfer for the year	(114,619)	7,751	106,868	–
Assets derecognised (including final repayment)	(1,906,892)	(737)	(388)	(1,908,017)
Assets written off	–	–	(78,760)	(78,760)
Ending balance	498,388	11,758	42,662	552,808

ECL allowance	Year ended December 31, 2023 Current *RMB'000*	 1-30 days past due *RMB'000*	 30-180 days past due *RMB'000*	 Total *RMB'000*
Opening balance at January 1, 2023	(35,504)	(3,994)	(14,037)	(53,535)
New assets originated	(160,107)	–	–	(160,107)
Transfer for the year	8,712	(6,046)	(100,649)	(97,983)
Assets derecognised (including final repayment)	144,947	575	365	145,887
Changes to risk parameters (model inputs)	3,281	1,018	(4,721)	(422)
Assets written off	–	–	78,760	78,760
Ending balance	(38,671)	(8,447)	(40,282)	(87,400)

Contract assets	Year ended December 31, 2022 Current *RMB'000*	 1-30 days past due *RMB'000*	 30-180 days past due *RMB'000*	 Total *RMB'000*
Opening balance at January 1, 2022	316,143	6,787	28,654	351,584
New assets originated	1,328,580	–	–	1,328,580
Transfer for the year	(39,031)	(335)	39,366	–
Assets derecognised (including final repayment)	(1,128,697)	(1,708)	(1,830)	(1,132,235)
Assets written off	–	–	(51,248)	(51,248)
Ending balance	476,995	4,744	14,942	496,681

18 CONTRACT ASSETS *(continued)*

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

ECL allowance	Year ended December 31, 2022 Current *RMB'000*	 1-30 days past due *RMB'000*	 30-180 days past due *RMB'000*	 Total *RMB'000*
Opening balance at January 1, 2022	(20,502)	(5,437)	(27,289)	(53,228)
New assets originated	(92,525)	–	–	(92,525)
Transfer for the year	2,719	276	(37,235)	(34,240)
Assets derecognised (including final repayment)	78,605	1,403	1,731	81,739
Changes to risk parameters (model inputs)	(3,801)	(236)	(2,492)	(6,529)
Assets written off	–	–	51,248	51,248
Ending balance	(35,504)	(3,994)	(14,037)	(53,535)

ECL allowance	**Year ended December 31, 2023** **Current** ***RMB'000***	 **1-30 days past due** ***RMB'000***	 **30-180 days past due** ***RMB'000***	 **Total** ***RMB'000***
ECL charged for the year	**(3,167)**	**(4,453)**	**(105,005)**	**(112,625)**

ECL allowance	Year ended December 31, 2022 Current *RMB'000*	 1-30 days past due *RMB'000*	 30-180 days past due *RMB'000*	 Total *RMB'000*
ECL charged for the year	(15,002)	1,443	(37,996)	(51,555)

Note: The Group receives upfront payments from borrowers at loan inception and subsequent payments over the term of the loan. Contract assets represent the Group's right to consideration in exchange for services that the Group has provided. A substantial majority of the Group's contract assets as at December 31, 2023 would be realised within the next 12 months as the weighted average term of the arrangements where the Group is not the loan originator were less than 12 months. The Group determined there is no significant financing component for its arrangements where the Group is not the lender.

19 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES

	As at December 31, **2023** ***RMB'000***	 2022 *RMB'000*
Guarantee receivables	**1,508,416**	874,014
Less: ECL allowance	**(191,392)**	(86,618)
	1,317,024	787,396

19 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES *(continued)*

A summary of the Group's guarantee receivables movement for the years ended December 31, 2023 and 2022 is presented below:

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Guarantee receivables		
Opening balance	787,396	325,331
Addition arising from new business	3,359,307	1,676,179
Payment received from borrowers	(2,438,203)	(1,080,775)
ECL	(226,801)	(80,580)
Reversal due to early repayment	(164,675)	(52,759)
Ending balance	1,317,024	787,396

Movement of gross carrying amount and ECL allowance

Guarantee receivables	Year ended December 31, 2023 Stage 1 Current RMB'000	Stage 2 1-30 days past due RMB'000	Stage 3 30-180 days past due RMB'000	Total RMB'000
Opening balance at January 1, 2023	839,670	10,383	23,961	874,014
New financial assets originated	3,359,307	–	–	3,359,307
Transfer for the year:				
From stage 1 to stage 2	(32,313)	32,313	–	–
From stage 1 to stage 3	(175,146)	–	175,146	–
From stage 2 to stage 1	14	(14)	–	–
From stage 2 to stage 3	–	(8,180)	8,180	–
From stage 3 to stage 2	–	15	(15)	–
Assets derecognised (including final repayment)	(2,599,974)	(2,190)	(714)	(2,602,878)
Assets written off	–	–	(122,027)	(122,027)
Ending balance	1,391,558	32,327	84,531	1,508,416

19 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES *(continued)*

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

ECL allowance	Year ended December 31, 2023 Stage 1 Current *RMB'000*	Stage 2 1-30 days past due *RMB'000*	Stage 3 30-180 days past due *RMB'000*	Total *RMB'000*
Opening balance at January 1, 2023	(56,689)	(7,944)	(21,985)	(86,618)
New financial assets originated	(227,389)	–	–	(227,389)
Transfer for the year:				
From stage 1 to stage 2	2,184	(23,006)	–	(20,822)
From stage 1 to stage 3	11,837	–	(159,041)	(147,204)
From stage 2 to stage 1	(1)	10	–	9
From stage 2 to stage 3	–	5,824	(7,428)	(1,604)
From stage 3 to stage 2	–	(11)	14	3
Assets derecognised (including final repayment)	175,709	1,559	648	177,916
Changes to risk parameters (model inputs)	210	2,271	(10,191)	(7,710)
Assets written off	–	–	122,027	122,027
Ending balance	(94,139)	(21,297)	(75,956)	(191,392)

Guarantee receivables	Year ended December 31, 2022 Stage 1 Current *RMB'000*	Stage 2 1-30 days past due *RMB'000*	Stage 3 30-180 days past due *RMB'000*	Total *RMB'000*
Opening balance at January 1, 2022	345,677	6,857	24,437	376,971
New financial assets originated	1,676,179	–	–	1,676,179
Transfer for the year:				
From stage 1 to stage 2	(12,608)	12,608	–	–
From stage 1 to stage 3	(40,700)	–	40,700	–
From stage 2 to stage 1	149	(149)	–	–
From stage 2 to stage 3	–	(5,531)	5,531	–
From stage 3 to stage 2	–	60	(60)	–
Assets derecognised (including final repayment)	(1,129,027)	(3,462)	(1,045)	(1,133,534)
Assets written off	–	–	(45,602)	(45,602)
Ending balance	839,670	10,383	23,961	874,014

19 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES *(continued)*

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

ECL allowance	Year ended December 31, 2022 Stage 1 Current *RMB'000*	Stage 2 1-30 days past due *RMB'000*	Stage 3 30-180 days past due *RMB'000*	Total *RMB'000*
Opening balance at January 1, 2022	(23,834)	(5,195)	(22,611)	(51,640)
New financial assets originated	(114,368)	–	–	(114,368)
Transfer for the year:				
From stage 1 to stage 2	860	(9,599)	–	(8,739)
From stage 1 to stage 3	2,777	–	(37,501)	(34,724)
From stage 2 to stage 1	(10)	113	–	103
From stage 2 to stage 3	–	4,211	(5,096)	(885)
From stage 3 to stage 2	–	(46)	55	9
Assets derecognised (including final repayment)	77,035	2,636	963	80,634
Changes to risk parameters (model inputs)	851	(64)	(3,397)	(2,610)
Assets written off	–	–	45,602	45,602
Ending balance	(56,689)	(7,944)	(21,985)	(86,618)

ECL allowance	**Year ended December 31, 2023** **Stage 1** **Current** ***RMB'000***	**Stage 2** **1-30 days past due** ***RMB'000***	**Stage 3** **30-180 days past due** ***RMB'000***	**Total** ***RMB'000***
ECL charged for the year	**(37,450)**	**(13,353)**	**(175,998)**	**(226,801)**

ECL allowance	Year ended December 31, 2022 Stage 1 Current *RMB'000*	Stage 2 1-30 days past due *RMB'000*	Stage 3 30-180 days past due *RMB'000*	Total *RMB'000*
ECL charged for the year	(32,855)	(2,749)	(44,976)	(80,580)

19 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES *(continued)*

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

A summary of the Group's guarantee liabilities movement for the years ended December 31, 2023 and 2022 is presented below:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Guarantee liabilities		
Opening balance	**1,140,754**	472,454
Addition arising from new business	**3,359,307**	1,676,179
Release of the margin	**(233,509)**	(116,538)
ECL	**212,587**	104,261
Reversal due to early repayment	**(164,675)**	(52,759)
Payouts during the year, net	**(2,780,581)**	(942,843)
Ending balance	**1,533,883**	1,140,754

20 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trust plan	**100,000**	–
Unlisted equity investments	**29,421**	31,437
Revenue based financing product	**10,066**	–
Convertible promissory notes	**2,125**	2,089
Structured deposits	**–**	200,000
Wealth management product	**–**	10,000
Others	**7,083**	–
	148,695	243,526

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Set out below is the associate of the Group which, in the opinion of the directors, is material to the Group. The entity listed below has share capital consisting solely of ordinary shares, which is held indirectly by the Group. Hong Kong is its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest	Nature of the relationship	Investment date
Opus Financial Group Limited	BVI	29.90	(i)	December 16, 2022

(i) The Group acquired 29.90% interest in Sino Genius International Limited (BVI), which primarily functions as a holding company for its sole subsidiary, Opus Financial Group Limited, for a consideration of HKD23,385,000. The Group is entitled to nominate a director for appointment to the four-member board of directors of the Sino Genius International Limited (BVI).

The following table sets forth the Group's investments accounted for using the equity method movement activities for the years ended December 31, 2023 and 2022:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Opening balance	**20,889**	–
Share of net loss	**(7,851)**	–
Addition	**–**	20,889
Translation difference	**346**	–
Ending balance	**13,384**	20,889

22 DEFERRED INCOME TAX

	As at December 31,			
	2023		2022	
	Deductible/ (taxable) temporary differences *RMB'000*	Deferred income tax assets/ (liabilities) *RMB'000*	Deductible/ (taxable) temporary differences *RMB'000*	Deferred income tax assets/ (liabilities) *RMB'000*
Deferred income tax assets				
ECL allowance	1,250,656	284,769	906,098	216,919
Fair value change of loans to customers	583,383	117,077	663,185	135,475
Guarantee liabilities	2,891,532	620,182	1,703,619	386,261
Leasing liabilities	59,256	9,746	27,789	4,832
Tax losses	31,931	2,634	17,980	4,495
Others	–	–	118,178	17,727
	4,816,758	1,034,408	3,436,849	765,709
Deferred income tax liabilities				
Unrealised gains(i)	(2,346,552)	(501,614)	(1,889,428)	(417,639)
Right-of-use assets	(58,187)	(9,914)	(28,247)	(4,946)
With holding tax	(150,000)	(7,500)	–	–
Others	(2,651)	(663)	(2,663)	(666)
	(2,557,390)	(519,691)	(1,920,338)	(423,251)
Net deferred income tax assets	2,259,368	514,717	1,516,511	342,458

(i) Unrealised gains mainly arise from the timing difference of revenue recognition between the Group and its subsidiaries.

The above net deferred income tax assets are disclosed separately on the statements of financial position based on different taxation authorities as follows:

	As at December 31,	
	2023 *RMB'000*	2022 *RMB'000*
Deferred income tax assets	522,217	342,458
Deferred income tax liabilities	(7,500)	–
Net deferred income tax assets	514,717	342,458

22 DEFERRED INCOME TAX *(continued)*

The movements of the deferred income tax account are as following:

	ECL allowance *RMB'000*	Fair value change *RMB'000*	Guarantee liabilities *RMB'000*	Unrealised gains *RMB'000*	Tax loss *RMB'000*	Right-of-use assets *RMB'000*	Lease liabilities *RMB'000*	With holding tax *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at January 1, 2023	**216,919**	**135,475**	**386,261**	**(417,639)**	**4,495**	**(4,946)**	**4,832**	**–**	**17,061**	**342,458**
Recognised in the profit or loss	**67,850**	**(18,398)**	**233,921**	**(83,975)**	**(1,861)**	**(4,968)**	**4,914**	**(7,500)**	**(17,724)**	**172,259**
As at December 31, 2023	**284,769**	**117,077**	**620,182**	**(501,614)**	**2,634**	**(9,914)**	**9,746**	**(7,500)**	**(663)**	**514,717**
As at January 1, 2022	184,532	202,207	200,370	(328,975)	5,906	(4,192)	4,262	–	23,946	288,056
Recognised in the profit or loss	32,387	(66,732)	185,891	(88,664)	(1,411)	(754)	570	–	(6,885)	54,402
As at December 31, 2022	216,919	135,475	386,261	(417,639)	4,495	(4,946)	4,832	–	17,061	342,458

Deductible losses that are not recognized as deferred tax assets will expire as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
2027	**422**	422
2028	**3**	–
No due date	**341,606**	283,909
	342,031	284,331

Deferred income tax assets are recognised for tax losses carried forwards and deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at December 31, 2023, the Group did not recognise deferred income tax assets in respect of tax losses of approximately RMB28.29 million (December 31, 2022: RMB23.53 million).

23 LEASES

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	As at December 31,	
	2023	2022
Right-of-use assets	***RMB'000***	*RMB'000*
Office premises	**58,187**	28,247

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Lease liabilities	**59,256**	27,789

Addition to the right-of-use assets during the year of 2023 were RMB58.6 million (2022: RMB22.39 million).

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	As at December 31,	
	2023	2022
Depreciation charge of right-of-use assets	***RMB'000***	*RMB'000*
Office premises	**30,585**	25,752
Interest expense (included in other losses)	**3,697**	1,870
Expense relating to leases of low-value assets (included in origination and servicing expenses; general and administrative expenses; research and development expenses; sales and marketing expenses)	**545**	320

The total cash outflow for leases (including leases of low-value assets) in 2023 was RMB31.25 million (2022: RMB28.60 million).

24 INTANGIBLE ASSETS

	Software
	RMB'000
Cost	
As at January 1, 2023	**63,674**
Additions	**4,211**
As at December 31, 2023	**67,885**
Accumulated amortisation	
As at January 1, 2023	**(25,233)**
Amortisation charge for the year	**(6,360)**
As at December 31, 2023	**(31,593)**
Net book value	
As at December 31, 2023	**36,292**
Cost	
As at January 1, 2022	59,990
Additions	3,684
As at December 31, 2022	63,674
Accumulated amortisation	
As at January 1, 2022	(19,400)
Amortisation charge for the year	(5,833)
As at December 31, 2022	(25,233)
Net book value	
As at December 31, 2022	38,441

There is no indication that intangible assets have suffered an impairment loss during the year of 2023.

25 PROPERTY AND EQUIPMENT

	Flats RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at January 1, 2023	11,934	3,428	7,810	116,842	28,280	3,880	172,174
Additions	3,158	–	3,419	14,324	2,086	1,229	24,216
Disposals	–	(9)	(3,031)	(4,273)	–	–	(7,313)
Transfer	1,178	–	–	–	–	(4,647)	(3,469)
Foreign currency translation reserve	–	–	91	–	–	–	91
As at December 31, 2023	16,270	3,419	8,289	126,893	30,366	462	185,699
Accumulated depreciation							
As at January 1, 2023	(4,872)	(3,422)	(4,484)	(87,615)	(27,380)	(1,995)	(129,768)
Depreciation charge for the year	(1,602)	(3)	(1,399)	(15,437)	(864)	–	(19,305)
Disposals	–	9	3,031	4,273	–	–	7,313
Transfer	–	–	–	–	–	1,995	1,995
Foreign currency translation reserve	(7)	–	(486)	(26)	(46)	–	(565)
As at December 31, 2023	(6,481)	(3,416)	(3,338)	(98,805)	(28,290)	–	(140,330)
Net book value							
As at December 31, 2023	9,789	3	4,951	28,088	2,076	462	45,369

	Flats RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at January 1, 2022	11,934	3,360	6,912	93,357	28,025	–	143,588
Additions	–	68	1,549	23,688	27	3,880	29,212
Disposals	–	–	(1,107)	(203)	–	–	(1,310)
Foreign currency translation reserve	–	–	456	–	228	–	684
As at December 31, 2022	11,934	3,428	7,810	116,842	28,280	3,880	172,174
Accumulated depreciation							
As at January 1, 2022	(4,275)	(2,855)	(3,543)	(72,300)	(25,559)	–	(108,532)
Depreciation charge for the year	(597)	(567)	(1,842)	(15,518)	(1,672)	(1,995)	(22,191)
Disposals	–	–	1,107	203	–	–	1,310
Foreign currency translation reserve	–	–	(206)	–	(149)	–	(355)
As at December 31, 2022	(4,872)	(3,422)	(4,484)	(87,615)	(27,380)	(1,995)	(129,768)
Net book value							
As at December 31, 2022	7,062	6	3,326	29,227	900	1,885	42,406

There is no indication that property and equipment have suffered an impairment loss during the year of 2023.

26 OTHER ASSETS

	As at December 31, 2023 RMB'000	2022 RMB'000
Security deposits in financial institutions	**735,641**	524,655
Due from business partners (i)	**433,647**	211,450
Prepaid expense	**67,689**	68,066
Rental deposits	**9,511**	9,817
Prepayment of equity investment (ii)	**7,688**	–
Others	**33,630**	14,144
	1,287,806	828,132
Less: ECL allowance	**(13,115)**	(8,982)
	1,274,691	819,150

(i) As at December 31, 2023, the Group had approximately RMB433.65 million to collect from business partners based on the repayment collected from the borrowers by funding partners.

(ii) On May 5, 2023, the Company and the sellers (Fundação Oriente and Sociedade Transnacional de Desenvolvimento de Participações (S.G.P.S.), S.A.), each as an independent third party, entered into the sale and purchase agreement in respect of the acquisition of 98.87% of the issued shares of Banco Português de Gestão, S.A. ("**BPG**") and subordinated debt issued by BPG in the principal amount of EUR3.00 million. (the "**BPG Transaction**"). Pursuant to the sale and purchase agreement, the Company also conditionally agreed to make an offer to the Minority Shareholders to purchase 1.09% of the issued shares of BPG.

The maximum aggregate amount payable by the Company in respect of the BPG Transaction is EUR35.00 million and a cash down payment of EUR1.00 million has been paid to the sellers upon signing of the sale and purchase agreement.

As the completion of the BPG Transaction is subject to the satisfaction or waiver (as applicable) of certain conditions precedent, the BPG Transaction may or may not proceed.

27 BORROWINGS

	As at December 31, 2023 RMB'000	2022 RMB'000
Secured		
Bank borrowings(i)	**314,901**	186,990
Unsecured		
Payable to trust plan holders	**4,999,099**	4,137,616
Bank borrowings(ii)	**157,888**	6,720
	5,471,888	4,331,326

(i) As at 31 December 2023, the principal amount of the Group's secured bank borrowings guaranteed by deposits was RMB313.77 million in total. The terms of the borrowings are 12 to 24 months and interest rates are 3.68% to 4.8% per annum.

(ii) As at 31 December 2023, the Group had drawn down a total of RMB156.00 million in principal amount of unsecured borrowings at interest rates of 6.05%~7.45% per annum.

27 BORROWINGS *(continued)*

27.1 Effective interest rates of borrowings

	As at December 31, 2023	2022
Payable to trust plan holders	**5.00%~10.50%**	6.60%~10.50%
Banks borrowings	**3.68%~7.45%**	5.50%~7.14%

27.2 Contractual maturities of borrowings

	As at December 31, 2023 RMB'000	2022 RMB'000
Within 1 year (including 1 year)	**2,339,608**	2,035,366
1 to 2 years (including 2 years)	**3,132,280**	2,295,960
	5,471,888	4,331,326

27.3 Borrowings by repayment schedule

	As at December 31, 2023 RMB'000	2022 RMB'000
Within 1 year (including 1 year)	**5,008,938**	4,231,926
1 to 2 years (including 2 years)	**462,950**	99,400
	5,471,888	4,331,326

28 SENIOR NOTES

	Senior notes due 2025[ii] Unlisted *RMB'000*
As at January 1, 2023	**176,236**
Accrued interest	**12,474**
Discount amortisation	**840**
Interest paid	**(12,828)**
Repurchase of principal[i]	**(87,117)**
Exchange difference	**384**
As at December 31, 2023	**89,989**

	Senior notes due 2025[ii] Unlisted *RMB'000*	Senior notes due 2022 (Stock Code: 40498) *RMB'000*	Total *RMB'000*
As at January 1, 2022	–	523,542	523,542
Issuance	168,216	–	168,216
Accrued interest	8,832	41,684	50,516
Discount amortisation	567	17,250	17,817
Interest paid	(8,160)	(36,613)	(44,773)
Repayment of principal	–	(299,513)	(299,513)
Repurchase of principal	–	(275,127)	(275,127)
Exchange difference	6,781	28,777	35,558
As at December 31, 2022	176,236	–	176,236

(i) The Company repurchased the principal amount of HK$100,000,000 of the senior notes due 2025 on June 16, 2023. Following the repurchasement, all of the repurchased senior notes were subsequently cancelled. After cancellation of the repurchased notes, the aggregate principal amount of the senior notes remaining outstanding was HK$100,000,000, representing 50.0% of the original principal amount of the senior notes.

(ii) On June 16, 2022, the Company completed the issue and placing of the senior notes in the aggregate principal amount of HK$200,000,000 due 2025, with a coupon rate of 9.5% per annum. The senior notes due 2025 constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Company which will at all times rank pari passu without any preference or priority among themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

29 OTHER LIABILITIES

	As at December 31, 2023 RMB'000	2022 RMB'000
Accrued service fees	**142,234**	206,528
Employee benefit liability	**69,654**	59,293
Due to business partners	**36,472**	85,746
Contract liabilities	**35,677**	25,707
Repayment from borrowers to be settled	**33,666**	24,565
Others	**3**	3
	317,706	401,842

30 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares ('000)	Share capital RMB'000	Share premium RMB'000
As at January 1, 2023	**489,459**	**40,067**	**5,355,195**
Vesting of share awards	**–**	**–**	**214**
Dividends declared	**–**	**–**	**(111,994)**
As at December 31, 2023	**489,459**	**40,067**	**5,243,415**
As at January 1, 2022	490,355	40,145	5,461,908
Shares repurchased and cancelled	(896)	(78)	(2,545)
Vesting of share awards	–	–	(919)
Dividends declared	–	–	(103,249)
As at December 31, 2022	489,459	40,067	5,355,195

31 TREASURY SHARES

	As at December 31,			
	2023		2022	
	Shares'000	*RMB'000*	*Shares'000*	*RMB'000*
Treasury shares	**(1,010)**	**(5,399)**	(2,377)	(16,182)

These shares are held by the trustees of VCREDIT No. 1 Share Award Scheme Trusts for the purpose of the share award scheme mentioned in Note 33, except for those shares repurchased and not yet cancelled by the Company.

Movements in treasury shares in 2023 are as follows:

	Year ended December 31,			
	2023		2022	
	Shares'000	*RMB'000*	*Shares'000*	*RMB'000*
Opening balance	**(2,377)**	**(16,182)**	(4,108)	(29,084)
Vesting of share awards	**1,577**	**11,344**	1,798	13,071
Acquisition of Shares by the VCREDIT No. 1 Share Award Scheme Trusts	**(210)**	**(561)**	(112)	(323)
Shares cancelled	**–**	**–**	45	154
Ending balance	**(1,010)**	**(5,399)**	(2,377)	(16,182)

32 RESERVES

	Share-based payments reserves *RMB'000*	Translation reserve *RMB'000*	Total *RMB'000*
As at January 1, 2023	**684,114**	**73,134**	**757,248**
Currency translation differences	**–**	**2,206**	**2,206**
Vesting of share awards	**(11,558)**	**–**	**(11,558)**
Share-based payment (Note 9)	**1,640**	**–**	**1,640**
As at December 31, 2023	**674,196**	**75,340**	**749,536**
As at January 1, 2022	691,301	72,513	763,814
Currency translation differences	–	621	621
Vesting of share awards	(12,152)	–	(12,152)
Share-based payment (Note 9)	4,965	–	4,965
As at December 31, 2022	684,114	73,134	757,248

33 SHARE-BASED PAYMENTS

Pre-IPO share option schemes

The Board approved two pre-IPO share option schemes on March 1, 2018 (the "**2017 ESOP I**" and the "**2017 ESOP II**", together the "**Pre-IPO Share Option Schemes**"). The purpose of the Pre-IPO Share Option Schemes is to provide an incentive for the key employees, directors and consultants of the Group or such other employees to continue and improve their services with the Group and to improve the operating efficiency of the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The overall limits on the number of underlying shares which may be issued pursuant to each of the Pre-IPO Share Option Schemes are shown in the table below.

Pre-IPO Share Option Schemes	Number of Shares issuable under each pre-IPO share option scheme
2017 ESOP I	46,516,997
2017 ESOP II	158,507,724

The granted share options have a contractual maximum option period of five years and the exercise prices are US$1.6123 and US$1.6123 per share for the 2017 ESOP I and the 2017 ESOP II, respectively.

Except as provided otherwise in the grant letters or offered in any other form by the Board, the vesting dates and proportion of shares that will vest on each vesting date are shown in the table below.

	Vesting date	Proportion of shares
2017 ESOP I and 2017 ESOP II	May 9, 2019	One-third
	May 9, 2020	One-third
	May 9, 2021	One-third

33 SHARE-BASED PAYMENTS *(continued)*

Pre-IPO share option schemes *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Exercise price in USD per share option		Number of share options ('000)	
	2017 ESOP I	2017 ESOP II	2017 ESOP I	2017 ESOP II
Outstanding balance as at January 1, 2023	**1.6123**	**1.6123**	**34,757**	**25,115**
Forfeited, expired or lapsed during the year	**1.6123**	**1.6123**	**(34,757)**	**(25,115)**
Outstanding balance as at December 31, 2023	**–**	**–**	**–**	**–**

	Exercise price in USD per share option			Number of share options ('000)		
	2016 ESOP	2017 ESOP I	2017 ESOP II	2016 ESOP	2017 ESOP I	2017 ESOP II
Outstanding balance as at January 1, 2022	0.8735	1.6123	1.6123	516	34,802	25,115
Forfeited, expired or lapsed during the year	0.8735	1.6123	–	(516)	(45)	–
Outstanding balance as at December 31, 2022	–	1.6123	1.6123	–	34,757	25,115

For the year ended December 31, 2023, no proceeds arising from the exercise of share options are credited to share capital (2022: Nil).

Share award scheme

On January 11, 2019, the Board approved the VCREDIT No. 1 Share Award Scheme, in which all employees (including without limitation any directors) of the Group will be entitled to participate. Pursuant to the scheme rules, shares will be acquired by the independent trustees from the market, at the cost of the Company and be held on trust for the selected participants until they vest. Vested shares will be transferred at no cost to the selected participants. The maximum number of shares to be awarded under the scheme throughout its duration is 24,974,369 shares. The granted share awards have a contractual maximum vesting period of four years, and one-fourth of the share awards will vest each year except for 85,000 share awards, which will vest in 2 tranches.

33 SHARE-BASED PAYMENTS *(continued)*

Share award scheme *(continued)*

On May 27, 2021, the Board approved the VCREDIT No. 2 Share Award Scheme, pursuant to which the Company may grant share awards in respect of up to 49,305,718 shares. As at December 31, 2023, no shares have been awarded pursuant to the VCREDIT No. 2 Share Award Scheme.

Movement in the number of share awards for the year ended December 31, 2023 and 2022 is as follows:

	Year ended December 31,	
	2023	2022
	Number of share awards	Number of share awards
	('000)	*('000)*
Opening balance	**2,377**	3,963
Granted	**400**	400
Vested	**(1,577)**	(1,798)
Forfeited, expired or lapsed	**(190)**	(188)
Ending balance	**1,010**	2,377

The fair value of share awards at the grant dates, determined by reference to the market price of the ordinary shares of the Company, is recognised over the vesting period as employee benefit expense.

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group and their close family members are also considered as related parties.

The Group had the following significant related party transactions for the years ended December 31, 2023 and 2022.

34 RELATED PARTY TRANSACTIONS *(continued)*

(a) Names and relationships with related parties

The following table sets forth the major related parties which have major transactions with the Group during the years ended December 31, 2023 and 2022.

Name	Relationship
Ma Ting Hung	Executive Director
Liu Sai Wang Stephen	Executive Director
Liu Sai Keung Thomas	Executive Director
Yip Ka Kay	Non-Executive Director
Chen Derek	Independent Non-Executive Director
Chen Penghui	Independent Non-Executive Director
Fang Yuan	Independent Non-Executive Director

(b) Transactions

The following transactions were carried out between the Group and its related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the ordinary course of business and on arm's length terms negotiated between the Group and the respective related parties.

(i) Key management personnel compensations

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services are shown below:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Director's fee	**43,478**	49,035
Salaries, wages and bonuses	**1,935**	9,482
Pension costs-defined contribution plan	**–**	531
Other social security costs, housing benefits and other employee benefits	**117**	1,863
Share-based compensation expenses	**205**	3,198
	45,735	64,109

34 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions *(continued)*

(ii) Senior management's emoluments

The senior management's emoluments fell within the following bands:

	Year ended December 31, 2023	2022
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	5	4
Over HK$2,000,000	4	5
	9	9

35 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation from profit before income tax to cash (used in)/generated from operating activities:

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Profit before income tax	596,994	695,120
Adjustments for:		
Interest expenses	327,646	529,160
Fair value change of loans to customers	574,077	571,879
Depreciation and amortisation	56,250	53,776
Credit impairment losses	344,558	129,548
Share-based payment	1,640	4,965
Losses from financial investments at fair value through profit or loss	827	14,824
Interest expense on lease liabilities	3,697	1,870
Gains on disposal of property and equipment, intangible assets	(672)	(235)
Share of net profit of associates accounted for using the equity method	7,851	–
Losses/(gains) from repurchase of senior notes	1,283	(3,778)
Changes in operating assets and liabilities:		
(Increase)/decrease in loans to customers	(1,848,027)	1,519,684
Increase in contract assets and guarantee receivables	(891,316)	(738,990)
Increase in other operating assets	(659,341)	(554,423)
Increase in other operating liabilities	362,847	985,963
Cash (used in)/generated from operating activities	(1,121,686)	3,209,363

35 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(continued)*

(b) Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years ended December 31, 2023 and 2022.

Net debt

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cash and cash equivalents	896,700	1,592,514
Liquid investments[(i)]	7,083	–
Borrowings – repayable within one year (including overdraft)	(5,008,938)	(4,231,926)
Borrowings – repayable after one year	(462,950)	(99,400)
Senior notes	(89,989)	(176,236)
Lease liabilities	(59,256)	(27,789)
Net debt	(4,717,350)	(2,942,837)
Cash and liquid investments	903,783	1,592,514
Gross debt – fixed interest rates	(5,621,133)	(4,535,351)
Net debt	(4,717,350)	(2,942,837)

(i) Liquid investments comprise current investments that are traded in an active market, being the Group's financial investments at fair value through profit or loss.

	Cash and cash equivalents RMB'000	Liquid Investments RMB'000	Borrowings (non-current) RMB'000	Borrowings (current) RMB'000	Senior notes (Note 28) RMB'000	Lease liabilities RMB'000	Total RMB'000
As at January 1, 2023	1,592,514	–	(99,400)	(4,231,926)	(176,236)	(27,789)	(2,942,837)
Foreign exchange adjustments	(1,815)	–	–	–	(384)	–	(2,199)
Cash flows	(693,999)	7,083	(462,950)	(363,283)	101,228	31,248	(1,380,673)
Accrued interest	–	–	–	(314,329)	(13,314)	(3,697)	(331,340)
Other non-cash movements	–	–	99,400	(99,400)	(1,283)	(59,018)	(60,301)
As at December 31, 2023	896,700	7,083	(462,950)	(5,008,938)	(89,989)	(59,256)	(4,717,350)
As at January 1, 2022	1,908,110	97,528	(355,050)	(6,108,724)	(523,542)	(25,286)	(5,006,964)
Foreign exchange adjustments	(5,140)	–	–	–	(35,558)	–	(40,698)
Cash flows	(310,456)	(97,528)	(99,400)	2,692,674	447,419	28,604	2,661,313
Accrued interest	–	–	–	(460,826)	(68,333)	(1,870)	(531,029)
Other non-cash movements	–	–	355,050	(355,050)	3,778	(29,237)	(25,459)
As at December 31, 2022	1,592,514	–	(99,400)	(4,231,926)	(176,236)	(27,789)	(2,942,837)

36 COMMITMENTS

The Group did not have any other significant commitments as at December 31, 2023 (December 31, 2022: Nil), other than those mentioned above.

37 DIVIDENDS

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Interim dividend for the year ended December 31, 2023 of HK15 cents per share	**(67,368)**	–
Final dividend for the year ended December 31, 2022 of HK10 cents per share	**(44,626)**	–
Interim dividend for the year ended December 31, 2022 of HK10 cents per share	**–**	(42,037)
Final dividend for the year ended December 31, 2021 of HK15 cents per share	**–**	(61,212)
	(111,994)	(103,249)

The final dividend and the interim dividend were paid out of the share premium account of the Company (Note 30) pursuant to Articles 13(h) and 154 of the Articles of Association of the Company and in accordance with the Companies Act (2021 Revision) of the Cayman Islands.

The Board has recommended, subject to approval by shareholders at the annual general meeting of the Company, the payment of a final dividend of 10 cents per share (the "**Final Dividend**") for the year ended December 31, 2023 (for the year ended December 31, 2022: the payment of a final dividend of HK10 cents per share).

38 CONTINGENT LIABILITY

The Group did not have any significant contingent liability as at December 31, 2023 (December 31, 2022: Nil).

39 SUBSEQUENT EVENTS

Since the end of the reporting period, the Board has recommended the payment of the Final Dividend (Note 37).

40 COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the consolidated financial information's presentation.

41 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position – the Company

	As at December 31, 2023 RMB'000	2022 RMB'000
Assets		
Cash and cash equivalents	**63,525**	38,144
Investment in subsidiaries	**1,449,954**	1,424,269
Other assets	**1,184,681**	1,294,696
Total assets	**2,698,160**	2,757,109
Liabilities		
Borrowings	**314,901**	193,710
Senior notes	**89,989**	176,236
Total liabilities	**404,890**	369,946
Equity		
Share capital	**40,067**	40,067
Share premium	**5,243,415**	5,355,195
Treasury shares	**(5,399)**	(16,182)
Reserves	**1,010,991**	979,498
Accumulated losses	**(3,995,804)**	(3,971,415)
Total equity	**2,293,270**	2,387,163
Total liabilities and equity	**2,698,160**	2,757,109

The statement of financial position of the Company was approved by the Board of Directors on March 26, 2024, and was signed on its behalf by:

Ma Ting Hung
Director

Liu Sai Wang Stephen
Director

41 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(continued)*

(b) Reserves movement of the Company

	Reserves *RMB'000*	Accumulated loss *RMB'000*
As at January 1, 2023	**979,498**	**(3,971,415)**
Loss for the year	**–**	**(24,389)**
Currency translation differences	**41,411**	**–**
Vesting of share awards	**(11,558)**	**–**
Share-based payment	**1,640**	**–**
As at December 31, 2023	**1,010,991**	**(3,995,804)**
As at January 1, 2022	773,088	(3,823,377)
Loss for the year	–	(148,038)
Currency translation differences	213,597	–
Vesting of share awards	(12,152)	–
Share-based payment	4,965	–
As at December 31, 2022	979,498	(3,971,415)

Five Year Financial Summary

(in RMB mn)	2019	2020	2021	2022	**2023**
	For the Year Ended December 31,				
Total income	3,864	2,573	3,458	3,119	**3,569**
Operating profit/(loss)	154	(1,052)	1,514	695	**605**
Net profit/(loss)	65	(870)	1,179	532	**454**
Adjusted operating profit/(loss) (unaudited)	458	(977)	1,547	700	**606**
Adjusted net profit/(loss) (unaudited)	368	(795)	1,213	537	**456**

(in RMB mn)	2019	2020	2021	2022	**2023**
	As at December 31,				
Loans to customers at fair value through profit or loss	9,458	4,028	7,322	5,230	**6,504**
Total assets	14,289	8,337	11,277	10,103	**11,934**
Total liabilities	11,189	6,051	7,883	6,277	**7,765**
Total equity	3,100	2,286	3,394	3,826	**4,169**
Adjusted total equity (unaudited)	3,100	2,286	3,394	3,826	**4,169**