



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

2024 ANNUAL REPORT



Contents

Corporate Information	1
The Chairman's Statement	2
Letter from the CEO	4
Management's Discussion and Analysis	7
Board of Directors and Senior Management	22
Corporate Governance Report	27
Report of the Directors	38
Financial Results	
Independent Auditor's Report	52
Consolidated Statement of Comprehensive Income	60
Consolidated Statement of Financial Position	61
Consolidated Statement of Changes in Equity	62
Consolidated Statement of Cash Flows	64
Notes to the Consolidated Financial Statements	65
Five Year Financial Summary	155

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*)
Ms. Xue Lan

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. Chan Wing Man

COMPANY SECRETARY

Ms. Chan Wing Man

REGISTERED OFFICE

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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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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>

The Chairman's Statement

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 2024.

In September 2024, the Chinese government unveiled a comprehensive stimulus package aimed at improving liquidity, boosting the property markets, stabilizing financial markets and stimulating consumption. We expect that this will provide a meaningful boost to the microeconomic recovery. Leveraging our mature risk management capabilities and long-term revenue-driven customer acquisition strategy as core strengths and competitive advantages, we have proactively optimized the structure of high-value customer segments, achieving a substantial improvement in operational efficiency and continuous optimization of our profit structure. We have deeply integrated artificial intelligence (AI) technology with end-to-end risk control model iteration, delivering precise financial solutions to empower selected customer segments and ensure optimal business operations and management. We will continue to strengthen our innovation engine, strategically aligning technology and business to seize the opportunity for high-quality development and create long-term sustainable value.

We have continued our policy of transitioning to higher quality borrowers. 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 behaviour monitoring through the entire life cycle of our loans, our omni-channel strategy allows us to reach a wider range of our target customers. Our goal is to constantly seek to 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 deepen close collaboration 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 not only validates the value of our proprietary technology and expertise but also significantly contributed to our robust performance in 2024, enabling us to expand our overall credit business.

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 pre-emptively adjust our operational strategy and practices to ensure full compliance. Last year, 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. This year, we have continued to strengthen our efforts in consumer protection, optimizing our customer service system and enhancing the efficiency and quality of our service. 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

We have utilised our precise risk control capabilities and customer stratification management mechanisms. This has enabled us to maintain the proportion of high-quality borrowers and achieve a balanced optimization of risk indicators and operational benefits. Moving forward, we will continue to follow a prudent business policy, deepen our digital and intelligent capability building, and capitalize on structural opportunities with a more resilient business model.

In addition to strengthening our core consumer finance business in Chinese mainland, we are expanding into new markets and developing a more comprehensive operating model to meet our long-term strategic vision. In May 2024, our Hong Kong business became the first money lender in the region to partner with China Mobile Hong Kong Company Limited, enhancing customer acquisition channels and offering tailored experiences to more customers. In July 2024, we launched 'CreFIT Cash Loan', a fast and flexible short-term financing option for customers, highlighting our dedication to innovation and meeting customers' diverse financial needs. We remain dedicated to sustainable growth and maximizing shareholder value through customer-focused innovation and risk-aligned measures.

Our employees are the Company's most valuable asset and the core force driving innovation and sustainable development. In 2024, as China's economy gradually released recovery momentum amidst structural adjustments, we more firmly advanced our talent strategy optimisation, committed to building a high – efficiency team with both professional capabilities and innovative spirit. Through systematic training programs, cross – departmental collaboration mechanisms, and a competitive benefits system, we continuously improved our employees' growth paths and deepened our corporate culture construction, providing every member with a broad stage to realise their value. We firmly believe that this people – oriented management philosophy and talent empowerment mechanism will fully release the organisation's vitality and create a better future for the Company, its employees, capital partners, and shareholders.

With our eighteen 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 25, 2025

Letter from the CEO

Dear Shareholders,

In the second half of 2024, the Chinese economy demonstrated steady growth and improvement, driven by a series of timely policy measures introduced by the government. While consumer demand continues its recovery, consumer confidence is rebounding, accompanied by structural advancements within the market.

Throughout 2024, we prioritized strengthening our risk management capabilities and enhancing operational efficiency. In parallel, we fostered innovation in financial technology while placing significant emphasis on safeguarding consumer rights and protecting personal information. We dynamically adapted to evolving regulatory requirements to ensure regulation compliance. Our performance underscores the success of our strategic adjustments and highlights the resilience of our business operations.

Reflecting our strong performance, we have proposed a final dividend of HK20 cents per share for 2024, pending shareholders' approval.

OPERATIONAL PERFORMANCE

In 2024, our total loan origination volume in the Chinese mainland was RMB55.75 billion, representing a decrease of 25.9%, compared to RMB75.25 billion in 2023. Our outstanding loan balance in the same region reached RMB26.22 billion as at December 31, 2024, representing a decrease of 23.9% compared to RMB34.47 billion as at December 31, 2023.

In 2024, we further advanced the integration of AI technologies across key areas such as risk management and collections, significantly enhancing the precision and efficiency of risk identification. Through the continuous refinement of multi-source scoring cards and risk models, along with the dynamic adjustment of risk exposure management policies, we maintained stable key risk indicators while effectively mitigating the impact of tighter regulations and heightened compliance requirements on collection operations.

As a result, the first payment delinquency rate for newly originated loans in the Chinese mainland stabilized at 0.58% in the fourth quarter of 2024, marking a year-on-year decline of 18.3% compared to the fourth quarter of 2023. Additionally, the M3+ ratio, supported by strengthened risk controls, gradually decreased to 3.02% during the same period.

On the customer acquisition front, we actively expanded premium acquisition channels to attract high-quality customers while continuously refining the end-to-end customer acquisition process. In the second half of the year, we established successful partnerships with a leading domestic Fintech platform, further bolstering our ability to attract premium customers. Additionally, we implemented tailored targeting strategies for specific customer segments, enabling us to enhance operational efficiency, optimize operating costs, improve conversion rates, and significantly improve user experience. As of 31 December 2024, our cumulative registered users in the Chinese mainland reached 158.0 million, reflecting a 9.7% year-on-year growth. Meanwhile, we strengthened customer retention and engagement through targeted product and system enhancements. In 2024, repeat borrowers accounted for 85.9% of our total loan volume, highlighting strong customer loyalty and our operational resilience.

Letter from the CEO

Building and maintaining a stable, diversified base of funding partners is essential to our business. As of 31 December 2024, we have established long-term partnerships in the Chinese mainland with 110 external licensed funding partners, including national joint-stock commercial banks, consumer finance companies, and trust funds. Alongside expanding our funding network, we continuously improve fund management through our proprietary fund management system. By leveraging full lifecycle partner management, this system has enhanced operational efficiency and steadily reduced funding costs. As a result, the total loan volume facilitated through our loan facilitation structure reached RMB43.03 billion, representing 77.2% of the total loan origination volume.

Technology serves as the central driving force behind our development. We actively pursue the integration of generative artificial intelligence (AIGC) across diverse business areas. By employing Retrieval-Augmented Generation (RAG) technology, we have seamlessly integrated our enterprise knowledge base with the AI-powered office assistant, 'VQuickMind' 2.0 ('維小智' 2.0), enabling it to better interpret user intentions and significantly enhance work efficiency. We are also advancing intelligent solutions in multi-modal scenarios. Through comprehensive analysis of extensive voice data in customer service and post-loan management contexts, we extract high-quality insights to train AI models. This enables us to better understand user needs, identify common patterns in feedback, optimize strategies in real time, and ultimately enhance user experience. Additionally, we are at the forefront of applying Large Vision Model (LVM) technology in risk management. By analyzing user photos, we support risk management teams in effectively identifying abnormal characteristics, further strengthening fraud detection capabilities. These innovations provide robust safeguards for the stability and resilience of our business operations. We are establishing a specialized 'AI+Finance' team to enhance AI penetration and value conversion in our core business.

In addition to strengthening our core consumer finance business in the Chinese mainland, we are strategically expanding into new markets and refining our operating model to align with our long-term vision. In May 2024, our Hong Kong business became the first money lender in the region to collaborate with China Mobile Hong Kong Company Limited, significantly enhancing our customer acquisition channels and enabling us to deliver tailored experiences to a broader audience. Furthermore, in July 2024, we introduced the 'CreFIT Cash Loan', providing customers with a fast and flexible financing solution to address their short-term liquidity needs. This product reflects our commitment to innovation and our dedication to meeting the diverse financial requirements of our users.

Through these strategic actions, we remain focused on achieving sustainable growth and maximizing shareholder value by prioritizing customer-centric innovation and risk-aligned initiatives.

FINANCIAL PERFORMANCE

Our total income was RMB3,929.7 million in 2024, representing an increase of 10.1% as compared to RMB3,569.5 million in 2023, primarily due to the increase in average outstanding balance of on-balance-sheet loans and an increase in the contributions from other revenue streams.

Our fair value loss of loans to customers rose to RMB979.1 million in 2024, as compared to RMB574.1 million in 2023, reflecting the impact of increased loan volume of on-balance loans and conservative approach on provisioning given continuing macro uncertainties. Our credit impairment loss decreased to RMB311.1 million in 2024, as compared to RMB344.6 million in 2023, due to decrease in loan origination volume for our credit enhancement and pure loan facilitation structures.

In line with the contraction of our loan origination volume, our operating expenses, excluding share-based compensation expenses, decreased by 1.7% to RMB2,022.8 million in 2024, as compared to RMB2,058.3 million in 2023.

As a result, we recorded net profit and adjusted net profit of RMB478.2 million and RMB478.7 million, respectively, representing an increase of 5.3% and 5.1% as compared to RMB453.9 million and RMB455.6 million, respectively, in 2023.

OUTLOOK AND STRATEGIES

In December 2024, the National Financial Regulatory Administration revised and issued the “Rules on Supervisory Rating of Consumer Finance Companies”, aligning them with the “Management Measures for Consumer Finance Companies” implemented in April 2024. These revisions introduced two new rating criteria: “Cooperative Institution Management” and “Consumer Rights Protection” underscoring the importance of safeguarding consumer interests. While the stricter supervisory standards present short-term challenges for existing consumer finance companies, the long-term benefits are substantial. These measures play a pivotal role in rectifying the operational practices of the consumer finance industry, bolstering consumer rights protection, and fostering a healthy, orderly market environment. Together, they establish a solid institutional foundation for the industry’s sustained and robust growth.

Towards the end of last year, we established a Consumer Protection Committee to promote a healthy consumption environment. In 2024, we took comprehensive measures to strengthen compliance management, seamlessly integrating consumer protection with business operations by focusing on product experience optimization and the standardization of customer management practices.

Harnessing technological innovation, we enhanced customer services while fortifying efforts in areas such as data privacy protection and cybersecurity. Through cross-departmental collaboration, we developed a comprehensive consumer protection and risk control framework, incorporating compliance management, advanced technical safeguards, real-time monitoring, emergency response protocols, and fraud prevention strategies.

Maintaining the highest standards of regulatory compliance and fostering a sustainable business model have always been, and will remain, our top priorities. These pillars represent our core strength and enduring competitive advantage.

Looking ahead to 2025, as macroeconomic policies continue to yield their full effects, the Chinese economy is anticipated to embark on a more balanced path of recovery. We will remain steadfast in our commitment to robust risk management and operational excellence, while further enhancing our digital intelligence capabilities and investing in technological innovation. Additionally, we will deepen the strategic integration of AI and other advanced technologies with our core business operations to drive sustainable growth and competitiveness.

I am eager to continue creating greater value for all our stakeholders, including our customers, shareholders, employees, and the broader community.

Sincerely,

Liu Sai Wang Stephen

Executive Director and Chief Executive Officer

Hong Kong, March 25, 2025

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		Change
	2024	2023	
	RMB million	RMB million	
Total Income	3,929.7	3,569.5	10.1%
Interest and similar income	1,968.2	1,477.3	33.2%
Less: interest expenses	(345.1)	(327.6)	5.3%
Loan facilitation service fees	1,949.2	2,241.0	-13.0%
Other income	357.4	178.8	99.8%
Operating Profit	636.2	604.8	5.2%
Net Profit	478.2	453.9	5.3%
Non-IFRS Adjusted Operating Profit⁽¹⁾	636.7	606.5	5.0%
Non-IFRS Adjusted Net Profit⁽²⁾	478.7	455.6	5.1%

Notes:

- (1) Non-IFRS Adjusted Operating Profit is defined as operating profit for the year ended December 31, 2024 (the "Year") and for the year ended December 31, 2023 (the "Corresponding Year"), respectively, excluding share-based compensation expenses. For more details, please see the section headed "Management's Discussion and Analysis – Non-IFRS Measures".
- (2) Non-IFRS Adjusted Net Profit is defined as net profit for the Year and for the Corresponding Year, respectively, excluding share-based compensation expenses. For more details, please see the section headed "Management's Discussion and Analysis – Non-IFRS Measures".

BUSINESS REVIEW AND OUTLOOK

In 2024, despite a complex and severe external environment, ongoing international trade frictions and multiple challenges, China's economy remained relatively stable. The adjustments in the real estate market continued to deepen, with risks being gradually mitigated and positive changes emerging in the market. Policy measures were implemented to drive a steady economic recovery and whilst consumer demand remained in recovery mode, growth in consumer interest indicated a gradual market improvement. We actively adjusted our business strategies, strengthened risk control, and improved operational efficiency, continued to enhance our business framework to sustain and support a secure and compliant digital financial ecosystem, as well as moving ahead with our strategic plan to establish additional businesses in new markets.

During the Year, VCREDIT Holdings Limited (the "Company" or "we" and together with our subsidiaries, the "Group") continued to optimize our risk model, innovate product and services, and improve technological standards, to maintain focus on higher quality borrowers. Hand in hand with our financial technology innovation and risk control tightening, we also placed an emphasis on the protection of consumer rights of our borrowers and the security of their personal information to address regulatory developments in this regard in our industry. At the same time, initiatives to nurture and maintain talent development were also taken to promote the sustained and healthy development of our business. Our performance and results during the Year demonstrate the resilience and flexibility of our development strategy, business model and operations.

Business Review

Our loan origination volume in the Chinese mainland reached RMB55.75 billion for the Year. Given that the macroeconomic situation has not yet fully recovered, we adjusted our operating strategy by tightening risk control to mitigate borrower credit risk and asset quality depreciation and implemented cost control measures to improve operational efficiency.

In 2024, we further deepened the application of AI technology in the field of risk management, covering multiple core processes including customer segmentation, modeling, underwriting and collections. This significantly enhanced the precision and efficiency of risk identification. Concurrently, by continuously optimizing multi-source scorecards and strategy models, we stabilized the first payment delinquency ratio while effectively mitigating the impact of tightened regulatory policies and upgraded compliance requirements on loan collection, thereby improving the robustness of our risk management. Additionally, the continuous optimization of the approval process and refined adjustments to our risk control strategies have steadily increased the number of new customers approved, driving significant growth in our customer base and injecting new momentum into business expansion.

Technology serves as the core driving force of our development. In the first half of 2024, we officially launched 'Sunbird AI Hub' ('金鳥大模型'), our AI large model, and deployed it across several aspects of our business. It is able to summarise large amounts of dialogue texts and significantly enhance the quality of customer service statistics and quality control through its application to intelligent credit. During the Year, we also completed further iterative upgrades of our core risk control system 'Hummingbird' ('蜂鳥') with the help of AI technology in the field of specialised modeling to maintain the performance of our rules engine. In relation to data security and user privacy protection, we introduced AI large models to analyze APP privacy policy texts, ensuring compliance of data collection. Additionally, 'Sunbird AI Hub' ('金鳥大模型') is aiding in code generation by helping research and development staff to focus on the design and improvement of data structure and system architecture. In the office setting, by leveraging Retrieval-Augmented Generation technology, we have integrated our enterprise knowledge base with the office assistant, AI-powered robot 'VQuickMind' 2.0 ('維小智' 2.0), enabling it to better understand user intentions and further enhancing work efficiency. These innovations provide robust safeguards for the stability of our business operations.

Building on our ongoing efforts to strengthen our technological capabilities, we continued to focus on expanding our user base and improving user experience. We committed ourselves to expanding our high-quality customer acquisition channels and iterating the full-chain customer acquisition operation system. In the second half of 2024, we entered into a cooperation agreement with a leading domestic fintech platform. During the same period, we reconstructed the operational map for new customers to address the full-chain breakpoints. For different breakpoints, we designed differentiated interaction methods, contact means, and strategies for new customers. Through these measures, we successfully achieved closed-loop management of customer acquisition and new customer operations, further improved the operational efficiency of new customers, effectively controlled operating costs, increased transaction conversion rates, and significantly enhanced user experience.

In addition to actively acquiring high-quality new customers, we also continuously optimized the operational strategies for existing users. In 2024, repeat borrowers accounted for 85.9% of the total loan volume. Leveraging our operational big data and advanced algorithmic models, we have meticulously crafted a range of financial products and services that cover the entire user life cycle. At the same time, we have upgraded our services at various points in the business process to shorten the loan disbursement time and reduce the user operation paths, and enhance user experience. As of December 31, 2024, our cumulative registered users in the Chinese mainland reached 158.0 million, representing a year-on-year increase of 9.7% compared to 2023.

Management's Discussion and Analysis

We have strengthened co-operation with our financial institution funding partners, especially deepening our relationship with systemically important banks. As of December 31, 2024, we have established long-term relationships in the Chinese mainland with 110 external funding partners (including national joint-stock commercial banks, consumer finance companies and trust funds, etc.), thus growing our rich and diversified funding pool. With the construction of the '*VCREDIT fund management platform system*' ('維信金科資金管理平台系統'), we have been able to more efficiently manage our capital needs, strengthen the whole life-cycle management of our funding partner co-operation, and steadily reduce our cost of funds. In addition, we have extended our technological solutions to our funding partners, expanding our digital alliance through our in-house developed '*Kunlun Mirror Intelligent Risk Control System*' ('崑崙鏡智能風控系統') which leverages standardized risk control models based on credit data to conduct intelligent risk identification. This system also enables joint modeling to meet the personalized risk control needs of our funding partners, providing them with comprehensive credit risk management solutions. Furthermore, we have deepened our cooperation with funding partners in loan monitoring and consumer rights protection.

We also continued to progress our new business initiatives outside the Chinese mainland. In May 2024, our Hong Kong-based online consumer finance brand 'CreFIT' became the first money lender in Hong Kong to cooperate with China Mobile Hong Kong Company Limited to provide consumer finance products to customers on its 'MyLink' platform. Additionally, in July 2024, we launched the 'CreFIT Cash Loan', which offers customers a fast and flexible financing solution for their short-term liquidity needs. This product underscores our commitment to innovation and our responsiveness to the diverse financial requirements of our users in Hong Kong. 'CreFIT' will look for opportunities to align with additional quality customer acquisition channels and develop mutually beneficial cooperation across cross-industry online platforms and widen access to users with a tailored instalment experience that can truly match real consumer finance scenarios.

Operating Review

During the Year, the Company's financial performance was primarily driven by its business operation in the Chinese mainland, as the Group's businesses outside the Chinese mainland were relatively early stage and their contribution was not material.

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 payable in respect of loans to customers (inclusive, where applicable, of our funding partners' interest share and guarantee charges of credit enhancement organisations) ranged from 8.0% per annum to 35.9% per annum depending on the type of consumer loan product and factors such as credit assessment results and allocated score, loan size and loan tenor. During the Year, the average term of our credit products was approximately 10.0 months and the average loan size was approximately RMB10,555. As at December 31, 2024, the aggregate principal amount outstanding from the five largest borrowers of the Group was RMB998,254 (representing 0.004% of the total loan balance of the Group as at December 31, 2024) and the principal amount outstanding from the largest borrower of the Group was RMB200,500 (representing approximately 0.001% of the total loan balance of the Group as at December 31, 2024). The total number of cumulative borrowers was 11.1 million as of December 31, 2024.

Management's Discussion and Analysis

The following table sets forth a breakdown of the Group's loan origination volume in the Chinese mainland by funding structure for the years indicated.

Loan Origination Volume	For the year ended December 31,			
	2024		2023	
	RMB million	%	RMB million	%
Direct lending	1,033.6	1.9%	1,296.5	1.7%
Trust lending	11,690.9	21.0%	10,802.6	14.4%
Credit-enhanced loan facilitation	35,354.5	63.4%	50,676.4	67.3%
Pure loan facilitation	7,674.3	13.7%	12,472.7	16.6%
Total	55,753.3	100.0%	75,248.2	100.0%

From all the loans originated by us, the outstanding loan principal is calculated using an amortization schedule and is defined as the online consumption products outstanding balance of loans to customers. As at December 31, 2024, the Group's online consumption products outstanding balance of loans to customers in the Chinese mainland was RMB26,220.3 million.

Asset Quality

During the Year, despite global economic volatility and a challenging domestic consumption recovery, China's economy has shown a steady and improving trend, thanks to a series of timely policy measures introduced by the government.

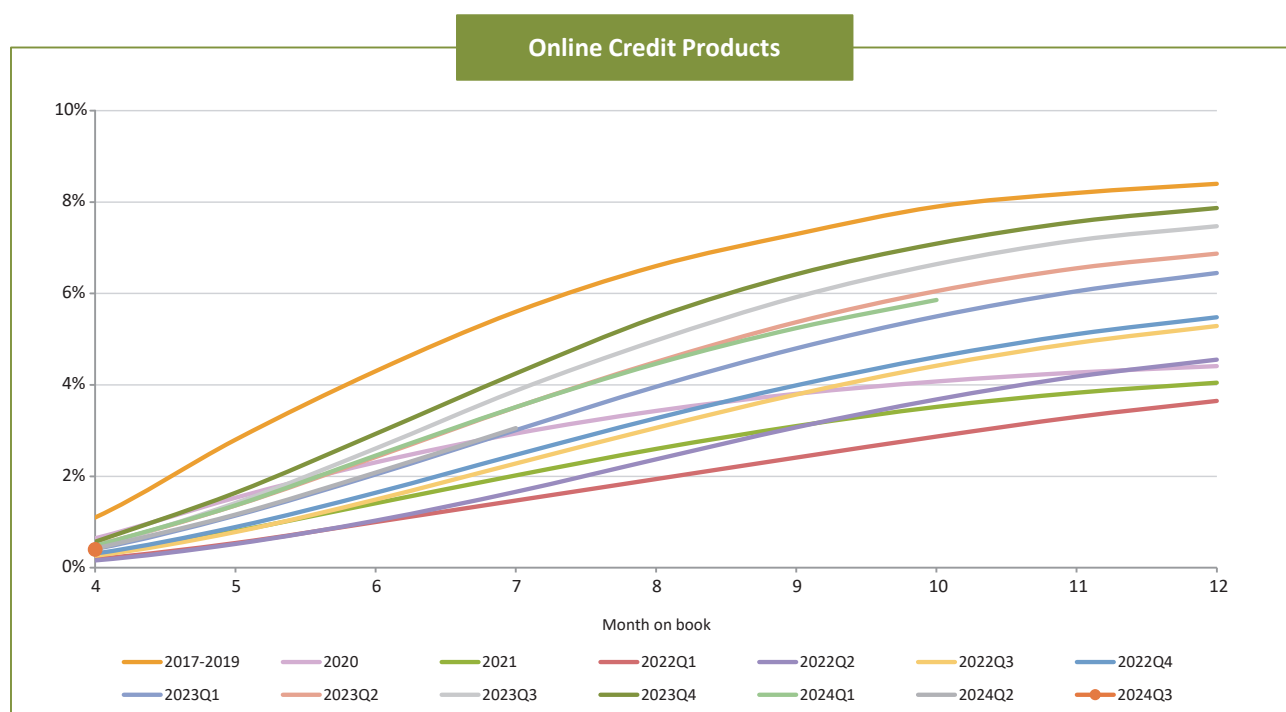
Facing a complex situation, we have deepened the application of AI technology in our risk management process, enabling it to run through key processes such as customer segmentation, modeling and collections. We have refined our customer management by, on the one hand, stepping up our efforts to acquire new customers and, on the other hand, continuously optimizing our multi-source scoring cards and risk models, and dynamically and flexibly adjusting our risk exposure management policy to stabilise our risk indicators. Meanwhile, innovations in the collection mechanism have enhanced customer loan repayments and collection efficiency through customer tier management, strengthening consumer rights protection and flexibly adjusting incentive schemes. As a result, the first payment delinquency ratio stabilised at 0.58% in the fourth quarter of 2024, representing a year-on-year decrease of 18.3% from the fourth quarter of 2023. The M1-M3 ratio and M3+ ratio also declined gradually as a result of enhanced risk controls, to 3.39% and 3.02%, respectively, in the fourth quarter of 2024.

Management's Discussion and Analysis

We plan to add to our marketing channels to enhance our capability of acquiring better customers. At the same time, we will trial more external/internal data to better differentiate customers at every stage. Furthermore, we will continue to explore micro-innovations in the collection process to better adapt to the tighter regulation on consumer rights protection, and to achieve an optimal balance between risk indicators and customer experience.

	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4
First payment delinquency ratio ⁽¹⁾	0.53%	0.64%	0.61%	0.71%	0.59%	0.50%	0.48%	0.58%
M1-M3 ratio ⁽²⁾	3.20%	4.09%	4.45%	5.07%	4.62%	4.47%	3.52%	3.39%
M3+ ratio ⁽³⁾	2.49%	2.26%	2.83%	2.98%	3.49%	3.82%	3.89%	3.02%

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



Notes:

- (1) First payment delinquency ratio is defined as the total balance of outstanding principal amount of the loans in the Chinese mainland we originated in the applicable period that were delinquent on their first payment due dates divided by the aggregate loan origination volume in the Chinese mainland in that period.
- (2) M1-M3 ratio is calculated by dividing (i) the outstanding balance of online loans in the Chinese mainland which have been delinquent up to 3 months, by (ii) the total outstanding balance of loans to customers that have not been written off in the Chinese mainland.
- (3) M3+ ratio is calculated by dividing (i) the outstanding balance of online loans in the Chinese mainland 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 that have not been written off in the Chinese mainland.
- (4) Cohort-Based M3+ Delinquency Ratio is defined as (i) the total amount of principal for the online loans in the Chinese mainland 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 in the Chinese mainland.

Outlook and Strategies

The macro environment is constantly changing and evolving, which requires us to respond promptly and effectively to remain competitive. To contribute further growth in our consumer finance business and fulfill the financial needs of high-quality customers, we will strive to refine our business strategies and enhance our technology. In addition to expanding our existing consumer finance operation in China, we shall seek to broaden our business strategies by investing in, or collaborating with or acquiring similar, related or complementary businesses and industries in other jurisdictions, including Hong Kong, South-East Asia and Europe. We will continually review potential investment opportunities and business prospects and make suitable investments and acquisitions as opportunities arise.

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.

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 by continuing to deploy evolving technology and AI
- 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'S 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 and similar income; (ii) loan facilitation service fees; and (iii) other income. Our total income increased by 10.1% to RMB3,929.7 million for the Year, compared to RMB3,569.5 million for the Corresponding Year, primarily due to an increase in the average outstanding loan balance of our trust lending structure and an increase in the contributions from other revenue streams, partially offset by a decrease in loan origination volume through our credit-enhanced and pure loan facilitation structures given conservative approach on risk control.

Net Interest and Similar Income

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

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Net interest and similar income		
Interest and similar income	1,968,171	1,477,300
Less: interest expenses	(345,078)	(327,646)
Total	1,623,093	1,149,654

We recorded interest and similar income generated from loans to customers originated under direct lending and trust lending structures of RMB1,968.2 million for the Year, an increase of 33.2% compared to RMB1,477.3 million for the Corresponding Year, primarily due to an increase in the average outstanding loan balance.

Interest expenses increased by 5.3% to RMB345.1 million for the Year, compared to RMB327.6 million for the Corresponding Year, primarily due to an increase in the average borrowing balance, although partially offset by a decrease in the weighted average interest rate during the Year.

Loan Facilitation Service Fees

Loan facilitation service fees for the Year were RMB1,949.2 million, compared with RMB2,241.0 million for the Corresponding Year, a decrease of 13.0%, mainly due to the decrease in loan origination volume through our credit-enhanced and pure loan facilitation structures given conservative approach on risk control.

Management's Discussion and Analysis

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,	
	2024	2023
Loan Facilitation Service Fees	RMB'000	RMB'000
Credit-enhanced loan facilitation	1,868,492	1,894,538
Pure loan facilitation	80,750	346,420
Total	1,949,242	2,240,958

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,	
	2024	2023
Loan Facilitation Service Fees	RMB'000	RMB'000
Upfront loan facilitation service fees	1,219,901	1,489,865
Post loan facilitation service fees	729,341	751,093
Total	1,949,242	2,240,958

Other Income

Other income increased by 99.8% to RMB357.4 million for the Year, compared to other income of RMB178.8 million for the Corresponding Year, primarily due to the increase in membership fees through our diverse service and increase in referral fees from growing third-party platforms.

Management's Discussion and Analysis

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

Other Income	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Membership fees, referral fees and other service fees	226,162	107,289
Government grants	67,280	12,790
Penalty and other charges	32,722	24,193
Gains from guarantee	2,175	20,922
Others	29,039	13,682
Total	357,378	178,876

Expenses

Origination and Servicing Expenses

Our origination and servicing expenses decreased by 5.2% to RMB1,464.3 million for the Year, compared to RMB1,543.9 million for the Corresponding Year, mainly due to a decrease in customer acquisition cost resulting from the reduced scale, partially offset by an increase in loan collection fees, reflecting our intensified efforts to improve our loan portfolio.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 14.4% to RMB61.1 million for the Year, compared to RMB53.4 million for the Corresponding Year, due to the increase in employee benefit expenses and branding expenses as a result of our efforts to expand our operations across various areas to establish a diversified operating model in line with our business strategy.

General and Administrative Expenses

Our general and administrative expenses increased by 10.6% to RMB372.4 million for the Year, compared to RMB336.8 million for the Corresponding Year, primarily driven by increased employee benefit expenses, reflecting our continued efforts in attracting and retaining talent to support our growing business scale and scope.

Research and Development Expenses

Our research and development expenses were RMB125.5 million for the Year, compared to RMB125.9 million for the Corresponding Year, primarily attributable to our continued investment in technological capabilities and innovation, while streamlining our procedures and improvements in efficiency.

Operating Profit

We recorded an operating profit of RMB636.2 million for the Year, an increase of 5.2% compared to RMB604.8 million for the Corresponding Year, primarily due to (i) effectively controlled operating expenses in line with the contraction of our loan origination volume despite the Group's strategy of diversifying into new markets and businesses; (ii) an increase in our other income through our diverse services to customers and growing third-party platforms; and (iii) improvement in asset quality of new originated loans as a result of effectively strengthening risk control strategies.

Net Profit

We recorded a net profit of RMB478.2 million for the Year, an increase of 5.3% compared to RMB453.9 million for the Corresponding Year, which is consistent with our operating profit for the Year.

Non-IFRS Adjusted Operating Profit

Our Non-IFRS adjusted operating profit was RMB636.7 million for the Year, an increase of 5.0% compared to RMB606.5 million for the Corresponding Year.

Non-IFRS Adjusted Net Profit

Our Non-IFRS adjusted net profit was RMB478.7 million for the Year, an increase of 5.1% compared to RMB455.6 million for the Corresponding Year.

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,	
	2024	2023
	RMB'000	RMB'000
Operating Profit	636,196	604,845
Add:		
Share-based compensation expenses	511	1,640
Non-IFRS Adjusted Operating Profit	636,707	606,485
Non-IFRS Adjusted Operating Profit Margin⁽¹⁾	16.2%	17.0%

Management's Discussion and Analysis

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Net Profit	478,163	453,911
Add:		
Share-based compensation expenses	511	1,640
Non-IFRS Adjusted Net Profit	478,674	455,551
Non-IFRS Adjusted Net Profit Margin⁽²⁾	12.2%	12.8%

Notes:

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

Loans to Customers

Our loans to customers represent the fair value and amortised cost of total balance of loans originated by us through our trust lending and direct lending structures. Our loans to customers decreased by 4.2% to RMB6,247.1 million as at December 31, 2024, compared to RMB6,522.0 million as at December 31, 2023, primarily due to the decrease in our trust lending and direct lending loan origination volume in the Chinese mainland by 11.4% to RMB5,937.2 million for the six months ended December 31, 2024, compared to RMB6,703.2 million for the six months ended December 31, 2023.

	As at December 31,			
	2024		2023	
	RMB'000	%	RMB'000	%
Online consumption products	6,247,054	100.0%	6,522,037	100.0%

Contract Assets

Our contract assets decreased by 11.6% to RMB411.5 million as at December 31, 2024, compared to RMB465.4 million as at December 31, 2023, due to the decrease in our credit-enhanced and pure loan origination volume by 31.9% to RMB43,028.8 million for the Year, compared to RMB63,149.1 million for the Corresponding Year.

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Contract assets	488,059	552,808
Less: expected credit losses ("ECL") allowance	(76,548)	(87,400)
	411,511	465,408

Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables decreased by 15.5% to RMB1,113.1 million as at December 31, 2024, compared to RMB1,317.0 million as at December 31, 2023. Our guarantee liabilities decreased by 41.6% to RMB895.8 million as at December 31, 2024, compared to RMB1,533.9 million as at December 31, 2023. The changes in guarantee receivables and guarantee liabilities are primarily due to the decrease in our credit-enhanced loan origination volume by 30.2% to RMB35,354.5 million for the Year, compared to RMB50,676.4 million for the Corresponding Year.

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Guarantee Receivables		
Opening balance	1,317,024	787,396
Addition arising from new business	2,634,144	3,359,307
ECL	(198,114)	(226,801)
Reversal due to early repayment	(164,700)	(164,675)
Payment received from borrowers	(2,475,212)	(2,438,203)
Ending Balance	1,113,142	1,317,024
	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Guarantee Liabilities		
Opening balance	1,533,883	1,140,754
Addition arising from new business	2,634,144	3,359,307
Release of the margin	(189,677)	(233,509)
ECL	187,502	212,587
Reversal due to early repayment	(164,700)	(164,675)
Payouts during the year, net	(3,105,351)	(2,780,581)
Ending Balance	895,801	1,533,883

Borrowings and Notes Payable

Our total borrowings and notes payable, as recorded in our consolidated statement of financial position, comprise (i) payable to trust plan holders; (ii) bank borrowings; (iii) borrowings from other financial institutions; and (iv) notes payable. Our payable to trust plan holders decreased by 7.3% to RMB4,632.4 million as at December 31, 2024, compared to RMB4,999.1 million as at December 31, 2023, primarily due to a decrease in loans originated by us through our trust lending structure for the six months ended December 31, 2024.

As at December 31, 2024, the Group had secured bank borrowings with a principal amount of RMB300.0 million guaranteed by deposits of RMB309.5 million.

Management's Discussion and Analysis

As at December 31, 2024, the Group had secured borrowings from other financial institutions with a principal amount of HK\$12.0 million guaranteed by way of first floating charge over a portfolio of loans to customers with an aggregate amount of HK\$15.0 million.

The notes payable comprised the remaining principal amount of HK\$100,000,000 of the HK\$200,000,000 9.5% Senior Notes due 2025 issued by the Company on June 16, 2022. Ace Effort Asia Limited, a subsidiary of the Company, issued the Series 1 Senior Secured Guaranteed Notes in the aggregate principal amount of HK\$50,000,000 with a coupon rate at 9.5% per annum due 2025 on July 18, 2024 and the Series 2 Senior Secured Guaranteed Notes in the aggregate principal amount of HK\$50,000,000 with a coupon rate at 9.0% per annum due 2025 on October 16, 2024, secured by way of first floating charges over a portfolio of loans to customers of VCREDIT Finance Limited, a subsidiary of the Company, with an aggregate amount of HK\$75.0 million.

	As at December 31,			
	2024		2023	
	RMB'000	%	RMB'000	%
Payable to trust plan holders	4,632,391	87.8%	4,999,099	89.9%
Secured bank borrowings	302,426	5.8%	314,901	5.7%
Unsecured bank borrowings	143,219	2.7%	157,888	2.8%
Borrowings from other financial institutions	11,146	0.2%	—	—
	5,089,182	96.5%	5,471,888	98.4%
Notes payable	184,840	3.5%	89,989	1.6%
Total	5,274,022	100.0%	5,561,877	100.0%

Weighted Average Interest Rates of Borrowings and Notes Payable	As at December 31,	
	2024	2023
Payable to trust plan holders	6.3%	8.3%
Bank borrowings	5.3%	5.1%
Borrowings from other financial institutions	9.5%	Nil
Notes payable	9.4%	9.5%

Gearing ratio

As at December 31, 2024, our gearing ratio, calculated as total liabilities divided by total assets, was approximately 60.6%, representing a decrease of 4.5% as compared with 65.1% as at December 31, 2023.

As at December 31, 2024, our consolidated debt to equity ratio, calculated as the sum of borrowings, notes payable, lease liabilities and guarantee liabilities divided by total equity, was approximately 1.3x, as compared with 1.7x as at December 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from operating activities and capital contribution from shareholders of the Company (“**Shareholders**”).

Cash Flows

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

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Net cash inflow/(outflow) from operating activities	1,463,121	(1,344,871)
Net cash inflow from investing activities	45,829	70,356
Net cash (outflow)/inflow from financing activities	(714,171)	580,516
Net increase/(decrease) in cash and cash equivalents	794,779	(693,999)
Cash and cash equivalents at the beginning of the years	896,700	1,592,514
Effects of exchange rate changes on cash and cash equivalents	1,958	(1,815)
Cash and cash equivalents at the end of the years	1,693,437	896,700

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 inflow generated from operating activities of RMB1,463.1 million for the Year, as compared to net cash outflow used in operating activities of RMB1,344.9 million for the Corresponding Year, primarily due to (i) a decrease in cash outflow due to the reduced loan volume originated by our trust lending structure for the six months ended December 31, 2024; (ii) an increase in cash inflow from the recovery of security deposits in financial institution funding partners as a result of a decrease in loan origination volume for our credit enhancement and pure loan facilitation structures; (iii) a decrease in cash outflow used in payment of operating expenses in line with the decrease in our loan origination volume; and (iv) an increase in cash inflow from other revenue streams.

We had net cash inflow from investing activities of RMB45.8 million for the Year, as compared to net cash inflow of RMB70.4 million for the Corresponding Year. For the Year, we had a net cash inflow decrease primarily due to a cash outflow for payments for property, plant and equipment of RMB37.8 million and a cash outflow for payment of investments accounted for using the equity method of RMB14.6 million for the Year, compared to a cash outflow used in payments for property, plant and equipment of RMB19.5 million for the Corresponding Year. In addition, we had a net cash inflow of RMB101.7 million for the Year compared to a net cash inflow of RMB94.6 million for the Corresponding Year, as a result of the change of our financial investments at fair value through profit or loss.

Management's Discussion and Analysis

We had net cash outflow for financing activities of RMB714.2 million for the Year, as compared to net cash inflow from financing activities of RMB580.5 million for the Corresponding Year, mainly because we had a net cash outflow for borrowings and trust plans of RMB369.3 million, as compared to a net cash inflow of RMB1,133.3 million for the Corresponding Year. We also had net cash outflow used in payment of interest expenses of RMB357.1 million for the Year, as compared to a net cash outflow of RMB319.9 million for the Corresponding Year. Additionally, we had a net cash inflow of RMB90.1 million from issuance of notes payable and a net cash outflow for dividends of RMB45.3 million for the Year, as compared to a net cash outflow of RMB88.4 million used in repayment of notes payable and a net cash outflow for dividends of RMB110.9 million for the Corresponding Year.

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, 2024.

Charges on Assets

As at December 31, 2024, the Group had cash deposits of RMB309.5 million pledged to banks as securities for banking facilities. In addition, the Group had a portfolio of loans to customers with an aggregate amount of HK\$15.0 million pledged as a floating charge to secure the Group's borrowings from other financial institutions, and a portfolio of loans to customers with an aggregate amount of HK\$75.0 million pledged as floating charges to secure the Group's notes payable.

Contingencies

Save as disclosed in this report, the Group did not have any significant contingent liabilities as at December 31, 2024.

Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the Renminbi and other currencies in which we conduct business may affect our financial position and results of operations.

Most of the operations of the Group were carried out in the Chinese mainland in which transactions were denominated in Renminbi. The Board has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuations. The Group will constantly review the economic situation, development of the Group's business and its overall foreign exchange risk profile, and will consider appropriate hedging measures in the future as and when necessary.

ACQUISITIONS AND DISPOSALS

Material Investments and Acquisitions

The Group acquired an indirect 15.0% interest in Thousand Whales Technology (BVI) Limited by way of a subscription for 6,000,000 Series Angel Preferred Shares for a consideration of HK\$10.0 million on January 19, 2024 and a subscription for 3,592,814 Series Angel Preferred Shares for a consideration of HK\$6.0 million on June 21, 2024. The applicable percentage ratios set out in rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in respect of the acquisition are less than 5.0% and, therefore, the acquisition constitutes a de minimis transaction.

Save as 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	<i>Executive Director and Chairman</i>
Mr. Liu Sai Wang Stephen	<i>Executive Director and Chief Executive Officer</i>
Mr. Liu Sai Keung Thomas	<i>Executive Director and Chief Operating Officer</i>
Ms. Xue Lan	<i>Executive Director</i>
Mr. Yip Ka Kay	<i>Non-Executive Director</i>
Mr. Chen Derek	<i>Independent Non-Executive Director</i>
Mr. Chen Penghui	<i>Independent Non-Executive Director</i>
Mr. Fang Yuan	<i>Independent Non-Executive Director</i>

Directors – Biographies

Mr. Ma Ting Hung, aged 61, 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 57, 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.

Board of Directors and Senior Management

Mr. Liu Sai Keung Thomas (“**Mr. Thomas Liu**”), aged 52, 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.

Ms. Xue Lan, aged 60, joined the Group in 2001 and was appointed an executive director of the Company in December 2024. She 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), which are wholly-owned subsidiaries of the Company. Ms. Xue is currently a Standing Committee member of the 15th Chinese People's Political Consultative Conference, a Standing Committee member of the 15th China Federation of Industry and Commerce, a deputy director of the Committee on Education, Science, Health and Sports of the Chinese People's Political Consultative Conference and a special supervisor of the People's Procuratorate in Hongkou District, Shanghai, China. She was awarded the title of the 5th Outstanding Enterprise Founders under Chinese Socialism in Shanghai (第五屆上海市優秀中國特色社會主義事業建設者稱號) and the title of Shanghai women pacesetter for 2017 to 2018.

Ms. Xue graduated from Shanghai Television University (currently known as Shanghai Open University) in Chinese Language and Literature in July 1988.

Board of Directors and Senior Management

Mr. Yip Ka Kay, aged 60, 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 and licensed manager to QLA Investment GP SARL. 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 and he is a member of its audit and risk management committee, nomination committee and remuneration committee. 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 and is currently a member of the Dean's Asia Advisory Committee of Harvard University's Faculty of Arts and Sciences. 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 49, 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. (a company listed on the Main Board of the Stock Exchange under Stock Code: 2390 and on the 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.

Board of Directors and Senior Management

Mr. Chen Penghui, aged 53, 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, and an independent non-executive director of Hygeia Healthcare Holdings Co., Limited (Stock Code: 6078), a company listed on the Main Board of the Stock Exchange, from September 2019 to May 2022.

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 47, 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 21 years' experience in the finance industry.

Mr. Fang is an independent non-executive director of Zhengzhou Coal Mining Machinery Group Company Limited (Stock Code: 564), a company listed on the Main Board of the Stock Exchange.

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 50, 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 50, 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 47, 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 an EMBA degree from Tsinghua University in June 2022.

Mr. Shi Hongzhe, aged 46, 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.

Mr. Yu Rui, aged 48, 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 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.

Each director has confirmed, following specific enquiry by the Company, that he/she has complied with the required standards set out in the Model Code throughout the Year or throughout the period from the date of appointment during the Year, as the case may be.

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*)

Ms. Xue Lan

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.

Ms. Xue Lan was appointed as an executive director of the Company on December 9, 2024 and obtained legal advice on December 9, 2024 from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange, and Ms. Xue Lan has confirmed she understands her obligations as a director of a listed issuer under the Listing Rules.

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 five 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 or 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 half of the Board members which lends a 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 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 and they receive annual training. 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 corporate governance code and latest developments in boardroom practices, and read materials regarding the corporate governance code. Ms. Xue Lan, on her appointment, received training on her duties and responsibilities as a director and the requirements of, and her obligations under, amongst others, the Listing Rules and the SFO and read materials regarding the corporate governance code. 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. 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 consolidated financial statements of the Company for the year ended December 31, 2023 and the interim consolidated financial statements of the Company for the six months ended June 30, 2024, 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.

Corporate Governance Report

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*)

Two meetings of the remuneration committee were 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 as well as the remuneration of a newly appointed director during the Year. 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				Annual General Meeting held on June 14, 2024
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Executive Directors					
Mr. Ma Ting Hung	5/5	–	1/1	–	1/1
Mr. Liu Sai Wang Stephen	5/5	–	–	2/2	1/1
Mr. Liu Sai Keung Thomas	5/5	–	–	–	1/1
Ms. Xue Lan (<i>appointed on December 9, 2024</i>)	1/5	–	–	–	–
Non-Executive Director					
Mr. Yip Ka Kay	5/5	2/2	–	–	1/1
Independent Non-Executive Directors					
Mr. Chen Derek	5/5	2/2	1/1	2/2	1/1
Mr. Chen Penghui	5/5	2/2	1/1	2/2	1/1
Mr. Fang Yuan	5/5	2/2	1/1	1/2	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.

The Board has achieved gender diversity and it currently has one female executive director. The Board will maintain diversity amongst its members and will have at least one female director to be a member of the Board. The Company will ensure that there is gender diversity when recruiting staff at mid to senior level, so that it will have a pipeline of female senior management and potential successors to the Board in the future.

As of December 31, 2024, the overall gender ratio of the Group's employees (including senior management) was 51% (male) and 49% (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. Chan Wing Man was appointed the company secretary of the Company with effect from October 1, 2024. Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Chan 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 consolidated 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*' ('蜂鳥'). '*Hummingbird*' ('蜂鳥') 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. The '*Hummingbird*' ('蜂鳥') system will assign a risk score and rate band to each applicant. Hence, applicants deemed as creditworthy by the system will be approved and matched with products with appropriate product term such as interest rate and loan amount.
- (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 (information technology) 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 consolidated 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 RMB0.50 million for the provision of non-audit services. The non-audit services included tax consulting services and the agreed-upon procedures performed on an indebtedness statement.

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@vccredit.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 to 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.vccredit.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 consolidated 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 consolidated financial statements.

RESULTS

The Group's profit for the Year and the Group's financial position as at December 31, 2024 are set out in the consolidated financial statements on pages 60 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 13, 2025 (the "**AGM**"), the payment of a final dividend of HK20 cents (the "**Final Dividend**") per share of the Company ("**Share(s)**") for the Year (2023: HK10 cents), amounting to approximately HK\$97.9 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 9, 2025.

No interim dividend was declared for the six months ended June 30, 2024 (for the six months ended June 30, 2023: an interim dividend of HK15 cents per Share).

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 2024 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 consolidated financial statements and the notes thereto on pages 60 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 Environmental, Social and Governance (ESG) Policy and Performance

ESG management and practice are among the Group's priorities. Relying on our fintech strengths, we always adhere to the philosophy of "Credit Creates Value" and collaborate with our stakeholders to achieve a sustainable future.

Environmental (E)

We continue to intensify our efforts in responding to climate change with low-carbon operations as the core, and are fully committed to practising green development. In 2024, we identified the risks and opportunities of climate change to our operations and further strengthened our accounting and management of greenhouse gas emissions. At the same time, we laid a solid foundation for our green and low-carbon development by implementing a paperless office, upgrading energy-saving equipment, and strengthening the promotion of green office ideals. In 2024, our total greenhouse gas emissions (Scope 1+Scope 2+Scope 3) amounted to 1,044.39 metric tons of carbon dioxide equivalent (CO₂e), while gasoline consumption decreased by 35.07% compared to 2023. Adhering to low-carbon and environmentally friendly mindsets, we promoted green development and contributed to China's carbon peaking and carbon neutrality goals.

Social (S)

We use technology to empower responsible business development, and persist to foster collaborations across the value chain for the benefit of all partners and stakeholders. In 2024, we deepened the Group's digital and intelligence strategy with the launch of 'Sunbird AI Hub' 2.0 ('金鳥大模型' 2.0) and 'Hummingbird Risk Control System' 2.0 ('蜂鳥智能風控平台' 2.0), and significantly improved office efficiency with the launch of 'VQuickMind' 2.0 ('維小智' 2.0). Moreover, we continued to enhance our customer service performance through intelligent customer service applications during this year, with a 97% online self-service resolution rate covered by AI and a 98% customer satisfaction rate. We also continued to attach importance to our employees' well-being and development, and actively created a diversified, equal and inclusive workplace environment. Furthermore, we insisted on building an open ecosystem, giving back to the communities, and supporting the development of small and medium-sized enterprises (SMEs). The number of services provided by our main business services to SMEs in 2024 was 1,051,162.

Governance (G)

We are committed to high-standard governance, promoting both stable operations and business innovation. In 2024, we appointed a female executive director to the Board, bringing a different and diverse decision-making perspective to the Board. At the same time, we continued to practice and deepen our ESG strategy to guide the implementation of sustainability concepts through a more comprehensive ESG governance system.

For details of our ESG performance, please refer to the Group's Environmental, Social and Governance Report 2024 ("**2024 ESG Report**"), which is available in the "Investor Relations" section on the Group's website "<https://www.vcredit.com>" as well as the website of the Stock Exchange.

If you wish to receive a printed copy of the 2024 ESG Report, please send your request in writing by post to the Company's principal place of business in Hong Kong or by e-mail 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 consolidated 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 consolidated financial statements, is set out on page 155. This summary does not form part of the audited consolidated 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 consolidated 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 consolidated financial statements.

There are no reserves available for distribution to Shareholders as at December 31, 2024 (2023: Nil).

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions of RMB2.13 million (2023: RMB0.08 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
Ms. Xue Lan (*appointed on December 9, 2024*)

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. Ma Ting Hung, Mr. Liu Sai Keung Thomas and Mr. Chen Penghui will retire by rotation and all, being eligible, will offer themselves for re-election at the AGM.

In accordance with Article 113 of the Articles, Ms. Xue Lan, who was appointed as an additional director on December 9, 2024, will retire and, being eligible, will offer herself 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, 2024, the Group had a total of 870 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 the Chinese mainland 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 consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save and except the mandatory unconditional general cash offer made by Get Nice Securities Limited for and on behalf of Wealthy Surplus Limited (the "**Offeror**"), a company wholly-owned by Mr. Ma Ting Hung (an executive director and chairman of the Company), to acquire all issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it (excluding certain presumed concert parties)) (the "**Offer**"), as disclosed in the announcements dated December 20, 2024, January 10, 2025 and February 3, 2025 jointly issued by the Offeror and the Company (the "**Offer Announcements**") and the composite offer and response document dated January 10, 2025 jointly despatched by the Offeror and the Company (the "**Composite Document**"), 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 during the Year.

DIRECTORS' COMPETING INTERESTS

So far as is known to the directors, as at December 31, 2024, 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, 2024, 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	44.04%
	Interest in controlled corporations ⁽²⁾	197,422,097	
Liu Sai Wang Stephen	Personal interest	1,200,000	13.68%
	Interest in controlled corporations ⁽³⁾	65,742,173	
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⁾	4,074,714	0.83%
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, 2024.
- (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, 67,107,010 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 34,093,858 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 4,074,714 Shares.

Interests in debentures of the Company or any of its associated corporations

Name of Directors	Nature of interest	Amount of debenture	Amount of debentures of the same class in issue
Liu Sai Keung Thomas	Beneficial owner	HK\$2,500,000 ⁽¹⁾	HK\$50,000,000
Liu Sai Wang Stephen	Beneficial owner	HK\$2,500,000 ⁽²⁾	HK\$50,000,000

Notes:

- (1) On 18 July 2024, Ace Effort Asia Limited ("**Ace Effort**"), an indirect wholly-owned subsidiary of the Company, completed the issue and placing of the Series 1 Senior Secured Guaranteed Notes in the aggregate principal amount of HK\$50,000,000, with a coupon rate of 9.5% per annum and a maturity date of 17 July 2025.
- (2) On 16 October 2024, Ace Effort completed the issue and placing of the Series 2 Senior Secured Guaranteed Notes in the aggregate principal amount of HK\$50,000,000, with a coupon rate of 9.0% per annum and a maturity date of 15 October 2025.

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, 2024:

- (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

Post-IPO Share Option Scheme

The Company adopted a post-IPO share option scheme which was approved by the Board on May 10, 2018 (the “**Post-IPO Share Option Scheme**”), pursuant to which 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 is 49,730,386 Shares, being not more than 10% of the Shares in issue on June 21, 2018, being the date of listing of Shares on the Stock Exchange (the “**Listing Date**”). 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, 2024.

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.

Report of the Directors

- (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, no Awards have been granted pursuant to the Share Award Scheme No. 1. As of December 31, 2024, Awards in respect of a total of 9,020,360 Shares (including forfeited Shares) have been awarded to eligible persons under the Share Award Scheme No. 1, and of which 1,800,000 Shares have been awarded to connected persons. As at December 31, 2024, 17,483,009 Shares (including forfeited Shares) remain available for future grants of Awards under the Share Award Scheme No. 1, representing 3.57% of the Shares in issue as at December 31, 2024.

As at December 31, 2024, the trustee of the trusts established to administer the Share Award Scheme No. 1 held a total of 680,300 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:

Grantees	Date of Award	Number of Shares underlying Awards					As at December 31, 2024
		Originally Granted	As at January 1, 2024	Granted during the Year	Vested during the Year ⁽²⁾	Forfeited/ Lapsed during the Year	
Employees							
Non-connected Person	19-07-2021	120,000 ^{(1)(a)}	60,000	Nil	30,000	30,000	0
Non-connected Person	19-07-2021	400,000 ^{(1)(b)}	200,000	Nil	100,000	Nil	100,000
Non-connected Person	02-09-2021	200,000 ^{(1)(c)}	100,000	Nil	50,000	Nil	50,000
Non-connected Person	01-04-2022	200,000 ^{(1)(d)}	100,000	Nil	50,000	50,000	0
Non-connected Person	03-10-2022	200,000 ^{(1)(e)}	150,000	Nil	50,000	Ni	100,000
Non-connected Person	30-06-2023	200,000 ^{(1)(f)}	200,000	Nil	50,000	Nil	150,000
Non-connected Person	16-10-2023	200,000 ^{(1)(g)}	200,000	Nil	Nil	200,000	0

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 1, 2022	one-quarter, on March 1, 2023	one-quarter, on March 1, 2024	one-quarter, on March 1, 2025
(b)	one-quarter, on June 1, 2022	one-quarter, on June 1, 2023	one-quarter, on June 1, 2024	one-quarter, on June 1, 2025
(c)	one-quarter, on August 9, 2022	one-quarter, on August 9, 2023	one-quarter, on August 9, 2024	one-quarter, on August 9, 2025
(d)	one-quarter, on September 28, 2022	one-quarter, on September 28, 2023	one-quarter, on September 28, 2024	one-quarter, on September 28, 2025
(e)	one-quarter, on October 3, 2023	one-quarter, on October 3, 2024	one-quarter, on October 3, 2025	one-quarter, on October 3, 2026
(f)	one-quarter, on July 1, 2024	one-quarter, on July 1, 2025	one-quarter, on July 1, 2026	one-quarter, on July 1, 2027
(g)	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) A total of 330,000 Shares vested during the Year. The weighted average closing price of these Shares before the relevant vesting dates during the Year is HK\$2.30.

(3) No Award was cancelled during the Year.

Report of the Directors

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, 2024, no Awards have been granted pursuant to the Share Award Scheme No. 2. A total of 49,305,718 Shares remain available for future grants of Awards under the Share Award Scheme No. 2, representing 10.07% of the Shares in issue as at December 31, 2024.

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, 2024, 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		Percentage of total issued Shares ⁽¹⁾
		Long Position	Short Position	
Ma Ting Hung	Personal interest	18,127,000		44.04%
	Interest in controlled corporations ⁽²⁾	197,422,097		
Skyworld-Best Limited	Beneficial interest ⁽²⁾	84,719,154		17.31%
Wealthy Surplus Limited	Beneficial interest ⁽²⁾	67,107,010		13.71%
Glory Global International Limited	Beneficial interest ⁽²⁾	45,595,933		9.32%
Liu Sai Wang Stephen	Personal interest	1,200,000		13.68%
	Interest in controlled corporations ⁽³⁾	65,742,173		
Perfect Castle Development Limited	Beneficial interest ⁽³⁾	27,523,810		5.62%
Kwok Lim Ying	Interest in a controlled corporation ⁽⁴⁾	34,093,858		6.97%
Magic Mount Limited	Beneficial interest ⁽³⁾⁽⁴⁾	34,093,858		6.97%
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%
Cavamont Master Fund (previously known as Cavenham Private Equity and Directs)	Beneficial interest ⁽⁷⁾	41,339,885		8.45%

Notes:

- (1) The calculation is based on the total number of 489,459,789 Shares in issue, as at December 31, 2024.
- (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 to High Loyal Management Limited. 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 Cavamont Master Fund (previously known as Cavenham Private Equity and Directs).

Report of the Directors

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, 2024, 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, immediately upon the close of the Offer on February 3, 2025, the public float of the Company was approximately 22.97% of the total issued share capital of the Company. Accordingly, the minimum public float requirement under rules 8.08(1)(a) and 13.32(1) of the Listing Rules was not satisfied. Following the close of the Offer, the Company made an application to the Stock Exchange for a temporary waiver from strict compliance with rules 8.08(1)(a) and 13.32(1) of the Listing Rules (the “**Waiver**”). On February 26, 2025, the Company was granted the Waiver by the Stock Exchange for the period from February 3, 2025 to May 3, 2025. Further announcement(s) will be made by the Company regarding the restoration of the public float as and when appropriate in compliance with the Listing Rules. For details, please refer to (i) the Composite Document; (ii) the Offer Announcements and (iii) the announcement dated February 27, 2025 issued by the Company.

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 consolidated 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 25, 2025

Independent Auditor's Report

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 60 to 154, comprise:

- the consolidated statement of financial position as at December 31, 2024;
- the consolidated statement of comprehensive income for the year then ended;
- 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 information 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, 2024, 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
<p>Measurement of fair value of loans to customers</p> <p>Refer to Notes 3.2, 4.4 and 17 to the consolidated financial statements.</p> <p>As at December 31, 2024, the loans to customers at fair value through profit or loss was RMB6,106.53 million, and related fair value loss was RMB979.11 million for the year ended December 31, 2024.</p> <p>The loans to customers originated in mainland China was measured at fair value through profit or loss as Level 3 financial instruments. The determination of the fair value of these loans to customers require significant judgement regarding the selection of appropriate valuation techniques and assumptions. The Group adopted the discounted cash flow model to measure the fair value of loans to customers. Key model inputs included risk-adjusted discount rate and contractual cash flow, among which risk-adjusted discount rate is an unobservable input that have a significant impact on the valuation results.</p> <p>We have identified the measurement of fair value of loans to customers as a key audit matter due to high inherent risk given the uncertainty of estimates, adoption of model, involvement of significant management judgements in determination of unobservable inputs.</p>	<p>Our procedures included:</p> <ol style="list-style-type: none"> 1. We understood, evaluated and tested the internal controls over the measurement of fair value of loans to customers and assessed the inherent risk of material misstatement by considering the degree of estimate uncertainty and the level of other inherent risk factors such as complexity, subjectivity and changes in assumptions; 2. We involved our valuation expert in evaluating the model methodology used in the measurement of fair value of loans to customers; 3. We assessed the appropriateness of the discounted cash flow model adopted for the measurement of fair value of loans to customers. We reviewed the code of calculation and examined whether the model's calculation is consistent with the Group's model methodology; 4. We examined the accuracy and completeness of underlying data used in the discounted cash flow model on a sample basis; 5. We assessed the reasonableness of the judgements used in determining the risk-adjusted discount rate; 6. We checked and evaluated the appropriateness of the consolidated financial statement disclosures in relation to the measurement of fair value of loans to customers in the context of applicable accounting framework. <p>Based on procedures performed, we considered that the models, significant judgements and assumptions, as well as relevant data and parameters used by management in measuring the fair value of loans to customers were supported by the available evidence.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses</p> <p>Refer to Notes 2.7.3, 2.10, 3.1, 4.1(c), 12, 17, 18 and 19 to the consolidated financial statements.</p> <p>As at December 31, 2024, the expected credit losses (“ECL”) allowance for loans to customers at amortised cost, contract assets and guarantee receivables was RMB21.36 million, RMB76.55 million and RMB179.60 million, respectively, and the balance of guarantee liabilities was RMB895.80 million.</p> <p>Loans to customers at amortised cost were the lending originated by the Company's Hong Kong subsidiary. Contract assets and guarantee receivables were the loan facilitations services fees and guarantee premium to be collected from borrowers in accordance with the services and financial guarantee contracts. Guarantee liabilities were the Group's obligation to repay in the event of default related to certain off-balance sheet loans funded on the Group's platform and is measured subsequently at the higher of the amount determined in accordance with the ECL model under IFRS 9 Financial Instruments (“the ECL for financial guarantee contracts”) and the amortised balance of guarantee liabilities (Note 2.10.1).</p> <p>The Group assessed whether the credit risk of loans to customers at amortised cost, guarantee receivables and financing guarantee contracts had increased significantly since their initial recognition, and applied a three-stage impairment model approach to calculate the ECL. The ECL for loans to customers at amortised cost, guarantee receivables and financing guarantee contracts in stage 1 was measured at an amount equal to the 12-month expected credit losses, and the ECL for those balances in stage 2 and stage 3 was measured based on expected credit losses on a lifetime basis. The ECL for contract assets was measured using the simplified approach at an amount equal to lifetime expected credit losses. The Group assessed the ECL using the risk parameter modelling approach that incorporated relevant key risk parameters, including probability of default, loss given default and exposure at default.</p>	<p>Our procedures included:</p> <ol style="list-style-type: none"> 1. We understood, evaluated and tested certain internal controls that management adopted on the measurement of ECL and assessed the inherent risk of material misstatement by considering the degree of estimate uncertainty and the level of other inherent risk factors such as complexity, subjectivity and changes in assumptions; 2. We involved our credit risk specialists in evaluating the model methodologies, significant judgements and estimates, data and key parameters used in the ECL measurement for loans to customers at amortised cost, contract assets, guarantee receivables and financial guarantee contracts; 3. We assessed the appropriateness of the models adopted for the measurement of ECL. We selected samples of ECL calculations and examined whether the models' calculation is consistent with the Group's methodologies; 4. We examined the accuracy and completeness of underlying data used in the ECL models on a sample basis; 5. We assessed the overall reasonableness of the probability of default, loss given default and exposure at default; 6. We assessed the appropriateness of management's staging classifications and judgements used in determining significant increases in credit risk and identification of default; 7. We evaluated management's selection methodology for economic indicators, economic scenarios and weightings assigned and reviewed retrospective testing of the economic indicator. We assessed the reasonableness of the forecasted economic indicators by comparing with publicly available forecasts from third-party institutions. We reviewed sensitivity analysis on the economic indicators and weightings under different economic scenarios; 8. We checked and evaluated the appropriateness of the consolidated financial statement disclosures in relation to the measurement of ECL in the context of applicable accounting framework.

Key Audit Matter

Measurement of expected credit losses (Continued)

The measurement of ECL involves significant management judgements and estimates, mainly includes:

- (1) Determination of appropriate models, assumptions and relevant key measurement parameters;
- (2) Determination and application of criteria to identify significant increase in credit risk and default;
- (3) Application of economic variables for forward-looking measurement, and economic scenarios and relative weightings.

We have identified the measurement of ECL as a key audit matter due to high inherent risk given the uncertainty of estimates, adoption of complex models, involvement of significant management judgements and use of numerous parameters and data inputs in such measurement.

How our audit addressed the Key Audit Matter

Based on procedures performed, we considered that the models, significant judgements and assumptions, as well as relevant data and parameters used by management in measuring ECL for loans to customers at amortised cost, contract assets, guarantee receivables and financial guarantee contracts were supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition of loan facilitation service fees</p> <p>Refer to Notes 2.19(b), 3.5 and 6 to the consolidated financial statements.</p> <p>For the year ended December 31, 2024, the revenue of loan facilitation service fees recognised was RMB1,949.24 million.</p> <p>The Group has assessed and concluded that upfront loan facilitation services and post loan facilitation services are two 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 the upfront loan facilitation services and the post loan facilitation services because (i) it did not provide such services on a standalone basis in similar circumstances to similar customers, and (ii) there was no direct observable standalone selling price that is reasonably available for similar services in the market. As a result, management used an expected cost plus a margin approach to estimate the standalone selling prices of the services as the basis of revenue recognition.</p> <p>When estimating total consideration, management made certain assumptions, including the applicability of historical early payment 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.</p> <p>We have identified revenue recognition of loan facilitation service fees as a key audit matter due to the high inherent risk given the uncertainty of estimates, involvement of significant management judgments and assumptions in the estimation of the relative standalone selling prices used to support the revenue recognition of loan facilitation service fees.</p>	<p>Our procedures included:</p> <ol style="list-style-type: none"> 1. We understood, evaluated and tested certain internal controls that management adopted on the recognition of loan facilitation service fees and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors such as complexity, subjectivity and changes in assumptions; 2. We examined service agreements between the Group and its customers on a sample basis to assess the appropriateness of the performance obligations identified by management; 3. We assessed the appropriateness and tested the mathematical accuracy of the total consideration calculation; 4. We evaluated the reasonableness of using historical early termination data to determine the early termination assumption and tested the completeness and accuracy of the historical early termination data used in the calculation; 5. We assessed the appropriateness of the expected cost plus a margin approach used and tested mathematical accuracy of the calculation; 6. We examined the allocation of costs used in the expected cost plus a margin approach by considering the nature of services provided by each business department and their roles and responsibilities in providing relevant services; 7. We examined the accuracy of cost data used in the expected cost plus a margin model, including evaluated the reasonableness of management's assumption to use the historical cost data in the model; 8. We recalculated the revenue amount of loan facilitation service fees, and tested the data used in the calculation to assess their accuracy and completeness; 9. We checked and evaluated the appropriateness of the consolidated financial statement disclosures in relation to the revenue recognition of loan facilitation service fees in the context of applicable accounting framework. <p>Based on the procedures performed, we considered that the judgements and assumptions used by management in revenue recognition of loan facilitation service fees were supported by the available evidence.</p>

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

Independent Auditor's Report

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 Ma Yui Man.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 25, 2025

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2024

		Year ended December 31, 2024 RMB'000	2023 RMB'000
	Note		
Continuing operations			
Interest and similar income	5	1,968,171	1,477,300
Less: interest expenses	5	(345,078)	(327,646)
Net interest and similar income	5	1,623,093	1,149,654
Loan facilitation service fees	6	1,949,242	2,240,958
Other income	7	357,378	178,876
Total income		3,929,713	3,569,488
Origination and servicing expenses	8	(1,464,307)	(1,543,932)
Sales and marketing expenses	8	(61,051)	(53,374)
General and administrative expenses	8	(372,441)	(336,830)
Research and development expenses	8	(125,510)	(125,853)
Credit impairment losses	12	(311,082)	(344,558)
Fair value change of loans to customers		(979,108)	(574,077)
Other gains, net	13	19,982	13,981
Operating profit		636,196	604,845
Share of net profit of associates accounted for using the equity method	21	(6,820)	(7,851)
Profit before income tax		629,376	596,994
Income tax	14	(151,213)	(143,083)
Profit for the year		478,163	453,911
Profit for the year attributable to:			
Owners of the Company		478,165	453,906
Non-controlling interests		(2)	5
Other comprehensive income			
Exchange differences on translation of foreign operations		3,617	2,206
Total comprehensive income for the year, net of tax		481,780	456,117
Total comprehensive income for the year is attributable to:			
Owners of the Company		481,782	456,112
Non-controlling interests		(2)	5
Basic earnings per share (RMB yuan)	15	0.98	0.93
Diluted earnings per share (RMB yuan)	15	0.98	0.93

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

Consolidated Statement of Financial Position

As at December 31, 2024

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
Assets			
Cash and cash equivalents	16(a)	1,693,418	896,534
Restricted cash	16(b)	634,575	652,241
Loans to customers	17	6,247,054	6,522,037
Contract assets	18	411,511	465,408
Guarantee receivables	19	1,113,142	1,317,024
Financial investments at fair value through profit or loss	20	54,376	148,695
Investments accounted for using the equity method	21	21,585	13,384
Deferred tax assets	22	637,425	522,217
Right-of-use assets	23	41,087	58,187
Intangible assets	24	38,739	36,292
Property and equipment	25	96,496	45,369
Other assets	26	716,943	1,257,075
Total assets		11,706,351	11,934,463
Liabilities			
Current tax liabilities		238,971	285,651
Guarantee liabilities	19	895,801	1,533,883
Lease liabilities	23	42,453	59,256
Borrowings	27	5,089,182	5,471,888
Notes payable	28	184,840	89,989
Deferred tax liabilities	22	15,000	7,500
Other liabilities	29	633,177	317,706
Total liabilities		7,099,424	7,765,873
Equity			
Share capital	30	40,067	40,067
Share premium	30	5,198,001	5,243,415
Treasury shares	31	(3,189)	(5,399)
Other reserves	32	752,196	749,536
Accumulated losses		(1,381,559)	(1,859,724)
Non-controlling interests		1,411	695
Total equity		4,606,927	4,168,590
Total liabilities and equity		11,706,351	11,934,463

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

The consolidated financial statements on pages 60 to 154 were approved by the board of directors of the Company on March 25, 2025 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, 2024

	Attributable to owners of the Company							
	Share capital RMB'000 Note 30	Share premium RMB'000 Note 30	Treasury shares RMB'000 Note 31	Other reserves		Accumulated losses RMB'000	Non-controlling interests RMB'000	Total RMB'000
				Share-based payment reserves RMB'000	Translation reserve RMB'000			
Balance at January 1, 2024	40,067	5,243,415	(5,399)	674,196	75,340	(1,859,724)	695	4,168,590
Profit for the year	-	-	-	-	-	478,165	(2)	478,163
Exchange difference on translation of financial statements	-	-	-	-	3,617	-	-	3,617
Total comprehensive income for the year	-	-	-	-	3,617	478,165	(2)	481,780
Transactions with owners in their capacity as owners								
Vesting of share awards	-	(742)	2,210	(1,468)	-	-	-	-
Dividends declared	-	(44,672)	-	-	-	-	-	(44,672)
Contributions from non-controlling interests	-	-	-	-	-	-	718	718
Share-based payment	-	-	-	511	-	-	-	511
Total transactions with owners in their capacity as owners	-	(45,414)	2,210	(957)	-	-	718	(43,443)
Balance at December 31, 2024	40,067	5,198,001	(3,189)	673,239	78,957	(1,381,559)	1,411	4,606,927

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Attributable to owners of the Company							
	Share capital <i>RMB'000</i> <i>Note 30</i>	Share premium <i>RMB'000</i> <i>Note 30</i>	Treasury shares <i>RMB'000</i> <i>Note 31</i>	Other reserves		Accumulated losses <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
				Share- based payment reserves <i>RMB'000</i>	Translation reserve <i>RMB'000</i>			
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

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, 2024

		Year ended December 31, 2024 RMB'000	2023 RMB'000
	Note		
Operating activities			
Cash generated from/(used in) operating activities	35(a)	1,760,361	(1,121,686)
Income tax paid		(297,240)	(223,185)
Net cash inflow/(outflow) from operating activities		1,463,121	(1,344,871)
Investing activities			
Payments for property and equipment		(39,477)	(20,747)
Payments for intangible assets		(1,975)	(4,211)
Payments for financial investments at fair value through profit or loss		(241,700)	(568,303)
Payments for investments in associates accounted for using the equity method		(14,585)	–
Proceeds from disposal of financial investments at fair value through profit or loss		343,366	662,945
Proceeds from sale of property and equipment		200	672
Net cash inflow from investing activities		45,829	70,356
Financing activities			
Proceeds from issuance of notes payable	35(b)	90,095	–
(Repayment of)/proceeds from borrowings, net	35(b)	(369,255)	1,133,279
Including: (repayment of)/proceeds from trust plan holders, net		(353,543)	856,735
Interest expenses paid	35(b)	(357,084)	(319,874)
Dividends	35(b)	(45,326)	(110,888)
Payments for lease liabilities	35(b)	(33,319)	(31,248)
Repurchase of notes payable	35(b)	–	(88,400)
Cash distribution to non-controlling interests on liquidation of subsidiary		–	(3,048)
Cash received from capital contribution in subsidiary from non-controlling interests		718	695
Net cash (outflow)/inflow from financing activities		(714,171)	580,516
Net increase/(decrease) in cash and cash equivalents		794,779	(693,999)
Cash and cash equivalents at the beginning of the financial year		896,700	1,592,514
Effects of exchange rate changes on cash and cash equivalents		1,958	(1,815)
Cash and cash equivalents at end of the year		1,693,437	896,700

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 mainland of People’s Republic of China (“**Mainland 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. As at December 31, 2024, 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 25, 2025.

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 and comply with the disclosure requirements of the Hong Kong Companies Ordinance. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards,
- International Accounting Standards, and
- 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, 2024:

- Lease Liability in Sale and Leaseback – Amendments to IFRS 16; and
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) New standards and interpretations that have relevance to the Group but not yet adopted by the Group

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2024 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 21 ⁽ⁱ⁾	Lack of Exchangeability	January 1, 2025 (early adoption is available)
Amendment to IFRS 9 and IFRS 7 ⁽ⁱ⁾	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 19 ⁽ⁱ⁾	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
IFRS 18 ⁽ⁱⁱ⁾	Presentation and Disclosure in Financial Statements	January 1, 2027 (early adoption is permitted)

The Group's assessment of the impact of these new standards and amendments is set out below:

- (i) The Group does not expect these amendments or standard to have a material impact on its operations or financial statements.
- (ii) IFRS 18: Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the consolidated financial statements.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) New standards and interpretations that have relevance to the Group but not yet adopted by the Group *(continued)*

(ii) IFRS 18: Presentation and Disclosure in Financial Statements *(continued)*

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of IFRS 18 will have no impact on the group's net profit, the group expects that grouping items of income and expenses in the consolidated statement of comprehensive income into the new categories might impact how operating profit is calculated and reported.
- The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation.
- The group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
 - o management-defined performance measures;
 - o a break-down of the nature of expenses for line items presented by function in the operating category of the consolidated statement of comprehensive income – this break-down is only required for certain nature expenses; and
 - o for the first annual period of application of IFRS 18, a reconciliation for each line item in the consolidated statement of comprehensive income between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.

The Group will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with IFRS 18.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 (including structured entities) and has the ability to affect those returns through its power to direct the activities of the entity (including structured entities). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of financial position respectively.

(a) The Group's subsidiaries (other than consolidated structured entities) at December 31, 2024 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 paid-in capital	Particulars of issued capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operations
				2024 %	2023 %	2024 %	2023 %	
Directly owned:								
VISION CREDIT LIMITED	Hong Kong/Limited liability company	HK\$1,500,000,000	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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 paid-in capital	Particulars of issued capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operations
				2024 %	2023 %	2024 %	2023 %	
VCREDIT Financial Holdings Limited	Hong Kong/Limited liability company	–	HK\$271,212,901	100	100	–	–	Investment holding, Hong Kong
Vision Capital Investments Limited	BVI/Limited liability company	–	US\$1	100	100	–	–	Investment holding, Hong Kong
Wincomply Strategic Limited	BVI/Limited liability company	–	US\$1	100	100	–	–	Investment holding, Hong Kong
Innovation Credit Management Limited ^(vii)	Hong Kong/Limited liability company	–	HK\$100,000	100	N/A	–	N/A	Business process outsourcing, Hong Kong
Indirectly owned ⁽ⁱⁱ⁾:								
Vision Credit Financial Technology Co., Ltd.	PRC/Wholly foreign owned enterprise	RMB689,310,000	RMB698,310,000	100	100	–	–	Loan facilitation service, PRC
Shanghai Jinan Vision Small Loan Co., Ltd.	PRC/Wholly foreign owned enterprise	RMB200,000,000	RMB200,000,000	100	100	–	–	Microcredit service, PRC
Qingdao Vcredit Information Technology Management Co., Ltd.	PRC/Wholly foreign owned enterprise	RMB5,000,000	RMB5,000,000	100	100	–	–	Technology service, PRC
Chengdu Weishi Microfinance Co., Ltd.	PRC/Wholly foreign owned enterprise	US\$46,500,000	US\$46,500,000	100	100	–	–	Microcredit service, PRC
Vision Credit Financing Guarantee Co., Ltd. ⁽ⁱⁱⁱ⁾	PRC/Wholly foreign owned enterprise	US\$180,700,000	US\$180,700,000	100	100	–	–	Guarantee service, PRC
Vision Financial Leasing (Suzhou) Co., Ltd.	PRC/Wholly foreign owned enterprise	US\$10,000,000	US\$10,000,000	100	100	–	–	Financial leasing service, PRC
Shanghai Tiantian Asset Management Co., Ltd.	PRC/Limited liability company	RMB20,000,000	RMB20,000,000	100	100	–	–	Asset management service, 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	–	–	Advertising agency, Hong Kong

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 paid-in capital	Particulars of issued capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operations
				2024 %	2023 %	2024 %	2023 %	
Guangdong Weishi Data Technology Co., Ltd.	PRC/Wholly foreign owned enterprise	–	RMB10,000,000	100	100	–	–	Technology service, PRC
Hangzhou Vision Credit Information Technology Co., Ltd.	PRC/Limited liability company	RMB3,000,000	RMB10,000,000	100	100	–	–	Technology service, PRC
Shanghai Fengchi Information Technology Co., Ltd.	PRC/Limited liability company	–	RMB10,000,000	100	100	–	–	Technology service, PRC
Zhonghong Hengjia Blockchain Co., Ltd. ^(iv)	PRC/Limited liability company	RMB5,000,000	RMB50,000,000	100	100	–	–	Technology service, PRC
Yaohui Information Technology (Shenzhen) Co., Ltd. ^(v)	PRC/Limited liability company	RMB5,000,000	RMB5,000,000	100	100	–	–	Technology service, PRC
VVL (No.1) Limited	BVI/Limited liability company	–	US\$1	100	100	–	–	Investment holding, Hong Kong
Skyline Asia Holdings Limited ^(vi)	BVI/Limited liability company	US\$100,000	US\$100,000	90	90	10	10	Investment holding, Hong Kong
Wincomply Holdings Limited	BVI/Limited liability company	–	US\$1	100	100	–	–	Cross-border agency service, BVI
CREDIKA PTE. LIMITED	Singapore/Limited liability company	US\$1,700,000	US\$1,700,000	90	90	10	10	Investment holding, Singapore
Wincomply Investments Limited	Hong Kong/Limited liability company	–	HK\$1	100	100	–	–	Investment holding, Hong Kong
WINCOMPLY SERVICE UK LIMITED	The United Kingdom of Great Britain and Northern Ireland/Private company limited by shares	–	£100	100	100	–	–	Cross-border agency service, The United Kingdom of Great Britain and Northern Ireland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 paid-in capital	Particulars of issued capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operations
				2024 %	2023 %	2024 %	2023 %	
Wincomply Service Germany GmbH	Germany/Limited liability company	–	€25,000	100	100	–	–	Cross-border agency service, Germany
Shenzhen Wincomply Technology Co., Ltd.	PRC/Wholly foreign owned enterprise	–	RMB5,000,000	100	100	–	–	Cross-border agency service, PRC
VCREDIT Connect Investment (Hainan) Co., Ltd.	PRC/Limited liability company	RMB1,000,000	RMB50,000,000	100	100	–	–	Investment holding, PRC
CREDLINK PTE. LTD. ^(vii)	Singapore/Limited liability company	–	US\$1,250,000	90	N/A	10	N/A	Other financial service, Singapore
Ace Effort Asia Limited ^(vii)	BVI/Limited liability company	–	US\$1	100	N/A	–	N/A	Other financial service, Hong Kong
VCL Vessel Company Limited ^(vii)	Hong Kong/Limited liability company	–	HK\$1	100	N/A	–	N/A	Investment holding, Hong Kong

Notes:

- (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 2024, the issued and paid in capital of Vision Credit Financing Guarantee Co., Ltd. was increased from US\$160.70 million to US\$180.70 million.
- (iv) In 2024, the paid-in capital of Zhonghong Hengjia Blockchain Co., Ltd. Was reduced from RMB15.00 million to RMB5.00 million
- (v) In 2024, Yaohui Commercial Factoring (Shenzhen) Co., Ltd. has changed its name to Yaohui Information Technology (Shenzhen) Co., Ltd., and its principal activities have been changed from factoring service to technology service.
- (vi) In 2024, the issued and paid in capital of Skyline Asia Holdings Limited was increased from US\$0.05 million to US\$0.10 million.
- (vii) These subsidiaries were newly established in 2024 and the comparative figures were not applicable ("N/A").

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(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 consolidated trust plans for the purpose of operating consumer finance business and share award scheme.

Trust plans for operating consumer finance business are managed by unaffiliated trust companies which invested the funds raised 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 trusts' 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 trust plans. As such, 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 consolidated the trust plans' assets, liabilities, results of operations and cash flows.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(b) Structured entities (continued)

Consolidated trust plans for operating consumer finance business as at December 31, 2024 and 2023 are set out below:

Name	Funds injected by the Group		Remaining injected funds of structured entities	
	As at December 31,		As at December 31,	
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trust Plan X	–	12,600	–	1,841,910
Trust Plan Y	365,730	471,200	365,730	471,200
Trust Plan AA	–	2,400	–	275,000
Trust Plan AB	23,400	14,100	4,297,461	2,681,750
Trust Plan AC	–	273	–	45,417
Trust Plan AD	21,000	14,000	21,000	14,000
Trust Plan AE	3,900	2,100	250,200	161,300
Trust Plan AF	50,000	–	150,000	–
	464,030	516,673	5,084,391	5,490,577

In addition to the structured entities above, as at December 31, 2024 and 2023, 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights, or where the Group has the right to nominate directors for appointment to the board of directors of the entity. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, investment in an associate is initially recognised in the consolidated statement 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.

2.4 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).

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(b) Translations and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within 'other gains, net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary 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 the consolidated statement of financial position;
- income and expenses for each statement of profit or loss and the consolidated 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 only has one reportable segment. No separate segment information is necessary to be disclosed.

2.6 Cash and cash equivalents and restricted cash

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.

Those deposits subject to certain restrictions and therefore not available for general use by the Group are classified as restricted cash in the consolidated statement of financial position, which mainly includes deposits pledged for secured borrowings and security deposits set aside for financial guarantee services.

2.7 Financial assets and liabilities

2.7.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Financial assets and liabilities *(continued)*

2.7.2 Classification and subsequent measurement

(i) *Financial assets*

The Group classifies debt instruments as subsequently measured at amortised cost or fair value through profit or loss (“**FVPL**”) on the basis of both the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Equity instruments are classified as FVPL in general.

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.

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to determine whether the asset’s contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the “**SPPI test**”). Principal is the fair value of the financial asset at initial recognition. However, the principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Financial assets and liabilities *(continued)*

2.7.2 Classification and subsequent measurement *(continued)*

(i) Financial assets *(continued)*

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. The Group classifies its debt instruments into one of the following two 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, and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 4.1(c). Interest income arising from loans to customers at amortised cost is presented within 'interest and similar income' using the effective interest rate method. 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 consolidated statement of comprehensive income.
- FVPL: Assets that do not meet the criteria for amortised cost 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 and similar income' (Note 2.19(a)). The change in fair value apart from interest and similar 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'.

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, loans to customers originated in Mainland China fail the SPPI test thus are classified as FVPL.

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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Financial assets and liabilities *(continued)*

2.7.2 Classification and subsequent measurement *(continued)*

(i) Financial assets *(continued)*

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. 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.

(ii) Financial liabilities

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for financial guarantee contracts (see Note 2.10).

2.7.3 Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and with the exposure arising from loans to customers at amortised cost, contract assets, guarantee receivables and financial guarantee contracts. 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.

Note 4.1(c) provides more detail of how the expected credit loss allowance is measured.

2.7.4 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.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.7 Financial assets and liabilities *(continued)*

2.7.5 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.

2.8 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.

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 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

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 borrowers 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 amortised balance of guarantee liabilities**”).

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.

2.10.2 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 consolidated 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 of guarantee liabilities (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 consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

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 consolidated 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.

(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 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

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.

2.13 Notes payable

Notes payable are notes issued by the Group to finance working capital and to support money lending business, which are initially recognised at fair value, net of transaction costs incurred. Notes payable 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.

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 and the VCREDIT No. 2 Share Award Scheme Trusts are disclosed as treasury shares.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

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.

2.16 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 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.16 Employee benefits *(continued)*

(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.

2.17 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 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

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.

2.19 Revenue recognition

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

(a) Interest and similar income

The Group has originated and held loans mainly through the consolidated trust plans, and also directly lends to borrowers. The Group applies different interest recognition policies for different classification of loans to customers.

For loans to customers at fair value through profit or loss, the Group uses nominal interest rates to calculate total income for each loan and recognise interest and similar income using an approach similar to the effective interest method. The differences from the effective interest method 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 for more than 90 days.

For loans to customers at amortised cost, interest income is calculated using effective interest method by applying the effective interest rate to the gross carrying amount, 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).

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition *(continued)*

(a) Interest and similar income *(continued)*

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.

The aforementioned income items are collectively categorized as “Interest and similar income”.

(b) Non-interest income

Revenue represents the amount of consideration the Group is entitled to upon the transfer of promised goods or services in the ordinary course of the Group’s activities and is recorded net of value-added tax (“**VAT**”). Revenues is recognised when or as control of the asset or service is transferred to the customer. Depending on the terms of the contract, control of the goods and services may be transferred over time or at a point in time. Services 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.

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 performance obligation is satisfied.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition *(continued)*

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

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

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. If the value related to the services rendered by the Group exceed the payment, a contract asset is recognized. Judgment is required in determining whether a right to consideration is unconditional and thus qualifies as a receivable.

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.

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer, which is recognized as revenue upon transfer of control to the customers.

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.

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)

The Group receives payments from borrowers or financial institutions 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 stand-alone selling price (Note 3.5), as neither vendor specific objective evidence or third party evidence of stand-alone selling price is available.

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 facilitated 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

The Group offers membership packages to the subscribing members with access to benefits of sales of products and services on the Group's Platform and APP that represent a distinctive performance obligation, in exchange for membership fees. The user membership fees collected at inception are initially recognised as a liability and are recognised as other income 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, the Group will charge the third-party service providers a referral service fee based on fixed percentage of the transaction amount, or charge a fixed amount based on registration volume, cost per-click or other performance based criteria and recognise the amount in other income. The third-party service provider will settle the payments periodically.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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. The Group recognises the government grants as other income when the amount is confirmed by the relevant governmental authorities.

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 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 leases of low-value assets of furniture and office equipment, are recognised on a straight-line basis as an expense in profit or loss.

2.22 Property and equipment

The Group's property and equipment mainly comprise flats, furniture and office equipment, transportation equipment, electronic equipment, leasehold improvements, and construction in progress.

The assets purchased or constructed are initially measured at acquisition cost.

Subsequent expenditures incurred for the property and equipment are included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.22 Property and equipment *(continued)*

The estimated useful lives, depreciation rate and estimated residual value rate of flats, leasehold improvements, furniture and office equipment, electronic equipment and transportation equipment are as follows:

Type of assets	Estimated net residuals rate	Estimated useful lives of the assets	Depreciation rate
Flats	0%	20 years	5%
Leasehold Improvements	0%	1-3 years	33.33%-100%
Furniture and office equipment	0%-5%	3-5 years	19%-33.33%
Electronic equipment	0%	3-5 years	20%-33.33%
Transportation equipment	0%	3-10 years	10%-33.33%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to respective long-term asset when it is ready for intended use.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.23 Intangible assets

Intangible assets can be recognised only when future economic benefits expected to be obtained from the use of the item will flow into the Group and its cost can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development staff cost and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intangible assets with finite useful lives are subsequently amortised on the straight-line basis over the useful economic lives which are assessed by the period of bringing economic benefits for the Company. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed, and adjusted if appropriate, at least at each financial reporting date. Software is the main intangible asset for the Group with estimated useful lives ranging from 1 to 10 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.24 Impairment of long-term asset

Tangible and intangible assets with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weighting of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar assets for the purposes of measuring ECL.

Refer to Note 4.1(c) measurement of ECL for the description of the parameters, assumptions and estimation techniques used in measuring the ECL.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

3.2 Fair value of loans to customers

Fair value of loans to customers, in the absence of an active market, is estimated by using valuation techniques, applying currently applicable and sufficiently available data, which 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.

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 similar credit risk characteristics. The methodology and assumptions are reviewed regularly to reduce any differences between fair value change of loans to customers and actual loss experience.

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 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.

3.5 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 stand-alone selling price for these two distinctive performance obligations 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 stand-alone selling prices of the different services as the basis for allocation. When estimating the stand-alone selling prices, the Group considers the cost related to such services and profit margin.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

3.6 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

4.1 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.

(a) Market risk – foreign exchange risk

Foreign exchange risk is the risk of loss resulting from changes in foreign currency exchange rates. The Group conducts a substantial portion of its business in RMB, with certain transactions denominated in USD, HKD, EUR and, to a much lesser extent, other currencies. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations.

4 RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

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

The tables below illustrates the Group's exposure to foreign currency exchange rate risk as at 31 December 2024 and 2023. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the table are the carrying amounts of financial assets and financial liabilities of the Group in RMB equivalent, categorised by the original currencies.

	As at December 31, 2024					Total RMB'000
	RMB RMB'000	USD RMB'000	HKD RMB'000	EUR RMB'000	Others RMB'000	
Cash and cash equivalents	1,495,304	26,067	55,881	116,059	107	1,693,418
Restricted cash	634,575	–	–	–	–	634,575
Loans to customers	6,106,530	–	140,524	–	–	6,247,054
Guarantee receivables	1,113,142	–	–	–	–	1,113,142
Financial investments at fair value through profit or loss	24,076	30,300	–	–	–	54,376
Other financial assets	657,869	2,768	85	–	–	660,722
Total financial assets	10,031,496	59,135	196,490	116,059	107	10,403,287
Guarantee liabilities	(895,801)	–	–	–	–	(895,801)
Lease liabilities	(29,448)	–	(13,005)	–	–	(42,453)
Borrowings	(5,054,877)	–	(34,305)	–	–	(5,089,182)
Notes payable	–	–	(184,840)	–	–	(184,840)
Other financial liabilities	(423,431)	(13,182)	(142)	–	–	(436,755)
Total financial liabilities	(6,403,557)	(13,182)	(232,292)	–	–	(6,649,031)
Net exposure to foreign currency risk	3,627,939	45,953	(35,802)	116,059	107	3,754,256

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4 RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

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

	As at December 31, 2023					Total RMB'000
	RMB RMB'000	USD RMB'000	HKD RMB'000	EUR RMB'000	Others RMB'000	
Cash and cash equivalents	807,662	62,365	8,891	17,476	140	896,534
Restricted cash	652,241	–	–	–	–	652,241
Loans to customers	6,504,421	–	17,616	–	–	6,522,037
Guarantee receivables	1,317,024	–	–	–	–	1,317,024
Financial investments at fair value through profit or loss	118,187	30,508	–	–	–	148,695
Other financial assets	1,165,322	2,017	–	–	–	1,167,339
Total financial assets	10,564,857	94,890	26,507	17,476	140	10,703,870
Guarantee liabilities	(1,533,883)	–	–	–	–	(1,533,883)
Lease liabilities	(44,877)	–	(14,379)	–	–	(59,256)
Borrowings	(5,471,888)	–	–	–	–	(5,471,888)
Notes payable	–	–	(89,989)	–	–	(89,989)
Other financial liabilities	(176,535)	–	(2,176)	–	–	(178,711)
Total financial liabilities	(7,227,183)	–	(106,544)	–	–	(7,333,727)
Net exposure to foreign currency risk	3,337,674	94,890	(80,037)	17,476	140	3,370,143

4 RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

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

The table below indicates a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before income tax and equity. A negative amount in the table reflects a potential net reduction in profit before income tax or equity, while a positive amount reflects a potential net increase. Such analysis does not take into account the correlation effect of changes in different foreign currencies, any further actions that may have been or could be taken by management after the financial reporting date to mitigate the effect of exchange differences, nor any consequential changes in the foreign currency positions.

Currency	Change in currency rate	Effect on profit before income tax and equity*	
		Year ended December 31, 2024 RMB'000	2023 RMB'000
USD	+2%	919	1,898
HKD	+2%	4,269	(1,601)
EUR	+2%	2,321	350

* Effect on equity is effect on other comprehensive income (irrespective of income tax effect).

While the table above indicates the effect on profit before income tax and equity of the 2% appreciation of USD, HKD and EUR, there will be an opposite effect with the same amounts if the currencies depreciate by the same percentage.

(b) **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 notes payable 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 4.4 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4 RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) 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, and arise from credit enhancement provided, such as financial guarantees. The Group manages the credit risk through a comprehensive credit assessment system.

Credit risk management

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 operate the business better. Credit management procedures for its retail loans comprise 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 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, there are policies to control the credit risk exposures. The Group monitors the counterparties' credit records at regular intervals, and takes action such as official notifications, shortening credit periods or canceling credit periods etc. to ensure the Group's credit risk remains under control when the counterparties with bad credit records are identified. The directors of the Group believe that credit risk in the Group's outstanding balance of other assets has been appropriately managed.

4 RISK MANAGEMENT *(continued)***4.1 Financial risk factors** *(continued)***(c) Credit risk** *(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,	
	2024	2023
	RMB'000	RMB'000
Cash and cash equivalents	1,693,418	896,534
Restricted cash	634,575	652,241
Loans to customers	6,247,054	6,522,037
Guarantee receivables	1,113,142	1,317,024
Financial investments at fair value through profit or loss	54,376	148,695
Other assets	660,722	1,167,339
	10,403,287	10,703,870

As at December 31, 2024 and 2023, the Company's contract assets were also exposed to credit risk and the maximum credit risk exposure were the net carrying amount.

The outstanding loan balance for which the Group provided financial guarantee in Stage 1, Stage 2 and Stage 3 were RMB15,604.60 million, RMB21.58 million and RMB488.75 million, respectively, as at December 31, 2024 (December 31, 2023: RMB19,898.51 million, RMB115.80 million and RMB894.29 million, respectively).

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4 RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(c) Credit risk (continued)

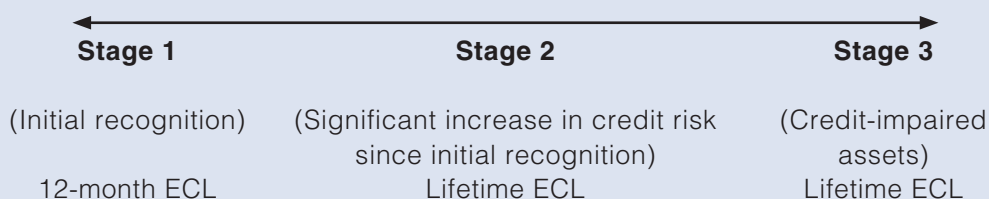
Measurement of ECL

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 equivalent to the ECL for 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):

Change in credit quality since initial recognition



4 RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

Measurement of ECL (continued)

The key judgements and assumptions adopted by the Group for its consumer financial business in Mainland China addressing the requirements of the standard are discussed below:

(i) 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 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 in Mainland China purely based on overdue information.

(ii) 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 since the Group monitors the risk of borrowers in Mainland China purely based on overdue information.

The criterion above has been applied to all financial instruments held by the Group in Mainland China and consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected credit loss calculations.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4 RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

Measurement of ECL (continued)

(iii) 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:

- 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.

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 12-month and lifetime PDs are mainly determined based on the defaults developed with reference to historical observed data. 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, 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.

4 RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) **Credit risk** *(continued)*

Measurement of ECL (continued)

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

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.

The impairment rules in IFRS 9 also apply to contract assets. The Group measure the loss allowance using the simplified approach at an amount equal to lifetime expected credit losses for contract assets that do not contain a significant financing component.

(iv) 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 significant judgment in the forecast of the economic variables to obtain the best estimate of the economy over the next one year (the “**base economic scenario**”). The impact of the economic variables on the PD has been determined by performing Euclidean Distance analysis to understand the impact the variables have on default rates in the past.

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, 2024 and 2023, the Group concluded that three scenarios can appropriately capture non-linearities. The scenario weightings are determined by a combination of statistical analysis and judgement, taking into account the range of possible outcomes of 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).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4 RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

Measurement of ECL (continued)

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

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 Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for its credit exposures in Mainland China, which is Mainland China CPI and GDP.

Key economic variables	Scenario	2024	2023
Mainland China CPI (Consumer Price Index)	Base	0.57%	1.25%
	Upside	1.00%	1.95%
	Downside	-0.05%	0.35%
Mainland China GDP (Gross Domestic Product)	Base	4.70%	4.88%
	Upside	5.06%	5.36%
	Downside	4.00%	4.14%

The weightings assigned to base, upside and downside economic scenario at December 31, 2024 are 80%, 10% and 10%, respectively (at December 31, 2023: 80%, 10% and 10%, respectively).

4 RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

Measurement of ECL *(continued)*

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

Sensitivity analysis

Set out below are the changes to the ECL in Mainland China as at December 31, 2024 and 2023 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, 2024

		Mainland China GDP		
		-0.5 σ	No change	+0.5 σ
		RMB'000	RMB'000	RMB'000
Mainland China CPI	-0.5 σ	265,492	128,032	–
	No change	128,032	–	(107,428)
	+0.5 σ	–	(107,428)	(203,712)

As at December 31, 2023

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

For CPI and GDP in Mainland China, 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, 2024 would be reduced by RMB11.52 million (December 31, 2023: RMB18.46 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, 2024 would be increased by RMB20.68 million (December 31, 2023: RMB29.40 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4 RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(d) 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.

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, 2024						Total RMB'000
	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	
Assets							
Cash and cash equivalents	1,140,467	-	552,951	-	-	-	1,693,418
Restricted cash	-	-	55,438	187,321	260,668	131,148	634,575
Loans to customers	-	80,128	1,039,909	3,592,331	1,494,911	39,775	6,247,054
Guarantee receivables	-	11,391	333	312,554	787,250	1,614	1,113,142
Financial investments at fair value through profit or loss	54,376	-	-	-	-	-	54,376
Other financial assets	-	-	193,367	124,201	44,696	298,458	660,722
Total financial assets	1,194,843	91,519	1,841,998	4,216,407	2,587,525	470,995	10,403,287
Liabilities							
Guarantee liabilities	-	-	(12,714)	(352,641)	(527,657)	(2,789)	(895,801)
Lease liabilities	-	-	(2,926)	(14,625)	(17,590)	(11,621)	(46,762)
Borrowings	-	-	(519,167)	(1,958,090)	(2,233,177)	(522,624)	(5,233,058)
Notes payable	-	-	(728)	(100,547)	(94,347)	-	(195,622)
Other financial liabilities	-	-	(423,883)	(12,872)	-	-	(436,755)
Total financial liabilities	-	-	(959,418)	(2,438,775)	(2,872,771)	(537,034)	(6,807,998)
Net value	1,194,843	91,519	882,580	1,777,632	(285,246)	(66,039)	3,595,289

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4 RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(d) Liquidity risk (continued)

	As at December 31, 2023						Total RMB'000
	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	
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	–	72,495	1,004,427	3,643,069	1,703,666	98,380	6,522,037
Guarantee receivables	–	19,605	1,072	416,380	874,522	5,445	1,317,024
Financial investments at fair value through profit or loss	38,629	–	–	–	100,000	10,066	148,695
Other financial assets	–	–	422,187	242,725	146,930	355,497	1,167,339
Total financial assets	789,555	92,100	1,553,747	4,579,291	3,067,403	621,774	10,703,870
Liabilities							
Guarantee liabilities	–	–	(17,035)	(566,830)	(945,738)	(4,280)	(1,533,883)
Lease liabilities	–	–	(2,292)	(13,076)	(14,996)	(31,591)	(61,955)
Borrowings	–	–	(371,162)	(1,519,571)	(3,281,919)	(463,920)	(5,636,572)
Notes payable	–	–	–	(4,304)	(4,304)	(94,924)	(103,532)
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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4 RISK MANAGEMENT (continued)

4.2 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.

National Administration of Financial Regulation, formerly known as 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.

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.

4.3 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.

4 RISK MANAGEMENT *(continued)*

4.3 Capital management *(continued)*

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.

4.4 Fair value measurement of financial instruments

The Group's main financial instruments carried at fair value are loans to customers at fair value through profit or loss and financial investments at fair value through profit or loss.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4 RISK MANAGEMENT (continued)

4.4 Fair value measurement of financial instruments (continued)

Fair value hierarchy (continued)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at December 31, 2024 and 2023 on a recurring basis:

		Valuation techniques	As at December 31, 2024			Total
			Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	RMB'000
Assets						
Loans to customers						
– Loans to customers at fair value through profit or loss	Discounted cash flow method ⁽ⁱ⁾		–	–	6,106,530	6,106,530
Financial investments at fair value through profit or loss						
– Private equity fund	Net asset value		–	–	24,626	24,626
– Unlisted equity	Market comparable approach		–	–	13,485	13,485
– Revenue based financing product	Discounted cash flow method ⁽ⁱ⁾		–	–	16,265	16,265
			–	–	6,160,906	6,160,906
		Valuation techniques	As at December 31, 2023			Total
			Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	RMB'000
Assets						
Loans to customers						
– 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	Market comparable companies		–	–	11,536	11,536
– Private equity fund	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

⁽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)*

4.4 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, 2024 and 2023:

	Loans to customers RMB'000	Financial investments at fair value through profit or loss RMB'000	Total RMB'000
At January 1, 2024	6,504,421	141,612	6,646,033
Additions	14,787,194	85,100	14,872,294
Derecognition	(14,205,977)	(186,571)	(14,392,548)
Losses recognised in profit or loss within fair value change of loans to customers ⁽ⁱ⁾	(979,108)	–	(979,108)
Gains recognised in profit or loss within other gains, net ⁽ⁱ⁾	–	14,098	14,098
Foreign exchange difference	–	137	137
At December 31, 2024	6,106,530	54,376	6,160,906
At January 1, 2023	5,230,471	33,526	5,263,997
Additions	13,664,983	110,066	13,775,049
Derecognition	(11,816,956)	–	(11,816,956)
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 gains, net ⁽ⁱ⁾	–	(2,617)	(2,617)
Foreign exchange difference	–	637	637
At December 31, 2023	6,504,421	141,612	6,646,033

⁽ⁱ⁾ Losses recognised in profit or loss include unrealised losses attributable to balances held as at December 31, 2024 of RMB128.56 million (December 31, 2023: RMB85.82 million). The unrealised losses arise primarily from unrealized changes in the fair value of loan to customers and financial investments in level 3.

There were no transfers between the levels of the fair value hierarchy for the year ended December 31, 2024. There have been no changes to the valuation technique of any other financial assets as at December 31, 2024.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4 RISK MANAGEMENT (continued)

4.4 Fair value measurement of financial instruments (continued)

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 and uses 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, 2024, 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 flow method whereby the discount rate adjustment technique is applied. The risk-adjusted 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).

The table below illustrates the impact to profit before income tax for the years ended December 31, 2024 and 2023, 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,	
	2024	2023
	RMB'000	RMB'000
+ 100 basis points	(18,387)	(21,000)
– 100 basis points	18,623	21,277

Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the consolidated statement of financial position such as guarantee receivables, other receivables, notes payable, 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

5 NET INTEREST AND SIMILAR INCOME

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Interest and similar income		
Loans to customers at fair value through profit or loss	1,951,518	1,476,460
Loans to customers at amortised cost	16,653	840
	1,968,171	1,477,300
Less: interest expenses		
Payable to trust plan holders	(303,060)	(299,955)
Bank borrowings	(29,138)	(14,374)
Notes payable	(12,608)	(13,314)
Borrowings from other financial institutions	(272)	–
Others	–	(3)
	(345,078)	(327,646)
Net interest and similar income	1,623,093	1,149,654

6 LOAN FACILITATION SERVICE FEES

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Upfront loan facilitation service fees	1,219,901	1,489,865
Post loan facilitation service fees	729,341	751,093
	1,949,242	2,240,958

Note: The Group considers the upfront loan facilitation services and post loan facilitation services as distinctive 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, 2024 were RMB364.38 million (December 31, 2023: RMB326.33 million). Management expects that 98.87% of the transaction price allocated to the unsatisfied contracts as at December 31, 2024 will be recognised as revenue within the next 12 months (December 31, 2023: 98.5%).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

7 OTHER INCOME

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Membership fees, referral fees and other service fees	226,162	107,289
Government grants ⁽ⁱ⁾	67,280	12,790
Penalty and other charges	32,722	24,193
Gains from guarantee	2,175	20,922
Others	29,039	13,682
	357,378	178,876

⁽ⁱ⁾ For the year ended December 31, 2024, RMB39.08 million was granted to support development of digital economy, RMB22.42 million was granted to encourage foreign investment and business development, and RMB5.78 million was granted to support stable operation. (For the year ended December 31, 2023, RMB12.79 million was granted as tax refund.)

8 EXPENSES BY NATURE

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Loan origination and servicing expenses	(1,300,539)	(1,403,513)
Employee benefit expenses (Note 9)	(448,005)	(404,777)
Professional service fees	(87,146)	(65,512)
Office expenses	(76,884)	(79,325)
Depreciation and amortization	(30,998)	(25,665)
Depreciation of right-of-use assets	(30,732)	(30,585)
Tax and surcharge	(24,054)	(24,222)
Branding expenses	(18,047)	(16,551)
Audit remuneration		
– Audit service fees	(5,761)	(5,764)
– Non-audit service fees	(495)	(204)
Others	(648)	(3,871)
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses, and research and development expenses	(2,023,309)	(2,059,989)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Wages, salaries and bonuses	(367,066)	(328,631)
Other social security costs, housing benefits and other employee benefits	(47,694)	(43,791)
Pension costs – defined contribution plans	(32,734)	(30,715)
Share-based compensation expenses	(511)	(1,640)
	(448,005)	(404,777)

10 DIRECTORS' REMUNERATION

The remuneration of every director for the year ended December 31, 2024 is set out as follows:

	Director's fee RMB'000	Salaries and wages RMB'000	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	17,358	-	-	-	72	-	17,430
Liu Sai Wang Stephen	17,358	674	300	-	24	-	18,356
Liu Sai Keung Thomas	9,886	674	300	-	47	-	10,907
Xue Lan ⁽ⁱ⁾	69	122	-	6	6	-	203
Non-Executive Director							
Yip Ka Kay	361	-	-	-	-	-	361
Independent Non-executive Directors							
Chen Penghui	389	-	-	-	-	-	389
Chen Derek	361	-	-	-	-	-	361
Fang Yuan	389	-	-	-	-	-	389
	46,171	1,470	600	6	149	-	48,396

⁽ⁱ⁾ Ms. Xue Lan was appointed as a director of the Company in December 2024. The remuneration of Ms. Xue Lan for the period from January 1, 2024 to the date of appointment was RMB2.49 million.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

10 DIRECTORS' REMUNERATION (continued)

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

	Director's fee RMB'000	Salaries and wages RMB'000	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	658	309	–	23	137	19,147
Liu Sai Keung Thomas	5,958	658	309	–	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
	<u>43,478</u>	<u>1,316</u>	<u>618</u>	<u>–</u>	<u>118</u>	<u>205</u>	<u>45,735</u>

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, 2024 and 2023 include 4 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, 2024 and 2023.

The emoluments payable to the remaining 1 and 2 individuals for each of the years ended December 31, 2024 and 2023 are as follows:

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Wages and salaries	1,070	3,207
Bonuses	300	528
Share-based compensation expenses	238	753
Other social security costs, housing benefits and other employee benefits	74	105
Pension costs – defined contribution plans	71	62
	1,753	4,655

The emoluments fell within the following bands:

	Year ended December 31, 2024	2023
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	1	–
Over HK\$2,000,000	–	2
	1	2

12 CREDIT IMPAIRMENT LOSSES

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Cash and cash equivalents	147	(17)
Restricted cash	(1,377)	(982)
Loans to customers at amortised cost	(23,631)	(1,644)
Contract assets	(89,956)	(112,625)
Guarantee receivables	(198,114)	(226,801)
Other assets	1,849	(2,489)
	(311,082)	(344,558)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

13 OTHER GAINS, NET

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Bank interest income	21,430	21,712
Gains/(losses) from financial investments at fair value through profit or loss	14,293	(827)
Bank charges	(900)	(1,348)
Interest expense on lease liabilities	(2,855)	(3,697)
Exchange losses	(11,986)	(576)
Losses from repurchase of notes payable	—	(1,283)
	19,982	13,981

14 INCOME TAX

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Current income tax	(258,921)	(315,342)
Deferred income tax	107,708	172,259
	(151,213)	(143,083)

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,	
	2024	2023
	RMB'000	RMB'000
Profit before income tax:	629,376	596,994
Tax calculated at PRC statutory income tax rate of 25%	(157,344)	(149,249)
Tax effects of:		
– Differential income tax rates applicable to the Company and subsidiaries	31,574	16,528
– Super deduction for research and development expenses	14,361	12,410
– Withholding tax on distributed profits	(18,961)	(17,083)
– No recognition of deferred tax assets on tax losses	(17,817)	(4,761)
– Expenses not deductible for income tax purpose	(212)	(928)
Share-based compensation	(128)	(410)
Others	(84)	(518)
– Others	(2,814)	—
Income tax	(151,213)	(143,083)

14 INCOME TAX (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.

Mainland 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 certain enterprises that meet relevant requirements and qualifications.

In November 2023, Vision Credit Financial Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company, was approved as High and New Technology Enterprises under the EIT Law and can enjoy the preferential income tax rate of 15% from 2023 to 2025.

In addition, certain indirectly owned subsidiaries of the Company are subject to “Small Low-profit Enterprise” under the EIT Law, whose preferential income tax rate was 20%. As of December 31, 2024, the annual taxable income amount of subsidiaries of the Company that are subject to “Small Low-profit Enterprise” was calculated at a reduced rate of 25% when it does not exceed RMB3.00 million.

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 HK\$2.00 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.

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.

The Group has investments in PRC subsidiaries where the carrying values for financial reporting exceed the tax basis. Except for the planned but yet to be distributed earnings, the Company has not provided deferred tax on the portion of the excess that the Company believe is indefinitely reinvested in PRC subsidiaries for withholding tax purposes.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

14 INCOME TAX (continued)

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

Pillar Two rules

The Organisation for Economic Co-operation and Development (“OECD”) published Pillar Two model rules December 2021, with the effect that a jurisdiction may enact domestic tax laws (“Pillar Two legislation”) to implement the Pillar Two model rules on a globally agreed common approach. Pillar Two legislation applies to a member of a multinational group within the scope of the Pillar Two model rules, which the Group is reasonably expected to fall into. It imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate determined by the Pillar Two model rules on a jurisdictional basis is below a minimum rate of 15%.

The Group has reviewed its corporate structure in light of the introduction of Pillar Two model rules in various jurisdictions and engaged external tax specialists in assessing its tax exposure. As at 31 December 2024, the Group mainly operates in the Mainland China and Hong Kong, in which exposures to Pillar Two income taxes might exist in the future although the legislation is not yet substantively enacted or enacted.

Since none of the Pillar Two legislation relevant to the Group has come into effect, the Group does not recognise any relevant current tax or deferred tax for the year ended 31 December 2024. The Group will continue to evaluate the potential impact of the Pillar Two Rules.

15 EARNINGS PER SHARE

	Year ended December 31,	
	2024	2023
Earnings attributable to owners of the Company (RMB'000)	478,165	453,906
Weighted average number of ordinary shares for calculation of the basic earnings per share ('000)	488,204	488,051
Weighted average number of ordinary shares for calculation of the diluted earnings per share ('000)	489,844	489,960
Basic earnings per share (RMB yuan)	0.98	0.93
Diluted earnings per share (RMB yuan)	0.98	0.93

- (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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

15 EARNINGS PER SHARE *(continued)*

- (b) For the year ended December 31, 2024 and 2023, respectively, 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 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,	
	2024	2023
	Number of	Number of
	ordinary shares	ordinary shares
	('000)	('000)
Weighted average number of ordinary shares for calculation of the basic earnings per share	488,204	488,051
Adjustments for share awards granted	1,640	1,909
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	489,844	489,960

16 CASH AND BANK BALANCES

- (a) Cash and cash equivalents

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Cash at bank	1,680,836	887,551
Cash held through platform ⁽ⁱ⁾	12,599	9,116
Cash on hand	2	33
Less: ECL allowance	(19)	(166)
	1,693,418	896,534

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

16 CASH AND BANK BALANCES (continued)

(b) Restricted Cash

	As at December 31, 2024 RMB'000	2023 RMB'000
Deposits to funding partners ⁽ⁱ⁾	327,629	332,121
Deposits for borrowings ⁽ⁱⁱ⁾	309,466	321,263
Less: ECL allowance	(2,520)	(1,143)
	634,575	652,241

(i) Deposits to funding partners are deposited in designated bank accounts that are restricted 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

	As at December 31, 2024 RMB'000	2023 RMB'000
Loans to customers at fair value through profit or loss (a)	6,106,530	6,504,421
Loans to customers at amortised cost (b)	140,524	17,616
	6,247,054	6,522,037

(a) Loans to customers at fair value through profit and loss

As at December 31, 2024 and 2023, all loans to customers at fair value through profit or loss are unsecured.

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

	As at December 31, 2024 RMB'000	2023 RMB'000
Within 1 year (including 1 year)	5,937,401	6,297,615
1 to 2 years (including 2 years)	169,129	206,806
	6,106,530	6,504,421

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

17 LOANS TO CUSTOMERS (continued)

(a) Loans to customers at fair value through profit and loss (continued)

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

	As at December 31, 2024 RMB'000	2023 RMB'000
Overdue ⁽ⁱ⁾	77,296	72,495
Within 1 year (including 1 year)	5,933,181	6,226,665
1 to 2 years (including 2 years)	96,053	205,261
	6,106,530	6,504,421

(i) As at December 31, 2024, the fair value of loans to customers which have been delinquent for less than 30 days was RMB22.14 million, and the fair value of loans to customers which have been delinquent for 31-180 days was RMB55.16 million (December 31, 2023: RMB29.04 million and RMB43.46 million, respectively).

(b) Loans to customers at amortised cost

	As at December 31, 2024 RMB'000	2023 RMB'000
Loans to customers at amortised cost	160,254	18,962
Accrued interest	1,630	309
	161,884	19,271
Less: ECL allowance	(21,360)	(1,655)
	140,524	17,616

As at December 31, 2024 and 2023, all loans to customers at amortised cost are unsecured.

Contractual terms of loans to customers at amortised cost:

	As at December 31, 2024 RMB'000	2023 RMB'000
Within 1 year (including 1 year)	111,519	9,433
1 to 2 years (including 2 years)	46,575	9,838
2 to 5 years (including 5 years)	3,790	—
	161,884	19,271

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

17 LOANS TO CUSTOMERS (continued)

(b) Loans to customers at amortised cost (continued)

Remaining contractual maturities of loans to customers at amortised cost:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Overdue	12,156	2,145
Within 1 year (including 1 year)	109,148	8,531
1 to 2 years (including 2 years)	37,092	8,595
2 to 5 years (including 5 years)	3,488	–
	161,884	19,271

Movement of gross carrying amount and ECL allowance

Loans to customers at amortised cost	Year ended December 31, 2024			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	Current RMB'000	1-30 days past due RMB'000	30-180 days past due RMB'000	
Opening balance at January 1, 2024	18,246	716	309	19,271
New assets originated	224,021	–	–	224,021
Transfer for the year:				
From stage 1 to stage 2	(3,130)	3,130	–	–
From stage 1 to stage 3	(13,370)	–	13,370	–
From stage 2 to stage 1	252	(252)	–	–
From stage 2 to stage 3	–	(261)	261	–
From stage 3 to stage 2	–	5	(5)	–
From stage 3 to stage 1	14	–	(14)	–
Assets derecognised (including final repayment)	(78,593)	(683)	(356)	(79,632)
Asset written-off	–	–	(4,307)	(4,307)
Foreign exchange difference	2,287	44	200	2,531
Ending balance	149,727	2,699	9,458	161,884

17 LOANS TO CUSTOMERS (continued)**(b) Loans to customers at amortised cost** (continued)**Movement of gross carrying amount and ECL allowance** (continued)

ECL allowance	Year ended December 31, 2024			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	Current RMB'000	1-30 days past due RMB'000	30-180 days past due RMB'000	
Opening balance at January 1, 2024	(1,274)	(131)	(250)	(1,655)
New assets originated	(17,576)	–	–	(17,576)
Transfer for the year:				
From stage 1 to stage 2	235	(797)	–	(562)
From stage 1 to stage 3	1,003	–	(11,368)	(10,365)
From stage 2 to stage 1	(19)	64	–	45
From stage 2 to stage 3	–	67	(222)	(155)
From stage 3 to stage 2	–	(1)	4	3
From stage 3 to stage 1	(1)	–	12	11
Assets derecognised (including final repayment)	5,900	173	302	6,375
Changes to risk parameters (model inputs)	(121)	(242)	(1,044)	(1,407)
Asset written-off	–	–	4,307	4,307
Foreign exchange difference	(183)	(14)	(184)	(381)
Ending balance	(12,036)	(881)	(8,443)	(21,360)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

17 LOANS TO CUSTOMERS (continued)

(b) Loans to customers at amortised cost (continued)

Movement of gross carrying amount and ECL allowance (continued)

	Year ended December 31, 2023			Total RMB'000
	Stage 1 Current RMB'000	Stage 2 1-30 days past due RMB'000	Stage 3 30-180 days past due RMB'000	
Loans to customers at amortised cost				
Opening balance at January 1, 2023	–	–	–	–
New financial assets originated	21,365	–	–	21,365
Transfer for the year:				
From stage 1 to stage 2	(866)	866	–	–
From stage 1 to stage 3	(1,631)	–	1,631	–
Assets derecognised (including final repayment)	(743)	(155)	(1,324)	(2,222)
Foreign exchange difference	121	5	2	128
Ending balance	18,246	716	309	19,271

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

17 LOANS TO CUSTOMERS (continued)

(b) Loans to customers at amortised cost (continued)

Movement of gross carrying amount and ECL allowance (continued)

	Year ended December 31, 2023			Total RMB'000
	Stage 1 Current RMB'000	Stage 2 1-30 days past due RMB'000	Stage 3 30-180 days past due RMB'000	
ECL allowance				
Opening balance at January 1, 2023	–	–	–	–
New financial assets originated	(1,676)	–	–	(1,676)
Transfer for the year:				
From stage 1 to stage 2	60	(158)	–	(98)
From stage 1 to stage 3	114	–	(1,318)	(1,204)
Assets derecognised (including final repayment)	48	28	1,070	1,146
Changes to risk parameters (model inputs)	188	–	–	188
Foreign exchange difference	(8)	(1)	(2)	(11)
Ending balance	(1,274)	(131)	(250)	(1,655)

As at December 31, 2024, a portfolio of loans to customers at amortised cost totalling HK\$15.00 million is pledged as a floating charge to secure the Group's borrowings from other financial institutions (refer to Note 27), and a portfolio of loans to customers at amortised cost totalling HK\$75.00 million is pledged as a floating charge to secure the Group's notes payable (refer to Note 28). (As at December 31, 2023: Nil.)

18 CONTRACT ASSETS

	As at December 31,	
	2024 RMB'000	2023 RMB'000
Contract assets	488,059	552,808
Less: ECL allowance	(76,548)	(87,400)
	411,511	465,408

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

18 CONTRACT ASSETS (continued)

Movement of gross carrying amount and ECL allowance

Contract assets	Year ended December 31, 2024			Total RMB'000
	Current RMB'000	1-30 days past due RMB'000	30-180 days past due RMB'000	
Opening balance at January 1, 2024	498,388	11,758	42,662	552,808
New assets originated	1,619,148	–	–	1,619,148
Transfer for the year	(92,983)	(2,713)	95,696	–
Assets derecognised (including final repayment)	(1,573,008)	(1,385)	(8,696)	(1,583,089)
Assets written off	–	–	(100,808)	(100,808)
Ending balance	451,545	7,660	28,854	488,059

ECL allowance	Year ended December 31, 2024			Total RMB'000
	Current RMB'000	1-30 days past due RMB'000	30-180 days past due RMB'000	
Opening balance at January 1, 2024	(38,671)	(8,447)	(40,282)	(87,400)
New assets originated	(136,827)	–	–	(136,827)
Transfer for the year	7,857	2,133	(95,849)	(85,859)
Assets derecognised (including final repayment)	132,928	1,089	8,435	142,452
Changes to risk parameters (model inputs)	(6,567)	(1,314)	(1,841)	(9,722)
Assets written off	–	–	100,808	100,808
Ending balance	(41,280)	(6,539)	(28,729)	(76,548)

Contract assets	Year ended December 31, 2023			Total RMB'000
	Current RMB'000	1-30 days past due RMB'000	30-180 days past due 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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

18 CONTRACT ASSETS (continued)

Movement of gross carrying amount and ECL allowance (continued)

ECL allowance	Year ended December 31, 2023			Total RMB'000
	Current RMB'000	1-30 days past due RMB'000	30-180 days past due 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)

Note: The Group receives 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, 2024 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,	
	2024 RMB'000	2023 RMB'000
Guarantee receivables	1,292,743	1,508,416
Less: ECL allowance	(179,601)	(191,392)
	1,113,142	1,317,024

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

19 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES *(continued)*

A summary of the Group's guarantee receivables movement for the years ended December 31, 2024 and 2023 is presented below:

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Guarantee receivables		
Opening balance	1,317,024	787,396
Addition arising from new business	2,634,144	3,359,307
Payment received from borrowers	(2,475,212)	(2,438,203)
ECL	(198,114)	(226,801)
Reversal due to early repayment	(164,700)	(164,675)
Ending balance	1,113,142	1,317,024

Movement of gross carrying amount and ECL allowance

	Year ended December 31, 2024			
	Stage 1	Stage 2	Stage 3	
	Current	1-30 days past due	30-180 days past due	Total
Guarantee receivables	Current	1-30 days	30-180 days	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance at January 1, 2024	1,391,558	32,327	84,531	1,508,416
New financial assets originated	2,634,144	–	–	2,634,144
Transfer for the year:				
From stage 1 to stage 2	(20,988)	20,988	–	–
From stage 1 to stage 3	(215,122)	–	215,122	–
From stage 2 to stage 3	–	(27,069)	27,069	–
Assets derecognised (including final repayment)	(2,588,921)	(5,258)	(45,733)	(2,639,912)
Assets written off	–	–	(209,905)	(209,905)
Ending balance	1,200,671	20,988	71,084	1,292,743

19 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES (continued)**Movement of gross carrying amount and ECL allowance** (continued)

ECL allowance	Year ended December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
	Current RMB'000	1-30 days past due RMB'000	30-180 days past due RMB'000	
Opening balance at January 1, 2024	(94,139)	(21,297)	(75,956)	(191,392)
New financial assets originated	(197,610)	–	–	(197,610)
Transfer for the year:				
From stage 1 to stage 2	1,574	(15,013)	–	(13,439)
From stage 1 to stage 3	16,138	–	(214,615)	(198,477)
From stage 2 to stage 3	–	19,363	(24,439)	(5,076)
Assets derecognised (including final repayment)	194,217	3,761	41,290	239,268
Changes to risk parameters (model inputs)	(19,100)	(3,013)	(667)	(22,780)
Assets written off	–	–	209,905	209,905
Ending balance	(98,920)	(16,199)	(64,482)	(179,601)

Guarantee receivables	Year ended December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
	Current RMB'000	1-30 days past due RMB'000	30-180 days past due 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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

19 GUARANTEE RECEIVABLES AND GUARANTEE LIABILITIES *(continued)*

Movement of gross carrying amount and ECL allowance *(continued)*

	Year ended December 31, 2023			Total RMB'000
	Stage 1 Current RMB'000	Stage 2 1-30 days past due RMB'000	Stage 3 30-180 days past due RMB'000	
ECL allowance				
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)

A summary of the Group's guarantee liabilities movement for the years ended December 31, 2024 and 2023 is presented below:

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Guarantee liabilities		
Opening balance	1,533,883	1,140,754
Addition arising from new business	2,634,144	3,359,307
Release of margin	(189,677)	(233,509)
ECL	187,502	212,587
Reversal due to early repayment	(164,700)	(164,675)
Payouts during the year, net	(3,105,351)	(2,780,581)
Ending balance	895,801	1,533,883

20 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Private equity fund	24,626	17,885
Revenue based financing product	16,265	10,066
Unlisted equity	13,485	11,536
Trust plan	—	100,000
Convertible promissory notes	—	2,125
Others	—	7,083
	54,376	148,695

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Set out below are the associates of the Group which, in the opinion of the directors, are material to the Group. Hong Kong are their 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	Investment date
Opus Financial Group Limited ⁽ⁱ⁾	BVI	29.90	December 16, 2022
EXIO Group Limited ⁽ⁱⁱ⁾	BVI	15.00	January 19, 2024, June 21, 2024.

(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 HK\$23.39 million. The Group is entitled to nominate a director for appointment to the four-member board of directors of the Sino Genius International Limited (BVI)

(ii) The Group acquired 15% equity interest in EXIO Group Limited, who has a wholly-owned subsidiary named Thousand Whales Technology (BVI) Limited, for a total cash consideration of HK\$16.00 million.

Although the 15% direct interest owned by the Group does not exceed the general threshold of 20%, the Group is entitled to nominate one director for appointment to the four-member board of directors of EXIO Group Limited and has significant influence on its operation, accordingly EXIO Group Limited is regarded as the associate of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

The following table sets forth the Group's investments accounted for using the equity method movement activities for the years ended December 31, 2024 and 2023:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Opening balance	13,384	20,889
Addition	14,585	–
Share of net loss	(6,820)	(7,851)
Foreign exchange difference	436	346
Ending balance	21,585	13,384

22 DEFERRED INCOME TAX

	As at December 31,			
	2024		2023	
	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 ⁽ⁱ⁾	524,233	120,567	1,250,656	284,769
Fair value change of loans to customers ⁽ⁱ⁾	1,125,697	258,896	583,383	117,077
Guarantee liabilities ⁽ⁱ⁾	2,923,461	672,359	2,891,532	620,182
Lease liabilities	42,453	6,321	59,256	9,746
Tax losses	61,818	10,765	31,931	2,634
Others	12,189	3,047	–	–
	4,689,851	1,071,955	4,816,758	1,034,408
Deferred income tax liabilities				
Unrealised gains ⁽ⁱⁱⁱ⁾	(1,907,929)	(427,413)	(2,346,552)	(501,614)
Right-of-use assets	(41,087)	(6,138)	(58,187)	(9,914)
With holding tax	(300,000)	(15,000)	(150,000)	(7,500)
Others	(3,915)	(979)	(2,651)	(663)
	(2,252,931)	(449,530)	(2,557,390)	(519,691)
Net deferred income tax assets	2,436,920	622,425	2,259,368	514,717

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

22 DEFERRED INCOME TAX (continued)

- (i) The temporary differences arise mainly from the ECL allowance for contract assets, guarantee receivables, loans to customers at amortised cost, financial guarantee contracts and fair value change of loans to customers which are not yet recognized by tax authorities.
- (ii) 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 consolidated statement of financial position based on different taxation authorities as follows:

	As at December 31, 2024 RMB'000	2023 RMB'000
Deferred income tax assets	637,425	522,217
Deferred income tax liabilities	(15,000)	(7,500)
Net deferred income tax assets	622,425	514,717

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, 2024	284,769	117,077	620,182	(501,614)	2,634	(9,914)	9,746	(7,500)	(663)	514,717
Recognised in the profit or loss	(164,202)	141,819	52,177	74,201	8,131	3,776	(3,425)	(7,500)	2,731	107,708
As at December 31, 2024	120,567	258,896	672,359	(427,413)	10,765	(6,138)	6,321	(15,000)	2,068	622,425
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

Deductible losses that are not recognized as deferred tax assets will expire as follows:

	As at December 31, 2024 RMB'000	2023 RMB'000
2027	–	422
2028	13,112	3
2029	24,617	–
No due date	453,656	341,606
	491,385	342,031

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

22 DEFERRED INCOME TAX (continued)

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, 2024, the Group did not recognise deferred income tax assets in respect of tax losses of approximately RMB48.92 million (December 31, 2023: RMB28.29 million).

23 LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at December 31,	
	2024	2023
Right-of-use assets	RMB'000	RMB'000
Office premises	41,087	58,187

	As at December 31,	
	2024	2023
Lease liabilities	RMB'000	RMB'000
Office premises	42,453	59,256

Addition to the right-of-use assets during the year of 2024 were RMB18.24 million (2023: RMB58.60 million).

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	As at December 31,	
	2024	2023
Depreciation charge of right-of-use assets	RMB'000	RMB'000
Office premises	30,732	30,585
Interest expense (included in other gains, net)	2,855	3,697
Expense relating to leases of low-value assets (included in origination and servicing expenses; general and administrative expenses)	346	545

The total cash outflow for leases (including leases of low-value assets) in 2024 was RMB33.32 million (2023: RMB31.25 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

24 INTANGIBLE ASSETS

	Software RMB'000	Others RMB'000	Total RMB'000
Cost			
As at January 1, 2024	67,885	–	67,885
Additions	1,975	7,188	9,163
Disposals	(3,745)	–	(3,745)
Foreign exchange difference	13	–	13
	<u>66,128</u>	<u>7,188</u>	<u>73,316</u>
As at December 31, 2024			
Accumulated amortisation			
As at January 1, 2024	(31,593)	–	(31,593)
Amortisation charge for the year	(6,721)	–	(6,721)
Disposals	3,743	–	3,743
Foreign exchange difference	(6)	–	(6)
	<u>(34,577)</u>	<u>–</u>	<u>(34,577)</u>
As at December 31, 2024			
Net book value			
As at December 31, 2024	<u>31,551</u>	<u>7,188</u>	<u>38,739</u>
Cost			
As at January 1, 2023	63,674	–	63,674
Additions	4,211	–	4,211
	<u>67,885</u>	<u>–</u>	<u>67,885</u>
As at December 31, 2023			
Accumulated amortisation			
As at January 1, 2023	(25,233)	–	(25,233)
Amortisation charge for the year	(6,360)	–	(6,360)
	<u>(31,593)</u>	<u>–</u>	<u>(31,593)</u>
As at December 31, 2023			
Net book value			
As at December 31, 2023	<u>36,292</u>	<u>–</u>	<u>36,292</u>

There is no indication that intangible assets have suffered an impairment loss during the year of 2024.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

25 PROPERTY AND EQUIPMENT

	Flats RMB'000	Furniture and office equipment RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at January 1, 2024	16,270	3,419	8,289	126,893	30,366	462	185,699
Additions	140	–	63,233	10,362	145	1,640	75,520
Disposals	–	(3,007)	(166)	(70,787)	–	–	(73,960)
Transfer	–	–	–	–	2,102	(2,102)	–
Foreign exchange difference	95	–	88	7	61	–	251
As at December 31, 2024	16,505	412	71,444	66,475	32,674	–	187,510
Accumulated depreciation							
As at January 1, 2024	(6,481)	(3,416)	(3,338)	(98,805)	(28,290)	–	(140,330)
Depreciation charge for the year	(2,353)	–	(4,279)	(16,188)	(1,457)	–	(24,277)
Disposals	–	3,004	32	70,729	–	–	73,765
Foreign exchange difference	(37)	–	(81)	(5)	(49)	–	(172)
As at December 31, 2024	(8,871)	(412)	(7,666)	(44,269)	(29,796)	–	(91,014)
Net book value							
As at December 31, 2024	7,634	–	63,778	22,206	2,878	–	96,496

	Flats RMB'000	Furniture and office equipment RMB'000	Transportation equipment 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 exchange difference	–	–	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 exchange difference	(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

There is no indication that property and equipment have suffered an impairment loss during the year of 2024.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

26 OTHER ASSETS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Security deposits in financial institutions	437,607	735,641
Due from business partners ⁽ⁱ⁾	219,665	433,647
Prepayments	33,525	67,689
Rental deposits	9,150	9,511
Prepayment of equity investment ⁽ⁱⁱ⁾	7,688	7,688
Others	15,008	14,359
	722,643	1,268,535
Less: ECL allowance	(5,700)	(11,460)
	716,943	1,257,075

(i) As at December 31, 2024, the Group had approximately RMB219.67 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 (including treasury 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 (including treasury 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. These conditions have not been satisfied or waived as of December 31, 2024.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

27 BORROWINGS

	As at December 31, 2024 RMB'000	2023 RMB'000
Secured		
Bank borrowings ⁽ⁱ⁾	302,426	314,901
Borrowings from other financial institutions ⁽ⁱⁱ⁾	11,146	–
Unsecured		
Payable to trust plan holders	4,632,391	4,999,099
Bank borrowings ⁽ⁱⁱⁱ⁾	143,219	157,888
	5,089,182	5,471,888

- (i) As at December 31, 2024, the Group had secured bank borrowings with a principle amount of RMB300.00 million guaranteed by deposits of RMB309.47 million (refer to Note 16(b)). The terms of the borrowings are 12 months and the weighted average interest rate of the outstanding borrowings as at December 31, 2024 was 4.45%.
- (ii) As at December 31, 2024, the Group had secured borrowings from other financial institutions with a principle amount of HK\$12.00 million guaranteed by way of first floating charge over a portfolio of loans to customers at amortised cost totalling HK\$15.00 million (refer to Note 17(b)). The terms of the borrowings are 6 months and the weighted average interest rate of the outstanding borrowings as at December 31, 2024 was 9.45%.
- (iii) As at December 31, 2024, the Group had drawn down a total of RMB142.95 million in principal amount of unsecured borrowings. The terms of the borrowings are within 12 months or less and the weighted average interest rate of the outstanding borrowings as at December 31, 2024 was 6.50%.

27.1 INTEREST RATES OF BORROWINGS

	As at December 31, 2024	2023
Payable to trust plan holders	3.80%~6.50%	5.00%~10.50%
Banks borrowings	4.00%~6.60%	3.68%~7.45%
Borrowings from other financial institutions	9.20%~10.03%	Nil

27.2 Contractual maturities of borrowings

	As at December 31, 2024 RMB'000	2023 RMB'000
Within 1 year (including 1 year)	3,001,542	2,339,608
1 to 2 years (including 2 years)	2,087,640	3,132,280
	5,089,182	5,471,888

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

27 BORROWINGS (continued)

27.3 Borrowings by repayment schedule

	As at December 31, 2024 RMB'000	2023 RMB'000
Within 1 year (including 1 year)	4,569,702	5,008,938
1 to 2 years (including 2 years)	519,480	462,950
	5,089,182	5,471,888

28 NOTES PAYABLE

	Notes payable due 2025 ⁽ⁱ⁾ Unlisted RMB'000	Senior notes due 2025 ⁽ⁱⁱ⁾ Unlisted RMB'000	Total RMB'000
As at January 1, 2024	—	89,989	89,989
Issuance	90,095	—	90,095
Accrued interest	3,273	9,335	12,608
Interest paid	(2,492)	(8,671)	(11,163)
Foreign exchange difference	1,329	1,982	3,311
As at December 31, 2024	92,205	92,635	184,840

	Senior notes due 2025 ⁽ⁱⁱ⁾ Unlisted RMB'000	Total RMB'000
As at January 1, 2023	176,236	176,236
Accrued interest	13,314	13,314
Interest paid	(12,828)	(12,828)
Repurchase of principal	(87,117)	(87,117)
Foreign exchange difference	384	384
As at December 31, 2023	89,989	89,989

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

28 NOTES PAYABLE (continued)

- (i) On July 18, 2024, Ace Effort Asia Limited ("**Ace Effort**"), an indirect wholly-owned subsidiary of the Company, completed the issuance and placing of the Series 1 Senior Secured Notes ("**Series 1 Notes**") in the aggregate principal amount of HK\$50,000,000 due 2025, with a coupon rate of 9.5% per annum.

On October 16, 2024, Ace Effort completed the issuance and placing of the Series 2 Senior Secured Notes ("**Series 2 Notes**" together with "**Series 1 Notes**", the "**Notes**") in the aggregate principal amount of HK\$50,000,000 due 2025, with a coupon rate of 9.0% per annum.

The issuance of the Notes aims at supporting the money lending business of the Group.

The Company, as well as VCREDIT Finance Limited ("**VFL**"), a direct wholly-owned subsidiary of the Company and the immediate parent company of Ace Effort, has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Ace Effort under the Notes. The payment obligations and the performance of all the obligation of Ace Effort under the Notes were also secured by way of first floating charge over a portfolio of loans to customers at amortised cost totalling HK\$75.00 million of VFL (refer to Note 17(b)).

The Notes constitute direct, general, unconditional, unsubordinated and unsecured obligations of Ace Effort 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 Ace Effort, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

- (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.

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 as at December 31, 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

29 OTHER LIABILITIES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Accrued service fees	219,688	142,234
Due to business partners	217,067	36,472
Employee benefit liability	94,708	69,654
Contract liabilities	54,811	35,677
Repayment from borrowers to be settled	45,604	33,666
Others	1,299	3
	633,177	317,706

30 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (‘000)	Share capital RMB'000	Share premium RMB'000
As at January 1, 2024	489,459	40,067	5,243,415
Vesting of share awards	—	—	(742)
Dividends declared	—	—	(44,672)
As at December 31, 2024	489,459	40,067	5,198,001
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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

31 TREASURY SHARES

	As at December 31,			
	2024		2023	
	Shares'000	RMB'000	Shares'000	RMB'000
Treasury shares	(680)	(3,189)	(1,010)	(5,399)

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 2024 are as follows:

	Year ended December 31,			
	2024		2023	
	Shares'000	RMB'000	Shares'000	RMB'000
Opening balance	(1,010)	(5,399)	(2,377)	(16,182)
Vesting of share awards	330	2,210	1,577	11,344
Acquisition of Shares by the VCREDIT No. 1 Share Award Scheme Trusts	—	—	(210)	(561)
Ending balance	(680)	(3,189)	(1,010)	(5,399)

32 OTHER RESERVES

	Share-based payments reserves RMB'000	Translation reserve RMB'000	Total RMB'000
As at January 1, 2024	674,196	75,340	749,536
Currency translation differences	—	3,617	3,617
Vesting of share awards	(1,468)	—	(1,468)
Share-based payment (Note 9)	511	—	511
As at December 31, 2024	673,239	78,957	752,196
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

33 SHARE-BASED PAYMENTS

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 generally have a contractual maximum vesting period of four years, and one-fourth of the share awards vest each year.

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, 2024, 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, 2024 and 2023 is as follows:

	Year ended December 31,	
	2024	2023
	Number of	Number of
	share awards	share awards
	('000)	('000)
Opening balance	1,010	2,377
Granted	–	400
Vested	(330)	(1,577)
Forfeited	(280)	(190)
Ending balance	400	1,010

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, 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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, 2024 and 2023.

Name	Relationship
Ma Ting Hung	Executive Director
Liu Sai Wang Stephen	Executive Director
Liu Sai Keung Thomas	Executive Director
Xue Lan	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,	
	2024	2023
	RMB'000	RMB'000
Director's fee	46,171	43,478
Salaries and wages	8,914	7,808
Bonuses	2,355	2,854
Pension costs-defined contribution plan	591	553
Other social security costs, housing benefits and other employee benefits	513	483
Share-based compensation expenses	238	922
	58,782	56,098

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, 2024	2023
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	5
Over HK\$2,000,000	4	4
	<u>9</u>	<u>9</u>

35 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS**(a) Reconciliation from profit before income tax to cash generated from/(used in) operating activities:**

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Profit before income tax	629,376	596,994
Adjustments for:		
Interest expenses	345,078	327,646
Fair value change of loans to customers	979,108	574,077
Depreciation and amortisation	61,730	56,250
Credit impairment losses	311,082	344,558
Share-based payment	511	1,640
(Gains)/losses from financial investments at fair value through profit or loss	(14,293)	827
Interest expense on lease liabilities	2,855	3,697
Gains on disposal of property and equipment, intangible assets	(5)	(672)
Share of net profit of associates accounted for using the equity method	6,820	7,851
Losses from repurchase of notes payable	—	1,283
Changes in operating assets and liabilities:		
Increase in loans to customers	(728,135)	(1,848,027)
Decrease/(increase) in contract assets and guarantee receivables	280,422	(891,316)
Decrease/(increase) in other operating assets	85,529	(659,341)
(Decrease)/increase in other operating liabilities	(199,717)	362,847
Cash generated from/(used in) operating activities	1,760,361	(1,121,686)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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, 2024 and 2023.

Net debt

	As at December 31, 2024 RMB'000	2023 RMB'000
Cash and cash equivalents	1,693,437	896,700
Liquid investments	—	7,083
Borrowings	(5,089,182)	(5,471,888)
Notes payable	(184,840)	(89,989)
Lease liabilities	(42,453)	(59,256)
Dividends payable	(4)	(4)
Net debt	(3,623,042)	(4,717,354)
Cash and liquid investments	1,693,437	903,783
Gross debt – floating interest rates	(11,146)	—
Gross debt – fixed interest rates	(5,305,333)	(5,621,137)
Net debt	(3,623,042)	(4,717,354)

	Cash and cash equivalents RMB'000	Liquid Investments RMB'000	Borrowings RMB'000	Notes payable (Note 28) RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000	Total RMB'000
As at January 1, 2024	896,700	7,083	(5,471,888)	(89,989)	(59,256)	(4)	(4,717,354)
Foreign exchange difference	1,958	—	(166)	(3,311)	(296)	(654)	(2,469)
Cash flows	794,779	—	715,342	(78,932)	33,319	45,326	1,509,834
Accrued interest	—	—	(332,470)	(12,608)	(2,855)	—	(347,933)
Other non-cash movements	—	(7,083)	—	—	(13,365)	(44,672)	(65,120)
As at December 31, 2024	1,693,437	—	(5,089,182)	(184,840)	(42,453)	(4)	(3,623,042)
As at January 1, 2023	1,592,514	—	(4,331,326)	(176,236)	(27,789)	(3)	(2,942,840)
Foreign exchange difference	(1,815)	—	—	(384)	—	1,105	(1,094)
Cash flows	(693,999)	7,083	(826,233)	101,228	31,248	110,888	(1,269,785)
Accrued interest	—	—	(314,329)	(13,314)	(3,697)	—	(331,340)
Other non-cash movements	—	—	—	(1,283)	(59,018)	(111,994)	(172,295)
As at December 31, 2023	896,700	7,083	(5,471,888)	(89,989)	(59,256)	(4)	(4,717,354)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

36 COMMITMENTS

The Group did not have any other significant commitments as at December 31, 2024 (December 31, 2023: Nil), other than those mentioned above.

37 DIVIDENDS

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Final dividend for the year ended December 31, 2023 of HK10 cents per share	(44,672)	–
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)
	(44,672)	(111,994)

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 HK20 cents per share (the “**Final Dividend**”) for the year ended December 31, 2024 (for the year ended December 31, 2023: 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, 2024 (December 31, 2023: 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. These changes mainly included the reclassification of loans to customers measured at amortised cost from other assets to loans to customers. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

41 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position – the Company

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Assets		
Cash and cash equivalents	279,224	63,525
Investment in subsidiaries	1,472,201	1,449,954
Investments accounted for using the equity method	7,827	–
Other assets	1,110,459	1,184,681
Total assets	2,869,711	2,698,160
Liabilities		
Borrowings	325,585	314,901
Notes payable	92,635	89,989
Total liabilities	418,220	404,890
Equity		
Share capital	40,067	40,067
Share premium	5,198,001	5,243,415
Treasury shares	(3,189)	(5,399)
Reserves	1,045,452	1,010,991
Accumulated losses	(3,828,840)	(3,995,804)
Total equity	2,451,491	2,293,270
Total liabilities and equity	2,869,711	2,698,160

The statement of financial position of the Company was approved by the Board of Directors on March 25, 2025, 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, 2024	1,010,991	(3,995,804)
Profit for the year	—	166,964
Currency translation differences	35,418	—
Vesting of share awards	(1,468)	—
Share-based payment	511	—
As at December 31, 2024	1,045,452	(3,828,840)
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)

Five Year Financial Summary

(in RMB mn)	For the Year Ended December 31,				
	2020	2021	2022	2023	2024
Total income	2,573	3,458	3,119	3,569	3,930
Operating (loss)/profit	(1,052)	1,514	695	605	636
Net (loss)/profit	(870)	1,179	532	454	478
Adjusted operating (loss)/profit (unaudited)	(977)	1,547	700	606	637
Adjusted net (loss)/profit (unaudited)	(795)	1,213	537	456	479

(in RMB mn)	As at December 31,				
	2020	2021	2022	2023	2024
Loans to customers	4,028	7,322	5,230	6,522	6,247
Total assets	8,337	11,277	10,103	11,934	11,706
Total liabilities	6,051	7,883	6,277	7,765	7,099
Total equity	2,286	3,394	3,826	4,169	4,607
Adjusted total equity (unaudited)	2,286	3,394	3,826	4,169	4,607