VCREDIT 維信金科

VCREDIT Holdings Limited
維信金科控股有限公司

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

Stock Code: 2003

ANNUAL REPORT 2018

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Sai Wang Stephen
(Chief Executive Officer)
Mr. Liu Sai Keung Thomas
(Chief Operating Officer)

Non-Executive Directors

Mr. Ma Ting Hung *(Chairman)*
Mr. Chen Derek
Ms. Liu Yang
Mr. Yip Ka Kay

Independent Non-Executive Directors

Mr. Chen Penghui
Dr. Seek Ngee Huat
Mr. Wu Chak Man

AUDIT COMMITTEE

Mr. Wu Chak Man *(Chairman)*
Mr. Chen Penghui
Mr. Yip Ka Kay

REMUNERATION COMMITTEE

Mr. Chen Penghui *(Chairman)*
Mr. Liu Sai Wang Stephen
Mr. Wu Chak Man

NOMINATION COMMITTEE

Mr. Ma Ting Hung *(Chairman)*
Dr. Seek Ngee Huat
Mr. Wu Chak Man

AUTHORIZED REPRESENTATIVES

Mr. Ma Ting Hung
Mr. Cha Johnathan Jen Wah

COMPANY SECRETARY

Mr. Cha Johnathan Jen Wah

REGISTERED OFFICE

TMF Group (Cayman) Ltd
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P.O. Box 10338
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Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN PRC

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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802 West Bay Road
P.O. Box 10338
Grand Cayman KY1–1003
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

HONG KONG LEGAL ADVISER

Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

AUDITOR

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

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central, Hong Kong

PRINCIPAL BANKERS

China Construction Bank,
Suzhou Yuanqu Branch

STOCK CODE

2003

WEBSITE

http://www.vcredit.com

The Chairman's Statement

2018 was a year of tremendous successes for us. We achieved a major milestone as we listed on the Main Board of the Hong Kong Stock Exchange on June 21, 2018. I am, therefore, pleased to present to you our first annual report, as a publicly listed company, for the year ended December 31, 2018. As the younger generation adopts a more mobile internet based lifestyle, we have also fully transformed our business into a pure online one, evolving to meet these changes. With the economic developments and regulatory reforms continuing in China, we have never been better positioned in our corporate history to promote technology-based inclusive consumer finance together with our business and funding partners.

The consumer finance market in China during the year experienced fluctuations and challenges triggered by Circular 141/175 and other ancillary regulations, and by the ongoing serial P2P platform collapses and outcries from affected investors. Despite these temporary volatilities, we believe such developments have a long-term positive impact on broadening and upgrading the regulatory framework for the online consumer finance sector and provide valuable lessons to both borrowers seeking consumer credit and investors looking for alternative fixed income returns. Over time, our institutional mindset for running a sustainable business has ensured that we have a fully regulatory compliant setup, and that we were able to gain ever stronger confidence from our business and funding partners. Such confidence has been further bolstered by the prompt and effective actions that we have taken in response to recent market developments and challenges lately.

In 2018, we also formed strategic cooperation with leading players in various consumer verticals, including telecommunications, health and fitness, and education. In Q4 2018, we initiated a three-party collaboration with FOTIC and China Mobile to provide China Mobile customers across 14 provinces with desired subscription combos that cover both telecom services and smartphones with underlying integrated service and installment loans. We are also at an advanced stage of negotiations with players in the health and fitness and education sectors for collaborations in light of higher household disposable income and greater self-consciousness. These consumer vertical specific collaborations create perfect bonding among business partners, funding partners and ourselves, where all of us have perfectly aligned interests. Together, we strive to provide our customers with unrivaled user experiences. With just a few clicks on a mobile application, consumers are able to lower their upfront cash burden, but without any compromise in risk tolerances on our part, thanks to our technology infrastructure for transaction processing and automated credit risk management, and our long-established relationships with some of the largest licensed consumer credit institutional funding partners. These collaborations are a further validation of our experience, track record and ability in underwriting and managing credit risk of individual consumers.

I believe we have built a solid foundation, and with our business partners and funding partners we are geared towards increasing our penetration and market share. I would like to express my gratitude to our core constituencies — our funding partners, our business partners, our employees and our shareholders — for their undeterred commitment and confidence in VCREDIT along the way. Positioned at the core of the inclusive consumer finance value chain, we will strive to build and expand our online consumer finance business and make meaningful contributions to our borrowers, funding partners and business partners.

Ma Ting Hung
Chairman

Hong Kong, March 25, 2019

I'm pleased to report we have made significant progress in delivering our strategic objectives amidst market uncertainties over the course of 2018, especially our transformation into a pure online platform. Our management team has proactively reviewed and analyzed our business strategies and financial positions in order to make the right decisions and changes to maintain efficiency and to stay at the forefront of the inclusive consumer finance industry.

We constantly review our product portfolio offering to customers and make sure a reasonable level of profitability is achievable and sustainable. It had become increasingly clear that our online business. has been operating in stark contrast to our offline business in terms of offering better efficiency and growth prospects since we first entered into the online business in 2015. The latest monetary liquidity and institutional fundraising environment has also posted challenges for us to raise long-term funds that are essential to our offline business. After several rounds of internal reviews, we conducted an internal reorganization in Q3 2018 where we have reaffirmed the online business as our long-term strategic focus and positioned ourselves as supplements, providing both technology solutions and credit enhancement, to the existing consumer credit supply by offering inclusive finance along with our business and funding partners to the underserved consumers through mobile internet. In addition, we concluded it would be in our best interest to dispose of our offline platform, which was announced in October 2018, so we can fully dedicate our resources to pure online operations going forward.

Operational Performance Review

As we constantly monitor our operational performances and strive to implement our long-term strategies, we are pleased to report that we have managed to deliver some quite exciting results. In 2018, we had solid borrower base growth, especially as our collaborations with various leading consumer players flourished. As of December 31, 2018, our registered users exceeded 59.7 million, representing a 27.4% year-on-year growth.

We began 2018 with the initial reactions to the drastic regulatory changes translating to a significant slow-down of our loan origination volume in the online segment from our Q4 2017 level, as we strategically and proactively tightened our credit policies. As we embraced the subsequent regulations and prepared for potentially more in the future as a fully fledged framework begins to establish, our strategies to quickly adapt ourselves to this ever evolving environment has proven effective. While we completed the disposal of our offline platform, we saw steady recovery of our online business volume. In the second half of 2018, our total loan origination volume of online credit products was recorded as RMB10.35 billion, representing a 32.7% growth comparing to that of the first half of 2018. Meanwhile, the outstanding loan balance of online credit products exceeded RMB9.51 billion as of December 31, 2018, representing a 4.9% growth compared to RMB9.07 billion as of June 30, 2018.

Consistent with our strategy of promoting technology-based facilitation of inclusive finance services to the underserved in China, we have made significant progress in our online loan facilitation business. Throughout 2018, we established funding partnerships with 10 new funding partners, among which 9 are currently cooperating with us under the loan facilitation structure. This is a highly encouraging development, especially in the context of the evolving and maturing regulatory framework in our industry. In the second half of 2018, the loan volume originated under two types of loan facilitation structure contributed over 40% of total loan origination volume and was recorded as RMB4.63 billion, representing a 93.4% growth from the first half of 2018. In 2018, we successfully migrated two CBRC-licensed consumer finance companies into the pure loan facilitation structure from the credit-enhanced loan facilitation structure. The loan origination volume under pure loan facilitation structure increased year-on-year by 121.6% from RMB891.3 million in 2017 to RMB1,975.4 million in 2018. We believe such progress reinforces our strong track record of risk management capability and is a demonstration of the commercialization of our technology.

We spent much of our time throughout 2018 navigating through the changes in regulatory environment and consequent turbulences in asset quality. Nevertheless, we have managed to strike a balance between defending our asset quality performances and restoring our business momentum along with our proactive business transformation. We are glad to see our first payment delinquency ratio, which we believe to be a more leading indicator of asset quality, return to a comfortable level below 2% when we quickly responded to the market changes, and subsequently maintained at that level as we gradually implemented changes in credit policy and product offerings to adapt to the new market norm. Our cohort vintage curves have echoed similar trends as 2017/18 portfolios mature through the year. We are greatly encouraged by such trends that our strategies have been effective.

Financial Performance Review

Our total income increased year-on-year by 1.1% from RMB2,706.4 million in 2017 to RMB2,736.6 million in 2018, largely because of the shift to loan facilitation structure. As a reflection of the significant development in our loan facilitation business, loan facilitation service fees soared by 221.6% to RMB269.8 million, among which pure loan facilitation service fees have contributed more than 20%. Thanks to our continued effort in streamlining our business and organization structures to increase efficiency, our adjusted operating profit increased by 17.2% from RMB364.4 million in 2017 to RMB427.1 million in 2018. The adjusted operating profit margin also increased by 2.1 percentage points from 13.5% in 2017 to 15.6% in 2018. Our adjusted net profit also increased by 1.1% to RMB295.8 million for financial year ended December 31, 2018, compared to RMB292.5 million for the financial year ended December 31, 2017. Adjusted net profit takes into account our listing expenses, which amounted to approximately RMB49.9 million.

Outlook and Strategies

We entered 2019 with a string of news that makes us feel the overall macroeconomic overhangs in China are gradually alleviating — trade frictions with the US are being amicably negotiated; domestic unemployment is still under control; the central government is maintaining support for fiscal supply-side structural reform and is encouraging support for financial IT development. The consumer finance sector continues to embrace new regulations as part of the ongoing regulatory framework establishment. We are glad to see the promulgation of Circular on Further Implement Compliance Check and Follow up Rectification Measures (“關於進一步做實P2P網絡借貸合規檢查及後續工作的通知” or “Circular 1”) that stipulates further operational guidance for P2P platforms. Administrative Measures of Funding Trust for Trust Companies (“信託公司資金信託管理辦法”) lifted previous investor participation hurdles, essentially allowing more retail investors looking for a broader scope of investment alternatives to invest their savings with trust companies. We have been very encouraged by these recent developments as we stride on our journey with our business and funding partners in promoting technology-based inclusive consumer finance services to the underserved in China.

At the operational level, we will continue focusing on improving efficiencies on various aspects of our business. We will keep working with our business and funding partners to forge more mutually beneficial collaborations in providing technology-based inclusive consumer finance services to the underserved while further monetizing our captive customer bases and accessing competitive funding from our partners. Our financial IT and risk management capabilities will remain as the core of our business where human and monetary resources will be dedicated to ensuring ongoing competitiveness. We will also further streamline our organizational structure aiming for optimization in driving up economies of scale.

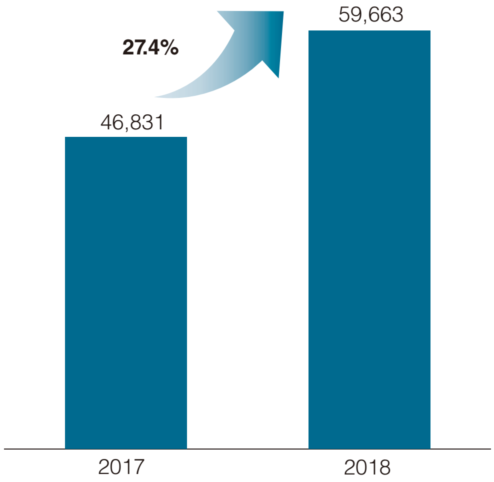
Our management remains committed to realizing the full potential of China’s consumer finance market by extending the consumer finance service to a larger underserved population through technology and mobile internet. We look ahead with great passion, aspiration and motivation as we execute our strategies to create long term and sustainable value for all our stakeholders.

Liu Sai Wang Stephen
Executive Director and Chief Executive Officer

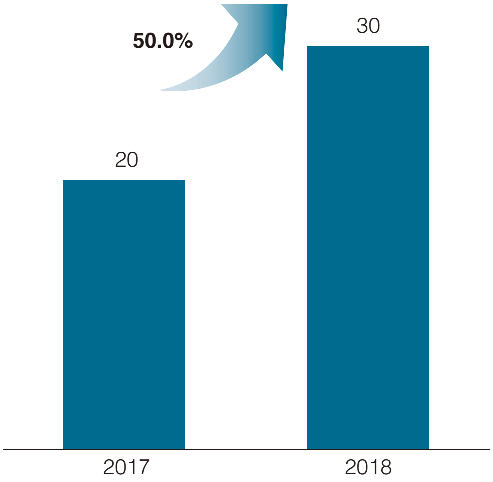
Hong Kong, March 25, 2019

Business Highlights

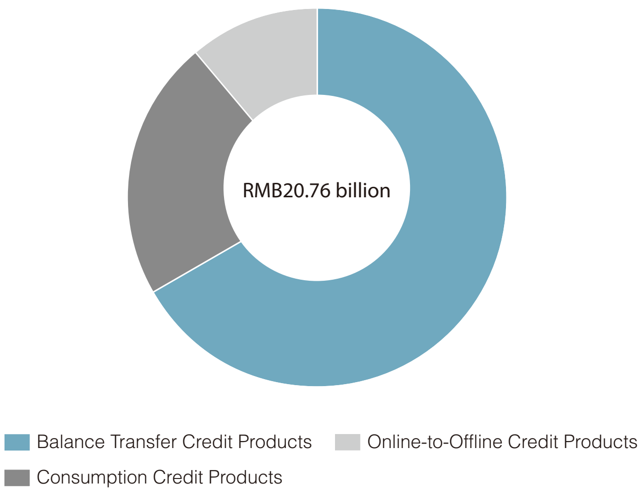
Number of Registered Users (in 000')

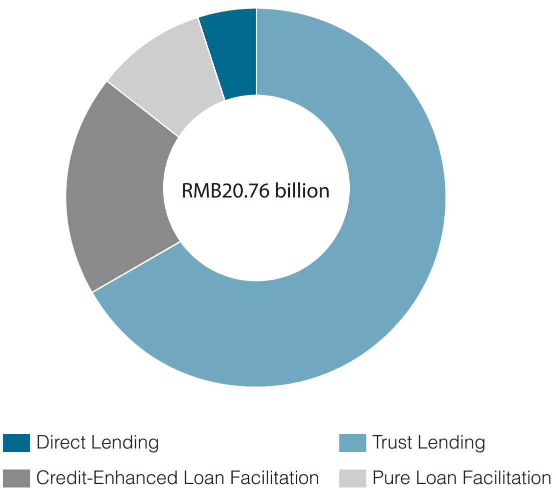


Number of Funding Partners



Loan Origination Volume





FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2018	2017	Change
	RMB million	*RMB million*	
Total Income	**2,736.6**	2,706.4	1.1%
Net interest type income/net interest income	**1,955.6**	2,336.3	-16.3%
Loan facilitation service fees	**269.8**	83.9	221.6%
Adjusted Operating Profit (1)	**427.1**	364.4	17.2%
Adjusted Net Profit (1)	**295.8**	292.5	1.1%
Margins			
Adjusted operating profit margin	**15.6%**	13.5%	2.1
Adjusted net profit margin	**10.8%**	10.8%	0.0

Note:

(1) Adjusted operating profit is defined as operating profit with share-based compensation expenses and listing expenses added back. Adjusted net profit is defined as loss for the period with fair value change of convertible redeemable preferred shares and share-based compensation expenses added back. For more details, please see the section headed "Management discussion and analysis — Non-IFRS Measures".

BUSINESS REVIEW AND OUTLOOK

We are a leading player at the forefront of providing online inclusive consumer finance in China with a track record of over 10 years. We build and expand our online consumer finance business upon our belief that finance is the core of financial technology and that risk management is the core of finance. Positioned at the frontier of the online inclusive consumer finance value chain, we form mutually beneficial partnerships with our business and funding partners to address the credit needs of the underserved borrowers through mobile internet with unrivalled user experience. Through these partnerships, we provide state-of-the-art technology solutions to dramatically cut down operating costs, and flexible risk sharing arrangements, sometimes with credit enhancement, to cultivate a responsible and self-reinforced consumer finance universe endorsed by all the licensed finance institutions in China.

We primarily offer three lines of credit products, all of which are installment-based: (1) credit card balance transfer products, (2) consumption credit products, and (3) online-to-offline credit products. These products, which we developed based on our knowledge of China's evolving online consumer finance market, can be tailored according to our multi-dimensional scorecards to the individual needs and credit profiles of each borrower, and matched with our risk and return appetite and those of our funding partners through sustainable and scalable funding structures.

During the year, we reviewed and concluded a disposal of Hangzhou Vision Financial Servicing Co., Ltd., which operates our online-to-offline business platform since we see long-term growth and profitability generation being better served through focusing on our online business platform. Going forward, we will focus on our pure online products, which are (1) credit card balance transfer products and (2) consumption credit products, to achieve long-term growth and profitability.

Business Highlights

On June 21, 2018 (the "**Listing Date**"), we successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), setting a significant milestone for the Company (the "**Listing**").

In 2018, we established mutually beneficial partnerships with 10 new funding partners, including licensed consumer finance companies, a national level joint-stock bank and regional commercial banks. As of December 31, 2018, we formed sustainable and scalable partnerships with 30 funding partners. Leveraging our continuing and deepening integration between our risk management capabilities and our funding partners' in-house risk management systems, we are able to recommend prospective borrowers to our funding partners based on their specific risk preferences. Among these funding partners, with a few licensed consumer finance companies, we have developed pure loan facilitation partnerships which demonstrates our ability to introduce inclusive consumer finance through technology for the underserved to traditional financial institutions.

In 2018, we also formed strategic cooperations with all three mobile carriers in China. In March 2018, we entered into a strategic cooperation agreement with China Telecom, a leading telecommunications services provider in China. Through this cooperation, we have successfully launched our installment loan products to China Telecom's customers in more than 150 cities in China and accumulated more than 280,000 borrowers within 9 months after launch. This is a strong testimony of our ability to turn our capabilities and resources into successful cross-industry cooperation. In the fourth quarter of 2018, we also entered into similar collaborations with China Mobile Group and China Unicom Group. Under these collaborations, we brought in our long-term funding partners, such as FOTIC, to provide installment loan products to help borrowers finance their mobile phone purchases. As of December 31, 2018, our installment loan products were available to China Mobile customers across 14 provinces in China. These consumer vertical specific collaborations create perfect bonding among business partners, funding partners and us, with which all of us have perfectly aligned interests.

During the second half of 2018, we also initiated partnerships with leading players in various verticals including wellness and education. We entered into negotiation with vocational education institutions to provide installment loans for job training. Such cross-industry collaborations allow us to access a greater number of high quality borrowers and to further develop and enhance our risk management capabilities through variable sharing and joint modelling cooperation. Together with our business and funding partners, we provide customers with unrivaled user experiences by expediating the financing process without any compromise in risk tolerances, owing to our technology infrastructure for transaction processing and automated credit risk management, and our long-established relationships with some of the largest licensed institutional consumer finance funding partners.

In 2018, we increased our efforts in further strengthening our technological capabilities. We enhanced our risk management capabilities, through upgrading our purely automated *Hummingbird* system, engaging with diversified data sources and developing joint modeling cooperations with our business partners. Benefiting from these initiatives, we have developed the ability to integrate and analyze both credit and alternative data of borrowers through our *Hummingbird* system without the need to conduct offline verification. This technology development enables us to expedite our credit assessment process, provide borrowers with more convenient borrowing experience and substantially improve our operating efficiency. Through these efforts and the disposal of the subsidiary which operates our O2O Business Platform from October 10, 2018, we have successfully transformed the business of the Company and its subsidiaries (together the "**Group**") to a pure online consumer finance platform, better placed to offer inclusive consumer finance service to capture a greater market share of the young working population with an online lifestyle in China who are more willing to borrow for consumption and under-served by traditional financial institutions in China.

Operating Highlights

Products and Services

We primarily offer three lines of credit products (1) credit card balance transfer products, (2) consumption credit products, and (3) online-to-offline credit products, all of which are installment-based. For the year ended December 31, 2018, the average term of our credit products was approximately 13 months, the average loan size was approximately RMB9,000, and the average APR[(1)] was approximately 21.1%.

Our credit card balance transfer products allow credit card holders to transfer the outstanding balances of their credit cards to our credit products to bridge their short-term liquidity management needs. Our consumption credit products provide consumers with a variety of installment credit solutions tailored to their specific user cases. Credit card balance transfer products and consumption credit products are both purely originated and assessed online through automated process utilizing our proprietary *Hummingbird* system. The average term and average loan size of our online products were approximately 10 months and RMB8,000 respectively, in 2018.

Our online-to-offline credit products primarily serve consumers' larger financing needs. For these products, we require additional risk management procedures at our offline outlets to enhance our credit risk control. For online-to-offline credit product loans originated from January to October 2018[(2)], the average term was approximately 38 months and the average loan size was approximately RMB118,000.

Notes:

(1) APR is defined as annualized rate for borrowing, calculated by dividing average monthly payment from borrowers during the applicable period by the initial loan origination amount, multiplied by 12. The equivalent weighted average internal rate of return is 35.0%.

(2) On October 10, 2018, the Group entered into an agreement in relation to the disposal of the subsidiary which operates the O2O Business Platform and gradually ceased to originate online-to-offline credit products as from such date. Therefore, the operating data reflects all online-to-offline credit product loans originated by the Group prior to October 10, 2018.

The following table sets forth a breakdown of the number of our loan transactions and loan origination volume by product line and funding structure for the periods indicated.

	For the Year Ended December 31,			
	2018		2017	
Number of Transactions	***'000***	**%**	*'000*	%
Credit card balance transfer products	**992.7**	**44.5%**	1,398.5	41.6%
Consumption credit products	**1,217.5**	**54.5%**	1,930.4	57.3%
Online-to-offline credit products	**22.2**	**1.0%**	38.2	1.1%
Total	**2,232.4**	**100.0%**	3,367.1	100.0%

	For the Year Ended December 31,			
	2018		2017	
Loan Origination Volume	***RMB million***	**%**	*RMB million*	%
Credit card balance transfer products	**13,497.9**	**65.0%**	14,168.7	57.7%
Consumption credit products	**4,652.0**	**22.4%**	7,859.7	32.0%
Online-to-offline credit products	**2,606.3**	**12.6%**	2,515.8	10.3%
Total	**20,756.2**	**100.0%**	24,544.2	100.0%

	For the Year Ended December 31,			
	2018		2017	
Loan Origination Volume	***RMB million***	**%**	*RMB million*	%
Direct lending	**1,279.3**	**6.2%**	1,258.2	5.1%
Trust lending	**12,446.9**	**60.0%**	19,474.6	79.4%
Credit-enhanced loan facilitation	**5,054.6**	**24.3%**	2,920.1	11.9%
Pure loan facilitation	**1,975.4**	**9.5%**	891.3	3.6%
Total	**20,756.2**	**100.0%**	24,544.2	100.0%

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

	As at December 31,			
Outstanding Balance of Loans to Customers	**2018**		2017	
	RMB million	**%**	*RMB million*	%
Credit card balance transfer products	**6,881.5**	**49.9%**	7,678.5	48.3%
Consumption credit products	**2,629.4**	**19.0%**	3,667.6	23.1%
Online-to-offline credit products	**4,285.5**	**31.1%**	4,546.0	28.6%
Total	**13,796.4**	**100.0%**	15,892.1	100.0%

Asset Quality

We spent most of our time throughout 2018 navigating through the evolvements in regulatory environment and consequent turbulences in asset quality. Nevertheless, we have managed to strike a balance between defending our asset quality performances and restoring our business momentum along with our proactive business transformation. Our first payment delinquency ratio, a more leading indicator of asset quality, returned to a comfortable level below 2% when we quickly responded to the market changes and subsequently maintained at the level as we gradually implement changes in credit policy and product offerings to adapt to the new market norm. Our cohort vintage curves have echoed similar trends as 2017/18 portfolios matured through the year. The following table sets forth our key asset quality indicators for the periods indicated.

	2017Q1	**2017Q2**	**2017Q3**	**2017Q4**	**2018Q1**	**2018Q2**	**2018Q3**	**2018Q4**
First payment delinquency ratio (1)	1.2%	1.6%	1.8%	3.1%	1.5%	1.6%	1.7%	1.6%
M1-M3 ratio (2)	1.7%	1.5%	1.7%	2.4%	6.2%	4.5%	3.7%	3.5%
M3+ ratio (3)	3.9%	3.3%	2.8%	3.0%	4.8%	7.7%	6.2%	5.0%

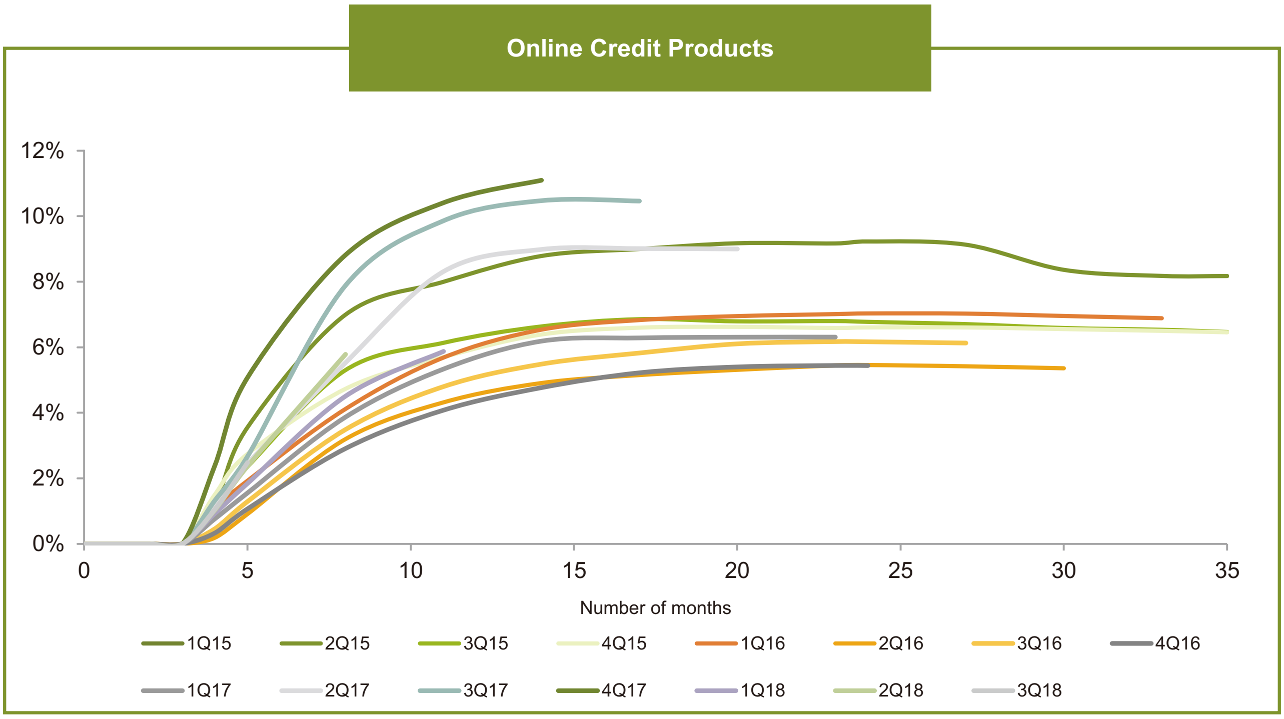
Notes:

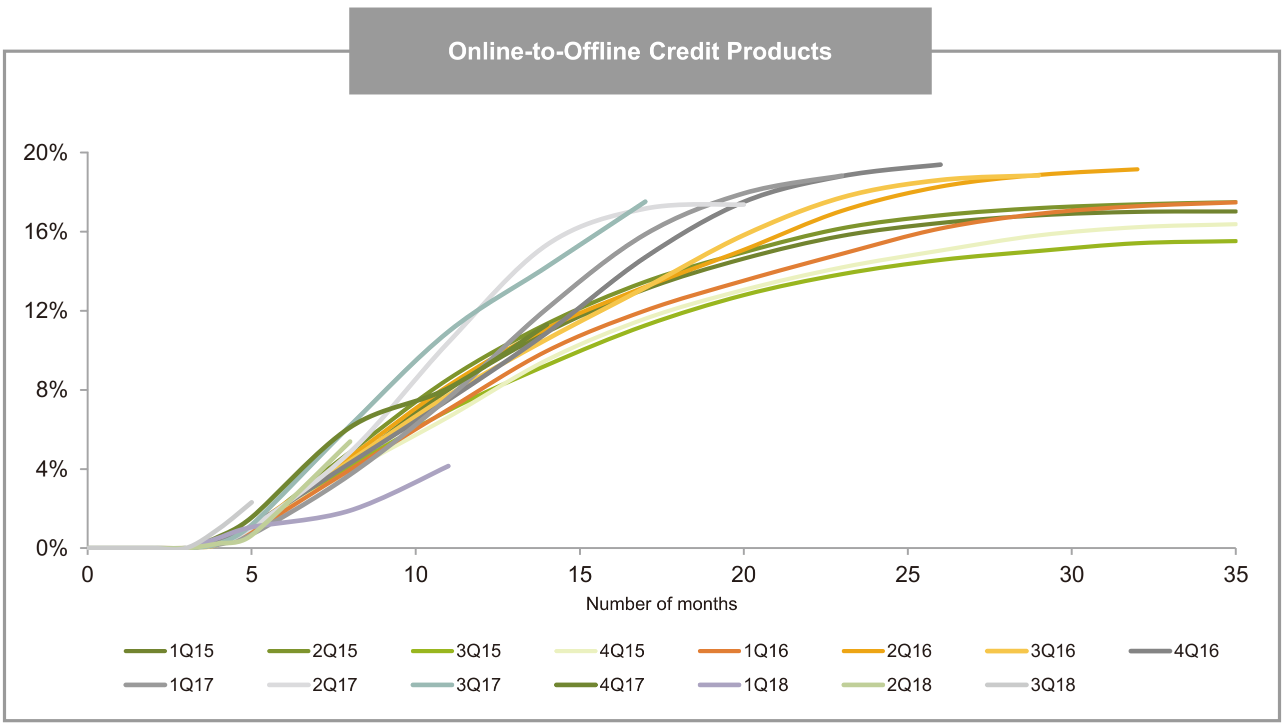
(1) First-payment delinquency ratio is defined as the total balance of outstanding principal amount of the loans we originated in the applicable period that were delinquent on their first payment due dates divided by the aggregate loan origination volume in that period.

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

(3) M3+ ratio is calculated by dividing (i) the outstanding balance of loans which have been delinquent for more than 3 months and have not been written-off, by (ii) total outstanding balance of loans to customers.

The following diagrams set forth our latest Cohort-Based M3+ Delinquency Ratios[1] by product groups.





Note:

(1) Cohort-Based M3+ Delinquency Ratios is defined as the (i) the total amount of principal for all the loans in a vintage that has become delinquent for more than 3 months, less (ii) total amount of recovered past due principal, and then divided by (iii) the total amount of initial principal for all loans in such vintage.

Outlook and Strategies

We are committed to further building and expanding our online consumer finance business and our product offering to better serve our borrowers, funding partners and business partners, as well as to bring value to our shareholders. After much deliberation, we believe we will achieve greater operating and financial performance in the long run by focusing on pure online consumer finance. Therefore, moving forward, we intend to execute the following strategies to maintain our leading market position:

- Continue to strengthen our risk-based pricing capabilities
- Expand our borrower base by enriching our tailored product offerings that track our scorecard development
- Increase our value proposition to our existing borrowers
- Strengthen mutually beneficial relationships with our funding partners and broaden our capital light operation
- Continue to attract, retain and motivate high quality employees

Total Income

We offered three lines of credit products in 2018: (1) credit card balance transfer products, (2) consumption credit products, and (3) online-to-offline credit products. We derived our total income through (i) net interest type income, (ii) loan facilitation service fees, and (iii) other income. Our total income increased by 1.1% to RMB2,736.6 million for the year ended December 31, 2018, compared to RMB2,706.4 million for the year ended December 31, 2017, primarily due to the increase in loan origination volume through our credit-enhanced loan facilitation structure.

Net Interest Type Income

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

	For the Year Ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Net Interest Type Income/Net Interest Income		
Interest type income	**2,930,339**	N/A
Interest income	**N/A**	3,254,516
Less: interest expenses	**(974,770)**	(918,226)
Total	**1,955,569**	2,336,290

Our net interest type income decreased by 16.3% from RMB2,336.3 million for the year ended December 31, 2017 to RMB1,955.6 million for the year ended December 31, 2018.

For the year ended December 31, 2018, we recorded interest type income of RMB2,930.3 million, which was generated from the outstanding balance of loans to customers originated under direct lending and trust lending structures. The decrease in interest type income was primarily due to the shift to facilitation funding structure. The outstanding balance of on-balance sheet loans, which is defined as the outstanding loan principal balance calculated using amortization schedule, was RMB9.31 billion as of December 31, 2018, a decrease of 28.9% compared to RMB13.09 billion as of December 31, 2017. The decrease in the outstanding balance of on-balance sheet loans primarily resulted from: (1) the shift of focus from direct and trust lending structure to credit-enhanced loan facilitation structure; (2) reduced loan origination volume due to tightened credit policy; and (3) shortened average loan tenor. Interest expense increased moderately by 6.2% from RMB918.2 million for the year ended December 31, 2017 to RMB974.8 million for the year ended December 31, 2018. The increase in interest expenses primarily resulted from the increase in the average borrowing balance during the year.

The following table sets forth a breakdown of our interest type income by product line in absolute amounts and as percentages of our total interest type income for the periods indicated.

	For the Year Ended December 31,			
	2018		2017	
	RMB'000	**%**	*RMB'000*	*%*
Interest Type Income/Interest Income				
Credit card balance transfer products	**1,119,175**	**38.2%**	1,012,398	31.1%
Consumption credit products	**731,735**	**25.0%**	814,992	25.0%
Online-to-offline credit products	**1,079,429**	**36.8%**	1,427,126	43.9%
Total	**2,930,339**	**100.0%**	3,254,516	100.0%

Loan Facilitation Service Fees

Loan facilitation service fees increased by 221.6% from RMB83.9 million for the year ended December 31, 2017 to RMB269.8 million for the year ended December 31, 2018. The increase in loan facilitation service fees was driven by a significant increase in our loan origination volume through credit-enhanced loan facilitation structure and pure loan facilitation structure. Loans originated under the credit-enhanced loan facilitation structure and pure loan facilitation structure together increased by 84.5% from RMB3.81 billion for the year ended December 31, 2017 to RMB7.03 billion for the year ended December 31, 2018. The following table sets forth a breakdown of our loan facilitation service fees generated from our credit-enhanced loan facilitation structure and pure loan facilitation structure for the periods indicated.

	For the Year Ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Loan Facilitation Service Fees		
Credit-enhanced loan facilitation	**214,273**	69,102
Pure loan facilitation	**55,559**	14,814
Total	**269,832**	83,916

For the year ended December 31, 2018, the upfront loan facilitation fees increased by 233.7% from RMB69.1 million for the year ended December 31, 2017 to RMB230.6 million for the year ended December 31, 2018. The following table sets forth the allocation of our loan facilitation service fees for the periods indicated.

	For the Year Ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Loan Facilitation Service Fees		
Upfront loan facilitation service fees	**230,560**	69,102
Post facilitation service fees	**39,272**	14,814
Total	**269,832**	83,916

Other Income

Other income increased by 78.6% from RMB286.2 million for the year ended December 31, 2017 to RMB511.2 million for the year ended December 31, 2018. The increase in other income was primarily due to fees received from the user membership service we began to offer in 2018. In 2018, we established a membership system by offering users services including, tailored credit reference reports, coupons for online video streaming websites and vouchers for phone plans. To further explore the value of our platform, we began to collaborate with business partners and offer cross-selling opportunities, from which we recorded total referral fees of RMB93.6 million in 2018. The following table sets forth a breakdown of our other income for the periods indicated.

	For the Year Ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Membership fees	**258,033**	—
Penalty and service charges	**240,832**	248,068
Referral fees	**93,620**	—
Risk management system service fees	**39,896**	13,091
Other consulting service fees	**24,976**	—
(Losses)/gains from guarantee	**(160,436)**	9,211
Others	**14,261**	15,806
Total	**511,182**	286,176

Expense

Origination and Servicing Expenses

Our origination and servicing expenses increased by 12.7% to RMB684.6 million for the year ended December 31, 2018, compared to RMB607.6 million for the year ended December 31, 2017, primarily due to increases in loan servicing expenses, including credit record access charges and third-party loan servicing vendor charges. The increase in loan servicing expenses resulted from our enhanced collection efforts and strict emphasis on credit assessments.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 199.0% to RMB206.2 million for the year ended December 31, 2018, compared to RMB69.0 million for the year ended December 31, 2017, primarily resulting from the integration of user acquisition processes from outsourcing companies.

General and Administrative Expenses

Our general and administrative expenses increased by 176.9% to RMB503.3 million for the year ended December 31, 2018, compared to RMB181.7 million for the year ended December 31, 2017, primarily due to (i) increases in personnel related expenses which include share-based compensation of RMB275.6 million for the year ended December 31, 2018, compared to RMB10.1 million for the year ended December 31, 2017 and (ii) RMB49.9 million listing expenses relating to the Listing.

Research and Development Expenses

We recorded research and development expenses of RMB74.1 million for the year ended December 31, 2018, which is broadly in line with the RMB74.4 million for the year ended December 31, 2017.

Net Loss

Net loss for the year ended December 31, 2018 increased by 2.4% to RMB1,027.0 million, compared to RMB1,003.1 million for the year ended December 31, 2017, mainly due to a fair value loss on the convertible redeemable preferred shares of RMB1,047.2 million and listing expenses of RMB49.9 million relating to the Listing. As all the convertible redeemable preferred shares have been converted to ordinary shares upon completion of the Listing, fair value losses on the convertible redeemable preferred shares are only recorded up to the date of Listing. Therefore, the total fair value losses on the convertible redeemable preferred shares recorded in the year ended December 31, 2018 is the same as the fair value losses on the convertible redeemable preferred shares recorded during the six months ended June 30, 2018.

Adjusted Operating Profit

Our adjusted operating profit increased by 17.2% to RMB427.1 million for the year ended December 31, 2018, compared to RMB364.4 million for the year ended December 31, 2017. Our adjusted operating profit margin improved by 2.1 percentage points due to our continued effort in improving our operating efficiency through streamlining our organization structure, adjusting our product strategy and maintaining a stable asset quality.

Adjusted Net Profit

Our adjusted net profit increased by 1.1% to RMB295.8 million for the year ended December 31, 2018, compared to RMB292.5 million for the year ended December 31, 2017. Although we strategically constrained our loan origination in 2018, we still delivered solid financial results in 2018 by proactively monitoring our asset quality and improving operating efficiency.

Non-IFRS Measures

To supplement our historical financial information, which is presented in accordance with International Financial Reporting Standards ("**IFRS**"), we also use adjusted operating profit and 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 the 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 adjusted operating profit and 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 you should not consider them 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,	
	2018	2017
	RMB'000	*RMB'000*
Operating Profit	**101,635**	347,400
Add:		
Share-based compensation expenses	**275,610**	10,126
Listing expenses	**49,870**	6,869
Adjusted Operating Profit	**427,115**	364,395
Adjusted Operating Profit Margin	**15.6%**	13.5%

	For the Year Ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Net loss	**(1,026,953)**	(1,003,133)
Add:		
Fair value loss of convertible redeemable preferred shares	**1,047,156**	1,285,496
Share-based compensation expenses	**275,610**	10,126
Adjusted Net Profit	**295,813**	292,489
Adjusted Net Profit Margin	**10.8%**	10.8%

Loans to Customers at Fair Value through Profit or Loss

Our loans to customers at fair value through profit or loss decreased by 21.5% to RMB8,863.2 million as of December 31, 2018, compared to RMB11,283.8 million as of January 1, 2018, primarily due to changes of funding structures. Our loans to customers at fair value through profit or loss primarily represent the total balance of loans originated by us through our trust lending and direct lending structures.

	As of December 31,		As of January 1,	
	2018		2018	
	RMB'000	**%**	*RMB'000*	*%*
Loans to Customers at Fair Value through Profit or Loss				
Credit card balance transfer products	**2,670,922**	**30.1%**	4,377,675	38.8%
Consumption credit products	**2,202,984**	**24.9%**	3,195,278	28.3%
Online-to-offline credit products	**3,989,340**	**45.0%**	3,710,830	32.9%
Total	**8,863,246**	**100.0%**	11,283,783	100.0%

Contract Assets

Our contract assets increased by 55.9% to RMB154.1 million as of December 31, 2018 compared to RMB98.8 million as of December 31, 2017, in accordance with the development of our loan facilitation model.

	As of December 31,	
	2018	2017
	RMB'000	*RMB'000*
Contract assets	**174,039**	108,791
Less: ECL allowance	**(19,896)**	N/A
Less: Impairment allowance	**N/A**	(9,946)
Contract Assets, net	**154,143**	98,845

Guarantee Receivables and Guarantee Liabilities

Our guarantee receivables increased by 58.5% to RMB206.1 million as of December 31, 2018 compared to RMB130.1 million as of December 31, 2017. Our guarantee liabilities increased by 20.6% to RMB204.5 million as of December 31, 2018 compared to RMB169.6 million as of December 31, 2017. The changes in guarantee receivables and guarantee liabilities are primarily due to the shift of funding from trust lending and direct lending structures to credit-enhanced loan facilitation structure.

	For the Year Ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Guarantee Receivables		
Opening balance	**130,073**	23,681
Changes on initial application of IFRS 9	**(15,209)**	N/A
Addition arising from new business	**430,777**	185,916
Impairment losses	**N/A**	(3,562)
Expected credit losses	**(35,998)**	N/A
Reversal due to early repayment	**(50,172)**	(16,815)
Payment received from borrowers	**(253,325)**	(59,147)
Ending Balance	**206,146**	130,073

	For the Year Ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Guarantee Liabilities		
Opening balance	**169,553**	31,276
Changes on initial application of IFRS 9	**65,299**	N/A
Addition arising from new business	**430,777**	185,916
Release of the margin	**(27,459)**	(9,211)
Expected credit losses	**137,723**	N/A
Payouts during the period, net	**(571,397)**	(38,428)
Ending Balance	**204,496**	169,553

Borrowings

Our total borrowings, as recorded on our consolidated statements of financial position, comprises (1) payable to holders of trust plans and asset management plans, (2) borrowings from corporations, (3) borrowings from individuals, and (4) bank borrowings. Our total borrowings decreased by 26.5% to RMB8,131.3 million as of December 31, 2018, compared to RMB11,063.1 million as of December 31, 2017, primarily due to (i) the repayment of expired debt and (ii) shift of funding from trust lending and direct lending structures to credit-enhanced loan facilitation structure. The following table sets forth a breakdown of our borrowings by nature as of the dates indicated.

	As of December 31,			
	2018		2017	
	RMB'000	**%**	*RMB'000*	*%*
Borrowings				
Payable to holders of trust plans and asset management plans	**6,918,969**	**85.1%**	9,411,228	85.1%
Borrowings from corporations	**1,073,126**	**13.2%**	1,109,440	10.0%
Borrowings from individuals	**138,517**	**1.7%**	540,532	4.9%
Bank borrowings	**664**	**0.0%**	1,933	0.0%
Total	**8,131,276**	**100.0%**	11,063,133	100.0%

	For the Year Ended December 31,	
	2018	2017
Weighted Average Interest Rates of Borrowings		
Payable to holders of trust plans and asset management plans	**11.0%**	10.0%
Borrowings from corporations	**10.0%**	10.0%
Borrowings from individuals	**10.0%**	10.0%
Bank borrowings	**6.2%**	7.4%

Gearing Ratio

As at December 31, 2018, our gearing ratio, calculated as total liabilities (excluding convertible redeemable preferred shares) divided by total assets, was approximately 76.2%, representing a decrease of 12.4% as compared with 88.6% as at December 31, 2017. The decrease was primarily due to repayment of trust plans.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows

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

	For the Year Ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Net cash inflow/(outflow) from operating activities	**3,128,239**	(4,163,479)
Net cash inflow/(outflow) from investing activities	**123,435**	(190,027)
Net cash (outflow)/inflow from financing activities	**(2,765,474)**	4,634,202
Net increase in cash and cash equivalents	**486,200**	280,696
Cash and cash equivalents at the beginning of the financial year	**568,196**	289,889
Effects of exchange rate changes on cash and cash equivalents	**(4,284)**	(2,389)
Cash and cash equivalents at end of the year	**1,050,112**	568,196

Our cash inflow generated from operating activities primarily consists of principal and interest, loan facilitation service fees and other penalty charges received from the consumer finance products we offered. Our cash outflow used in operating activities primarily consists of cash payment of guarantee indemnification, employee salaries and benefits, taxes and surcharges, and other operating expenses. We had net cash inflow generated from operating activities of RMB3,128.2 million for the year ended December 31, 2018 compared with net cash outflow used in operating activities of RMB4,163.5 million for year ended December 31, 2017, primarily due to the shift to facilitation funding structures.

We had net cash inflow generated from investing activities of RMB123.4 million for the year ended December 31, 2018, compared with net cash outflow of RMB190.0 million for the year ended December 31, 2017, primary due to the cash inflow RMB231.9 million proceeds received from wealth management products we invested in.

We had net cash outflow from financing activities of RMB2,765.5 million for the year ended December 31, 2018, compared with net cash inflow of RMB4,634.2 million for the year ended December 31, 2017. For the year ended December 31, 2018, the cash outflow from financing activities was primarily due to RMB776.1 million repayment of borrowings and RMB9,030.3 million repayment of trust plans. We also had cash inflow from financing activities of RMB6,538.0 million through proceeds from trust plans and RMB1,157.3 million through proceeds from the Listing, for the year ended December 31, 2018.

Opinion

The board of directors of the Company (the "**Board**") is of the opinion that, after taking into account the existing available borrowing facilities and internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements.

CAPITAL COMMITMENTS, CONTINGENCIES AND CHARGES ON ASSETS

Capital Commitments

The Group did not have any significant capital contracted for at the end of the reporting period but not recognised as liabilities as of December 31, 2018.

Non-Cancellable Operating Lease Commitments

The Group has entered into outstanding operating lease commitments for certain office rentals under non-cancellable leases. The lease terms are between 1 to 5 years, and the majority of lease agreements are renewable at the end of their term.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year (inclusive)	**46,963**	48,099
1 to 2 years (inclusive)	**17,140**	29,869
More than 2 years	**12,216**	6,858
	76,319	84,826

Charges on Assets

As of December 31, 2018, the Group pledged its flat of net book value RMB9.4 million (2017: RMB10.0 million) to Shanghai Pudong Development Bank as collateral to secure bank facilities granted to the Group.

Contingencies

The Group did not have any significant contingent liabilities as of December 31, 2018.

ACQUISITIONS AND DISPOSALS

As at December 31, 2018, the Group has completed the disposal of Hangzhou Vision Financial Servicing Co., Ltd. (杭州維仕金融服務有限公司), an indirect wholly-owned subsidiary of the Company, which operated the online-to-offline business platform ("**O2O Business Platform**") of the Group including leases of offline branch offices and outlets, intangible assets, such as certain intellectual property registration rights and personnel relating to the O2O Business Platform for a consideration of approximately RMB11.8 million. Further details of the disposal of the O2O Business Platform are set out in the Company's announcements dated October 10, 2018 and January 2, 2019.

Material Investments

The Group did not hold any material investments during the year ended December 31, 2018.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this annual report, we do not have any present plans for other material investments and capital assets.

On January 11, 2019, the Board adopted a share award scheme, pursuant to which all employees (including without limitation any directors) of the Group will be entitled to participate, as determined by the Board. Pursuant to the scheme rules, shares of the Company (the "**Shares**") will be acquired by an independent trustee from the market, at the cost of the Company and held on trust for the selected participants until the Shares vest. Vested Shares will be transferred at no cost to the selected participants. The maximum number of Shares that may be awarded under the scheme throughout its duration is 24,974,369 Shares. For further details, please refer to the announcement of the Company dated January 11, 2019.

Directors

Mr. Liu Sai Wang Stephen	*Executive Director and Chief Executive Officer*
Mr. Liu Sai Keung Thomas	*Executive Director and Chief Operating Officer*
Mr. Ma Ting Hung	*Non-Executive Director and Chairman*
Mr. Chen Derek	*Non-Executive Director*
Ms. Liu Yang	*Non-Executive Director*
Mr. Yip Ka Kay	*Non-Executive Director*
Mr. Chen Penghui	*Independent Non-Executive Director*
Dr. Seek Ngee Huat	*Independent Non-Executive Director*
Mr. Wu Chak Man	*Independent Non-Executive Director*

Directors — Biographies

Mr. Liu Sai Wang Stephen ("**Mr. Stephen Liu**"), aged 51, 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, 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 Hong Kong Chinese University 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 controls 50% of, and is a director of, Magic Mount Limited ("**Magic Mount**"), and controls 100% of, and is a director of, each of Perfect Castle Development Limited ("**Perfect Castle**") and Union Fair International Limited ("**Union Fair**"). As at the date of this report, Magic Mount, Perfect Castle and Union Fair have beneficial interests in 27,093,858 Shares, 27,523,810 Shares and 5,324,505 Shares, respectively, and Perfect Castle also has a beneficial interest in share options to subscribe for 46,978,816 Shares.

Mr. Liu Sai Keung Thomas ("**Mr. Thomas Liu**"), aged 46, 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 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 (SEHK Stock Code: 2383), a company listed on 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 Inc. (SEHK Stock Code: 777), a company listed on the Main Board of the Stock Exchange.

Mr. Thomas Liu obtained 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 University of California, Los Angeles, in June 2001.

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

Mr. Thomas Liu controls 100% of, and is a director of, International Treasure Limited ("**International Treasure**"). As at the date of this report, Mr. Thomas Liu has a beneficial interest in share options to subscribe for 2,100,000 Shares and International Treasure has a beneficial interest in 6,828,585 Shares and share options to subscribe for 5,000,000 Shares.

Mr. Ma Ting Hung, aged 55, joined as a director of the Company in September 2007. He is a non-executive director and the Chairman of the Company and the chairman of the nomination committee of the Company. 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 and management of the Company. Mr. Ma has over 27 years of experience in banking and finance, and the natural resources industry. Mr. Ma served as an executive director of CITIC Resources Holdings Limited (SEHK Stock Code: 1205), a company listed on the Main Board of the Stock Exchange, from August 2000 to August 2007 and as a non-executive director of CITIC Resources Holdings Limited from August 2007 to June 2009 and from September 2015 to June 2018, as its Chief Executive Officer from August 2000 to September 2005, its Vice Chairman from August 2000 to August 2007 and a member of its remuneration committee from March 2006 to August 2007. He was also an independent non-executive director of Universe International Holdings Limited (SEHK 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 China Overseas Friendship Association and a member of The Hong Kong Independent Non-Executive Directors Association.

Mr. Ma controls 100% of, and is a director of, each of Skyworld-Best Limited ("**Skyworld-Best**"), Wealthy Surplus Limited ("**Wealthy Surplus**") and Glory Global International Limited ("**Glory Global**"), As at the date of this report, Mr. Ma, Skyworld-Best, Wealthy Surplus and Glory Global have beneficial interests in 450,000 Shares, 84,719,154 Shares, 46,607,010 Shares and 45,595,933 Shares, respectively, and Skyworld-Best also has a beneficial interest in share options to subscribe for 4,000,000 Shares.

Mr. Chen Derek, aged 43, joined as a director of the Company in October 2017. He is a non-executive director of the Company. Mr. Chen Derek has been a Partner of TPG Capital (Beijing) Limited since September 2013 and is 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 serving as a principal of the firm when he left in September 2009.

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

Ms. Liu Yang, aged 54, joined as a director of the Company in January 2016. She is a non-executive director of the Company. Ms. Liu is the chairperson and chief investment officer of Atlantis Investment Management Limited (formerly known as Atlantis Investment Management (Hong Kong) Limited).

Ms. Liu received a bachelor's degree in economics from the Central University of Finance and Banking, Beijing, China, in June 1988 and a graduate diploma in applied finance and investment from the Securities Institute of Australia in March 1998. She was admitted as an Associate of the Securities Institute of Australia in February 1998.

Ms. Liu controls 100% of, and is a director of, each of Riverwood Asset Management (Cayman) Limited and Atlantis Investment Management Limited, each of which is an investment manager to Atlantis China Star Fund Limited and Atlantis China Star Fund II Limited. As at the date of this report, Atlantis China Star Fund Limited and Atlantis China Star Fund II Limited have beneficial interests in 5,609,617 Shares and 29,108,973 Shares, respectively.

Mr. Yip Ka Kay, aged 54, joined as a director of the Company in March 2012. He is a non-executive director of the Company and a member of the audit committee of the Company.

Mr. Yip is the managing director and responsible officer of GRE Investment Advisors Limited, a Hong Kong Securities and Futures Commission licensed advisor to NM Strategic Management, LLC. He is also a managing director of General Oriental Investments (HK) Limited, a wholly owned subsidiary of General Oriental Investments S.A., the investment manager of the Cavenham Group of Funds. Mr. Yip is also an independent non-executive director of Shun Tak Holdings Limited (SEHK Stock Code: 242), a company listed on the Main Board of the Stock Exchange. Mr. Yip has extensive experience in private equity, 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 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.

Mr. Yip holds an A.B. Degree in Economics (magna cum laude) from Harvard University. He sits as a non-scientific member of the Institutional Review Board of the University of Hong Kong/Hospital Authority Hong Kong West Cluster and is also a member of the board of trustees of Milton Academy, Massachusetts, USA. He was chairman emeritus of the Hong Kong Venture Capital and Private Equity Association. Mr. Yip had 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. Yip controls 50% of, and is a director of, CPED (KY) Limited and the sole director and the sole shareholder of NM Strategic Partners, LLC which manages NM Strategic Focus Fund L.P. As at the date of this report, CPED (KY) Limited and NM Strategic Focus Fund L.P. have beneficial interests in 4,015,628 Shares and 9,558,874 Shares, respectively.

Mr. Chen Penghui, aged 47, 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 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. He is 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. Mr. Chen was also the President of ShangPharma Co., Ltd. (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.

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.

Dr. Seek Ngee Huat, aged 69, joined as an independent non-executive director of the Company in June 2018. Dr. Seek is a member of the nomination committee of the Company. He holds advisory roles at the Centre for Liveable Cities, Frasers Property Limited (SGX: TQ5), a company listed on the Singapore Stock Exchange, GLP Pte. Ltd. and Canada Pension Plan Investment Board. Dr. Seek is also a director of Brookfield Asset Management Inc (Stock Code: BAM.A; BAM and BAMA), a company listed on the Toronto Stock Exchange, the New York Stock Exchange and Euronext, and is a member of its Governance and Nominating Committee. He has served as the chairman of the management board of the Institute of Real Estate Studies at the National University of Singapore since June 2009, where he is also practice professor of real estate. Dr. Seek was the chairman of the Urban Land Institute Asia Pacific from July 2016 to June 2018 and has held various senior positions in the group of GIC Private Limited (formerly known as "Government of Singapore Investment Corporation"), including as President and director at GIC Real Estate Pte Ltd, director of the GIC Private Limited, Advisor to GIC Group Executive Committee and Chairman of the Latin America Business. Dr. Seek was a director and chairman of Global Logistic Properties Limited (Stock Code: MC0.SI), a company listed on the Singapore Stock Exchange, from September 2010 to January 2018 and chairman of the Investment Committee and chairman of the Human Resources & Compensation Committee of Global Logistic Properties Limited. Dr. Seek was appointed the chairman of GLP IM Holdings Limited in September 2018.

Dr. Seek received his Bachelor of Science degree in Estate Management from the University of Singapore in August 1973. He also holds a Master of Science in Business Administration from the University of British Columbia, Canada and a PhD in urban research from the Australian National University. Dr. Seek has been awarded the Singapore Public Administration Gold Medal and the Outstanding Service Award by the National University of Singapore.

Mr. Wu Chak Man, aged 47, joined as an independent non-executive director of the Company in June 2018. He is the chairman of the audit committee and a member of the nomination committee. Mr. Wu is the founding partner of MFund Venture Capital and the Chief Executive Officer of Shanghai Moliang Venture Investment Center (LLP) (上海魔量創業投資中心(有限合夥). He is also an independent non-executive director of China Parenting Network Holdings Limited (中國育兒網路控股有限公司) (SEHK Stock Code: 1736), a company which is listed on the Main Board of the Stock Exchange. Mr. Wu resigned as an independent non-executive director of Tian Ge Interactive Holdings Limited (天鴿互動控股有限公司) (SEHK Stock Code: 1980), a company listed on the Main Board of the Stock Exchange, on June 13, 2018. Mr. Wu was also an executive director and the chief executive officer of 91 Wireless Websoft Limited (now known as Baidu 91 Wireless) from 2011 to 2014. Between 2004 to 2013, Mr. Wu held various senior management positions in the group of NetDragon Websoft Holdings Limited (網龍網絡控股有限公司) (SEHK Stock Code: 777), a company listed on the Main Board of the Stock Exchange, including chief financial officer and vice-president of NetDragon Websoft Holdings Limited.

Mr. Wu received his bachelor's degree in economics from the University of California, Berkeley and master's degree in business administration from Duke University.

As at the date of this report, Mr. Wu has a beneficial interest in 2,730,289 Shares.

Senior Management — Biographies

Mr. Jin Jiafang, aged 41, joined in March 2013 and is the Chief Technology Officer of the Company. Prior to joining the Group, Mr. Jin served as a Vice President of Information Management at International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司) from May 2007 to January 2013.

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

Dr. Luo Sheng, aged 63, joined in September 2016 and is the Chief Risk Officer of the Company. Immediately prior to joining the Group, Dr. Luo served as director of customer information management at The Hongkong and Shanghai Banking Corporation Limited.

Dr. Luo received his PhD in demography from the University of Pennsylvania.

Mr. Zhou Zheng, aged 33, joined in November 2017 and is the Chief Financial Officer of the Company. Prior to joining the Company, Mr. Zhou served as a Vice President at Credit Suisse (Hong Kong) Limited in the Investment Banking and Capital Markets Division, Goldman Sachs Gao Hua Securities Company Limited and The Blackstone Group HK Limited.

Mr. Zhou received his bachelor's degree in business administration in finance from the Hong Kong University of Science and Technology.

Update on Directors' Information

Set out below are changes in the information of directors which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

On September 4, 2018, Dr. Seek Ngee Huat, an independent non-executive director, was appointed as the chairman of GLP IM Holdings Limited.

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 period commencing from the Listing Date, and ending on December 31, 2018 (the "**Relevant Period**"), applied the principles and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 (the "**CG Code**") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (the "**Model Code**") to the Listing Rules as a code of conduct for dealings in the securities of the Company by its directors. Each director has confirmed, following specific enquiry by the Company, that he or she has complied with the required standards set out in the Model Code throughout the Relevant Period.

Board of Directors

Members of the Board

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

Executive Directors

Mr. Liu Sai Wang Stephen (Chief Executive Officer)
Mr. Liu Sai Keung Thomas (Chief Operating Officer)

Non-Executive Directors

Mr. Ma Ting Hung (Chairman)
Mr. Chen Derek
Ms. Liu Yang
Mr. Yip Ka Kay

Independent Non-Executive Directors

Mr. Chen Penghui
Dr. Seek Ngee Huat
Mr. Wu Chak Man

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

Responsibilities of the Board

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

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

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

If a substantial shareholder or a director has a material conflict of interest in 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, announcements of interim and final results and payment of dividends.

Appointment and Re-election of Directors

The current 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.

Non-executive directors (including independent non-executive directors) are appointed for an initial term of three years 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 shall hold office only until the first general meeting after his appointment and is subject to re-election at such meeting and that a director appointed as an addition to the Board shall hold office only until the next following annual general meeting 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 member has appropriate accounting and related financial management expertise as required by the Listing Rules. With their expertise and experience, they provide independent judgement and advice on the overall management of the Company.

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

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

The chairman will hold a meeting with the non-executive directors (including independent non-executive directors) without the presence of executive directors at least once every financial year.

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

In conjunction with the Listing, the directors received training and induction on their duties and responsibilities as directors and the requirements of and their obligations under, amongst others, the Listing Rules and the Securities and Futures Ordinance ("**SFO**"). For future appointments, each new director will be provided with orientation 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. The following shows the training each of the directors received during the year:

	Attending seminars/ briefings	**Reading materials**
Executive Directors:		
Mr. Liu Sai Wang Stephen	✓	✓
Mr. Liu Sai Keung Thomas	✓	✓
Non-Executive Directors:		
Mr. Ma Ting Hung	✓	✓
Mr. Chen Derek	✓	✓
Ms. Liu Yang	✓	✓
Mr. Yip Ka Kay	✓	✓
Independent Non-Executive Directors:		
Mr. Chen Penghui	✓	✓
Dr. Seek Ngee Huat	✓	✓
Mr. Wu Chak Man	✓	✓

Indemnification of Directors and Officer

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

Chairman and Chief Executive Officer

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

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

The chairman is responsible for, amongst other things, ensuring the whole Board receives, in a timely manner, adequate information regarding the Group and its financial and business performance which must be 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, 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 Relevant Period. 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 of the external auditor 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 Relevant Period were as follows:

Mr. Wu Chak Man *(Independent Non-Executive Director) (Chairman)*
Mr. Chen Penghui *(Independent Non-Executive Director)*
Mr. Yip Ka Kay *(Non-Executive Director)*

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

As the Company was listed on the Listing Date, the audit committee met once during the Relevant Period to review, together with senior management and the external auditor, the interim financial statements of the Company for the six months ended June 30, 2018. Going forward, the audit committee will meet as and when required to perform its responsibilities, and at least twice in each financial year of the Company to, amongst other things, review the annual and interim financial statements of the Company, the accounting principles and practices adopted by the Group, statutory compliance, other financial reporting matters, and the adequacy and effectiveness of the Group's internal audit, as well as 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 and experience) 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 of the Company, 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 by requiring consideration of a range of diversity perspectives, including but not limited to gender, age, cultural and educational background and professional experience with regard to the selection of candidates as directors; and

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

As the current Board was constituted on June 7, 2018 for the purposes of the Listing, the nomination committee did not meet during the Relevant Period. Going forward, the nomination committee will meet as and when required to perform its responsibilities, and at least once in each financial year of the Company.

Members of the nomination committee during the Relevant Period were:

Mr. Ma Ting Hung *(Non-Executive Director) (Chairman)*
Dr. Seek Ngee Huat *(Independent Non-Executive Director)*
Mr. Wu Chak Man *(Independent Non-Executive Director)*

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 and/or the chief executive officer about their remuneration proposals for other executive directors.

Members of the remuneration committee are:

Mr. Chen Penghui *(Independent Non-Executive Director) (Chairman)*
Mr. Wu Chak Man *(Independent Non-Executive Director)*
Mr. Liu Sai Wang Stephen *(Executive Director)*

One meeting of the remuneration committee was held during the Relevant Period to consider and make recommendations to the Board as to the remuneration of directors and senior management and the adoption of a share award scheme. Going forward, the remuneration committee will meet as and when required to perform its responsibilities, and at least once in each financial year of the Company.

Attendance at Meetings of the Board and Board Committees

	Number of meetings held during the Relevant Period Attended/Eligible to attend			
	Board	Audit Committee	Nomination Committee	Remuneration Committee
Executive Directors				
Mr. Liu Sai Wang Stephen	4/4			1/1
Mr. Liu Sai Keung Thomas	4/4			
Non-Executive Directors				
Mr. Ma Ting Hung	4/4			
Mr. Chen Derek	4/4			
Ms. Liu Yang	2/4			
Mr. Yip Ka Kay	4/4	1/1		
Independent Non-Executive Directors				
Mr. Chen Penghui	3/4	1/1		1/1
Dr. Seek Ngee Huat	4/4			
Mr. Wu Chak Man	2/4	1/1		0/1

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

Mr. Cha Johnathan Jen Wah has been appointed the company secretary of the Company. Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Cha has completed no less than 15 hours of relevant professional training during the year ended December 31, 2018 in compliance with rule 3.29 of the Listing Rules.

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

Financial Reporting

The directors acknowledge their responsibilities for preparing the financial statements for 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 in China, 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 operational 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 optimize 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 the Company's 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.

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

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

The Board has received from management a confirmation on the effectiveness of the risk management and internal control systems for the year ended December 31, 2018.

The Board, as supported by the Audit Committee as well as the internal audit department who have reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2018, consider that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

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

Auditor's Remuneration

PricewaterhouseCoopers ("**PwC**") is the Company's external auditor until the next annual general meeting, when PwC will stand for re-appointment. PwC is primarily responsible for providing audit services in connection with the financial statements of the Group for the year ended December 31, 2018.

For the year ended December 31, 2018, PwC charged the Group RMB9.4 million for the provision of audit services and RMB0.8 million for the provision of non-audit services. The non-audit services included providing internal control report.

Shareholders' Rights

Procedures for shareholders to convene a special general meeting

Shareholder(s) holding at the date of deposit of the requisition 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 a 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 in Hong Kong at Suites 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 a 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 a 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 a 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 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 Law (2011 Revision). Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding section "Procedures for shareholders to convene a special 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 at the Company's principal place of business in Hong Kong 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 in Hong Kong or by email for the attention of the Investor Relations Department or e-mail to "ir@vcredit.com".

Communication with Shareholders and Investor Relations

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

Changes to Memorandum and Articles

For the purposes of the Listing, the Company adopted an amended and restated memorandum of association (the "**Memorandum**") and the Articles. An up-to-date version of the Memorandum and the Articles is available on the websites of the Company and the Stock Exchange. There were no changes to the Memorandum and the Articles during the Relevant Period.

Dividend Policy

During the year, the Board 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, dividends and distributions by the Company are required to comply with applicable legislation and the Articles, the Board shall exercise care in its financial management of the Company and in declaring dividends and distributions and final dividends declared by the Company are subject to the approval of shareholders of the Company in general meeting. There is no assurance that any dividend or distribution will be proposed or declared in respect of any specific period.

The directors present their report and the audited financial statements of the Company for the year ended December 31, 2018.

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. 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 2.3.1 to the financial statements.

Results

The Group's profit for the year ended December, 31 2018 and the Group's financial position as at that date are set out in the financial statements on pages 66 to 177.

Dividend

The Board does not recommend the payment of a final dividend for the year ended December 31, 2018.

Business Review

The review of the business of the Group for the year ended December 31, 2018 and a description of the principal risks and uncertainties facing the Group are provided in the sections headed "The Chairman's Statement", "The CEO Report", "Management's Discussion and Analysis" and "Report of the Directors" of this report, the Consolidated Financial Information on pages 66 to 177 of this report and the section headed "Four Year Financial Summary" of this report.

Material Acquisitions and Disposals

As at December 31, 2018, the Group had completed the disposal of 杭州維仕金融服務有限公司 (Hangzhou Vision Financial Servicing Co., Ltd.), an indirect wholly-subsidiary of the Company, and the online-to-offline business platform of the Group including leases of offline branch offices and outlets, intangible assets, such as certain intellectual property registration rights and personnel relating to the O2O business platform (together with 杭州維仕金融服務有限公司 (Hangzhou Vision Financial Servicing Co., Ltd.), the "**O2O Platform**") for a consideration of approximately RMB11.8 million (HK$13.3 million). Details of the disposal of the O2O Platform are set out in the Company's announcements dated October 10, 2018 and January 2, 2019.

Compliance with Laws and Regulations

The Company is an exempt company registered in the Cayman Islands by way of continuation with limited liability and listed on the Stock Exchange. It is an investment holding company.

The Group's business and operations are mainly carried out by the Company's subsidiaries in China.

During the year ended December 31, 2018, to the best of the information, knowledge and belief of the Board, the Group has complied with the relevant laws and regulations in the Cayman Islands, Hong Kong and China.

Connected Transactions and Continuing Connected Transactions

The related party transactions set out in note 32 to the financial statements are connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are fully exempt connected transactions or fully exempt continuing connected transactions under Chapter 14A of the Listing Rules.

Environmental Policies and Performance

The Group attaches importance to balancing the needs of business development and fulfilling its environmental, social and governance ("**ESG**") responsibilities.

Details of the Group's ESG performance will be disclosed in the Company's ESG report which will be available on the websites of the Company at www.vcredit.com and the Stock Exchange within 3 months of the date of this report.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past four financial years, as extracted from the published audited financial statements, is set out on page 178. This summary does not form part of the audited financial statements.

Share Capital and Share Options

Details of the movements in the Company's share capital and share options during the year ended December 31, 2018 are set out in note 29 and note 31 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

Following the Listing and the exercise of the over-allotment option granted to the underwriters in respect of the Listing, the Company had a total of 501,113,869 Shares in issue as of July 19, 2018.

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.

During the Relevant Period:

(1) the Company repurchased a total of 1,759,800 Shares on the Stock Exchange for an aggregate consideration of HK$18,009,229.31 (including expenses). The repurchases were effected pursuant to the repurchase mandate granted to the directors by shareholders on May 10, 2018, with a view to benefiting shareholders as a whole to enhance the net asset value per Share.

Date	Number of Shares Repurchased	Lowest Price Paid *(HK$)*	Highest Price Paid *(HK$)*	Aggregate Consideration *(HK$)*
September 3, 2018	10,200	10.50	11.00	109,272.94
September 4, 2018	74,800	10.56	11.00	815,867.37
September 5, 2018	188,200	10.60	10.90	2,044,826.83
September 6, 2018	145,400	10.70	10.90	1,574,721.74
September 7, 2018	55,400	10.26	10.86	589,839.55
September 10, 2018	24,400	10.24	10.74	254,315.23
September 11, 2018	200,000	10.16	10.42	2,067,371.51
September 12, 2018	77,400	10.24	10.56	806,734.05
September 13, 2018	81,400	10.40	10.60	859,057.52
September 14, 2018	100,000	10.46	10.60	1,055,543.02
September 17, 2018	100,000	10.16	10.52	1,050,297.15
September 18, 2018	15,200	10.38	10.46	159,594.91
September 19, 2018	50,000	10.18	10.56	519,852.61
September 20, 2018	50,000	10.18	10.40	518,583.99
September 21, 2018	50,000	10.30	10.44	521,858.76
September 24, 2018	35,600	10.28	10.52	371,680.93
September 26, 2018	30,800	10.24	10.44	320,263.08
September 27, 2018	50,000	10.16	10.38	520,540.03
September 28, 2018	50,000	9.81	10.36	509,962.13
October 2, 2018	50,000	9.91	10.14	502,449.57
October 3, 2018	18,000	9.92	10.00	180,414.32
October 4, 2018	25,000	9.91	10.00	250,196.16
October 5, 2018	25,000	9.75	9.95	249,082.85
October 8, 2018	25,000	9.67	9.90	246,683.38
October 9, 2018	50,000	8.90	9.66	458,795.19
October 10, 2018	50,000	8.21	8.97	430,353.29
October 11, 2018	128,000	7.65	8.10	1,021,071.22

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

(2) the Company issued and allotted a total of 133,320 new Shares pursuant to the exercise of certain employee share options for an aggregate issue price of HK$909,242.40.

As at December 31, 2018, the Company had a total of 499,487,389 Shares in issue.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Reserves

Details of movements in the reserves of the Group during the year ended December 31, 2018 are set out in note 38 to the financial statements.

There are no reserves available for distribution to shareholders as at December 31, 2018 (2017: Nil).

Charitable Contributions

During the year ended December 31, 2018, the Group made charitable contributions of RMB1.6 million (2017: RMB0.4 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. We purchase 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. We also pay trust management fees to the trust plans to which we subscribe subordinated tranches. The Group did not have any single customer who accounted for more than 5% of the Group's revenue during the year ended December 31, 2018.

None of the directors, their close associates or any shareholder of the Company (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 ended December 31, 2018 and up to the date of this report were as follows:

Executive Directors:
Mr. Liu Sai Wang Stephen
Mr. Liu Sai Keung Thomas

Non-Executive Directors:
Mr. Ma Ting Hung
Mr. Chen Derek
Ms. Liu Yang
Mr. Yip Ka kay

Independent Non-Executive Directors:
Mr. Chen Penghui (appointed on June 7, 2018)
Dr. Seek Ngee Huat (appointed on June 7, 2018)
Mr. Wu Chak Man (appointed on June 7, 2018)

Others:
Mr. Fei Tai Hung (resigned on March 1, 2018)

The non-executive directors, including independent non-executive directors, are 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.

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.

In accordance with Article 109 of the Articles, Mr. Ma Ting Hung, Mr. Liu Sai Wang Stephen and Ms. Liu Yang will retire by rotation at the forthcoming annual general meeting of the Company to be held on June 28, 2019 ("**AGM**").

Ms. Liu Yang has informed the Board that she will not offer herself for re-election at, and will retire as a non-executive director at the conclusion of, the AGM. Ms. Liu Yang is the chairperson and chief investment officer of Atlantis Investment Management Limited engaged in private equity and asset management and wishes to devote more of her time to her primary business work commitments and responsibilities. Ms. Liu Yang has confirmed that she is not aware of any matter relating to her retirement that needs to be brought to the attention of shareholders. She has also confirmed that she is not aware of any disagreement with the Board or the Company in respect of her retirement.

Mr. Ma Ting Hung and Mr. Liu Sai Wang Stephen, the other two retiring directors, being eligible, shall offer themselves for re-election as directors at the AGM.

Directors who resigned during the year

During the year, due to personal reasons, Mr. Fei Tai Hung resigned as a director on March 1, 2018.

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, 2018, the Group had a total of 812 employees.

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

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

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

The Company operates a number of share incentive schemes for the purpose of providing share based incentives and rewards to eligible persons (see section headed "Share Incentive Schemes" below)

Details of the remuneration of directors and senior management and the five highest paid individuals are set out in note 10, note 32(g) and note 11, respectively, to the financial statements.

Directors' Interests in Transactions, Arrangements and Contracts

During the year ended December 31, 2018, no director 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.

Save as disclosed herein and so far as is known to the directors, as at December 31, 2018, none of the directors or their respective associates was materially interested in any subsisting contract that is significant in relation to the businesses of the Group, taken as a whole.

Directors' Competing Interests

So far as is known to the directors, as at December 31, 2018, 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, 2018, 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 to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO), or 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 of the Company

Name of Director or chief executive	Nature of Interest	Number of Shares	Number of Shares underlying share options	Percentage of total issued Shares[(1)]
Ma Ting Hung	Interest in controlled corporations[(2)]	176,922,097	4,000,000	36.31
	Beneficial Interest	450,000		
Liu Sai Wang Stephen	Interest in controlled corporations[(3)]	59,942,173	46,978,816	21.41
Liu Sai Keung Thomas	Interest in controlled corporation[(4)]	6,828,585	5,000,000	2.79
	Beneficial Interest		2,100,000	
Liu Yang	Interest in controlled corporations[(5)]	34,718,590		6.95
Wu Chak Man	Beneficial Interest	2,730,289		0.55
Yip Ka Kay	Interest in controlled corporations[(6)]	13,574,502		2.72

Notes:

(1) The calculation is based on (i) the aggregate number of Shares and, if any, Shares underlying share options and (ii) the total number of 499,487,389 Shares in issue as at December 31, 2018.

(2) Ma Ting Hung controls 100% of, and is a director of, each of Skyworld-Best Limited, Wealthy Surplus Limited and Glory Global International Limited, each of which has a beneficial interest in 84,719,154 Shares, 46,607,010 Shares and 45,595,933 Shares, respectively. Skyworld-Best Limited also has a beneficial interest in share options to subscribe for 4,000,000 Shares.

(3) Liu Sai Wang Stephen controls 50% of, and is a director of, Magic Mount Limited, which has a beneficial interest in 27,093,858 Shares, and controls 100% of, and is a director of, each of Perfect Castle Development Limited and Union Fair International Limited, each of which has a beneficial interest in 27,523,810 Shares and 5,324,505 Shares, respectively. Perfect Castle Development Limited also has a beneficial interest in share options to subscribe for 46,978,816 Shares.

(4) Liu Sai Keung Thomas controls 100% of, and is a director of, International Treasure Limited which has a beneficial interest in 6,828,585 Shares and share options to subscribe for 5,000,000 Shares.

(5) Liu Yang controls 100% of, and is a director of, each of Riverwood Asset Management (Cayman) Limited and Atlantis Investment Management Limited, each of which is an investment manager to Atlantis China Star Fund Limited and Atlantis China Star Fund II Limited, and each of which has a beneficial interest in 5,609,617 Shares and 29,108,973 Shares, respectively.

(6) Yip Ka Kay controls 50% of, and is a director of, CPED (KY) Limited, which has a beneficial interest in 4,015,628 Shares. Yip Ka Kay is also the sole director and the sole shareholder of NM Strategic Partners, LLC which manages NM Strategic Focus Fund L.P., which has a beneficial interest in 9,558,874 Shares.

Save as disclosed herein and in the section headed "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" below, and so far as is known to the directors, as at December 31, 2018:

(a) none of the directors or the chief executive of the Company 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 to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO), or 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 of the Company 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 of the Company 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 of the Company 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/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 Directors & Officers Liability Insurance 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 ended December 31, 2018.

Share Incentive Schemes

Save as disclosed herein, the Company has not entered into any equity-linked agreement and no equity-linked agreement subsisted as at the date of this report.

Pre-IPO Share Option Schemes

The Company has adopted three pre-IPO share option schemes which were approved by the Board on March 1, 2016 (the "**2016 ESOP**"), March 1, 2018 (the "**2017 ESOP I**") and March 1, 2018 (the "**2017 ESOP II**", together with the 2016 ESOP and the 2017 ESOP I, the "**Pre-IPO Share Option Schemes**"), respectively. The Pre-IPO Share Option Schemes are not subject to the provisions of Chapter 17 of the Listing Rules.

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

The following table discloses in respect of the outstanding share options granted under the Pre-IPO Share Options:

(a) the name of the director of the Company, in the case of outstanding share options granted to a director or a company or companies controlled by such director and the category of persons, in the case of outstanding share options granted to persons who are not directors or companies controlled by directors;

(b) in the case of a director of the Company, the number of share options granted to such director or companies controlled by such director on an individual basis and in the case of other persons, the number of share options granted on an aggregate basis;

(c) the number of share options exercised during the Relevant Period;

(d) the date of grant of the share options;

(e) the exercise period (after taking into account any vesting period) of the share options;

(f) the exercise price of the share options; and

(g) the approximate percentage that the Shares issuable under the share options represent of the total Shares in issue as of December 31, 2018.

Name or category of participant	Options outstanding as at December 31, 2018	Exercised/ lapsed/ cancelled during the Relevant Period	Date of grant	Exercise period	Exercise Price per Share (US$)	Approximate percentage of issued Shares[1]
2016 ESOP						
Director						
Liu Sai Keung Thomas[2]	2,366,430	Nil	01–03–2016	31–12–2016 to 30–11–2021	0.8735	1.42%
	2,366,430	Nil	01–03–2016	31–12–2017 to 30–11–2021	0.8735	
	2,367,140	Nil	01–03–2016	31–12–2018 to 30–11–2021	0.8735	
Other employees						
In aggregate	171,850	Nil	20–11–2017	20–11–2018 to 19–11–2023	0.8735	0.10%
	171,850	Nil	20–11–2017	20–11–2019 to 19–11–2023	0.8735	
	171,902	Nil	20–11–2017	20–11–2020 to 19–11–2023	0.8735	
Other employees						
In aggregate	116,655	Nil	20–09–2016	20–09–2017 to 19–09–2022	0.8735	0.07%
	116,655	Nil	20–09–2016	20–09–2018 to 19–09–2022	0.8735	
	116,690	Nil	20–09–2016	20–09–2019 to 19–09–2022	0.8735	

Name or category of participant	Options outstanding as at December 31, 2018	Exercised/ lapsed/ cancelled during the Relevant Period	Date of grant	Exercise period	Exercise Price per Share (US$)	Approximate percentage of issued Shares[1]
Other employees						
In aggregate	3,919,675	Nil	01–03–2016	31–12–2016 to 30–11–2021	0.8735	2.35%
	3,919,675	Nil	01–03–2016	31–12–2017 to 30–11–2021	0.8735	
	3,920,850	Nil	01–03–2016	31–12–2018 to 30–11–2021	0.8735	
Other employees						
In aggregate	166,650	Nil	17–10–2016	17–10–2017 to 16–10–2022	0.8735	0.10%
	166,650	Nil	17–10–2016	17–10–2018 to 16–10–2022	0.8735	
	166,700	Nil	17–10–2016	17–10–2019 to 16–10–2022	0.8735	
Other employees						
In aggregate	Nil	133,320 (exercised)	01–09–2017	01–09–2018 to 31–08–2023	0.8735	0.08%
	133,320	Nil	01–09–2017	01–09–2019 to 31–08–2023	0.8735	
	133,360	Nil	01–09–2017	01–09–2020 to 31–08–2023	0.8735	
Other employees						
In aggregate	18,898	Nil	01–04–2016	01–04–2017 to 31–03–2022	0.8735	0.01%
	18,898	Nil	01–04–2016	01–04–2018 to 31–03–2022	0.8735	
	18,904	Nil	01–04–2016	01–04–2019 to 31–03–2022	0.8735	
Other employees						
In aggregate	49,995	Nil	03–05–2016	03–05–2017 to 02–05–2022	0.8735	0.03%
	49,995	Nil	03–05–2016	03–05–2018 to 02–05–2022	0.8735	
	50,010	Nil	03–05–2016	03–05–2019 to 02–05–2022	0.8735	
Other employees						
In aggregate	33,330	Nil	20–03–2017	20–03–2018 to 19–03–2023	0.8735	0.02%
	33,330	Nil	20–03–2017	20–03–2019 to 19–03–2023	0.8735	
	33,340	Nil	20–03–2017	20–03–2020 to 19–03–2023	0.8735	
2017 ESOP I						
Director						
Liu Sai Wang Stephen[3]	8,954,665	Nil	10–05–2018	09–05–2019 to 09–05–2024	1.6123	5.38%
	8,954,665	Nil	10–05–2018	09–05–2020 to 09–05–2024	1.6123	
	8,954,667	Nil	10–05–2018	09–05–2021 to 09–05–2024	1.6123	
Other employees						
In aggregate	6,551,000	Nil	10–05–2018	09–05–2019 to 09–05–2024	1.6123	3.93%
	6,551,000	Nil	10–05–2018	09–05–2020 to 09–05–2024	1.6123	
	6,551,000	Nil	10–05–2018	09–05–2021 to 09–05–2024	1.6123	

Name or category of participant	Options outstanding as at December 31, 2018	Exercised/ lapsed/ cancelled during the Relevant Period	Date of grant	Exercise period	Exercise Price per Share (US$)	Approximate percentage of issued Shares[1]
2017 ESOP II Series A						
Director						
Liu Sai Wang Stephen[3]	6,704,939	Nil	10–05–2018	09–05–2019 to 09–05–2024	1.6123	4.03%
	6,704,939	Nil	10–05–2018	09–05–2020 to 09–05–2024	1.6123	
	6,704,941	Nil	10–05–2018	09–05–2021 to 09–05–2024	1.6123	
Ma Ting Hung[4]	1,333,333	Nil	10–05–2018	09–05–2019 to 09–05–2024	1.6123	0.80%
	1,333,333	Nil	10–05–2018	09–05–2020 to 09–05–2024	1.6123	
	1,333,334	Nil	10–05–2018	09–05–2021 to 09–05–2024	1.6123	
Other employees						
In aggregate	666,666	Nil	10–05–2018	09–05–2019 to 09–05–2024	1.6123	0.40%
	666,666	Nil	10–05–2018	09–05–2020 to 09–05–2024	1.6123	
	666,668	Nil	10–05–2018	09–05–2021 to 09–05–2024	1.6123	

Notes:

(1) The percentage calculations are based on the total number of 499,487,389 Shares in issue as at December 31, 2018.

(2) Liu Sai Keung Thomas has a beneficial interest in 2,100,000 share options granted under the Pre-IPO Share Options and an interest in 5,000,000 share options granted under the Pre-IPO Share Options which are held by International Treasure Limited, a company that is 100% controlled by Liu Sai Keung Thomas.

(3) Liu Sai Wang Stephen has an interest in an aggregate of 46,978,816 share options granted under the Pre-IPO Share Options which are held by Perfect Castle Development Limited, a company that is 100% controlled by Liu Sai Wang Stephen.

(4) Ma Ting Hung has an interest in an aggregate of 4,000,000 share options granted under the Pre-IPO Share Options which are held by Skyworld-Best Limited, a company that is 100% controlled by Ma Ting Hung.

The share options granted under the 2017 ESOP II are divided into three tranches, being series A, B and C. The series B and series C share options granted pursuant to the 2017 ESOP II lapsed upon Listing.

No share options have been granted under the Pre-IPO Share Options after Listing and, save as disclosed above, no share option granted under the Pre-IPO Share Options was exercised, lapsed or cancelled during the Relevant Period. The Company will not grant any further share options under the Pre-IPO Share Options.

Post-IPO Share Option Scheme

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

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

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

(b) *Eligible persons*: The eligible persons include employees and directors of the Company and any of its subsidiaries (including their respective executive and non-executive directors), business associates and advisers who will 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*: 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 that no share option may be exercised after 10 years from the date of grant.

(g) *Performance Target*: The Board may at is 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 greater 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 the date of this report. Accordingly, no share options under the Post-IPO Share Option Scheme have been exercised, cancelled or lapsed as at the date of this report.

Share Award Scheme

The Company adopted the VCREDIT No. 1 Share Award Scheme on January 11, 2019 (the "**Share Award Scheme**"). The Share Award Scheme is a discretionary scheme of the Company and does not constitute a share option scheme under and is not subject to the provisions of Chapter 17 of the Listing Rules.

The purpose of the Share Award Scheme is to align the interests of eligible persons with those of the Group and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

Pursuant to the Share Award Scheme, the Board may award existing Shares to selected eligible persons ("**selected participants**"), with such shares being acquired by the trustees of the Share Award Scheme 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 Share Award Scheme throughout its duration is 24,974,369 Shares (representing approximately 5% of the total number of Shares in issue at the date of adoption of the Share Award Scheme).

The trustees of the Share Award Scheme are independent trustees.

Neither the trustees of the Share Award Scheme nor any selected participant may exercise the voting rights in respect of any Shares held on trust under the Share Award Scheme that have not yet vested.

The Board may determine such vesting criteria and conditions or periods for any award of Shares. Vesting of the Shares will be conditional on the selected participant remaining an employee of the Group until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer of the vested Shares from the trustees.

The Share Award Scheme shall terminate on January 10, 2029 or such earlier date of termination as determined by the Board provided that such termination shall not affect any outstanding awards or rights of any selected participants.

No share awards had been granted under the Share Award Scheme as at the date of this report.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at December 31, 2018, the interests and short positions of the substantial shareholders and other persons in the shares or underlying shares of the Company, as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of shareholder	Nature of interest	Number of Shares held as long positions	Number of Shares underlying share options	Percentage of the total issued share capital of the Company(1)
Ma Ting Hung	Beneficial interest	450,000		36.31
	Interest in a controlled corporation(2)	176,922,097	4,000,000	
Skyworld-Best Limited	Beneficial interest	84,719,154	4,000,000	17.76
Wealthy Surplus Limited	Beneficial interest	46,607,010		9.33
Glory Global International Limited	Beneficial interest	45,595,933		9.13
Liu Sai Wang Stephen	Interest in a controlled corporation(3)(4)	59,942,173	46,978,816	21.41
Kwok Lim Ying	Interest in a controlled corporation(3)	27,093,858		5.42
Magic Mount Limited	Beneficial interest	27,093,858		5.42
Perfect Castle Development Limited	Beneficial interest	27,523,810	46,978,816	14.92
Kwok Peter Viem	Interest in a controlled corporation(5)	50,740,770		10.16
Kwok Chang Shiu Feng	Interest in a controlled corporation(5)	50,740,770		10.16
High Loyal Management Limited	Beneficial interest	50,740,770		10.16
EastWest Trust Company Limited	Interest in a controlled corporation(6)	41,339,885		8.28
Cavamont Holdings Limited	Interest in a controlled corporation(7)	41,339,885		8.28
Cavamont Investments Limited	Interest in a controlled corporation(8)	41,339,885		8.28
Cavenham Private Equity	And Directs Interest in a controlled corporation(9)	41,339,885		8.28
CPED Asia (No.1) Limited	Beneficial interest	37,324,257		7.47
Liu Yang	Interest in a controlled corporation(10)	34,718,590		6.95
Riverwood Asset Management (Cayman) Limited	Investment Manager(11)	34,718,590		6.95
Atlantis Capital Holdings Limited	Interest in a controlled corporation(12)	34,718,590		6.95
Atlantis Investment Management Limited	Investment Manager(13)	34,718,590		6.95
Atlantis China Star Fund II Limited	Beneficial interest	29,108,973		5.83
David Bonderman	Interest in a controlled corporation(14)	31,011,598		6.21
James George Coulter	Interest in a controlled corporation(14)	31,011,598		6.21
TPG Group Holdings (SBS) Advisors, Inc.	Interest in a controlled corporation(15)	31,011,598		6.21
TPG Group Holdings (SBS) Advisors, LLC	Interest in a controlled corporation(16)	31,011,598		6.21
TPG Group Holdings (SBS), L.P.	Interest in a controlled corporation(17)	31,011,598		6.21
TPG Holding III-A, Inc.	Interest in a controlled corporation(18)	31,011,598		6.21
TPG Holdings III-A, L.P.	Interest in a controlled corporation(19)	31,011,598		6.21
TPG Holdings III, LP	Interest in a controlled corporation(20)	31,011,598		6.21
TPG Growth III SF AIV GenPar Advisors, Inc.	Interest in a controlled corporation(21)	31,011,598		6.21
TPG Growth III SF AIV GenPar, LP	Interest in a controlled corporation(22)	31,011,598		6.21
TPG Growth III SF Finance, Limited Partnership	Interest in a controlled corporation(23)	31,011,598		6.21
TPG Growth III SF Pte. Ltd	Beneficial interest	31,011,598		6.21
Acheson Limited	Trustee		28,185,502	5.64

Notes:

(1) The calculation is based on (i) the aggregate number of Shares and, if any, Shares underlying share options and (ii) the total number of 499,487,389 Shares in issue as at December 31, 2018.

(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 and Kwok Lim Ying each control 50% of Magic Mount Limited.

(4) Liu Sai Wang, Stephen controls 100% of each of Perfect Castle Development Limited and Union Fair International Limited. Union Fair International Limited has a beneficial interest in 5,324,505 Shares.

(5) Kwok Peter Viem and Kwok Chang Shiu Feng each control 50% of High Loyal Management Limited.

(6) EastWest Trust Company Limited controls 64.17% of Cavamont Holdings Limited.

(7) Cavamont Holdings Limited controls 100% of Cavamont Investments Limited.

(8) Cavamont Investments Limited controls 100% of Cavenham Private Equity and Directs.

(9) Cavenham Private Equity and Directs controls 100% of CPED Asia (No.1) Limited. Cavenham Private Equity and Directs also controls 50% of CPED (KY) Limited which has a beneficial interest in 4,015,628 Shares.

(10) Liu Yang controls 100% of Atlantis Capital Holdings Limited and Riverwood Asset Management (Cayman) Limited.

(11) Riverwood Asset Management (Cayman) Limited is investment manager to Atlantis China Star Fund II Limited and Atlantis China Star Fund Limited. Atlantis China Star Fund Limited is beneficial owner of 5,609,617 Shares representing 1.12% of the issued Shares as at June 30, 2018.

(12) Atlantis Capital Holdings Limited controls 100% of Atlantis Investment Management Limited.

(13) Atlantis Investment Management Limited is sub-investment manager to Atlantis China Star Fund II Limited and Atlantis China Star Fund Limited.

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

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

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

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

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

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

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

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

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

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

Save as disclosed herein and in the section headed “Directors’ and Chief Executive’s Interests in Shares and Underlying Shares” above, and so far as is known to the directors of the Company, as at December 31, 2018, no person had an interest or a short position in the shares or underlying shares of the Company required to be recorded in the register to be kept under section 336 of the SFO.

Sufficiency of Public Float

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

Compliance Adviser

The Company has appointed Guotai Junan Capital Limited as its compliance advisor to provide advice and guidance in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Audit Committee

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

The audit committee has reviewed the financial statements for the year ended December 31, 2018 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.

Use of Proceeds from the Listing

The net proceeds from the Listing, after deducting related expenses and underwriting fees, were approximately HK$1,400 million. After the Listing, the proceeds have been applied for the purposes described in the "Future Plans and Use of Proceeds" as set out in the prospectus dated June 7, 2018 relating to the Listing. The actual use of net proceeds up to December 31, 2018 are set out below:

	Planned amount		**Utilized amount**		**Unutilized amount**	
	HK$ million	*RMB million*	*HK$ million*	*RMB million*	*HK$ million*	*RMB million*
Capital base strengthening	980	855	980	855	—	—
Research and technology capabilities enhancement	280	245	111	128	169	117
General corporate purposes	140	122	140	122	—	—
Total	1,400	1,222	1,231	1,105	169	117

On behalf of the Board
Ma Ting Hung
Chairman

Hong Kong, March 25, 2019

To the Shareholders of VCREDIT Holdings Limited
(incorporated 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**") set out on pages 66 to 177, which comprise:

- the consolidated statement of comprehensive income for the year ended December 31, 2018;
- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of changes in equity for the year ended December 31, 2018;
- the consolidated statement of cash flows for the year ended December 31, 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") 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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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
- Consolidation assessment of, and disclosures about, structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of fair value of loans to customers Please refer to the following notes to the consolidated financial statements: Notes 2.11, 3.2 and 17 As at December 31, 2018, the Group's fair value of loans to customers amounted to RMB8,863 million, and fair value loss of RMB1,130 million was recognized in the Group's consolidated statement of comprehensive income for the year ended December 31, 2018. The implementation of IFRS 9 requires the Group to make considerable judgements, assumptions, and interpretations of the standard and requires the use of discounted cash flow in the development of fair value models to estimate loans to customers. The method to determine discount rate for each loan is a significant management judgment. The fair value model of loans to customers implemented after application of IFRS 9 is a highly complex process and involved considerable assumptions and interpretations, and accordingly, we included this as a key audit matter.	Our procedures included: 1. We understood the relevant internal controls over the selection and approval of the accounting policies and fair value model methodologies; 2. We reviewed the modelling methodology for measurement of fair value of loans to customers, and assessed the reasonableness of the key parameters calculations, judgements and assumptions in relation to the models; 3. We reviewed the encoding for model measurement as a whole, tested whether or not the measurement models reflect the modelling methodology documented by the management, and examined the major data inputs to assess their accuracy and completeness; 4. We assessed whether the disclosures in the consolidated financial statements, including fair value hierarchy information and sensitivity to key inputs, appropriately reflected the Group's exposure to valuation risk with reference to the requirements of the prevailing accounting standards. Based on the procedures we have performed, in the context of the inherent uncertainties associated with measurement of fair value of loans to customers, the models, the parameters and the key assumptions adopted by management and the measurement results were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses Please refer to the following notes to the consolidated financial statements: Notes 2.11, 3.1, 12, 18 and 19 As at December 31, 2018, the Group's expected credit losses ("ECL") amounted to RMB54 million as disclosed in the Group's consolidated statements of comprehensive income. The implementation of IFRS 9 requires the Group to make considerable judgements, assumptions, and interpretations of the standard and requires the use of new parameters in the development of new models to estimate the impairment losses on its contract assets, guarantee receivables and guarantee liabilities using the expected credit losses concept. Significant management judgments and assumptions primarily included the following: (1) Determination of relevant key measurement parameters; (2) criteria for determining whether or not there was a significant increase in credit risk and definition of default; (3) economic variables for forward-looking measurement, and the application of economic scenarios and relative weightings The ECL model implemented after application of IFRS 9 is a highly complex process and involved significant management judgments and interpretations, and accordingly, we included this as a key audit matter.	Our procedures included: 1. We understood the relevant internal controls over the selection and approval of the accounting policies and ECL model methodologies; 2. We reviewed the modelling methodology for measurement of expected credit losses, and assessed the reasonableness of the key parameters calculations, judgements and assumptions in relation to the models. We examined the calculation for model measurement on selected samples and tested whether or not the measurement model reflects the modelling methodology documented by the management; 3. We reviewed the entry of key data inputs for the ECL models on selected samples, including historical data and data on the measurement date, to assess their completeness and accuracy; 4. We selected samples, taken into consideration of the overdue status of the borrowers, to assess the appropriateness of the management's determination of significant increase in credit risk of contract assets, guarantee receivables and guarantee liabilities; 5. We reviewed retrospective testing of the economic indicator forecasts used in the measurement of expected credit losses, and reviewed sensitivity testing of forecasting of forward-looking economic indicators, economic scenarios and weightings. Based on the procedures we have performed, in the context of the inherent uncertainties associated with a measurement of expected credit losses for contract assets, guarantee receivables and guarantee liabilities, the models, the parameters and the key assumptions adopted by management and the measurement results were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation assessment of, and disclosures about, structured entities Please refer to the following notes to the consolidated financial statements: Notes 2.3.1(b) and 3.9 As at December 31, 2018, structured entities primarily included trust plans. The Group's consolidated structured entities amounted to 9.3 billion as disclosed in Note 2.3. The amount of structured entities was significant and the assessment of consolidation or not involved management's judgement. Management had determined that the Group had control of certain structured entities based on their assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities. The significant judgement exercised by management in assessing whether the Group had control of structured entities and the amount of such structured entities resulted in this matter being identified as a key audit matter.	Our audit procedures included: 1. We understood related internal controls that management adopted on the consolidation assessment of structured entities; 2. We analysed the transaction structures, inspected related contract terms, and evaluated whether the Group had the power to direct the relevant activities of these structured entities; 3. We inspected contract terms related to the Group's variable returns from these selected structured entities, including service fee, guarantee premium and expected residual returns, and agreed this information to the corresponding inputs used in management's assessment; 4. We assessed the Group's role in these structured entities as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which the Group was entitled for its services provided to the structured entities, and compared our assessment results with management's assessment outcomes; 5. We evaluated and checked the appropriateness of disclosures in the consolidated financial statements relating to structured entities. Based on the procedures we have performed, management's consolidation assessment in relation to structured entities was reasonable and the disclosures were appropriate.

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 IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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 Wong Kam Chin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 25, 2019

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2018

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Continuing operations			
Interest type income	5	**2,930,339**	N/A
Interest income	5	**N/A**	3,254,516
Less: interest expenses		**(974,770)**	(918,226)
Net interest type income		**1,955,569**	N/A
Net interest income		**N/A**	2,336,290
Loan facilitation service fees	6	**269,832**	83,916
Other income	7	**511,182**	286,176
Total Income		**2,736,583**	2,706,382
Origination and servicing expenses	8	**(684,580)**	(607,614)
Sales and marketing expenses	8	**(206,218)**	(68,963)
General and administrative expenses	8	**(503,269)**	(181,747)
Research and development expenses	8	**(74,058)**	(74,379)
Credit impairment losses/Impairment losses	12	**(54,348)**	(1,417,439)
Fair value change of loans to customers		**(1,130,058)**	N/A
Other gains/(losses), net	13	**17,583**	(8,840)
Operating profit		**101,635**	347,400
Share of net loss of associates accounted for using the equity method	21	**(2,900)**	(6,368)
Fair value loss of convertible redeemable preferred shares	27	**(1,047,156)**	(1,285,496)
Loss before income tax		**(948,421)**	(944,464)
Income tax expense	14	**(78,532)**	(58,669)
Loss for the year attributable to owners of the company		**(1,026,953)**	(1,003,133)

For the year ended December 31, 2018

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange difference on translation of financial statements		**44,105**	171,373
Items that will not be reclassified to profit or loss			
Change in fair value attributable to change in the credit risk of financial liability designated at fair value through profit or loss		**(14,109)**	N/A
Total comprehensive loss for the year attributable to owners of the company, net of tax		**(996,957)**	(831,760)
Loss per share for the loss from continuing operations attributable to owners of the company (expressed in RMB yuan per share)			
Basic loss per share	*15*	**(2.93)**	(6.96)
Diluted loss per share	*15*	**(2.93)**	(6.96)

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

Consolidated Statement of Financial Position

As at December 31, 2018

	Note	As at December 31, 2018 RMB'000	2017 RMB'000
Assets			
Cash and cash equivalents	16(a)	**1,050,111**	568,196
Restricted cash	16(b)	**127,902**	143,570
Loans to customers at amortised cost	17	**—**	11,479,696
Loans to customers at fair value through profit or loss	17	**8,863,246**	N/A
Contract assets	18	**154,143**	98,845
Guarantee receivables	19	**206,146**	130,073
Financial assets at fair value through profit or loss	20	**—**	110,545
Investments accounted for using the equity method	21	**27,684**	30,784
Deferred income tax assets	22	**413,117**	279,860
Intangible assets	23	**16,814**	13,488
Property and equipment	24	**59,066**	74,355
Other assets	25	**759,446**	507,596
Total assets		**11,677,675**	13,437,008
Liabilities			
Borrowings	26	**8,131,276**	11,063,133
Guarantee liabilities	19	**204,496**	169,553
Tax payable		**85,400**	108,338
Deferred income tax liabilities	22	**77,734**	122,314
Convertible redeemable preferred shares	27	**—**	3,042,173
Other liabilities	28	**394,042**	440,107
Total liabilities		**8,892,948**	14,945,618
Equity/(Deficit)			
Share capital	29	**40,938**	394,462
Share premium	29	**5,581,926**	—
Reserves	30	**380,455**	60,951
Accumulated deficit		**(3,218,592)**	(1,964,023)
Total equity/(deficit)		**2,784,727**	(1,508,610)
Total liabilities and equity		**11,677,675**	13,437,008

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

The financial statements on pages 66 to 177 were approved by the Board of Directors on March 25, 2019 and were signed on its behalf

Ma Ting Hung
Director

Liu Sai Wang Stephen
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

	Attributable to equity holders of the Company				
		Reserves			
	Share capital *RMB'000*	Share Option Reserves *RMB'000*	Translation Reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at January 1, 2017	257,985	33,321	(139,968)	(960,890)	(809,552)
Loss for the year	—	—	—	(1,003,133)	(1,003,133)
Exchange difference on translation of financial statements	—	—	171,373	—	171,373
Total comprehensive loss for the period	—	—	171,373	(1,003,133)	(831,760)
Transactions with owners in their capacity as owners					
Share-based payment	—	10,126	—	—	10,126
Issuance of ordinary shares to employees *(Note 31)*	136,477	(13,901)	—	—	122,576
Total transactions with owners in their capacity as owners	136,477	(3,775)	—	—	132,702
Balance at December 31, 2017	394,462	29,546	31,405	(1,964,023)	(1,508,610)

For the year ended December 31, 2018

	Attributable to equity holders of the Company						
			Reserves				
	Share capital RMB'000	Share premium RMB'000	Share Option Reserves RMB'000	Translation Reserve RMB'000	Other Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at January 1, 2018	394,462	—	29,546	31,405	—	(1,964,023)	(1,508,610)
Changes on initial application of IFRS 9 *(Note 2.2)*	—	—	—	—	(47,055)	(166,452)	(213,507)
Restated balance at January 1, 2018	394,462	—	29,546	31,405	(47,055)	(2,130,475)	(1,722,117)
Loss for the year	—	—	—	—	—	(1,026,953)	(1,026,953)
Exchange difference on translation of financial statements	—	—	—	44,105	—	—	44,105
Change in fair value attributable to change in the credit risk of financial liability designated at fair value through profit or loss	—	—	—	—	(14,109)	—	(14,109)
Total comprehensive loss for the year	—	—	—	44,105	(14,109)	(1,026,953)	(996,957)
Transactions with owners in their capacity as owners							
Changes on initial application of par value	(379,823)	379,823	—	—	—	—	—
Issuance of ordinary shares relating to initial public offering and over-allotment, net of underwriting commissions and other issuance costs	5,982	1,145,200	—	—	—	—	1,151,182
Conversion of preferred shares to ordinary shares	20,460	4,071,483	—	—	61,164	(61,164)	4,091,943
Shares repurchased and cancelled	(155)	(15,580)	—	—	—	—	(15,735)
Issuance of ordinary shares to employees (Note 31)	12	1,000	(211)	—	—	—	801
Share-based payment	—	—	275,610	—	—	—	275,610
Total transactions with owners in their capacity as owners	(353,524)	5,581,926	275,399	—	61,164	(61,164)	5,503,801
Balance at December 31, 2018	40,938	5,581,926	304,945	75,510	—	(3,218,592)	2,784,727

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Operating activities			
Cash generated from/(used in) operating activities	33(a)	**3,329,945**	(4,130,495)
Income tax paid		**(201,706)**	(32,984)
Net cash inflow/(outflow) from operating activities		**3,128,239**	(4,163,479)
Investing activities			
Payments for property and equipment		**(14,557)**	(39,899)
Payments for intangible assets		**(5,865)**	(5,229)
Payments for construction in progress		**(3,973)**	(14,899)
Payments for acquisition of associates		**—**	(20,000)
Payments for financial assets at fair value through profit or loss	33(b)	**(120,000)**	(110,000)
Proceeds from disposal of financial assets at fair value through profit or loss	33(b)	**231,905**	—
Proceeds from disposal of subsidiaries, net of cash disposed		**8,425**	—
Dividends from disposed subsidiaries		**27,500**	—
Net cash inflow/(outflow) from investing activities		**123,435**	(190,027)

For the year ended December 31, 2018

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Financing activities			
Proceeds from issuance of convertible redeemable preferred shares		**—**	332,464
Proceeds from borrowings	*33(b)*	**280,296**	1,321,369
Cash received from trust plans holders	*33(b)*	**6,537,995**	8,088,745
Proceeds from issuance of ordinary shares to employees		**123,376**	—
Proceeds from issuance of ordinary shares relating to the initial public offering and over-allotment, net of underwriting commissions and other issuance costs		**1,157,300**	—
Interest expenses paid		**(978,218)**	(890,994)
Repayment of borrowings	*33(b)*	**(776,146)**	(708,515)
Cash paid to trust plans holders	*33(b)*	**(9,030,254)**	(3,492,683)
Cash paid to asset management plans holders	*33(b)*	**—**	(16,184)
Payment for shares repurchased		**(15,735)**	—
Payment of listing expenses		**(64,088)**	—
Net cash (outflow)/inflow from financing activities		**(2,765,474)**	4,634,202
Net increase in cash and cash equivalents		**486,200**	280,696
Cash and cash equivalents at the beginning of the financial year		**568,196**	289,889
Effects of exchange rate changes on cash and cash equivalents		**(4,284)**	(2,389)
Cash and cash equivalents at end of the year		**1,050,112**	568,196

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

1 General information

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

Pursuant to a shareholders' resolution dated February 6, 2018, the Company re-domiciled to the Cayman Islands by way of continuation as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented. The re-domiciliation was completed on February 26, 2018. The current address of the Company's registered office is at 2nd Floor, The Grand Pavilion Commercial Center, 802 West Bay Road, P.O. Box 10338 Grand Cayman KY1-1003, Cayman Islands.

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

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since June 21, 2018 by way of its initial public offering ("**IPO**"). Upon the completion of the IPO, all of the Company's outstanding convertible redeemable preferred shares were converted into the Company's ordinary shares on a one-to-one basis. As at December 31, 2018, the number of ordinary shares in issue is 499,487,389, with a par value of HK$0.1 per share.

On October 10, 2018, the Group disposed of Hangzhou Vision Financial Servicing Co., Ltd. and its subsidiary, Hangzhou Vision Information Technology Co. Ltd., which operate the online-to-offline business platforms of the Group. A consideration of RMB11,750,000 was received by the Group upon this transaction. The Group will focus on pure online products in the future.

This consolidated financial information is presented in Renminbi ("**RMB**"), unless otherwise stated.

This consolidated financial information has been approved and authorised for issue by the Board of Directors ("**Board**") of the Company on March 25, 2019.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 below.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018:

- IFRS 9 Financial Instruments
- Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group had elected to adopt the following amendments early from the year ended December 31, 2015:

- IFRS 15 Revenue from Contracts with Customers

The Group had to change its accounting policies following the adoption of IFRS 9, which is disclosed in Note 2.2. The other amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16: Leases

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

IFRS 16: Leases (Continued)

Impact

The Group is a lessee of various offices, which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.28 under which operating lease payment is accounted for in the consolidated statements of comprehensive income when incurred and the Group's future operating lease commitments are not reflected in the consolidated statements of financial position but are disclosed in Note 34. IFRS 16 provides new provisions for the accounting treatment of leases and all long-term leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation).

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of approximately RMB76,319,000, see Note 34. Of these commitments, there are short-term leases of approximately RMB4,013,000 which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB50,871,000 on January 1, 2019, lease liabilities of RMB51,249,000 (after adjustments for prepayments and accrued lease payments recognised as at December 31, 2018) and deferred tax assets of RMB14,000. Overall net assets will be RMB364,000 lower.

The Group expects that net profit after tax will increase by RMB792,000 for 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately RMB42,950,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

IFRS 16: Leases (Continued)

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies and disclosures

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of January 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated losses and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in Note 2.2 below.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(a) Classification and measurement of financial instruments

	IAS 39		IFRS 9	
	Measurement Category	**Carrying Amount** *RMB'000*	**Measurement Category**	**Carrying Amount** *RMB'000*
Financial assets				
Cash and cash equivalents	Amortised cost	568,196	Amortised cost	568,192
Restricted cash	Amortised cost	143,570	Amortised cost	143,550
Loans to customers	Amortised cost	11,479,696	FVPL*(Mandatory)	11,283,783
Guarantee receivables	Amortised cost	130,073	Amortised cost	114,864
Financial assets at fair value through profit or loss	FVPL*Designated	110,545	FVPL*(Mandatory)	110,545

* Fair value through profit or loss (FVPL)

There were no changes to the classification and measurement of financial liabilities.

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

	December 31, 2017 *RMB'000*	**Reclassifications** *RMB'000*	**Remeasurements** *RMB'000*	**January 1, 2018** *RMB'000*
Financial assets				
Cash and cash equivalents	568,196	—	(4)	568,192
Restricted cash	143,570	—	(20)	143,550
Loans to customers at amortised cost	11,479,696	(11,479,696)	—	—
Loans to customers at fair value through profit or loss	N/A	11,478,005	(194,222)	11,283,783
Guarantee receivables	130,073	—	(15,209)	114,864
Financial assets at fair value through profit or loss	110,545	—	—	110,545
Other assets	450,933	—	5,109	456,042
Subtotal	12,883,013	(1,691)	(204,346)	12,676,976

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

	December 31, 2017 RMB'000	Reclassifications RMB'000	Remeasurements RMB'000	January 1, 2018 RMB'000
Non-financial assets				
Contract assets	98,845	—	(14,990)	83,855
Deferred income tax assets	279,860	—	71,128	350,988
Other non-financial assets	175,290	—	—	175,290
Subtotal	553,995	—	56,138	610,133
Total assets	13,437,008	(1,691)	(148,208)	13,287,109
Financial liabilities				
Borrowings	11,063,133	—	—	11,063,133
Guarantee liabilities	169,553	—	65,299	234,852
Convertible redeemable preferred shares	3,042,173	—	—	3,042,173
Other liabilities — Others	182,896	(1,691)	—	181,205
Subtotal	14,457,755	(1,691)	65,299	14,521,363
Non-financial liabilities				
Other non-financial liabilities	487,863	—	—	487,863
Subtotal	487,863	—	—	487,863
Total liabilities	14,945,618	(1,691)	65,299	15,009,226
Share capital	394,462	—	—	394,462
Reserves	60,951	—	(47,055)	13,896
Accumulated losses	(1,964,023)	—	(166,452)	(2,130,475)
Total equity	(1,508,610)	—	(213,507)	(1,722,117)
Total equity and liabilities	13,437,008	(1,691)	(148,208)	13,287,109

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

Please refer to Note 2.8(i) for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on January 1, 2018:

	Ref	IAS 39 carrying amount December 31, 2017 *RMB'000*	Reclassifications *RMB'000*	Remeasurements *RMB'000*	IFRS 9 carrying amount January 1, 2018 *RMB'000*
Amortized Cost					
Cash and cash equivalents					
Opening balance under IAS 39		568,196			
Remeasurement: application of ECL* allowance model				(4)	
Closing balance under IFRS 9					568,192
Restricted cash					
Opening balance under IAS 39		143,570			
Remeasurement: application of ECL* allowance model				(20)	
Closing balance under IFRS 9					143,550
Loans to customers					
Opening balance under IAS 39		11,479,696			
Subtraction: To FVPL (IFRS 9)	(A)		(11,479,696)		
Closing balance under IFRS 9					—
Guarantee receivables					
Opening balance under IAS 39		130,073			
Remeasurement: application of ECL* allowance model				(15,209)	
Closing balance under IFRS 9					114,864
Other assets					
Opening balance under IAS 39		450,933			
Remeasurement: application of ECL* allowance model				5,109	
Closing balance under IFRS 9					456,042
Total financial assets measured at amortised cost		12,772,468	(11,479,696)	(10,124)	1,282,648

* *Expected credit losses (ECL)*

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

	Ref	IAS 39 carrying amount December 31, 2017 *RMB'000*	Reclassifications *RMB'000*	Remeasurements *RMB'000*	IFRS 9 carrying amount January 1, 2018 *RMB'000*
Fair value through profit or loss (FVPL)					
Loans to customers					
Opening balance under IAS 39		—			
Addition: From amortised cost-Loans to customers (IAS 39)	(A)		11,479,696		
Addition: From amortised cost-Other liabilities (IAS 39)			(1,691)		
Remeasurement: from amortised cost to FV				(194,222)	
Closing balance under IFRS 9					11,283,783
Financial assets at fair value through profit or loss (mandatory)					
Opening balance under IAS 39		—			
Addition: From designated FVPL (IAS 39)	(B)		110,545		
Closing balance under IFRS 9					110,545
Financial assets at fair value through profit or loss (designated)					
Opening balance under IAS 39		110,545			
Subtraction: To mandatory FVPL (IAS 39)	(B)		(110,545)		
Closing balance under IFRS 9					—
Total financial assets measured at FVPL		110,545	11,478,005	(194,222)	11,394,328

The total remeasurement loss after tax of RMB213,507,000 was recognised in opening accumulated losses at January 1, 2018. In addition, an amount of RMB47,055,000 was reclassified from accumulated losses to other reserves at January 1, 2018.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Group as shown in the table above:

(A) Loans to customers previously measured at amortised cost but fail the 'solely payments of principal and interest' (SPPI) test

The Group holds a portfolio of loans to customers that failed to meet the SPPI requirement for amortised cost classification under IFRS 9 as the amount paid upon prepayment do not substantially represents unpaid amounts of principal and interests on the principal amount outstanding according to the early repayment clause in the loan contracts. As a result, these loans to customers, which amounted to RMB11,479,696,000, were classified as FVPL from the date of initial application.

(B) Investment in wealth management products previously designated at fair value through profit or loss

The Group holds investment of RMB110,545,000 in wealth management products which had previously been designated at fair value through profit or loss because of its embedded derivative feature. As part of the transition to IFRS 9, this investment failed to meet SPPI requirement and so required to be classified as FVPL, instead of designated FVPL.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 ECL model at January 1, 2018:

Measurement category	Impairment allowance under IAS 39/Provision under IAS 37	Reclassification	Remeasurement	Impairment allowance under IFRS 9
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets				
Contract Assets	9,946	—	14,990	24,936
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Cash and cash equivalents	—	—	4	4
Restricted Cash	—	—	20	20
Loans to customers	1,796,711	(1,796,711)	—	—
Guarantee receivables	3,065	—	15,209	18,274
Total	1,799,776	(1,796,711)	15,233	18,298
Financial guarantee contracts				
Guarantee liabilities	169,553	—	65,299	234,852
Total	169,553	—	65,299	234,852

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries

2.3.1 Consolidation

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

Intercompany transactions, balances and unrealised gains on transactions between 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.

Other structured entities through trust and asset management arrangements

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

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

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

Asset management plan is managed by unaffiliated asset management company and invests the funds raised in loans to individuals (Note 17).

According to the asset management plan agreement, the Group takes the joint liability to repay all the unpaid amount of those borrowers. Since the asset management plan only invests in loans recommended by the Group, the Group has power to control the activities of the asset management plan. As a result, the Group is considered the primary beneficiary of the asset management plan and consolidated the asset management plan's assets, liabilities, results of operations and cash flows.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(a) Particulars of the principal subsidiaries of the Group as at the end of 2018 are set out below:

Company name (ii)	Place of establishment and nature of legal entity	Date of incorporation	Issued capital	Percentage of attributable equity interest As at December 31, 2018	Principal activities and place of operation
Directly owned:					
Vision Credit Limited	Hong Kong/Limited liability company	March 14, 2006	HK$1,500,000,000	100%	Investment holding, Hong Kong
Asia Jumbo Group Limited	The British Virgin Islands/Limited liability company	January 6, 2016	US$1	100%	Investment holding, the British Virgin Islands
VCREDIT Venture Limited	The Cayman Islands/ Limited liability company	March 07, 2018	US$1	100%	Investment holding, the Cayman Islands
VCREDIT Investment Limited	The Cayman Islands/ Limited liability company	July 31, 2018	US$1	100%	Investment holding, the Cayman Islands
Indirectly owned (i):					
Vision Credit Financial Technology Co. Ltd.	The PRC/Wholly foreign owned enterprise	April 14, 2008	RMB689,310,000	100%	Loan facilitation service, the PRC
Shanghai Jingan Vision Small Loan Co. Ltd.	The PRC/Wholly foreign owned enterprise	September 16, 2014	RMB200,000,000	100%	Microcredit service, the PRC
Qingdao Shibei Vision Small Loan Co. Ltd.	The PRC/Wholly foreign owned enterprise	March 6, 2014	RMB200,000,000	100%	Microcredit service, the PRC
Chengdu Weishi Microfinance Co. Ltd.	The PRC/Wholly foreign owned enterprise	December 8, 2011	US$46,500,000	100%	Microcredit service, the PRC
Vision Credit Guarantee Co., Ltd.	The PRC/Wholly foreign owned enterprise	December 24, 2009	US$131,700,000	100%	Guarantee service, the PRC
Vision Financial Leasing (Suzhou) Co., Ltd.	The PRC/Wholly foreign owned enterprise	July 19, 2011	US$10,000,000	100%	Financial leasing service, the PRC
Shanghai Tiantian Asset Management Co. Ltd.	The PRC/Limited liability company	May 31, 2016	—	100%	Development and operation of apps, the PRC
Multi Fortune Asia Corporation	The British Virgin Islands/Limited liability company	July 3, 2018	US$1	100%	Investment holding, the British Virgin Islands
Double Kingdom International Limited	Hong Kong/Limited liability company	June 9, 2018	HK$1	100%	Investment holding, Hong Kong

(i) The English name of some of the subsidiaries of the Group represent the best effort by the Company's management to translate their Chinese names, as these subsidiaries do not have official English names.

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

(b) The Group has consolidated certain structured entities which are primarily trust plans and asset management plans. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those trust plans where the Group provides financial guarantee, the Group therefore has obligation to fund the losses, if any, in accordance with the guarantee agreements although the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries (Continued)

2.3.1 *Consolidation* (Continued)

(b) (Continued)

As at December 31, 2018, the trust plans and asset management plans consolidated by the Group amounted to RMB9.30 billion (December 31, 2017: RMB11.84 billion).

Interests held by other interest holders are included in payable to trust plans senior tranche holders and asset management plan holders.

Consolidated structured entities material to the Group as at December 31, 2017 and 2018 are set out below:

	Collective holding by the Group		Product scale		Note
	As at December 31		As at December 31		
Name	2017	2018	2017	2018	
	RMB'000	***RMB'000***	*RMB'000*	***RMB'000***	
Trust Plan A	2,128,127	**2,309,418**	9,798,859	**8,982,508**	(i)
Trust Plan B	62,500	**—**	625,000	**—**	(i)
Trust Plan C	122,892	**60,672**	622,892	**60,672**	(i)
Trust Plan D	36,000	**—**	360,000	**—**	(i)
Trust Plan E	11,760	**11,760**	117,640	**117,640**	(i)
Trust Plan F	24,000	**—**	171,000	**—**	(i)
Trust Plan G	20,000	**—**	120,000	**—**	(i)
Trust Plan H	18,900	**—**	18,900	**—**	(i)
Trust Plan I	5,000	**—**	5,000	**—**	(i)
Trust Plan J	—	**—**	—	**5,329**	(i)
Trust Plan K	—	**—**	—	**34,670**	(i)
Trust Plan L	—	**—**	—	**100,000**	(i)
Asset management plan A	—	**—**	1,116	**—**	(ii)
	2,429,179	**2,381,850**	11,840,407	**9,300,819**	

(i) The principal activities of these trust are as following: the trust shall, according to the wishes of all the principals, issue trust loans to borrowers recommended by a service vendor, which is agreed or endorsed by principals/beneficiaries.

(ii) The principal activity of the asset management plan is as following: the asset management plan shall issue credit loans to borrowers recommended by a service vendor, which is agreed or endorsed by principals/beneficiaries.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries (Continued)

2.3.2 Separate financial statements

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 exceeds the total comprehensive income of the subsidiary in the period the dividends declared or if the carrying amount of the investments in the separate financial statements exceed the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.5 Functional currency and foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ("**the functional currency**"). United States dollars ("**US$**") is the functional currency of the Company and it's the subsidiary in Hong Kong. RMB is the functional currency of the subsidiaries in PRC. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Translation of foreign currency

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

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

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

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

2 Summary of significant accounting policies (Continued)

2.6 Segment reporting

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

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

2.7 Cash and cash equivalents

Cash and cash equivalents are assets with a maturity of less than 3 months from the date of acquisition or highly liquid assets with an original maturity of less than three months, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

2.8 Financial assets — IAS 39

The Group has adopted International Accounting Standard 39 — Financial Instruments: confirmation and measurement (IAS 39) to confirm and measure financial instruments in 2017.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

(i) Classification, recognition and measurement

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred, and on the contractual terms of the financial instruments. The categories are: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

The Group's financial assets are initially measured at fair value, which normally will be equal to the transaction price plus, in case of a financial asset not held at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately in profit or loss.

2 Summary of significant accounting policies (Continued)

2.8 Financial assets — IAS 39 (Continued)

(i) Classification, recognition and measurement (Continued)

(a) Financial assets designated at fair value through profit or loss

A financial asset may be designated as at fair value through profit or loss upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or (3) It forms part of a contract containing one or more embedded derivatives, and IAS 39 — Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated at financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premiums on acquisition and includes fees or costs that are an integral part of the effective interest rate. Costs of obtaining a contract that are not incremental are expensed as incurred.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are not either designated or classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in other is comprehensive income accumulated at which time in equity is reclassified to profit or loss.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.8 Financial assets — IAS 39 (Continued)

(i) Classification, recognition and measurement (Continued)

(c) Available-for-sale financial assets (Continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Interest income on available-for-sale debt instruments are calculated using the effective interest method and recognised in profit or loss.

(ii) De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

2.9 Impairment of financial assets — IAS 39

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

2 Summary of significant accounting policies (Continued)

2.9 Impairment of financial assets — IAS 39 (Continued)

Objective evidence of impairment of financial assets could include the following observable events:

(1) Significant financial difficulty of the issuer or obligor.

(2) A breach of contract, such as a default or delinquency in interest or principal payments.

(3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.

(4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(5) The disappearance of an active market for that financial asset because of financial difficulties.

(6) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group; and national or local economic conditions that correlate with defaults on the assets in the Group.

(7) Any significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of investments in equity instruments may not be recovered.

(8) A significant or prolonged decline in the fair value of equity instrument investments; and

(9) Other objective evidence indicating impairment of the financial asset.

(a) Impairment of financial assets carried at amortised cost

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.9 Impairment of financial assets — IAS 39 (Continued)

(a) Impairment of financial assets carried at amortised cost (Continued)

If a financial asset carried at amortised cost are impaired, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss and is recorded through the use of an allowance account. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

(b) Impairment of available-for-sale financial assets

For available-for-sale equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In determining whether a decline in fair value has been significant or prolonged, the Group considers if the fair value of an available-for-sale equity instrument as at the reporting date is lower than 50% (including 50%) of its initial cost of investment or lower than its initial cost of investment for more than one year (including one year) together with other relevant considerations.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in other comprehensive income is reclassified to profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt investments is recognised in profit or loss.

2.10 Financial liabilities/Equity instruments — IAS 39

The Group classifies financial liabilities and equity instruments according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

All financial liabilities are initially measured at fair value and classified either as financial liabilities at fair value through profit or loss or other financial liabilities.

2 Summary of significant accounting policies (Continued)

2.10 Financial liabilities/Equity instruments — IAS 39 (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument.

A financial liability may be designated as at fair value through profit or loss upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognizing the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or (3) It forms part of a contract containing one or more embedded derivatives, and IAS 39 — Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated at financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any interest expenses related to the financial liabilities are recognized in profit or loss.

(a) Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or losses arising from de-recognition or amortisation recognized in profit or loss.

(b) De-recognition of financial liabilities

The Group derecognizes a financial liability or part of it only when the underlying present obligation or part of it is discharged, cancelled or expired. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

2 Summary of significant accounting policies (Continued)

2.11 Financial assets and liabilities — IFRS 9

Measurement methods

Amortised cost and effective interest rate

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

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

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

Interest income

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

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

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

Initial recognition and measurement

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

2 Summary of significant accounting policies (Continued)

2.11 Financial assets and liabilities — IFRS 9 (Continued)

Measurement methods (Continued)

Initial recognition and measurement (Continued)

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

2.11.1 Financial assets

(i) Classification and subsequent measurement

From January 1, 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

(i) The Group's business model for managing the asset; and

(ii) The cash flow characteristics of the asset.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.11 Financial assets and liabilities — IFRS 9 (Continued)

2.11.1 *Financial assets* (Continued)

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("**SPPI**"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("**OCI**"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated statement of comprehensive income within 'Fair value change of loans to customers' in the period in which it arises. Income from these financial assets is included in 'Interest type income' (Note 2.26(b)) using the effective interest rate concept for calculation.

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.

2 Summary of significant accounting policies (Continued)

2.11 Financial assets and liabilities — IFRS 9 (Continued)

2.11.1 Financial assets (Continued)

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

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

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

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

Equity instruments

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

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

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement of profit or loss.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.11 Financial assets and liabilities — IFRS 9 (Continued)

2.11.1 *Financial assets* (Continued)

(ii) Impairment

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

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

(iii) Derecognition

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

(iv) Write-off

Financial assets at amortised cost (and the related impairment allowances) 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.

2 Summary of significant accounting policies (Continued)

2.11 Financial assets and liabilities — IFRS 9 (Continued)

2.11.2 Financial liabilities

(i) Classification and subsequent measurement

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

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

Financial guarantee contracts (see Note 2.14).

(ii) Derecognition

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

2.12 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 recent transaction prices, 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.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.13 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 recognized 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.

2.14 Financial guarantee contracts

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

Guarantee liabilities

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

- the amount determined in accordance with the ECL model under IFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

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

Guarantee receivables

Guarantee premium is collected from borrowers on monthly basis regarding to 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 assesses whether there is any indicator of impairment to any individual underlying loans of the guarantee receivables and credit impairment loss is recognised using ECL model.

Losses/(gains) from guarantee

In accordance with the principles of IFRS 15, gains from guarantee is recognised over the term of the loan. Losses from guarantee are recognised when the amount of guarantee liability determined in accordance with the ECL model is higher than the amortised balance. Aforesaid gains and losses from guarantee are recognised in losses/(gains) from guarantee on a net basis for each reporting period.

2 Summary of significant accounting policies (Continued)

2.15 Intangible assets

The Group's intangible assets is computer software.

Intangible assets can be recognized 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 recognized 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 recognized 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 capitalized 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 recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Intangible assets with finite useful lives are subsequently amortized on the straight-line basis over the useful economic lives which are assessed by the period of bringing economic benefits for the Company. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed, and adjusted if appropriate, at least at each year end.

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.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.15 Intangible assets (Continued)

The expected service lives of intangible assets are as follows:

	Estimated useful lives of the assets
Software	2–10 years

2.16 Property and equipment

The Group's property and equipment mainly comprise flats, leasehold improvements, office furniture and equipment, computer and electronic equipment, motor vehicles, 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.

Land and flats comprise primarily office premises. The estimated useful lives, depreciation rate and estimated residual value rate of flats, leasehold improvements, office furniture and equipment, computer and electronic equipment and motor vehicles are as follows:

Type of assets	Estimated net residuals rate	Estimated useful lives of the assets	Depreciation rate
Flats	0%-5%	20 years	4.75%-5%
Leasehold Improvements	0%-5%	1–5 years	19%-100%
Office furniture and equipment	0%-5%	3–5 years	19%-33.33%
Computer and electronic equipment	0%-5%	3–5 years	19%-33.33%
Motor vehicles	0%-5%	5 years	19%-20%

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.

2 Summary of significant accounting policies (Continued)

2.16 Property and equipment (Continued)

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 a property and equipment when it is ready for intended use.

2.17 Impairment of non-financial assets

At the end of the reporting period or whenever there is an indication that the non-financial assets are impaired, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

2.18 Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. The income taxes are recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(1) Current income tax

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

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.18 Current and deferred income tax (Continued)

(2) Deferred income tax

(a) Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. 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 recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(b) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liabilities in relation to taxable temporary differences arising from the associate's undistributed profits are not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (Continued)

2.19 Borrowings

Borrowings are recognized initially 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 recognized in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

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

2.20 Convertible redeemable preferred shares

Convertible redeemable preferred shares (Note 27) are redeemable upon occurrence of certain future events and at the option of the holders. This instrument may be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Group as detailed in Note 27.

The Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance expenses in the consolidated statements of comprehensive income.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognised in the profit or loss.

2.21 Share capital and share premium

Ordinary shares are classified as equity. Convertible redeemable preferred shares issued by the Group are classified as liabilities (Note 29).

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$0.1.Initial capital injection over par value per share are accounted for 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.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.22 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.

2.23 Employee benefits

(a) Short-term obligations

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

(b) Pension obligations

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

2 Summary of significant accounting policies (Continued)

2.23 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.

2.24 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. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by making reference to the fair value of the options granted:

- Including any market performance condition (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.24 Share-based payments (Continued)

(a) Equity-settled share-based payment transactions (Continued)

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(b) Share-based payment transactions among group entities

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

2.25 Provisions

Provisions are recognized 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 recognized 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 recognized 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 recognized as interest expense.

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition

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

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

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

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

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

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

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

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

(a) Interest income of loans to customers — IAS 39

The Group has originated and held loans mainly through the consolidated trust plans, and also directly lend to borrowers. Interest on the loans to customers (Note 17) is accrued based on the interest rates of the loan as earned using the effective interest method.

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.

Interest income on impaired loans and receivables is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) Interest type income — IFRS 9

The adoption of IFRS 9 has resulted in the reclassification of the loans to customers to FVPL. Accordingly, the interest income recognized for the loans to customers under IAS 39 will be no longer applicable under IFRS 9.The Group use nominal interest rate to calculate total income for each loan and recognise the income based on similar effective interest method as interest type income. The transaction costs are not added to or deducted from the initial fair value, but are immediately recognized in profit or loss on initial recognition.

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

(c) Non-interest income

Loan facilitation service fees and gains from guarantee

In some arrangements where the Group is not the loan originator, the Group also generates non-interest service fees by facilitating transactions between borrowers and financial institutions. The Group determined 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 the late repayments;

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

The Group receives upfront payments from borrowers at loan inception (if applicable) and subsequent payments over the term of the loan. The total service fees are first allocated to the guarantee liabilities (Note 2.14) at fair value which meets the definition of a financial guarantee under IFRS 9. The remaining amount is then allocated to upfront loan facilitation service and post loan facilitation service using best estimated selling price, as neither vendor specific objective evident or third party evidence of selling price is available.

Upfront loan facilitation service fee is recognized at loan inception. When the cash received does not equal to the fee allocated the upfront loan facilitation service, a "Contract Asset" or "Contract Liability" shall be recognized in the consolidated statements of financial position; Post loan facilitation fee is recognized over the term of the loan, which approximates the pattern of when the underlying services are performed. Gains from guarantee are recognized ratably over the term of the loan.

Penalty charges

Penalty charges are the additional charges upon default of borrowers. Penalty charges are recognized 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 recognized as revenue when the cash of the penalty payments is actually collected.

For the year ended December 31, 2018

2 Summary of significant accounting policies (Continued)

2.26 Revenue and income recognition (Continued)

(c) Non-interest income (Continued)

User membership fees

User membership provides registered users on the platform with credit report analysis service, discount vouchers for marketplace business partners, and other exclusive rights. Membership prices are determined by the Group according to various service packages, membership term and price sensitivities of different borrowers. Each service in the membership program is treated as an individual obligation and is allocated with a standalone transaction price. User membership fees are collected at inception and are recognized as other income when certain obligations are satisfied.

Referral fees

The Group generally is not the primary obligator nor have the ability to establish the price. The Group is not exposed to the credit risk when directing borrowers to third-party service provider. Upon the third-party service provider's confirmation of a successful payment of service fee, the Group will charge the third-party service provider a fixed rate referral service fee based on the transaction amount and recognise the amount in other income on a net basis. The third-party service provider will settle the payments periodically.

Risk management system service fees

The Group helps certain business partners to build or upgrade their own risk management system based on the Group's robust risk management capability. The Group recognize risk management system service fees in other income when certain obligations agreed in service contracts are satisfied.

Other consulting service fees

The Group provides consulting services to certain business partner and charges consulting service fees based on employees' actual working hours occupied and charge rates agreed in consulting service contracts. The Group recognizes other consulting service fees on accrual basis regarding to employees' consulting hours recorded in system. Business partners will settle the payments periodically.

2.27 Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 Summary of significant accounting policies (Continued)

2.28 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

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 and financial guarantee contracts is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

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

- The financial instrument considered to have experienced a significant increase in credit risk if the borrower is 30 days past due on its contractual payments.

- Using other warning list as supplement criteria such as fraudulent list.

For the year ended December 31, 2018

3 Critical accounting estimates and judgements (Continued)

3.1 Measurement of the ECL allowance (Continued)

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

- The ECL is measured on either a 12-month (12M) 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 are the discounted product of the Probability for Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), or ECL=PD*LGD*EAD*discounted rate.

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

- EAD is calculated based on the amounts the company expected to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

- The discounted rate (DF) used in the ECL calculation is the original effective interest rate or an approximation thereof.

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

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

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

- The Group has performed historical analysis and identified the key economic variable impacting credit risk and ECL of each portfolio. The most significant assumption used is CPI, given its impact it has on the loans provided by the Group.

3 Critical accounting estimates and judgements (Continued)

3.2 Fair value of loans to customers

Fair value of loans to customers represent management's best estimate of discounted cash flow of the loan portfolios at the reporting date. Management is required to exercise judgement in making assumptions and estimates when calculating fair value of loans to customers. The Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from each loan before the decrease can be identified. This evidence may include observable data indicating that there has been an adverse change in the payment status of a borrower (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics similar to each loan. The methodology and assumptions used for estimating the amount and timing of future cash flows, the historical loss experience and the relevant observable data are reviewed regularly to reduce any differences between fair value change of loans to customers and actual loss experience.

3.3 Impairment allowances on loans to customers

Impairment allowances on loans to customers represent management's best estimate of losses incurred in the loan portfolios at the reporting date. Management is required to exercise judgement in making assumptions and estimates when calculating loan impairment allowances. The Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the Group. When loans are collectively assessed for impairment, management uses estimates based on historical loss experience for assets with credit risk characteristics similar to those in the portfolio and objective evidence of impairment. Historical loss experience is adjusted on the basis of the relevant observable data that reflects current economic conditions. The methodology and assumptions used for estimating the amount and timing of future cash flows, the historical loss experience and the relevant observable data that reflects current economic conditions are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.4 Measurement of financial guarantee liability

The financial guarantee liability is an expected compensation which will be paid in the future due to guarantee contract arrangement. When measuring the financial guarantee liabilities, 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. Such estimates are determined based on the estimated loss rate of the loans, taking into account the underlying risk profile and historical loss record. Please refer to Note 2.14 for initial and subsequent measurement for financial guarantee liability.

For the year ended December 31, 2018

3 Critical accounting estimates and judgements (Continued)

3.5 Valuation of share-based compensation expenses

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

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

3.6 Valuation of convertible redeemable preferred shares

The convertible redeemable preferred shares issued by the Group are not traded in an active market and the respective fair value is determined by using valuation techniques.

The Group uses the discounted cash flow method to determine the underlying equity fair value of the Group and adopts equity allocation method to determine the fair value of convertible redeemable preferred shares as of each date of issuance and at each reporting date. The valuation technique used to measure fair value is applied consistently. However, a change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate.

3 Critical accounting estimates and judgements (Continued)

3.7 Recognition of deferred income tax assets

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

3.8 Recognition of loan facilitation service fees

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

3.9 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 commission income and asset management fees earned as the asset manager, the retention of residual income, 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.

For the year ended December 31, 2018

4 Financial risk management

(a) Financial risk factors

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

(1) Market risk — foreign exchange risk

The transactions of the Company are denominated and settled in its functional currency, US$. The Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$ and HK$. Therefore, foreign exchange risk primarily arose from borrowings in the Group's Hong Kong subsidiary when receiving or to receive foreign currencies from overseas lenders.

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

	Expected changes in net profit/(loss)	
	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
5% appreciation of RMB	**13,715**	33,970
5% depreciation of RMB	**(13,715)**	(33,970)

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

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

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

For the year ended December 31, 2018

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(2) 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. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in repricing risk and basis risk.

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

The following tables indicate the exposure to interest rate risk for the respective period, and the expected next repricing dates (or maturity dates whichever are earlier) for the interest bearing assets and liabilities of the Group:

	As at December 31, 2018				
	Up to 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
ASSETS					
Cash and cash equivalents	1,050,111	—	—	—	1,050,111
Restricted cash	—	16,929	110,973	—	127,902
Loans to customers at fair value through profit or loss	1,069,798	4,191,251	3,602,197	—	8,863,246
Guarantee receivables	—	—	—	206,146	206,146
Other financial assets	—	1,000	115,667	576,294	692,961
Total financial assets	2,119,909	4,209,180	3,828,837	782,440	10,940,366
LIABILITIES					
Borrowings	(966,174)	(5,918,622)	(1,246,480)	—	(8,131,276)
Guarantee liabilities	—	—	—	(204,496)	(204,496)
Other financial liabilities	(46,135)	(27,934)	(49,110)	(133,830)	(257,009)
Total financial liabilities	(1,012,309)	(5,946,556)	(1,295,590)	(338,326)	(8,592,781)
Total interest rate sensitivity gap	1,107,600	(1,737,376)	2,533,247	444,114	2,347,585

For the year ended December 31, 2018

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(2) *Market risk — interest rate risk* (Continued)

	As at December 31, 2017				
	Up to 3 months *RMB'000*	3 months to 1 year *RMB'000*	1-5 years *RMB'000*	Non-interest bearing *RMB'000*	Total *RMB'000*
ASSETS					
Cash and cash equivalents	568,196	—	—	—	568,196
Restricted cash	—	79,070	64,500	—	143,570
Loans to customers at amortised cost	997,063	7,316,385	3,166,248	—	11,479,696
Guarantee receivables	—	—	—	130,073	130,073
Financial assets designated at fair value through profit or loss	—	—	—	110,545	110,545
Other financial assets	—	—	145,544	305,389	450,933
Total financial assets	1,565,259	7,395,455	3,376,292	546,007	12,883,013
LIABILITIES					
Borrowings	(1,432,134)	(6,753,967)	(2,877,032)	—	(11,063,133)
Guarantee liabilities	—	—	—	(169,553)	(169,553)
Convertible redeemable preferred shares	—	—	(3,042,173)	—	(3,042,173)
Other financial liabilities	(10,884)	(79,866)	(34,563)	(57,583)	(182,896)
Total financial liabilities	(1,443,018)	(6,833,833)	(5,953,768)	(227,136)	(14,457,755)
Total interest rate sensitivity gap	122,241	561,622	(2,577,476)	318,871	(1,574,742)

Sensitivities on fixed-rate financial instruments

The Group performs interest rate sensitivity analysis on profit for the Group by measuring the impact of a change in profit of financial assets and liabilities. On an assumption of a parallel shift of 25 basis points in RMB, USD and HKD interest rates, the Group calculates the changes in profit for the year on a monthly basis.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(2) *Market risk — interest rate risk* (Continued)

Sensitivities on fixed-rate financial instruments (Continued)

The table below illustrates the impact to profit of the coming year as of each reporting date based on the structure of interest bearing assets and liabilities as at December 31, 2018, caused by a parallel shift of 25 basis points of RMB, USD and HKD interest rates.

	Expected changes in net profit/(loss) Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
+25 basis points	**794**	794
-25 basis points	**(794)**	(794)

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

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- All assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on reporting date, regardless of subsequent changes;
- No consideration of impact on customers' behavior resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes;
- No consideration of actions taken by the Group.

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

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(3) 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, guarantee receivables, loans to customers, financial assets designated at fair value through profit or loss and other financial assets. The Group manages the credit risk through a comprehensive credit assessment system.

To manage this risk arising from cash and cash equivalents, restricted cash and financial assets designated at fair value through profit or loss, 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 relations to these financial institutions.

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

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

Credit risk measurement

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

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(3) Credit risk (Continued)

Measurement of ECL

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.

- If a significant increase in credit risk ("**SICR**") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(3) Credit risk (Continued)

Measurement of ECL (Continued)

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

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

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

Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. No qualitative criteria is considered by the Group since the Group monitor the risk of borrowers purely based on overdue period.

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired if the borrower is more than 90 days past due on its contractual payments. No qualitative criteria is considered by the Group since the Group monitor the risk of borrowers purely based on overdue period.

The criteria above have been applied to all financial instruments held by the Group and are 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 loss calculations.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(3) Credit risk (Continued)

Measurement of ECL (Continued)

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) 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 are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

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

- Loss Given Default (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 exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

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

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

For the year ended December 31, 2018

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(3) Credit risk (Continued)

Measurement of ECL (Continued)

Measuring ECL — Explanation of inputs, assumptions and estimation techniques (Continued)

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

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. These assumptions vary by product type.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

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 variable impacting credit risk and expected credit losses for each portfolio.

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

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(3) *Credit risk* (Continued)

Measurement of ECL (Continued)

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

In addition to the base economic scenario, the Group also obtained other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date and at 31 December 2018, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

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

The assessment of ECL incorporates forward-looking information in respect of PD. The Group has performed historical analysis and identified the key economic variable impacting credit risk and ECL for loan portfolio:

Key economic variable	Scenario	Range
CPI (Consumer Price Index)	Base	1.95%–2.52%
	Upside	2.10%–2.70%
	Downside	1.70%–2.40%

For the year ended December 31, 2018

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(3) Credit risk (Continued)

Measurement of ECL (Continued)

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

The Group uses economic variable assumptions when determine expected CPI. The weightings assigned to each economic scenario at December 31, 2018 were as follows:

	Base	Upside	Downside
CPI	80%	10%	10%

Sensitivity analysis

The most significant assumption affecting the ECL allowance is CPI.

Set out below are the changes to the ECL as at December 31, 2018 that would result from increasing CPI by 10% in each of the base, upside and downside scenarios:

	+10%	–10%
Consumer Price Index	(5,602)	2,357

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

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 on December 31, 2018 is reduced by RMB671,000; 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 is increased by RMB1,654,000.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(3) *Credit risk* (Continued)

Sensitivity analysis (Continued)

Assuming credit risk changed significantly, resulting in all the Stage 2 financial assets and credit commitments fall into Stage 1, the changes in the ECL and estimated liabilities in the balance sheet are set out below:

	As at December 31, 2018 *RMB'000*
ECL and estimated liabilities	143,469
ECL and estimated liabilities when credit risk change	43,886
Difference-amount	(99,583)
Difference-ratio	–69.41%

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

	As at December 31, 2018 ***RMB'000***	2017 *RMB'000*
Cash and cash equivalents	**1,050,111**	568,196
Restricted cash	**127,902**	143,570
Financial assets at fair value through profit or loss	**—**	110,545
Contract assets	**154,143**	98,845
Stage 1	**153,412**	N/A
Stage 2	**515**	N/A
Stage 3	**216**	N/A
Guarantee receivables	**206,146**	130,073
Stage 1	**205,034**	N/A
Stage 2	**775**	N/A
Stage 3	**337**	N/A
Loans to customers at amortised cost (Note 17)	**—**	11,479,696
Other assets	**759,446**	507,596
Total	**2,297,748**	13,038,521

For the year ended December 31, 2018

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(4) 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 continue 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 table below presents the cash flows receivable and payable by the Group under financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows.

	As at December 31, 2018				
	On demand *RMB'000*	Overdue *RMB'000*	Within 1 year *RMB'000*	1-5 years *RMB'000*	Total *RMB'000*
Assets					
Cash and cash equivalents	990,092	—	60,913	—	1,051,005
Restricted cash	—	—	16,988	111,361	128,349
Loans to customers at fair value through profit or loss	—	485,282	6,309,050	4,669,139	11,463,471
Guarantee receivables	—	3,906	199,059	3,181	206,146
Other financial assets	29,154	—	526,171	138,847	694,172
Total financial assets	1,019,246	489,188	7,112,181	4,922,528	13,543,143
Liabilities					
Borrowings	—	—	(7,419,325)	(1,352,746)	(8,772,071)
Guarantee liabilities	—	—	(199,483)	(5,013)	(204,496)
Other financial liabilities	(1,701)	—	(208,529)	(59,539)	(269,769)
Total financial liabilities	(1,701)	—	(7,827,337)	(1,417,298)	(9,246,336)
Net value	1,017,545	489,188	(715,156)	3,505,230	4,296,807

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(4) Liquidity risk (Continued)

	As at December 31, 2017				
	On demand	Overdue	Within 1 year	1–5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Cash and cash equivalents	545,929	—	22,277	—	568,206
Restricted cash	—	—	80,070	65,654	145,724
Loans to customers at amortised cost	—	2,330,163	8,987,240	3,422,868	14,740,271
Guarantee receivables	—	707	126,873	2,493	130,073
Financial assets designated at fair value through profit or loss	—	—	110,545	—	110,545
Other financial assets	157,744	—	282,835	11,169	451,748
Total financial assets	703,673	2,330,870	9,609,840	3,502,184	16,146,567
Liabilities					
Borrowings	—	—	(8,636,651)	(3,337,169)	(11,973,820)
Guarantee liabilities	—	—	(166,436)	(3,117)	(169,553)
Convertible redeemable preferred shares	—	—	—	(2,417,395)	(2,417,395)
Other financial liabilities	—	—	(166,624)	(34,570)	(201,194)
Total financial liabilities	—	—	(8,969,711)	(5,792,251)	(14,761,962)
Net value	703,673	2,330,870	640,129	(2,290,067)	1,384,605

For the year ended December 31, 2018

4 Financial risk management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are 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.

The Group monitors capital (including capital reserve on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Group's shares. In the opinion of the directors of the Group, the Group's capital risk is low.

(c) Fair value measurement of financial instruments

Fair value hierarchy

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at December 31, 2018, January 1, 2018 and December 31, 2017 on a recurring basis:

		December 31, 2018			
	Valuation techniques and key input	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets					
Loans to customers at fair value through profit or loss	Discounted cash flow method (i)	—	—	8,863,246	8,863,246
		—	—	8,863,246	8,863,246

(i) Future cash flows are estimated based on key assumptions including growth rate, weighted average cost of capital.

4 Financial risk management (Continued)

(c) Fair value measurement of financial instruments (Continued)

Fair value hierarchy (Continued)

	Valuation techniques and key input	December 31, 2017 Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets					
Financial assets at fair value through profit or loss	Bank quoted expected return	—	—	110,545	110,545
Liabilities					
Convertible redeemable preferred shares	Discounted cash flow method (i)	—	—	3,042,173	3,042,173

(i) Future cash flows are estimated based on key assumptions including perpetual growth rate, inflation rate, weighted average cost of capital and liquidity discount.

The following table presents the changes in level 3 asset instruments for the year ended December 31, 2017 and 2018:

	RMB'000
At January 1, 2017	—
Additions	110,545
At December 31, 2017	110,545
At December 31, 2017	110,545
Changes on initial application of IFRS 9	11,283,783
At January 1, 2018	11,394,328
Additions	16,701,203
Disposals	(18,100,867)
Gains or losses recognized in profit or loss	(1,131,418)
At December 31, 2018	8,863,246

Other than the loans to customers are measured at fair value under IFRS 9 (Note 17), starting from January 1, 2018, there were no transfers between the levels of the fair value hierarchy in the year ended 2018. There were no changes made to any of the valuation techniques applied as of January 1, 2018.

For the year ended December 31, 2018

4 Financial risk management (Continued)

(c) Fair value measurement of financial instruments (Continued)

Fair value hierarchy (Continued)

All of the level 3 liability instruments are convertible redeemable preferred shares. The changes in level 3 liability instruments for the year ended December 31, 2017 and 2018 are showed at Note 27.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at December 31, 2018.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) 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. This is the case for unlisted equity securities.

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. At least once every six months, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

As of December 31, 2018, the level 3 instruments was 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 have been determined using discounted cash flows. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of discount rate, and other exposure etc. Discount rate was estimated by weighted average cost of capital as of each reporting date. The managements estimated the risk-free interest rate based on the yield of China Government Bond with a maturity life equal to period from the respective reporting date to expected cash flow date.

4 Financial risk management (Continued)

(c) Fair value measurement of financial instruments (Continued)

Fair value measurements using significant unobservable inputs (Continued)

The table below illustrates the impact to profit/(loss) before income tax for the year ended December 31, 2018, if the discount rate used had increased/decreased by 100 basis points with all other variables held constant.

	Expected changes in profit/(loss) before income tax For the year ended December 31, 2018 *RMB'000*
+100 basis points	(49,457)
-100 basis points	50,633

The Group also has a number of financial instruments which are not measured at fair value in the statement of financial position such as guarantee receivables, other receivables, and other payables. For these instruments, the fair values are not materially different to their carrying amounts.

For the year ended December 31, 2018

5 Net interest type income

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Interest type income		
Loans to customers at fair value through profit or loss	**2,930,339**	N/A
Interest income		
Loans to customers at amortised cost	**N/A**	3,254,516
Including: Interest income on impaired financial assets	**N/A**	19,178
Less: Interest expense		
Payable to holders of trust plans and asset management plans	**(817,766)**	(814,031)
Borrowings from corporations	**(116,458)**	(40,754)
Borrowings from individuals	**(33,174)**	(55,154)
Bank borrowings	**(93)**	(915)
Others	**(7,279)**	(7,372)
	(974,770)	(918,226)
Net interest type income	**1,955,569**	N/A
Net interest income	**N/A**	2,336,290

For the year ended December 31, 2018

6 Loan facilitation service fees

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Upfront loan facilitation service fees	**230,560**	69,102
Post loan facilitation service fees	**39,272**	14,814
	269,832	83,916

Note: The unsatisfied performance obligations as at December 31, 2018 is RMB49,874,000. Management expects that 92.7% of the transaction price allocated to the unsatisfied contracts as of December 31, 2018 will be recognized as revenue within the next 12 months.

7 Other income

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Membership fees (i)	**258,033**	—
Penalty and service charges	**240,832**	248,068
Referral fees	**93,620**	—
Risk management system service fees	**39,896**	13,091
Other consulting service fees	**24,976**	—
(Losses)/gains from guarantee	**(160,436)**	9,211
Others	**14,261**	15,806
	511,182	286,176

(i) The unsatisfied performance obligations as at December 31, 2018 is RMB50,492,000. Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of December 31, 2018 will be recognized as revenue within the next 12 months.

For the year ended December 31, 2018

8 Expenses by nature

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Employee benefit expenses *(Note 9)*	**704,552**	473,776
Loan servicing expenses	**306,022**	217,185
Marketing and advertising fees	**193,907**	55,326
Professional service fees	**81,322**	30,775
Office rental	**57,534**	59,722
Office expenses	**50,339**	33,378
Depreciation and amortization	**31,430**	24,335
Tax and surcharge	**12,827**	12,343
Auditor's remuneration		
– Audit service	**9,406**	794
– Non-audit service	**792**	143
Others	**19,994**	24,926
	1,468,125	932,703

9 Employee benefit expenses

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**340,392**	378,615
Pension costs — defined contribution plans	**43,496**	48,653
Other social security costs, housing benefits and other employee benefits	**45,054**	36,382
Share-based compensation expenses	**275,610**	10,126
	704,552	473,776

For the year ended December 31, 2018

10 Directors' remuneration

The remuneration of every director for the year ended December 31, 2018 is set out as follows:

	Director's fee *RMB'000*	Salaries, wages and bonuses *RMB'000*	Pension costs — defined contribution plan *RMB'000*	Other social security costs, housing benefits and other employee benefits *RMB'000*	Share-based compensation expenses *RMB'000*	Total *RMB'000*
Executive Directors						
Liu Sai Wang Stephen (a)	**1,623**	**278**	**—**	**9**	**173,950**	**175,860**
Liu Sai Keung Thomas (b)	**1,464**	**278**	**—**	**13**	**1,251**	**3,006**
Non-Executive Directors						
Ma Ting Hung (c)	**—**	**—**	**—**	**1,553**	**14,811**	**16,364**
Chen Penghui (d)	**107**	**—**	**—**	**—**	**—**	**107**
Seek Ngee Huat (e)	**107**	**—**	**—**	**—**	**—**	**107**
Wu Chak Man (f)	**107**	**—**	**—**	**—**	**—**	**107**
	3,408	**556**	**—**	**1,575**	**190,012**	**195,551**

The remuneration of every director for the year ended December 31, 2017 is set out as follows:

	Director's fee *RMB'000*	Salaries, wages and bonuses *RMB'000*	Pension costs — defined contribution plan *RMB'000*	Other social security costs, housing benefits and other employee benefits *RMB'000*	Share-based compensation expenses *RMB'000*	Total *RMB'000*
Executive Directors						
Liu Sai Wang Stephen (a)	1,090	824	—	9	—	1,923
Liu Sai Keung Thomas (b)	—	824	—	758	297	1,879
Non-Executive Directors						
Ma Ting Hung (c)	—	—	—	1,406	—	1,406
	1,090	1,648	—	2,173	297	5,208

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.

For the year ended December 31, 2018

10 Directors' remuneration (Continued)

Notes:

(a) Appointed as director of the Company in September 2007;

(b) Appointed as director of the Company in November 2017;

(c) Appointed as director of the Company in September 2007;

(d) Appointed as director of the Company in June 2018;

(e) Appointed as director of the Company in June 2018;

(f) Appointed as director of the Company in June 2018;

11 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2017 and 2018 include 2 and 3 directors whose emoluments are reflected in the analysis shown in Note 10. The emoluments payable to the remaining 3 and 2 senior management for each of the years ended December 31, 2017 and 2018 are as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**1,528**	2,710
Pension costs — defined contribution plans	**50**	92
Other social security costs, housing benefits and other employee benefits	**47**	84
Share-based compensation expenses	**35,480**	146
	37,105	3,032

The emoluments fell within the following bands:

	Year ended December 31,	
	2018	2017
Nil to HKD1,000,000	**—**	—
HKD1,000,001 to HKD1,500,000	**—**	—
HKD1,500,001 to HKD2,000,000	**—**	2
Over HKD2,000,000	**2**	1
	2	3

12 Credit impairment losses/Impairment losses

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Cash and cash equivalents	**3**	—
Restricted cash	**1**	—
Loans to customers at amortised cost	**N/A**	(1,397,199)
Contract assets	**(17,293)**	(11,872)
Guarantee receivables	**(35,998)**	(3,562)
Other assets	**(1,061)**	(4,806)
	(54,348)	(1,417,439)

13 Other gains/(losses), net

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Finance cost, net (i)	**(19,366)**	27,353
Gain from financial assets at fair value through profit or loss	**1,360**	545
Gain from disposal of subsidiary (ii)	**35,589**	—
Loss on early repayment (iii)	**N/A**	(36,738)
	17,583	(8,840)

(i) Finance cost, net

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Exchange (losses)/gains	**(25,718)**	25,460
Bank charges	**(999)**	(771)
Bank interest income	**7,351**	2,664
	(19,366)	27,353

For the year ended December 31, 2018

13 Other gains/(losses), net (Continued)

(ii) On October 10, 2018, the Group disposed of Hangzhou Vision Financial Servicing Co., Ltd. and its subsidiary, Hangzhou Vision Information Technology Co. Ltd.. Particulars of the disposed subsidiaries are set out below:

Company name	Place of establishment and nature of legal entity	Date of incorporation	Issued capital	Percentage of attributable equity interest As at December 31, 2018	2017	Principal activities and place of operation
Hangzhou Vision Financial Servicing Co., Ltd.	PRC/Wholly foreign owned enterprise	May 28, 2010	USD2,000,000	—	100%	Loan facilitation service, the PRC
Hangzhou Vision Information Technology Co. Ltd.	PRC/Limited liability company	April 17, 2015	—	—	100%	Technology service, the PRC

Details of the disposal of the subsidiary

	2018 RMB'000
Consideration received:	
Cash	11,750
Total disposal consideration	11,750
Minus: Carrying amount of net assets sold	(23,839)
Gain on disposal before income tax	35,589
Income tax expense on gain	(5,339)
Gain on disposal after income tax	30,250

The carrying amounts of assets and liabilities of the subsidiary at the date of disposal (October 10, 2018) were:

	As at October 10, 2018 RMB'000
Cash and cash equivalents	3,325
Property, plant and equipment	4,171
Deferred income tax assets	2,459
Other assets	84,946
Total assets	94,901
Other liabilities	91,240
Dividends payable	27,500
Total liabilities	118,740
Net assets	(23,839)

(iii) Loans to customers are classified as financial assets measured at FVPL, starting from January 1, 2018, under IFRS 9, the early repayment option associated with loans are no longer measured separately and the loss on early repayment are reclassified as fair value change of loans to customers.

For the year ended December 31, 2018

14 Income tax expense

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Current income tax	**(185,241)**	(98,127)
Deferred income tax	**106,709**	39,458
	(78,532)	(58,669)

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

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Loss before income tax:	**(948,421)**	(944,464)
Tax calculated at income tax rate of each entity	**(74,320)**	(52,020)
Tax effects of:		
Expenses not deductible for income tax purpose	**(3,979)**	(9,540)
Revenue not subject to income tax	**4,125**	—
Super deduction for research and development expenses	**9,061**	4,762
Previously unrecognised tax losses now recouped to reduce current tax expense	**—**	1,838
No recognition of deferred tax assets on tax losses	**(13,419)**	(3,709)
Income tax expense	**(78,532)**	(58,669)

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

British Virgin Islands

Enterprise incorporated in the British Virgin Islands (BVI) is not subject to tax on income or capital gains.

Cayman Islands

Our Company re-domiciled from the BVI and continue into the Cayman Islands prior to Listing. The Company will be governed by the laws of the Cayman Islands after completion of the continuation. Accordingly the Company is not subject to income tax under Cayman Companies Law.

For the year ended December 31, 2018

14 Income tax expense (Continued)

China

The PRC Enterprise Income Tax Law (the "**EIT Law**") applies an income tax rate of 25% to all enterprises but grants preferential tax treatments to High and New Technology Enterprises ("**HNTEs**"). Under these preferential tax treatments, HNTEs can enjoy a preferential income tax rate of 15% for three years, but need to re-apply after the end of the three-year period. Vision Credit Financial Technology Company, an indirect wholly-owned subsidiary of the Company, qualified as HNTE under the EIT law in October 23, 2014. Therefore, Vision Credit Financial Technology Company was entitled to a preferential income tax rate of 15% for the years ended December 31, 2018. In November 2017, Vision Credit Financial Technology Company was further approved as HNTE and will continue to enjoy the preferential income tax rate of 15% from 2018 to 2020.

Hong Kong

Enterprise incorporated in Hong Kong ("**HK**") is subject to Corporate Income Tax rate of 16.5%.

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 foreign lender 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 does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on withholding tax was accrued as at the end of each reporting period.

15 Loss per share

Weighted average number of shares used as the denominator

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company	**(1,026,953)**	(1,003,133)
Weighted average number of ordinary shares in issue *('000)*	**350,239**	144,205
Basic loss per share *(RMB yuan)*	**(2.93)**	(6.96)
Diluted loss per share *(RMB yuan)*	**(2.93)**	(6.96)

15 Loss per share (Continued)

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

(b) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For year ended December 31, 2018 and 2017, the Group had two categories of potential ordinary shares, the shares options awarded (Note 31) and convertible redeemable preferred shares (Note 27). As the Group incurred losses for the year ended December 31, 2018 and 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the year ended December 31, 2018 and 2017 are the same as basic losses per share of the respective years.

16 Cash and bank balances

(a) Cash and cash equivalents

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Cash at bank	**839,324**	502,413
Cash held through platform	**210,788**	65,783
Less: impairment allowance	**(1)**	—
	1,050,111	568,196

(b) Restricted cash

	2018	2017
Pledged cash in banks	**127,921**	143,570
Less: impairment allowance	**(19)**	—
	127,902	143,570

Restricted cash is pledged in designated bank accounts which are constrained by the loan facilitation service contracts between banks and the Group. According to the contracts, the Group cannot withdraw restricted cash without the permission of banks.

For the year ended December 31, 2018

17 Loans to customers at fair value through profit or loss/Loans to customers at amortised cost

The composition of loans is as follows:

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Credit loans	**7,288,408**	N/A
Pledged loans	**1,574,838**	N/A
Loans to customers at fair value through profit or loss	**8,863,246**	N/A

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Loans to customers at amortised cost — gross	**—**	13,276,407
Less: impairment allowances	**—**	(1,796,711)
Loans to customers at amortised cost — net	**—**	11,479,696

Impairment of loans to customers is assessed collectively since each loan to customer is not individually significant.

As at December 31, 2018, all loans to customers are personal loans made to individual borrowers with original term up to 60 months. The annualized interest rates of these loans ranged between 7.8% to 30%.

The Group has established business relationship with the trust plans which were administered by third-party trust companies. The trust plans invested solely in loans on the Group's platform to provide returns to the beneficiaries of the trust plans. The Group entered into the agreements that the principal of the trust senior tranche holders and their expected return were fully guaranteed by the Group. Meanwhile, all the secondary beneficial right was taken by the Group, and the Group was entitled to the residual profits of the trusts. The Group holds variable interest in the trust plans. In addition, since the trust plans only invest in loans recommended by the Group, the Group has power to direct the activities of the trust plans. As a result, the Group is considered the primary beneficiary of the trust plans and consolidated the trust plans' assets, liabilities, results of operations and cash flows.

For the year ended December 31, 2018

17 Loans to customers at fair value through profit or loss/Loans to customers at amortised cost (Continued)

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

	As at December 31, 2018 *RMB'000*
Within 1 year (including 1 year)	5,026,719
1 to 2 years (including 2 years)	716,378
2 to 5 years (including 5 years)	3,120,149
	8,863,246

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

	As at December 31, 2018 *RMB'000*
Overdue	485,282
Within 1 year (including 1 year)	5,261,049
1 to 2 years (including 2 years)	1,579,993
2 to 5 years (including 5 years)	1,536,922
	8,863,246

18 Contract assets

The Group uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of the different deliverables as the basis for allocation. The service fee allocated to loan facilitation is recognized as revenue upon execution of loan agreements between investors and borrowers. When the fee allocated to the loan facilitation service is more than the cash received, a "Contract Asset" was recognized as follows:

	As at December 31,	
	2018 *RMB'000*	2017 *RMB'000*
Contract assets	**174,039**	108,791
Less: ECL allowance	**(19,896)**	N/A
Less: Impairment allowances	**N/A**	(9,946)
Contract assets, net	**154,143**	98,845

For the year ended December 31, 2018

18 Contract assets (Continued)

Movement of gross carrying amount

Contract assets	Year ended December 31, 2018 Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Opening balance at January 1, 2018	95,945	3,928	8,918	108,791
New financial assets originated or purchased	177,399	—	—	177,399
Transfer for the year:				
From stage 1 to stage 2	(5,527)	5,527	—	—
From stage 1 to stage 3	(18,791)	—	18,791	—
From stage 2 to stage 1	4	(4)	—	—
From stage 2 to stage 3	—	(2,609)	2,609	—
From stage 3 to stage 2	—	—	—	—
Asset derecognised (including final repayment)	(86,254)	(1,314)	(4,046)	(91,614)
Asset written off	—	—	(20,537)	(20,537)
Ending balance	162,776	5,528	5,735	174,039

Movement of ECL allowance

ECL allowance	Year ended December 31, 2018 Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Opening balance at January 1, 2018	(13,737)	(3,487)	(7,712)	(24,936)
New financial assets originated or purchased	(16,174)	—	—	(16,174)
Transfer for the year:				
From stage 1 to stage 2	504	(4,959)	—	(4,455)
From stage 1 to stage 3	1,713	—	(17,166)	(15,453)
From stage 2 to stage 1	—	4	—	4
From stage 2 to stage 3	—	2,341	(2,383)	(42)
From stage 3 to stage 2	—	—	—	—
Asset derecognised (including final repayment)	7,941	1,179	3,696	12,816
Changes to risk parameters (model inputs)	10,389	(91)	(2,491)	7,807
Asset written off	—	—	20,537	20,537
Ending balance	(9,364)	(5,013)	(5,519)	(19,896)

Note: Contract assets originated in 2018 and derecognised or written off in the same year are not included in the above movements.

18 Contract assets (Continued)

Movement of ECL allowance (Continued)

ECL allowance	Year ended December 31, 2018 Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
ECL Income statement charge for the period	**4,373**	**(1,526)**	**(20,140)**	**(17,293)**

The activities in the total loss allowance for the year ended December 31, 2017 consisted of the following:

	Year ended December 31, 2017 *RMB'000*
Opening balance	(3,981)
Provisions for the period	(11,872)
Write-offs	5,907
Ending balance	(9,946)

Note: The Group receives upfront payments from borrowers at loan inception and subsequent payments over the term of the loan. Contract asset represents 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, 2018 would be realized 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 loan originator.

19 Guarantee receivables and guarantee liabilities

	As at December 31, 2018 *RMB'000*	2017 *RMB'000*
Guarantee receivables	**235,934**	133,138
Less: ECL allowance	**(29,788)**	N/A
Less: Impairment allowances	**N/A**	(3,065)
Guarantee receivables, net	**206,146**	130,073

For the year ended December 31, 2018

19 Guarantee receivables and guarantee liabilities (Continued)

A summary of the Group's guarantee receivables movement as at December 31, 2018 and 2017 is presented below:

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Guarantee receivables		
Opening balance	**130,073**	23,681
Changes on initial application of IFRS 9	**(15,209)**	N/A
Addition arising from new business	**430,777**	185,916
Impairment losses	**N/A**	(3,562)
Expected credit losses	**(35,998)**	N/A
Reversal due to early repayment	**(50,172)**	(16,815)
Payment received from borrowers	**(253,325)**	(59,147)
Ending balance	**206,146**	130,073

Movement of gross carrying amount

	Year ended December 31, 2018			
Guarantee receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening balance at January 1, 2018	127,833	2,601	2,704	133,138
New financial assets originated or purchased	232,574	—	—	232,574
Transfer for the year:				
From stage 1 to stage 2	(9,077)	9,077	—	—
From stage 1 to stage 3	(25,439)	—	25,439	—
From stage 2 to stage 1	1	(1)	—	—
From stage 2 to stage 3	—	(2,464)	2,464	—
From stage 3 to stage 2	—	—	—	—
Asset derecognised (including final repayment)	(109,439)	(136)	(31)	(109,606)
Asset written off	—	—	(20,172)	(20,172)
Ending balance	216,453	9,077	10,404	235,934

For the year ended December 31, 2018

19 Guarantee receivables and guarantee liabilities (Continued)

Movement of ECL allowance

ECL allowance	Year ended December 31, 2018 Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
Opening balance at January 1, 2018	(13,555)	(2,281)	(2,438)	(18,274)
New financial assets originated or purchased	(18,464)	—	—	(18,464)
Transfer for the year:				
From stage 1 to stage 2	721	(8,132)	—	(7,411)
From stage 1 to stage 3	2,020	—	(23,778)	(21,758)
From stage 2 to stage 1	—	1	—	1
From stage 2 to stage 3	—	2,208	(2,303)	(95)
From stage 3 to stage 2	—	—	—	—
Asset derecognised (including final repayment)	8,689	122	29	8,840
Changes to risk parameters (model inputs)	9,170	(220)	(1,749)	7,201
Asset written off	—	—	20,172	20,172
Ending balance	(11,419)	(8,302)	(10,067)	(29,788)

Note: Guarantee receivables originated in 2018 and derecognised or written off in the same year are not included in the above movements.

ECL allowance	Year ended December 31, 2018 Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
ECL Income statement charge for the period	2,136	(6,021)	(32,113)	(35,998)

For the year ended December 31, 2018

19 Guarantee receivables and guarantee liabilities (Continued)

The activities in the total loss allowance for the year ended December 31, 2017 consisted of the following:

	Year ended December 31, 2017
	RMB'000
Opening balance	(872)
Provisions for the period	(3,562)
Write-offs	1,369
Ending balance	(3,065)

A summary of the Group's guarantee liabilities movement as at December 31, 2018 and 2017 is presented below:

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Guarantee liabilities		
Opening balance	**169,553**	31,276
Changes on initial application of IFRS 9	**65,299**	N/A
Addition arising from new business	**430,777**	185,916
Release of the margin	**(27,459)**	(9,211)
Expected credit losses	**137,723**	N/A
Payouts during the period, net	**(571,397)**	(38,428)
Ending balance	**204,496**	169,553

20 Financial assets at fair value through profit or loss

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Wealth management product	**—**	110,545

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. The entities listed below have share capital consisting solely of ordinary shares, which is held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Investment date
Apass Holdings Company Limited	BVI	40.00	(i)	June 14, 2016
Shanghai COSCO Shipping Small Loan Co., Ltd	PRC	10.00	(ii)	December 28, 2017

(i) The Group invested in Apass Holdings Company Limited as a 40.00% shareholder for a consideration of HK$ 20,000,000. Apass Holdings Company Limited is a holding company controls an operational company in the PRC that provides data development services.

Key financial information of Apass Holdings Company Limited are listed below:

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Assets	**22,746**	30,733
Equity	**19,695**	26,960
Net losses	**(7,265)**	(15,920)

(ii) The Group invested in Shanghai COSCO Shipping Small Loan Co., Ltd. as a 10.00% shareholder for a consideration of RMB20,000,000. There are five members on the board of directors, of which one board member was appointed by the Group.

Key financial information of Shanghai COSCO Shipping Small Loan Co., Ltd. are listed below:

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Assets	**204,872**	N/A
Equity	**200,060**	N/A
Net losses	**60**	N/A

The following table sets forth the Group's investments accounted for using the equity method movement activities:

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Balance at beginning of the year	**30,784**	17,152
Addition	**—**	20,000
Share of net loss	**(2,900)**	(6,368)
Translation difference	**(200)**	—
Balance at end of the year	**27,684**	30,784

For the year ended December 31, 2018

22 Deferred income tax

	As at December 31,			
	2018		2017	
	Deductible/ (taxable) temporary differences	**Deferred income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Deferred income tax liabilities				
Unrealized gains	**(1,296,748)**	**(289,600)**	(1,354,000)	(338,500)
Others	**(2,756)**	**(689)**	(2,760)	(690)
	(1,299,504)	**(290,289)**	(1,356,760)	(339,190)
Deferred income tax assets				
Impairment allowance	**165,836**	**41,459**	1,958,812	489,703
Fair value change of loan to customers	**2,375,424**	**578,094**	N/A	N/A
Loss on early repayment	**N/A**	**N/A**	1,692	423
Accrued expenses	**—**	**—**	26,440	6,610
Others	**40,791**	**6,119**	—	—
	2,582,051	**625,672**	1,986,944	496,736

The above net deferred income tax assets are disclosed separately on the statements of financial position based on different taxation authorities as follows:

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Deferred income tax assets	**413,117**	279,860
Deferred income tax liabilities	**(77,734)**	(122,314)

For the year ended December 31, 2018

22 Deferred income tax (Continued)

The movements of the deferred income tax account are as following:

	Provisions	Fair value change	Unrealized gains	Tax loss	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2018	489,703	—	(338,500)	—	6,343	157,546
Adjustment on adoption of IFRS 9	(461,823)	532,951	—	—	—	71,128
Restated balance as at January 1, 2018	27,880	532,951	(338,500)	—	6,343	228,674
Recognized in the profit or loss	13,579	45,143	48,900	—	(913)	106,709
As at December 31, 2018	41,459	578,094	(289,600)	—	5,430	335,383
As at January 1, 2017	276,597	N/A	(165,907)	460	6,938	118,088
Recognized in the profit or loss	213,106	N/A	(172,593)	(460)	(595)	39,458
As at December 31, 2017	489,703	N/A	(338,500)	—	6,343	157,546

Deferred income tax assets are recognized for tax losses carrying 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, 2018, the Group did not recognise deferred income tax assets in respect of tax losses and deductible temporary differences of approximately RMB13,419,000.

For the year ended December 31, 2018

23 Intangible assets

	Software
	RMB'000
Cost	
As at January 1, 2017	18,858
Additions	5,228
As at December 31, 2017	24,086
Accumulated amortisation	
As at January 1, 2017	(7,121)
Amortisation charge for the year	(3,477)
As at December 31, 2017	(10,598)
Net book value	
As at December 31, 2017	**13,488**
Cost	
As at January 1, 2018	24,086
Additions	5,865
Disposals	(5,683)
As at December 31, 2018	24,268
Accumulated amortisation	
As at January 1, 2018	(10,598)
Amortisation charge for the year	(2,539)
Disposals	5,683
As at December 31, 2018	(7,454)
Net book value	
As at December 31, 2018	**16,814**

There is no indication that intangible assets have suffered an impairment loss during year 2018.

For the year ended December 31, 2018

24 Property and equipment

	Flats *RMB'000*	Furniture and office equipment *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost							
As at January 1, 2017	11,934	4,774	5,458	29,025	29,483	248	80,922
Additions	—	4,137	1,781	23,938	10,020	14,899	54,775
Disposals	—	(2,340)	(734)	(3,392)	(7,380)	—	(13,846)
Transfers	—	—	—	—	13,453	(13,453)	—
Foreign currency translation reserve	—	—	(85)	—	(10)	—	(95)
As at December 31, 2017	11,934	6,571	6,420	49,571	45,566	1,694	121,756
Accumulated depreciation							
As at January 1, 2017	(1,291)	(3,046)	(3,595)	(15,569)	(16,492)	—	(39,993)
Depreciation charge for the year	(597)	(656)	(939)	(8,890)	(9,776)	—	(20,858)
Disposals	—	1,558	1,039	3,442	7,380	—	13,419
Foreign currency translation reserve	—	—	24	—	7	—	31
As at December 31, 2017	(1,888)	(2,144)	(3,471)	(21,017)	(18,881)	—	(47,401)
Net book value							
As at December 31, 2017	10,046	4,427	2,949	28,554	26,685	1,694	74,355

For the year ended December 31, 2018

24 Property and equipment (Continued)

	Flats RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at January 1, 2018	11,934	6,571	6,420	49,571	45,566	1,694	121,756
Additions	—	47	977	13,533	—	3,973	18,530
Disposals	—	(1,142)	(47)	(438)	(6,228)	—	(7,855)
Transfers	—	—	—	—	4,546	(4,546)	—
Disposal of subsidiaries	—	(1,126)	(1,053)	(6,013)	(13,855)	(369)	(22,416)
Foreign currency translation reserve	—	—	118	—	9	—	127
As at December 31, 2018	11,934	4,350	6,415	56,653	30,038	752	110,142
Accumulated depreciation							
As at January 1, 2018	(1,888)	(2,144)	(3,471)	(21,017)	(18,881)	—	(47,401)
Depreciation charge for the year	(597)	(1,009)	(1,124)	(13,499)	(12,662)	—	(28,891)
Disposals	—	380	47	370	6,227	—	7,024
Disposal of subsidiaries	—	897	658	5,461	11,229	—	18,245
Foreign currency translation reserve	—	—	(45)	—	(8)	—	(53)
As at December 31, 2018	(2,485)	(1,876)	(3,935)	(28,685)	(14,095)	—	(51,076)
Net book value							
As at December 31, 2018	9,449	2,474	2,480	27,968	15,943	752	59,066

There is no indication that property and equipment have suffered an impairment loss during year 2018.

For the year ended December 31, 2018

25 Other assets

	As at December 31, 2018 RMB'000	2017 RMB'000
Security deposits in financial institutions	**280,887**	145,544
Due from business partners	**314,710**	49,205
Funds held in third party payment companies	**80,319**	72,241
Prepaid expense	**53,564**	55,399
Rental deposits	**9,679**	10,354
Due from related parties *(Note 32)*	**—**	142,494
Other deposits and receivables	**24,461**	40,581
	763,620	515,818
Less: Impairment allowance	**(4,174)**	(8,222)
	759,446	507,596

26 Borrowings

	As at December 31, 2018 RMB'000	2017 RMB'000
Payable to holders of trust plans and asset management plans	**6,918,969**	9,411,228
Borrowings from corporations (i)	**1,073,126**	1,109,440
Borrowings from individuals (ii)	**138,517**	540,532
Bank borrowings	**664**	1,933
	8,131,276	11,063,133
Denominated in:		
RMB	**7,801,314**	10,245,161
HKD	**312,804**	801,636
USD	**17,158**	16,336
	8,131,276	11,063,133

(i) Borrowings from corporations were mainly from third-party companies. The interest rate of borrowings from corporations was 6.25%~10.50% which was close to the market interest rate. The terms of borrowings from corporations are mainly 1 to 2 years.

(ii) Borrowings from individuals were mainly from shareholders and their relatives. The interest rate of borrowings from individuals was 10% which was similar to the market interest rate. And the terms are all 1 year. At December 31, 2018, the amount of borrowings from related parties was RMB90,249,000. It is also showed at Note 32(b).

For the year ended December 31, 2018

26 Borrowings (Continued)

26.1 Security of borrowings

	As at December 31, 2018 RMB'000	2017 RMB'000
Secured		
Bank borrowings (i)	**664**	1,933
Unsecured		
Payable to holders of trust plans and asset management plans	**6,918,969**	9,411,228
Borrowings from corporations	**1,073,126**	1,109,440
Borrowings from individuals	**138,517**	540,532
	8,130,612	11,061,200
Total borrowings	**8,131,276**	11,063,133

(i) In June 2014, the Group borrowed a loan of RMB5,740,000 million from Shanghai Pudong Development Bank. It is secured by the flats of the Group (Net book value: RMB9,449,000) and guaranteed by third-party companies.

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

	As at December 31, 2018	2017
Payable to holders of trust plans and asset management plans	**7.03%~15.00%**	6.00%~15.00%
Borrowings from Corporations	**6.25%~10.50%**	10.00%
Borrowings from Individuals	**10.00%**	10.00%
Bank borrowings	**6.18%**	6.18%

26.3 Contractual maturities of borrowings

	As at December 31, 2018 RMB'000	2017 RMB'000
Within 1 year	**4,015,282**	5,376,867
Between 1 and 2 years	**4,065,760**	5,684,333
Between 2 and 5 years	**50,234**	1,933
	8,131,276	11,063,133

For the year ended December 31, 2018

26 Borrowings (Continued)

26.4 Borrowings by repayment schedule

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**6,884,796**	8,221,263
Between 1 and 2 years	**1,196,910**	2,841,870
Between 2 and 5 years	**49,570**	—
	8,131,276	11,063,133

27 Convertible redeemable preferred shares

Since the date of incorporation, the Company has completed four rounds of financing by issuing convertible redeemable preferred shares, namely, series A convertible redeemable preferred shares issued in 2012, series B convertible redeemable preferred shares issued in 2014, series B (plus) convertible redeemable preferred shares in 2016, and series C convertible redeemable preferred shares in 2017.

In March 2012, pursuant to a share purchase agreement, the Company issued 110,000,000 Series A convertible redeemable preferred shares at a price of US$0.50 per share for a total consideration of US$55,000,000 to Series A investors.

According to 2011 financial performance of the Company, the conversion ratio of Series A convertible redeemable preferred shares was adjusted from 1 to 0.9321402 as agreed in the purchase agreement. Based on the adjusted of conversion, the number of Series A convertible redeemable preferred shares changed from 110,000,000 to 102,535,422, the price of Series A convertible redeemable preferred shares changed from US$0.50 per share to US$0.5364 per share.

In July 2014, pursuant to a share purchase agreement, the Company issued 51,514,499 Series B convertible redeemable preferred shares at a price of US$0.8735 per share for a total consideration of US$45,000,000 to Series B investors.

In January 2016, pursuant to a share purchase agreement, the Company issued 62,965,092 Series B (plus) convertible redeemable preferred shares at a price of US$0.8735 per share for a total consideration of US$55,000,000 to Series B (plus) investors.

In September 2017, pursuant to a share purchase agreement, the Company issued 31,011,598 Series C convertible redeemable preferred shares at a price of US$1.6123 per share for a total consideration of US$50,000,000 to Series C investors.

For the year ended December 31, 2018

27 Convertible redeemable preferred shares (Continued)

The key terms of convertible redeemable preferred shares are summarized as follows:

Voting rights	Each Preferred Share has voting rights equivalent to the number of ordinary shares to which it is convertible at the record date. The preferred shareholders shall vote together with the ordinary shareholders, and not as a separate class or series, on all matters put before the shareholders.
Dividends rights	Each holder of convertible redeemable preferred shares shall be entitled to participate in any dividend or distribution (cash or in specie) of the Company calculated on the basis of such convertible redeemable preferred shares having been converted into Ordinary Shares immediately before the record date for such dividend, distribution or issue of bonus Ordinary Shares, such dividend shall be paid out of the profits of the Company available, and shall be paid to (i) first, the holders of Series C convertible redeemable preferred shares; (ii) second, the holders of Series B (Plus) convertible redeemable preferred shares and the holders of Series B convertible redeemable preferred shares; (iii) third, the holders of Series A convertible redeemable preferred shares; and (iv) fourth, the holders of Ordinary Shares.
Conversion feature	Each preferred share is convertible, at the option of the holder, at any time after the date of issuance of such convertible redeemable preferred shares according to a conversion ratio, subject to adjustments for dilution, including but not limited to stock splits, stock dividends and capitalization and certain other events. Each preferred share is convertible into a number of ordinary shares determined by dividing the applicable original issuance price by the conversion price. Each preferred share shall automatically converted into ordinary shares, at the then applicable preferred share conversion price upon the occurrence of certain events.
Redemption feature	At any time on or after a specified date or upon occurrence of certain events, the Company shall redeem all of the respective outstanding convertible redeemable preferred shares in that class or series at the redemption price that specified in the Company's Article of Association.
Liquidation preference	In the event of any liquidation including deemed liquidation, dissolution or winding up of the Company. Holders of the convertible redeemable preferred shares shall be entitled to receive a per share amount equal to a certain multiple of the original preferred share issue price of the respective series of convertible redeemable preferred shares, as adjusted for share dividends, share splits, combinations, recapitalizations or similar events, plus all accrued and declared but unpaid dividends thereon, in a certain sequence. After such liquidation amounts have been paid in full, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed on a pro rata, pari passu basis among the holders of the convertible redeemable preferred shares, on an as-converted basis, together with the holders of the ordinary shares.

27 Convertible redeemable preferred shares (Continued)

The movement of the convertible redeemable preferred shares is set out as below:

	RMB'000
At January 1, 2018	**3,042,173**
Changes in fair value of preferred shares	**1,047,156**
OCI result from credit risk (Reclassified from fair value change)	**14,109**
Currency translation differences	**(11,495)**
Convert to ordinary shares	**(4,091,943)**
At December 31, 2018	**—**
At January 1, 2017	1,560,194
Issuance of series C convertible redeemable preferred shares	332,465
Changes in fair value of convertible redeemable preferred shares	1,285,496
Currency translation differences	(135,982)
At December 31, 2017	3,042,173

The management has used the discounted cash flow method to determine the underlying equity fair value of the Group and adopted the equity allocation method to determine the fair value of convertible redeemable preferred shares as of each date of issuance and at each reporting date. Key assumptions at the issuance and reporting date are set as below:

	Discount rate	**Risk-free interest rate**	**Volatility**
December 31, 2017	18.0%	2.17%	38.74%

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The management estimated the risk-free interest rate based on the yield of US Treasury bonds with a maturity life equal to period from the respective appraisal dates to expected redemption/liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for period from the respective appraisal dates to expected redemption/liquidation date. In addition to the assumptions adopted above, the Group's projections of future performance were also factored into the determination of the fair value of convertible redeemable preferred shares on appraisal date.

Changes in fair value are recorded in "Fair value loss of convertible redeemable preferred shares" in the consolidated statement of comprehensive income.

For the year ended December 31, 2018

28 Other liabilities

	As at December 31, 2018 RMB'000	2017 RMB'000
Other payables (i)	**343,550**	440,107
Contract liabilities (ii)	**50,492**	—
	394,042	440,107

(i) Other payables

	As at December 31, 2018 RMB'000	2017 RMB'000
Accrued service fees	**97,929**	153,604
Deposits collected from borrowers	**85,181**	125,313
Due to financial institutions	**81,636**	12,040
Interest payable to non-related parties	**38,948**	43,149
Employee benefit liability	**11,615**	76,848
Due to related parties	**752**	2,394
Others	**27,489**	26,759
	343,550	440,107

(ii) Contract liabilities

	As at December 31, 2018 RMB'000	2017 RMB'000
Membership fees received in advance	**50,492**	—
	50,492	—

29 Share capital and share premium

	Number of Ordinary shares *Shares'000*	Share capital *RMB'000*	Share premium *RMB'000*
At January 1, 2017	142,857	257,985	—
Issuance of ordinary shares to employees *(Note 31)*	37,848	136,477	—
At December 31, 2017	180,705	394,462	—
At January 1, 2018	**180,705**	**394,462**	**—**
Changes on initial application of par value	**—**	**(379,823)**	**379,823**
Shares issued upon Initial Public Offering	**72,382**	**5,982**	**1,145,200**
Conversion of preferred shares to ordinary shares	**248,027**	**20,460**	**4,071,483**
Issuance of ordinary shares to employees *(Note 31)*	**133**	**12**	**1,000**
Shares repurchased and cancelled	**(1,760)**	**(155)**	**(15,580)**
At December 31, 2018	**499,487**	**40,938**	**5,581,926**

For the year ended December 31, 2018

30 Reserves

	Share option reserves RMB'000	Translation reserve RMB'000	Other reserves RMB'000	Total RMB'000
As at January 1, 2018	**29,546**	**31,405**	**—**	**60,951**
Changes on initial application of IFRS 9 *(Note 2.2)*	**—**	**—**	**(47,055)**	**(47,055)**
Restated balance as at January 1, 2018	**29,546**	**31,405**	**(47,055)**	**13,896**
Currency translation differences	**—**	**44,105**	**—**	**44,105**
Change in fair value attributable to change in the credit risk of financial liability designated at fair value through profit or loss	**—**	**—**	**(14,109)**	**(14,109)**
Conversion of preferred shares to ordinary shares	**—**	**—**	**61,164**	**61,164**
Issuance of ordinary shares to employees	**(211)**	**—**	**—**	**(211)**
Share-based payment *(Note 31)*	**275,610**	**—**	**—**	**275,610**
As at December 31, 2018	**304,945**	**75,510**	**—**	**380,455**
As at January 1, 2017	33,321	(139,968)	—	(106,647)
Currency translation differences	—	171,373	—	171,373
Share-based payment *(Note 31)*	10,126	—	—	10,126
Issuance of ordinary shares to employees *(Note 31)*	(13,901)	—	—	(13,901)
As at December 31, 2017	29,546	31,405	—	60,951

31 Share-based payments

Pre-IPO share option schemes

The Board approved the establishment of three pre-IPO share option schemes respectively on March 1, 2016 (the "**2016 ESOP**") and March 1, 2018 (the "**2017 ESOP I**" and the "**2017 ESOP II**", together with the 2016 ESOP, the "**Pre-IPO Share Option Schemes**"). The purpose of the Pre-IPO Share Option Schemes is to provide an incentive for the key employees, directors and consultants of the Group or such other employees to continue and improve their services with the Group and to improve the operating efficiency of the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The overall limit on the number of underlying shares which may be issued pursuant to each of the Pre-IPO Share Option Schemes are shown in the table below.

Pre-IPO Share Option Schemes	**Number of Shares issuable under each pre-IPO share option scheme**
2016 ESOP	20,932,502
2017 ESOP I	46,516,997
2017 ESOP II	158,507,724

The granted share options have a contractual maximum option period of five years and the exercise prices are US$0.8735, US$1.6123 and US$1.6123 per share for 2016 ESOP, 2017 ESOP I and 2017 ESOP II, respectively.

Except as provided otherwise in the grant letters or offered in any other form by the Board, the vesting dates and proportion of shares that will vest on each vesting date are shown in the table below.

	Vesting date	**Proportion of shares**
2016 ESOP		
	December 31, 2016	One-third
	December 31, 2017	One-third
	December 31, 2018	One-third
2017 ESOP I and 2017 ESOP II		
	May 9, 2019	One-third
	May 9, 2020	One-third
	May 9, 2021	One-third

For the year ended December 31, 2018

31 Share-based payments (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Exercise Price in US$ per Share Option			Number of Share Options ('000)		
	2016 ESOP	2017 ESOP I	2017 ESOP II *(i)*	2016 ESOP	2017 ESOP I	2017 ESOP II *(i)*
Outstanding balance as at January 1, 2018	0.8735	—	—	20,933	—	—
Granted	—	1.6123	1.6123	—	46,517	158,508
Lapsed	—	—	—	—	—	(132,393)
Exercised (ii)	0.8735	—	—	(133)	—	—
Outstanding balance as at December 31, 2018	0.8735	1.6123	1.6123	20,800	46,517	26,115

(i) Share options granted under the 2017 ESOP II are divided into three tranches, being Series A, Series B and Series C options, representing a total of 26,114,819 Shares, 29,016,466 Shares and 103,376,439 Shares, respectively. Each tranche of the options granted under the 2017 ESOP II shall vest upon the pre-listing market capitalization of the Group, immediately prior to listing of the Group on June 21, 2018 ("**Listing**"), meeting specified thresholds. Series A, series B and series C options shall vest if the pre-listing market capitalization of the Group immediately prior to Listing exceeds US$1.2 billion, US$1.6 billion and US$2.4 billion respectively. Such pre-listing market capitalization is calculated with reference to, among other things, the final offer price of the shares in the listing ("**Offer Shares**"), the number of Shares in issue and the number of Shares to be issued pursuant to the exercise of the 2016 ESOP and 2017 ESOP I. Based on the offer price of HK$20.00 per Offer Share, the Series B and Series C options granted pursuant to the 2017 ESOP II lapsed upon Listing.

(ii) For the year ended December 31, 2018, the proceeds of RMB801,000 (2017: RMB122,576,000) arising from the exercise of share options are credited to capital reserve.

Fair value of share options granted under the Pre-IPO share option schemes

The Group estimated the risk-free interest rate based on the yield of US treasury bonds with a maturity life equal to the option life of the share option. Volatility was estimated at the grant date based on average of historical volatilities of comparable companies with terms commensurate with the time to maturity of the share options. Dividend yield, exercise multiple and post-vesting forfeiture rate are based on management estimation at the grant date.

For the year ended December 31, 2018

31 Share-based payments (Continued)

Based on fair value of the underlying ordinary share, the Group has used a binomial option-pricing model to determine the fair value of the share options as at the grant date. The weighted average fair values of 2017 ESOP I share options and 2017 ESOP II share options granted on May 2018 were US$0.5041 per share option. Key assumptions are set as below:

	May 2018
Option life (years)	5
Risk-free Interest rate	2.83%
Volatility	40.36%
Dividend yield	—

32 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, 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 and their close family member of the Group are also considered as related parties.

The Group has significant transactions with the following related parties for the year ended December 31, 2018.

(a) Names and relationships with related parties

Name	Relationship
Liu Sai Wang Stephen	Executive Director
Liu Sai Keung Thomas	Executive Director
Chen Penghui	Non-Executive Director
Liu Yang	Non-Executive Director
Ma Ting Hung	Non-Executive Director
Seek Ngee Huat	Non-Executive Director
Wu Chak Man	Non-Executive Director
Dong Ludwig	Former Director
Kwok Lim Ying	Parent of Liu Sai Wang Stephen
Ma Ting Yiu	Brother of Ma Ting Hung
Mok Mei Hing	Spouse of Dong Ludwig

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 arms' length and normal commercial terms negotiated between the Group and the respective related parties.

For the year ended December 31, 2018

32 Related party transactions (Continued)

(b) Borrowings from related parties

	As at December 31, 2018 RMB'000	2017 RMB'000
Borrowings		
Related parties	**90,249**	453,001

(c) Guarantee for related parties

The Group guaranteed certain loans of Mr. Liu Sai Wang, their chief executive officer and executive director. Pursuant to a guarantee agreement dated December 7, 2015, the Group agreed to act as guarantor for a HKD40 million loan (plus accrued interest) between Mr. Liu Sai Wang as the borrower and an independent third party as the lender. Pursuant to a deed of release of guarantor dated June 7, 2018, the guarantee provided by the Group has been released.

(d) Year end balances with related parties

	As at December 31, 2018 RMB'000	2017 RMB'000
Receivable from related parties		
Due from related parties	**—**	142,494

The grantees of the 2010 ESOP plan and the 2012 ESOP plan exercised their share options in December 2017 and the Company has received cash from the grantees in 2018.

	As at December 31, 2018 RMB'000	2017 RMB'000
Payable to related parties		
Due to related parties	**752**	2,394

The amounts due from/to related parties mentioned above are non-trade in nature.

32 Related party transactions (Continued)

(e) Transactions with related parties

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Interest expenses	**20,210**	43,139

(f) 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, 2018 RMB'000	2017 RMB'000
Director's fee	**3,408**	1,090
Wages, salaries and bonuses	**4,257**	5,948
Pension costs-defined contribution plan	**50**	46
Other social security costs, housing benefits and other employee benefits	**1,825**	2,215
Share-based compensation expenses	**225,653**	1,268
	235,193	10,567

(g) Senior management's emoluments

The senior management's emoluments fell within the following bands:

	Year ended December 31, 2018	2017
Nil to HKD1,000,000	**—**	1
HKD1,000,001 to HKD1,500,000	**—**	—
HKD1,500,001 to HKD2,000,000	**—**	1
Over HKD2,000,000	**5**	3
	5	5

For the year ended December 31, 2018

33 Note to consolidated statements of cash flows

(a) Reconciliation from profit before income tax to cash used in operating activities:

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Loss before income tax from	**(948,421)**	(944,464)
Adjustments for:		
Provisions for loan impairment	**N/A**	1,397,199
Fair value change of loans to customers	**1,130,058**	N/A
Unwind of discount on allowances during the period	**—**	(19,177)
Impairment of other financial assets	**54,348**	20,240
Loss on early repayment	**—**	36,738
Depreciation and amortization	**31,430**	24,335
Loss on disposal of property and equipment, intangible assets	**831**	427
Share of net loss of associates accounted for using the equity method	**2,900**	6,368
Fair value gain	**(1,360)**	(545)
Fair value loss of convertible redeemable preferred shares	**1,047,156**	1,285,496
Share-based payment	**275,610**	10,126
Interest expenses paid	**974,770**	890,994
Listing expenses	**49,870**	6,869
Disposal gain	**(35,589)**	—
Changes in operating assets and liabilities:		
Decrease/(Increase) in loans to customers	**1,473,151**	(6,638,597)
Increase in contract assets and guarantee receivables	**(184,661)**	(160,068)
Decrease/(Increase) in other operating assets	**3,410,070**	(257,670)
(Decrease)/Increase in other operating liabilities	**(3,950,218)**	211,234
Cash used in operating activities	**3,329,945**	(4,130,495)

For the year ended December 31, 2018

33 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 periods presented.

Net debt

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Cash and cash equivalents	**1,050,112**	568,196
Liquid investments (i)	**—**	110,545
Borrowings — repayable within one year (including overdraft)	**(6,884,796)**	(8,186,101)
Borrowings — repayable after one year	**(1,246,480)**	(2,877,032)
Net debt	**(7,081,164)**	(10,384,392)
Cash and liquid investments	**1,050,112**	678,741
Gross debt — fixed interest rates	**(8,130,612)**	(11,061,200)
Gross debt — variable interest rates	**(664)**	(1,933)
Net debt	**(7,081,164)**	(10,384,392)

For the year ended December 31, 2018

33 Note to consolidated statements of cash flows (Continued)

(b) Net Debt Reconciliation (Continued)

	Cash and cash equivalents *RMB'000*	Liquid investments *RMB'000*	Borrowings (non-current) *RMB'000*	Borrowings (current) *RMB'000*	Total *RMB'000*
As at January 1, 2018	**568,196**	**110,545**	**(2,877,032)**	**(8,186,101)**	**(10,384,392)**
Foreign exchange adjustments	**(4,284)**	**—**	**(21,375)**	**(34,877)**	**(60,536)**
Cash flows	**486,200**	**(111,905)**	**(1,596,759)**	**4,584,868**	**3,362,404**
Other non-cash movements	**—**	**1,360**	**3,248,686**	**(3,248,686)**	**1,360**
As at December 31, 2018	**1,050,112**	**—**	**(1,246,480)**	**(6,884,796)**	**(7,081,164)**
As at January 1, 2017	289,889	—	(1,879,881)	(4,018,558)	(5,608,550)
Foreign exchange adjustments	(2,389)	—	17,147	36,882	51,640
Cash flows	280,696	110,000	(2,876,367)	(2,342,356)	(4,828,027)
Other non-cash movements	—	545	1,862,069	(1,862,069)	545
As at December 31, 2017	568,196	110,545	(2,877,032)	(8,186,101)	(10,384,392)

(i) Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

For the year ended December 31, 2018

34 Commitments

The Group has entered into outstanding operating lease commitments for certain office rental under non-cancellable leases. The lease terms are between 1 to 5 years, and the majority of lease agreements are renewable at the end of the lease at market rates.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year (inclusive)	**46,963**	48,099
1 to 2 years (inclusive)	**17,140**	29,869
More than 2 years	**12,216**	6,858
	76,319	84,826

Please refer to Note 2.1(b) for the impact on adoption of IFRS 16.

35 Dividends

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year ended December 31, 2018 (2017: the same).

36 Contingent liability

The Group did not have any contingent liability as at December 31, 2018 (December 31, 2017: the same).

37 Subsequent events

Save as disclosed in the report, the following significant events took place subsequent to December 31, 2018:

On January 11, 2019, the Board adopted a 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 trustee 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.

For the year ended December 31, 2018

38 Statement of financial position and reserves movement of the Company

(a) Statement of financial position — the Company

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Assets		
Cash and cash equivalents	**97**	234
Investment in subsidiaries	**1,323,720**	1,326,248
Other assets	**1,617,316**	461,399
Total assets	**2,941,133**	1,787,881
Liabilities		
Convertible redeemable preferred shares	**—**	3,042,173
Other liabilities	**—**	55,623
Total liabilities	**—**	3,097,796
Equity/(Deficit)		
Share capital	**40,938**	394,462
Share premium	**5,581,926**	—
Reserves	**530,302**	80,895
Accumulated deficit	**(3,212,033)**	(1,785,272)
Total equity/(deficit)	**2,941,133**	(1,309,915)
Total liabilities and equity	**2,941,133**	1,787,881

The statement of financial position of the Company were approved by the Board of Directors on March 25, 2019 and was signed on its behalf

Ma Ting Hung
Director

Liu Sai Wang Stephen
Director

For the year ended December 31, 2018

38 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, 2018	**80,895**	**(1,785,272)**
Changes on initial application of IFRS 9	**(47,055)**	**—**
Restated balance as at January 1, 2018	**33,840**	**(1,785,272)**
Loss for the year	**—**	**(1,365,597)**
Currency translation differences	**174,008**	**—**
Change in fair value attributable to change in the credit risk of financial liability designated at fair value through profit or loss	**(14,109)**	**—**
Conversion of preferred shares to ordinary shares	**61,164**	**(61,164)**
Issuance of ordinary shares to employees	**(211)**	**—**
Share-based payment *(Note 31)*	**275,610**	**—**
As at December 31, 2018	**530,302**	**(3,212,033)**
As at January 1, 2017	(46,686)	(479,572)
Loss for the year	—	(1,305,700)
Currency translation differences	131,356	—
Share-based payment *(Note 31)*	10,126	—
Issuance of ordinary shares to employees *(Note 31)*	(13,901)	—
As at December 31, 2017	80,895	(1,785,272)

Four Year Financial Summary

(in RMB mn)	For the Year Ended December 31, 2015	2016	2017	2018
Total income	1,063	1,433	2,706	**2,737**
Operating (loss)/profit	(152)	(350)	347	**102**
Net loss	(303)	(565)	(1,003)	**(1,027)**
Adjusted operating (loss)/profit (unaudited)	(151)	(330)	364	**427**
Adjusted net (loss)/profit (unaudited)	(155)	(275)	292	**296**

(in RMB mn)	As at December 31, 2015	2016	2017	2018
Loans to customers at amortised cost	3,808	6,219	11,480	**—**
Loans to customers at fair value through profit or loss	N/A	N/A	N/A	**8,863**
Total assets	4,242	7,132	13,437	**11,678**
Total liabilities	4,411	7,941	14,946	**8,893**
Total (deficit)/equity	(169)	(809)	(1,509)	**2,785**
Adjusted total equity (unaudited)	669	751	1,534	**2,759**