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51信用卡

51 CREDIT CARD INC.

51 信用卡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2051)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of 51 Credit Card Inc. (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**”) for the year ended 31 December 2022.

FINANCIAL HIGHLIGHTS

	2022	2021	Year on year change
	<i>RMB'000</i>	<i>RMB'000</i>	Percentage
	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
Revenue	395,739	440,098	-10.1%
Credit facilitation and service fee	113,799	237,411	-52.1%
Payment service fee	152,945	78,560	94.7%
Credit card technology service fee	27,739	39,902	-30.5%
SaaS service fee	51,111	32,716	56.2%
Other revenue	50,145	51,509	-2.6%
Operating loss for the year	(40,735)	(199,301)	-79.6%
Net loss for the year	(97,629)	(260,701)	-62.6%
Non-IFRS measures			
Non-IFRS adjusted operating profit for the year ⁽¹⁾	33,742	1,783	>100%
Non-IFRS adjusted net profit/(loss) for the year ⁽²⁾	11,154	(57,656)	-119.3%

Notes:

- (1) Non-IFRS adjusted operating profit for the year is defined as operating loss for the year ended 31 December 2022 and 2021 excluding share-based compensation expenses, fair value loss of financial assets at fair value through profit or loss, impairment loss of intangible assets and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.
 - (2) Non-IFRS adjusted net profit/(loss) for the year is defined as net loss for the year ended 31 December 2022 and 2021 excluding share-based compensation expenses, fair value loss of financial assets/liabilities at FVPL, impairment loss of intangible assets, loss on deconsolidation of subsidiaries and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.
- No dividend has been paid or declared by the Company for the year ended 31 December 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group operates a widely-used credit card management platform, 51 Credit Card Manager App (“**51 Credit Card Manager**”). As at 31 December 2022, the number of registered users of 51 Credit Card Manager was approximately 88.7 million, and the number of credit cards we had managed cumulatively amounted to approximately 151.2 million. The Group’s commercial information searching tool, Little Blue Book App (“**Little Blue Book**”), aims to provide users with valuable commercial information. As at 31 December 2022, Little Blue Book had approximately 6.7 million registered users.

In the year ended 31 December 2022, facing the sporadic outbreaks of the COVID-19 Pandemic (the “**Pandemic**”) and sluggish macroeconomic environment, we adjusted our business strategies of the credit facilitation business with focus on the user management of high-quality existing customers, which has achieved satisfactory results and the overall delinquency rate of credit facilitation assets maintained at a low level. With our efficient and multi-channel collection management system, the recovery of overdue assets generated from historical credit facilitation business maintained a positive momentum.

Despite the slowdown in the expansion plan of To B business of Little Blue Book due to the substantial impact of the Pandemic on the overall software as a service (“**SaaS**”) industry in the year ended 31 December 2022, we have still achieved comprehensive growth in respect of the number of customers, customer unit price, sales efficiency, etc., as well as gained relatively profound understanding and accumulation of multiple industries.

In summary, in the year ended 31 December 2022, the delinquency rate of our credit facilitation business maintained at a low level and the efficiency of overdue assets recovery maintained a positive momentum, providing a solid foundation for the Group’s day-to-day operations and the development of new businesses such as the SaaS business. For the year ended 31 December 2022, our revenue was approximately RMB395.7 million, representing a decrease of approximately 10.1% from approximately RMB440.1 million for the year ended 31 December 2021; our operating loss was approximately RMB40.7 million, representing a decrease of approximately 79.6% from approximately RMB199.3 million for the year ended 31 December 2021; and our net loss was approximately RMB97.6 million, representing a decrease of approximately 62.6% from approximately RMB260.7 million for the year ended 31 December 2021.

As for non-IFRS measures, for the year ended 31 December 2022, our non-IFRS adjusted operating profit was approximately RMB33.7 million, as compared with non-IFRS adjusted operating profit of approximately RMB1.8 million for the year ended 31 December 2021; and our non-IFRS adjusted net profit was approximately RMB11.2 million, as compared with non-IFRS adjusted net loss of approximately RMB57.7 million for the year ended 31 December 2021. Please refer to the section headed “FINANCIAL REVIEW – Non-IFRS measures” of this announcement for the definitions, explanations of usage and reconciliations of non-IFRS measures.

	2022		2021		Year on
	<i>RMB'000</i> <i>(approximate)</i>	Percentage of revenue <i>(approximate)</i>	<i>RMB'000</i> <i>(approximate)</i>	Percentage of revenue <i>(approximate)</i>	year change <i>Percentage</i> <i>(approximate)</i>
Revenue	395,739	100.0%	440,098	100%	-10.1%
Credit facilitation and service fee	113,799	28.8%	237,411	53.9%	-52.1%
Payment service fee	152,945	38.6%	78,560	17.9%	94.7%
Credit card technology service fee	27,739	7.0%	39,902	9.1%	-30.5%
SaaS service fee	51,111	12.9%	32,716	7.4%	56.2%
Other revenue	50,145	12.7%	51,509	11.7%	-2.6%
Operating loss for the year	(40,735)		(199,301)		-79.6%
Net loss for the year	(97,629)		(260,701)		-62.6%
Non-IFRS measures					
Non-IFRS adjusted operating profit for the year ⁽¹⁾	33,742		1,783		>100%
Non-IFRS adjusted net profit/(loss) for the year ⁽²⁾	11,154		(57,656)		-119.3%

Notes:

- (1) Non-IFRS adjusted operating profit for the year is defined as operating loss for the year ended 31 December 2022 and 2021 excluding share-based compensation expenses, fair value loss of financial assets at fair value through profit or loss (“FVPL”), impairment loss of intangible assets and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.
- (2) Non-IFRS adjusted net profit/(loss) for the year is defined as net loss for the year ended 31 December 2022 and 2021 excluding share-based compensation expenses, fair value loss of financial assets/liabilities at FVPL, impairment loss of intangible assets, loss on deconsolidation of subsidiaries and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.

1. Credit Facilitation Service

The Group refers qualified borrowers to partner financial institutions to provide loan services and receives service fees upon successful drawdown of loans to borrowers. We also provide credit enhancement to partner financial institutions through a licenced financial guarantee company within the Group.

In the year ended 31 December 2022, the total volume of credit facilitation business was approximately RMB2,519.4 million, all being businesses cooperated with financial institutions, representing a decrease of approximately 41.6% from approximately RMB4,317.2 million in the year ended 31 December 2021. The Day-1 delinquency rate (defined as the total amount of overdue principal as of a specified date divided by the total amount of principal due for repayment as of such date) of the credit facilitation assets facilitated in the year ended 31 December 2022 was lower than 3.5%, representing a decrease of approximately 42.6% as compared to the year ended 31 December in 2021, which was attributable to our adoption of stringent risk control measures. Meanwhile, the 30-day collection rate of overdue assets was approximately 85.1%. The average tenure of loans increased to approximately 9.5 months in the year ended 31 December 2022 from approximately 8.9 months in the year ended 31 December 2021, and the average amount of loans increased to approximately RMB9,200 in the year ended 31 December 2022 from approximately RMB7,500 in the year ended 31 December 2021.

2. SaaS Business

Our SaaS business consists of the Little Blue Book business and the smart retail business. Little Blue Book mainly focuses on an APP for general query of commercial information for To C users and smart sales of SaaS products for To B enterprises, in which the APP business provides membership-based services for individual users to generate monthly or annual subscription income while the SaaS smart sales of products mainly provides services including intelligent customer expansion, intelligent reach, intelligent customer management and related solutions for marketing and sales teams of To B enterprises to generate annual subscription income. Our smart retail business serves corporate customers, and received a fixed amount of revenue from system development and hardware and software sales and agency fees based on customer usage such as transaction payment amount, cloud service usage and SMS traffic. Revenue from SaaS business increased to approximately RMB51.1 million for the year ended 31 December 2022 from approximately RMB32.7 million for the year ended 31 December 2021.

3. *Credit card technology service*

In the year ended 31 December 2022, credit card technology service mainly focused on the issuance of co-branded cards under the cooperation with financial institutions. As a result of the tightening regulatory policies related to the co-branded card business, our investment in co-branded cards declined. Revenue from credit card technology service decreased from approximately RMB39.9 million for the year ended 31 December 2021 to approximately RMB27.7 million for the year ended 31 December 2022.

4. *Camping services*

During the year ended 31 December 2022, we have established the campsite brand chain named 51 CAMP, with the aim to develop the “2H” urban camping circle centered on intra-urban themed urban campsites, peri-urban campsites and complemented by remote glamping campsites. The revenue of 51 CAMP can mainly be divided into two types: To C and To B. For To C, we provide our customers with delicate camping services and charge a fixed service fee for the use of the venue, food and beverage consumption, etc. On the other hand, To B revenue includes fees charged for commercial advertising shooting, live broadcast, commercial brand press conference, wedding shooting, bespoke wedding, music festivals, camping festivals, enterprise team building customization, event advertising sponsorship and other modes of site services. Revenue from camping services was approximately RMB11.1 million for the year ended 31 December 2022.

OUTLOOK

Facing the impacts of the deceleration of overall macro-economic growth in the year ended 31 December 2022, the Group carried out comprehensive cost optimization arrangement in a timely manner and achieved positive results. Our traditional financial technology business is progressing steadily and our innovative business, 51 CAMP camping business, is also taking shape, the latter achieving a leading position in the camping industry in its first year of operation. In the future, we will continue to comply with various regulatory requirements while ensuring business compliance and seek to operate each business efficiently, specifically:

For financial technology business, we will further enhance our technological research and development capability with risk control at the core, strengthen our long-term cooperation with licensed financial institutions and continue to optimise our user applications and product operations in order to enhance brand recognition and customer loyalty.

As for SaaS business, we will focus on To B sales as our key business development, and continue to improve and optimise our To B intelligent sales growth cloud platform SaaS products in line with market customer demand. At the same time, we will continue to improve our sales efficiency and expand our team in a healthy manner to increase our consolidated annual revenue and customer base while maintaining a high HR efficiency.

In terms of camping services, with the practice and standardisation of our business operations in the past six months, 51 CAMP has now reached the Yangtze River Delta, Pearl River Delta and Sanya regions in the People's Republic of China (the "PRC"), operating over 25 peri-urban campsites and 4 urban campsites. In the future, relying on the "51 CAMP" campsite brand chain, we will continue to develop camping projects across the PRC and are currently exploring large-scale expansion in urban areas such as Sanya, Hainan, Guangdong, Guangzhou and Shanghai to provide a vast selection of "scenery + content" self-service delicate camping services to the domestic population. The Group also plans to attract investors and partners by camping operation with a higher standardized mode and special camping resources with high-quality, introducing flexible and diversified cooperation model, and achieving sustainable and replicable large-scale development of the 51 CAMP business.

Going forward, the Company will continue to pay attention to the trends of the market and consumers' needs while adjusting its cost-saving measures to prepare itself for capturing new business opportunities across its different business segments, thereby preserving and generating value to the shareholders of the Company.

FINANCIAL INFORMATION

The Board announces the audited condensed results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021 as below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	<i>Note</i>	Year ended 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Credit facilitation and service fee	2	113,799	237,411
Payment service fee		152,945	78,560
Credit card technology service fee		27,739	39,902
SaaS service fee		51,111	32,716
Other revenue	3	50,145	51,509
Total revenue		395,739	440,098
Origination and servicing expenses	4	(332,724)	(265,232)
General and administrative expenses	4	(95,418)	(101,110)
Research and development expenses	4	(28,811)	(50,188)
Sales and marketing expenses	4	(31,569)	(53,429)
Expected credit gain/(loss), net	5	84,986	(15,398)
Other losses, net	6	(32,938)	(154,042)
Total operating expenses		(436,474)	(639,399)
Operating loss		(40,735)	(199,301)

		Year ended 31 December	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Share of net loss of associates accounted for using equity method		(11,923)	(2,121)
Fair value loss of financial liabilities at fair value through profit or loss		(3,350)	(1,961)
Loss on deconsolidation of subsidiaries	<i>16</i>	(30,956)	–
Finance expenses, net		(7,431)	(7,525)
Loss before income tax		(94,395)	(210,908)
Income tax expenses	<i>7</i>	(3,234)	(49,793)
Loss for the year		(97,629)	(260,701)
Loss for the year attributable to:			
– Owners of the Company		(82,697)	(233,687)
– Non-controlling interests		(14,932)	(27,014)
		(97,629)	(260,701)
Other comprehensive loss			
<i>Items that may not be reclassified to profit or loss</i>			
Change in fair value attributable to change in the credit risk of other financial liability designated at fair value through profit or loss		(1,286)	(1,777)
Currency translation differences		3,443	3,425
Total comprehensive loss for the year, net of tax		(95,472)	(259,053)

		Year ended 31 December	
		2022	2021
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Total comprehensive loss attributable to:			
– Owners of the Company		(81,853)	(235,243)
– Non-controlling interests		(13,619)	(23,810)
		<u>(95,472)</u>	<u>(259,053)</u>
Loss per share attributable to owners of the Company			
– basic and diluted			
<i>(expressed in RMB per share):</i>			
Loss for the year – basic	8	<u>(0.07)</u>	<u>(0.19)</u>
Loss for the year – diluted	8	<u>(0.07)</u>	<u>(0.19)</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2022	2021
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property and equipment, net		102,464	104,732
Right-of-use assets		13,887	5,392
Intangible assets	9	40,717	349,140
Investments accounted for using equity method		31,660	44,161
Financial assets at fair value through profit or loss		69,291	83,780
Deferred income tax assets		5,386	8,632
Prepayments and other receivables	10	1,073	292
		264,478	596,129
Total non-current assets			
Current assets			
Quality assurance fund receivable	11	16,443	28,797
Contract assets	12	34,875	86,519
Trade receivables	13	18,968	19,163
Prepayments and other receivables	10	116,375	131,573
Loans to customers, net		179,725	158,498
Financial assets at fair value through profit or loss		–	295
Restricted cash		128,827	225,092
Cash and cash equivalents		376,813	313,148
		872,026	963,085
Total current assets			
		1,136,504	1,559,214
Total assets			

		As at 31 December	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
EQUITY AND LIABILITIES			
Equity			
Share capital		90	90
Reserves		712,347	765,157
		<hr/>	<hr/>
Non-controlling interests		(1,215)	(6,501)
		<hr/>	<hr/>
Total equity		711,222	758,746
		<hr/>	<hr/>
Liabilities			
Non-current liabilities			
Bank and other borrowings		13,170	20,540
Lease liabilities		6,589	1,051
Deferred income tax liabilities		–	77,550
		<hr/>	<hr/>
Total non-current liabilities		19,759	99,141
		<hr/>	<hr/>
Current liabilities			
Quality assurance fund payable	<i>11</i>	21,713	59,681
Payable to platform customers		75,389	79,467
Contract liabilities	<i>12</i>	16,347	16,481
Bank and other borrowings		166,687	171,943
Lease liabilities		6,600	3,551
Trade and other payables	<i>14</i>	66,056	318,169
Income tax payable		–	927
Financial liabilities at fair value through profit or loss		52,731	51,108
		<hr/>	<hr/>
Total current liabilities		405,523	701,327
		<hr/>	<hr/>
Total liabilities		425,282	800,468
		<hr/>	<hr/>
Total equity and liabilities		1,136,504	1,559,214
		<hr/> <hr/>	<hr/> <hr/>

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

NOTES

1 Summary of significant accounting policies

1.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) and the applicable disclosures required by the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

IFRSs comprise IFRSs, International Accounting Standards (“**IAS**”), and interpretations. The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of financial instruments at FVPL. The preparation of consolidated financial statements of the Group in conformity with IFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

During the year ended 31 December 2022, the Group incurred a continuous net loss attributable to owners of the Company of approximately RMB82,697,000. In addition, the Group’s business results and liquidity position have been and will likely continue to be adversely impacted by the following factors:

- (1) the ongoing outbreak of the Pandemic which put considerable downward pressure on the economy in the PRC, and caused the decline of the willingness for personal consumptions and the demands for personal consumer credit; and
- (2) an increase in credit risk associated with the personal credit market as a result of the current market conditions, leading the Group to adopt a more prudent strategy towards its credit facilitation business and focusing on customers with better credit quality.

In view of the above circumstances, management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern. Management has prepared cash flow projections of the Group covering a period of not less than twelve months from 31 December 2022.

The Directors of the Company have reviewed the Group’s cash flow projections and are of the opinion that, taking into account the Group’s available funds and forecast cash flow from on-going businesses, the Group will have sufficient working capital to finance its operations and to meet its financial obligations and commitments for the twelve months from year end of these consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

1.2 Adoption of new and revised IFRSs

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operation and effective for its accounting year beginning on 1 January 2022. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, the presentation of the Group's consolidated financial statements and amounts reported for the current year and prior year.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs is not expected to have material impact on the consolidated financial statements of the Group.

2 Credit facilitation and service fee

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Upfront credit facilitation service fee	47,607	137,020
Post credit facilitation service fee	66,192	100,391
	<u>113,799</u>	<u>237,411</u>

Note: The unsatisfied performance obligation as at 31 December 2022 was approximately RMB21,193,000. Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 31 December 2022 will be recognized as revenue within the next twelve months.

3 Other revenue

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Overdue charges	6,298	11,168
Referral service fee	19,066	10,233
Camping revenue	11,063	–
Others	13,718	30,108
	<u>50,145</u>	<u>51,509</u>

4 Expenses by nature

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses	153,376	168,180
External technical service fees	123,162	96,414
Fund transfer charges	135,103	78,421
Marketing and advertising fees	7,087	44,469
Depreciation and amortization	15,752	27,247
Professional service fees	17,368	16,631
Office expenses	11,808	8,266
Auditor's remuneration	2,380	3,580
Others	22,486	26,751
	<u> </u>	<u> </u>
Total amount of origination and servicing expenses, general and administrative expenses, research and development expenses and sales and marketing expenses	<u>488,522</u>	<u>469,959</u>

Note: Incremental costs to obtain arrangements where the Group is not the loan originator are generally expensed off when incurred, because the amortization periods of these incremental costs are one year or less. These costs are recorded as sales and marketing expenses.

5 Expected credit (gain)/loss, net

The compositions of expected credit (gain)/loss ("ECL") provided for the years ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	1,132	30,691
Prepayments and other receivables	3,912	17,790
Contract assets	(5,502)	5,503
Loans to customers, net	(1,680)	(419)
Quality assurance fund	(82,848)	(38,167)
	<u> </u>	<u> </u>
	<u>(84,986)</u>	<u>15,398</u>

6 Other losses, net

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment loss (a)	(26,179)	(151,720)
Fair value loss on financial assets at FVPL	(14,489)	(13,711)
Gain on disposal of financial assets as FVPL	–	1,389
Government grants (b)	1,434	6,631
Others	6,296	3,369
	<u>(32,938)</u>	<u>(154,042)</u>

- (a) The composition of impairment loss provided for the years ended 31 December 2022 and 2021 is as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment on intangible assets	–	(148,903)
Impairment on investments accounted for using equity method	(26,179)	(2,817)
	<u>(26,179)</u>	<u>(151,720)</u>

- (b) Government grants represented various subsidies granted by the government authorities which are not assets related.

7 **Income tax expenses**

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	(12)	(1,436)
Deferred income tax	<u>3,246</u>	<u>51,229</u>
	<u>3,234</u>	<u>49,793</u>

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

Cayman Islands

The Company was incorporated in the Cayman Islands. Under the current tax laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no withholding tax will be imposed on dividends distributed by the Company to its shareholders.

The British Virgin Islands (“BVI”)

The Group's entities incorporated in BVI are not subject to tax on income or capital gains.

Hong Kong (“HK”)

The Group's entities incorporated in HK are subject to profits tax rate of 16.5%.

The PRC

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”), the enterprises incorporated in mainland China are generally subject to a uniform enterprise income tax rate of 25%, except for entities qualified as “Software Enterprise”, “High and New Technology Enterprise”(“**HNTE**”) or “Small Low-profit Enterprise” for which preferential tax treatments are granted under EIT Law.

Beijing Dingli Chuangshi Technology Co., Ltd.* (北京鼎力創世科技有限公司), Hangzhou Yiniu Network Technology Co., Ltd.* (杭州義牛網絡技術有限公司) and Beijing Shouhui Kaizhuo Technology Co., Ltd.* (北京首惠開桌科技有限公司) (“**Shouhui Kaizhuo**”) were qualified as HNTEs in 2017; Beijing Yaku Shikong Information Exchange Technology Co. Ltd.* (北京雅酷時空信息交換技術有限公司) (“**Yaku Shikong**”) and Beijing Shouhui Shidai Information Technology Co., Ltd.* (北京首惠時代信息技術有限公司) were qualified as HNTEs in 2018, Hangzhou Enniu Network Technology Co., Ltd.* (杭州恩牛網絡技術有限公司) (“**Hangzhou Enniu**”) and Hangzhou Zhenniu Information Technology Co., Ltd.* (杭州振牛信息科技有限公司) (“**Hangzhou Zhenniu**”) were qualified as HNTEs in 2019. Hangzhou Zhenniu renewed its HNTEs qualification in 2022. They were entitled to a preferential income tax rate of 15% for three years. The HNTE qualification is subject to renewal every three years.

All other subsidiaries of the Company established in mainland China were subject to enterprise income tax rate of 25%.

Withholding Tax on Undistributed Profits

According to the EIT Law, distribution of profits earned by the companies in the PRC since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan to require its subsidiaries in the PRC to distribute their retained earnings and intends to retain them to operate and expand its business within the PRC. Accordingly, no deferred income tax liability on withholding tax for the undistributed profits of the subsidiaries in the PRC has been accrued.

8 Loss per share

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

	Year ended 31 December	
	2022	2021
Loss attributable to owners of the Company (<i>RMB'000</i>)	(82,697)	(233,687)
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,220,409	1,211,852
Basic loss per share (<i>expressed in RMB</i>)	<u>(0.07)</u>	<u>(0.19)</u>

- (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.

As the Group incurred losses for the years ended 31 December 2022 and 2021, the potential ordinary shares were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2022 and 2021 is the same as basic loss per share.

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Loss attributable to owners of the Company (<i>RMB'000</i>)	(82,697)	(233,687)
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,220,409	1,211,852
Weighted average number of ordinary shares for calculation of diluted loss per share (<i>'000</i>)	1,220,409	1,211,852
Diluted loss per share (<i>expressed in RMB</i>)	<u>(0.07)</u>	<u>(0.19)</u>

9 Intangible assets

	Goodwill RMB'000 <i>(Note (a))</i>	Software RMB'000	Platform RMB'000	Applications RMB'000	Payment licence RMB'000 <i>(Note (b))</i>	Trademark RMB'000	Camping RMB'000	Total RMB'000
Cost								
As at 1 January 2022	482,377	26,292	9,810	3,260	499,000	5,272	-	1,026,011
Addition from purchases	-	35	-	-	-	-	4,670	4,705
Disposal on deconsolidation of subsidiaries <i>(Note 16)</i>	-	-	-	-	(499,000)	-	-	(499,000)
As at 31 December 2022	482,377	26,327	9,810	3,260	-	5,272	4,670	531,716
Accumulated amortization								
As at 1 January 2022	-	(24,109)	(9,810)	(1,277)	-	(2,262)	-	(37,458)
Amortization charge for the year <i>(Note (c))</i>	-	(1,826)	-	-	-	(585)	(517)	(2,928)
As at 31 December 2022	-	(25,935)	(9,810)	(1,277)	-	(2,847)	(517)	(40,386)
Impairment losses								
As at 1 January 2022	(448,630)	-	-	(1,983)	(188,800)	-	-	(639,413)
Addition	-	-	-	-	-	-	-	-
Disposal on deconsolidation of subsidiaries <i>(Note 16)</i>	-	-	-	-	188,800	-	-	188,800
As at 31 December 2022	(448,630)	-	-	(1,983)	-	-	-	(450,613)
Net book value								
As at 31 December 2022	<u>33,747</u>	<u>392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,425</u>	<u>4,153</u>	<u>40,717</u>
Cost								
As at 1 January 2021	482,377	25,828	9,810	3,260	499,000	5,272	-	1,025,547
Addition from purchases	-	464	-	-	-	-	-	464
As at 31 December 2021	482,377	26,292	9,810	3,260	499,000	5,272	-	1,026,011
Accumulated amortization								
As at 1 January 2021	-	(21,299)	(9,647)	(1,277)	-	(1,677)	-	(33,900)
Amortization charge for the year <i>(Note (c))</i>	-	(2,810)	(163)	-	-	(585)	-	(3,558)
As at 31 December 2021	-	(24,109)	(9,810)	(1,277)	-	(2,262)	-	(37,458)
Impairment losses								
As at 1 January 2021	(448,630)	-	-	(1,983)	(39,897)	-	-	(490,510)
Addition	-	-	-	-	(148,903)	-	-	(148,903)
As at 31 December 2021	(448,630)	-	-	(1,983)	(188,800)	-	-	(639,413)
Net book value								
As at 31 December 2021	<u>33,747</u>	<u>2,183</u>	<u>-</u>	<u>-</u>	<u>310,200</u>	<u>3,010</u>	<u>-</u>	<u>349,140</u>

(a) Impairment tests for goodwill

As at 31 December 2022, goodwill of approximately RMB33,747,000 was recognized as the results of the acquisition of China Netcom in 2017 by the Group. Goodwill is monitored at the operating segment level by the management. The management assessed Netcom as one separate operating segment (“**Netcom Unit**”).

Impairment review on the goodwill of the Group has been conducted by the management as at 31 December 2022 according to IAS 36 “Impairment of assets”. For the purpose of impairment review, the recoverable amount of Netcom Unit containing goodwill is determined based on the higher amount of the fair value less cost of fair value loss cost of disposal (“**FVLCD**”) and value in use calculations.

As at 31 December 2022, the recoverable amount of Netcom Unit containing goodwill was determined based on FVLCD, which was estimated by management with reference to the quoted market price of Netcom’s listed shares on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Management considered the recoverable amount of Netcom Unit containing goodwill was higher than its carrying amount as at 31 December 2022.

Based on the assessment, no impairment on Netcom Unit containing goodwill was required for the year ended 31 December 2022 (2021: Nil).

(b) Impairment tests for payment licence

The Group’s payment licence which arose from the acquisition of Shouhui Kaizhuo on 31 December 2017 is carried at cost less any subsequent impairment loss, and is considered to have an indefinite based on the following grounds:

- (i) The payment licence was valid and granted by People’s Bank of China (“**PBOC**”) which is renewable every 5 years with immaterial administrative expenses;
- (ii) The management of the Company considered that there would be no practical difficulties in the application for payment licence renewal; and
- (iii) The Company has tested whether the payment licence with indefinite useful life had suffered any impairment on an annual basis by conducting an annual review to determine whether the latest events and circumstances continue to support an indefinite useful life assessment.

Impairment review on the payment licence with indefinite useful life has been conducted by the management as of 31 December 2021 according to IAS 36 “Impairment of assets”. The Group compares the carrying amount of the payment licence against its recoverable amount. The recoverable amount of the payment licence was determined based on FVLCD, which was estimated by management with reference to the comparable transaction cases within past one year. Based on the impairment assessment, an impairment loss of approximately RMB148,903,000 was recognized against the payment licence for the year ended 31 December 2021.

Refer to Note 16 for information in respect of the disposal of payment license on deconsolidation of subsidiaries during the year ended 31 December 2022.

(c) *Amortization of intangible assets*

Amortization charges of intangible assets were recorded in the following categories in the consolidated statement of comprehensive loss:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Origination and servicing expenses	1,331	743
General and administrative expenses	1,143	2,276
Research and development expenses	454	539
	<u>2,928</u>	<u>3,558</u>

10 Prepayments and other receivables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Included in non-current assets:		
Rental deposits	<u>1,073</u>	<u>292</u>
	<u>1,073</u>	<u>292</u>
Included in current assets:		
Amounts due from related parties	24,573	37,764
Deposits and prepaid expenses	31,975	39,013
Receivable from disposal of bad debts	10,574	10,937
Loan to a director	10,393	10,214
Withholding tax paid on behalf of grantees under employee incentive schemes	6,292	9,138
Others	<u>32,568</u>	<u>24,507</u>
	<u>116,375</u>	<u>131,573</u>
Total	<u>117,448</u>	<u>131,865</u>

11 Quality assurance fund payable and receivable

The following table sets forth the Group's quality assurance fund payable movements for the years ended 31 December 2022 and 2021:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	59,681	53,867
Fair value of newly written quality assurance obligation	93,109	152,658
ECL reversed for the year	(90,986)	(27,038)
Release of the margin	7,822	(11,651)
Payouts during the year, net	(47,913)	(108,155)
	<hr/>	<hr/>
Ending balance	<u>21,713</u>	<u>59,681</u>

The following table sets forth the Group's quality assurance fund receivable movements for the years ended 31 December 2022 and 2021:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	28,797	22,190
Fair value of newly written quality assurance obligation	93,109	152,658
ECL provided for the year	(316)	(522)
Contribution received from borrowers	(105,147)	(145,529)
	<hr/>	<hr/>
Ending balance	<u>16,443</u>	<u>28,797</u>

	As at 31 December 2022			
	ECL staging			Total
	Stage 1	Stage 2	Stage 3	
	RMB'000	RMB'000	RMB'000	RMB'000
Quality assurance fund receivable	17,746	933	33,762	52,441
Less: ECL allowance under IFRS 9 (a)	(2,598)	(632)	(32,768)	(35,998)
Quality assurance fund receivable, net	15,148	301	994	16,443

	As at 31 December 2021			
	ECL staging			Total
	Stage 1	Stage 2	Stage 3	
	RMB'000	RMB'000	RMB'000	RMB'000
Quality assurance fund receivable	30,493	1,508	32,478	64,479
Less: ECL allowance under IFRS 9 (a)	(2,666)	(709)	(32,307)	(35,682)
Quality assurance fund receivable, net	27,827	799	171	28,797

- (a) The following tables explain the changes in the ECL allowance of quality assurance fund receivable by stage for the years ended 31 December 2022 and 2021:

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Opening balance	2,666	709	32,307	35,682
Net (decrease)/increase for the period (i)	(39)	(12)	367	316
Transfer				
Transfer from Stage 1 to Stage 2	(2)	2	-	-
Transfer from Stage 1 to Stage 3	(27)	-	27	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(67)	67	-
Ending balance	2,598	632	32,768	35,998

	Year ended 31 December 2021			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	
Opening balance	2,662	701	787,423	790,786
Transfer out	-	-	(755,626)	(755,626)
Net increase for the period (i)	26	22	474	522
Transfer				
Transfer from Stage 1 to Stage 2	(1)	1	-	-
Transfer from Stage 1 to Stage 3	(21)	-	21	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(15)	15	-
	<u>-</u>	<u>(15)</u>	<u>15</u>	<u>-</u>
Ending balance	<u>2,666</u>	<u>709</u>	<u>32,307</u>	<u>35,682</u>

- (i) This item includes changes of probability of default, exposure at default and loss given default due to routine updates to model parameters, and the impact of stage changes on the measurement of ECL.

12 Contract assets/(liabilities)

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Contract assets	638,211	695,357
Less: ECL allowance	<u>(603,336)</u>	<u>(608,838)</u>
Contract assets, net	<u>34,875</u>	<u>86,519</u>
Contract liabilities	<u>(16,347)</u>	<u>(16,481)</u>

The activity in the total ECL allowance for the years ended 31 December 2022 and 2021 consisted of the following:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Opening balance	(608,838)	(603,335)
Provision of ECL for the year	5,502	(5,503)
Ending balance	<u>(603,336)</u>	<u>(608,838)</u>

Note: The Group receives payments from borrowers over the tenures of the loans. 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 31 December 2022 would be realized within the next twelve months as the weighted average term of the arrangements where the Group is not the loan originator was less than twelve months. The Group determined that there is no significant financing component for its arrangements where the Group is not the loan originator.

13 Trade receivables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Referral and credit card technology service receivables	226,582	218,251
Others	6,526	13,920
ECL allowance	<u>(214,140)</u>	<u>(213,008)</u>
	<u>18,968</u>	<u>19,163</u>

The activity in the total ECL allowance for trade receivables as at 31 December 2022 and 2021 consisted of the following:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	(213,008)	(182,317)
Provision of ECL for the year	<u>(1,132)</u>	<u>(30,691)</u>
Ending balance	<u>(214,140)</u>	<u>(213,008)</u>

Aging analysis of trade receivables based on invoice date is as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	6,467	8,268
More than 30 days	<u>226,641</u>	<u>223,903</u>
	<u>233,108</u>	<u>232,171</u>

14 Trade and other payables

		As at 31 December	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Payables for equity investments	<i>16</i>	–	214,825
Payable to settlement banks		–	32,566
Trade payables (a)		18,058	26,254
Payroll and welfare payable		13,556	12,608
Interest payable		16,110	10,401
Professional service expenses payable		6,965	5,476
Others		11,367	16,039
		<u>66,056</u>	<u>318,169</u>

(a) Trade payables represent payables of fund transfer charges and collection service charges.

The aging analysis of trade payables based on invoice date is as below:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 30 days	9,046	18,998
31 to 90 days	8,352	3,070
91 to 180 days	322	1,324
181 to 360 days	163	1,599
over 361 days	175	1,263
	<u>18,058</u>	<u>26,254</u>

15 Dividends

No dividend has been paid or declared by the Board for the year ended 31 December 2022 (2021: Nil).

16. Loss on deconsolidation of subsidiaries

Beijing Shouhui Kaizhuo Technology Co., Ltd. (北京首惠開桌科技有限公司) (“**Shouhui Kaizhuo**”) who, through its subsidiary (collectively, the “**SK Group**”), holds a valid payment business license (the “**payment license**”), was acquired by the Group from the former shareholders of Shouhui Kaizhuo in December 2017.

In or around early August 2022, Mr. Yang Fan (“**Mr. Yang**”), the former controlling shareholder of Shouhui Kaizhuo, had become aggressive and directly gone to the office of Shouhui Kaizhuo in Beijing and claimed that the personnel of Shouhui Kaizhuo shall report to him instead of the Group, restricted the management of Shouhui Kaizhuo from contacting the staff of the Group, and sent his staff to interfere with the business operation of Shouhui Kaizhou and SK Group. The Group had since 3 August 2022 been unable to carry out workplace communication with SK Group and was also unable to access all the books and records of SK Group. The management of SK Group ceased to report to the Group on any business matter, and the Group was unable to obtain all the necessary books and records of SK Group to ascertain the operational status and financial situation of SK Group.

Despite the Group’s efforts in taking protective measures since then, such as (i) taking legal action against Shouhui Kaizhuo’s subsidiaries for the repayment of loans of an aggregate of RMB101,425,800 to the Group (the “**Loans**”); (ii) obtaining an order from the court to freeze the bank accounts of operating subsidiaries of SK Group; and (iii) commencing Legal Proceedings against the relevant individuals and entities (including but not limited to Mr. Yang), the Board is of the view that the Company is currently unable to control to the assets and operations of SK Group and is unable to exercise its decision-making rights over SK Group. After having taken into account the applicable requirements under the International Financial Reporting Standards in relation to the consolidated financial statements of the Group for the year

ended 31 December 2022, the Board considers that SK Group shall be deconsolidated from the Group with effect from the date of the event that Mr. Yang seized the Group’s management right over the office of SK Group (i.e., 3 August 2022) (the “**Deconsolidation**”), on the basis that (i) the Company is unable to control the operation and finance of SK Group; (ii) the Company is unable to obtain the books and records of SK Group since 3 August 2022; (iii) the Company is unable to obtain report from the management of SK Group on business matter; and (iv) the Company is unable to direct the future development of SK Group.

In light of the above circumstances, the Group excluded the financial position of the SK Group as at and after 3 August 2022 and the results and cash flows of the SK Group since 3 August 2022 from the consolidated financial statements of the Group for the financial year ended 31 December 2022. The Board considered that the consolidated financial statements of the Group for the year ended 31 December 2022 be prepared on such basis presents the results and state of affairs of the Group more fairly as a whole in light of the current situation of the SK Group.

The following set out the financial impact on the deconsolidation of SK Group:

	<i>Note</i>	<i>RMB’000</i>
Cash and cash equivalents		56,129
Trade receivables		600
Prepayments and other receivables		8,535
Property and equipment, net		1,541
Intangible assets	9	310,200
Trade payables		(10,029)
Other payables		(142,058)
Deferred tax liabilities		<u>(77,550)</u>
Net assets of SK Group		147,368
Consideration payable waived:		
Payables for equity investments	14	(214,825)
Financial liabilities at FVPL on unissued shares		<u>(3,013)</u>
		(70,470)
Amount due by SK Group to the Group (<i>Note (a)</i>)		<u>101,426</u>
Loss on deconsolidation of subsidiaries		<u><u>30,956</u></u>

Note:

- (a) As at 3 August 2022, the Group has an amount due from SK Group, net of approximately RMB101,425,800. Due to the loss of control over and legal action against SK Group, an impairment loss of RMB101,425,800 had been provided for as loss on deconsolidation of subsidiaries in the consolidated financial statements for the year ended 31 December 2022.

FINANCIAL REVIEW

Revenue

Our total revenue decreased by approximately 10.1% from approximately RMB440.1 million for the year ended 31 December 2021 to approximately RMB395.7 million for the year ended 31 December 2022.

Credit facilitation and service fee decreased by approximately 52.1% from approximately RMB237.4 million for the year ended 31 December 2021 to approximately RMB113.8 million for the year ended 31 December 2022. We generally collect credit facilitation service fees from fees borrowers according to the pre-confirmed fee schedules, and recognize in the consolidated financial statements the upfront credit facilitation service fee at the inception of the loan and the post credit facilitation service fee over the loan during the year. The decrease in credit facilitation and service fee was mainly attributable to the decrease in credit facilitation business volume in the year ended 31 December 2022 mainly due to own business strategies adjustments.

Payment service fee increased by approximately 94.7% from approximately RMB78.6 million for the year ended 31 December 2021 to approximately RMB152.9 million for the year ended 31 December 2022, mainly due to the increase in business volume of payment service in the year ended 31 December 2022.

SaaS service fee increased by approximately 56.2% from approximately RMB32.7 million for the year ended 31 December 2021 to approximately RMB51.1 million for the year ended 31 December 2022, mainly due to the increase in the subscription income of Little Blue Book.

Credit card technology service fee decreased by approximately 30.5% from approximately RMB39.9 million for the year ended 31 December 2021 to approximately RMB27.7 million for the year ended 31 December 2022. In the year ended 31 December 2022, credit card technology service mainly focused on the issuance of co-branded cards under the cooperation with financial institutions. After evaluating the market situations, we reduced the investment in the co-branded card business, which led to a decrease in credit card technology service fee.

Other revenue decreased by approximately 2.6% from approximately RMB51.5 million for the year ended 31 December 2021 to approximately RMB50.1 million for the year ended 31 December 2022, mainly due to the decrease in overdue payment fees as a result of the decrease in the volume of credit facilitation business. Revenue from 51 CAMP was approximately RMB11.1 million for the year ended 31 December 2022.

Operating expenses

Total operating expenses decreased by approximately 31.7% from approximately RMB639.4 million for the year ended 31 December 2021 to approximately RMB436.5 million for the year ended 31 December 2022.

Origination and servicing expenses increased by approximately 25.4% from approximately RMB265.2 million for the year ended 31 December 2021 to approximately RMB332.7 million for the year ended 31 December 2022, of which (i) fund transfer charges increased by approximately 72.3% from approximately RMB78.4 million for the year ended 31 December 2021 to approximately RMB135.1 million for the year ended 31 December 2022 due to the increase in the volume of payment business.

Sales and marketing expenses decreased by approximately 40.9% from approximately RMB53.4 million for the year ended 31 December 2021 to approximately RMB31.6 million for the year ended 31 December 2022. We strictly controlled the expense of online channel promotion as part of the Group's cost control measures, which decreased by approximately 84.1% from approximately RMB44.5 million for the year ended 31 December 2021 to approximately RMB7.1 million for the year ended 31 December 2022, and which was offset by an increase in sales staff wages by 157.8% from approximately RMB6.4 million for the year ended 31 December 2021 to approximately RMB16.5 million for the year ended 31 December 2022 due to the expansion of Little Blue Book.

General and administrative expenses decreased by approximately 5.6% from approximately RMB101.1 million for the year ended 31 December 2021 to approximately RMB95.4 million for the year ended 31 December 2022, which was attributable to the decrease in staff remuneration and benefit expenses by approximately 7.2% to approximately RMB61.7 million for the year ended 31 December 2022 from approximately RMB66.5 million for the year ended 31 December 2021, mainly due to the decrease in the number of back office staff.

Research and development expenses decreased by approximately 42.6% from approximately RMB50.2 million for the year ended 31 December 2021 to approximately RMB28.8 million for the year ended 31 December 2022, mainly due to the decrease of research and development staff as the result of business transformation, which led to a decrease in employee benefit expenses for research and development department by approximately 37.3% to approximately RMB24.9 million for the year ended 31 December 2022 from approximately RMB39.7 million for the

year ended 31 December in 2021. Meanwhile, the depreciation and amortization borne by the research and development department decreased by approximately 83.3% to approximately RMB1.3 million from approximately RMB7.8 million for the year ended 31 December 2021 due to the decrease in the number of research and development staff.

Expected credit gain/(loss) changed from a loss of approximately RMB15.4 million for the year ended 31 December 2021 to a gain of approximately RMB85.0 million for the year ended 31 December 2022 mainly because of (i) the increase in expected credit gain related to quality assurance fund and contract assets from approximately RMB32.7 million for the year ended 31 December 2021 to approximately RMB88.4 million for the year ended 31 December 2022, mainly due to the fact that in the year ended 31 December 2022, the impact of the Group's exit of P2P business and Pandemic on our business was weakened substantially, and that we adopted stringent risk control measures so the risk level of the credit facilitation business maintained at a low level; (ii) expected credit gain related to loans to customers increased from approximately RMB0.4 million for the year ended 31 December 2021 to approximately RMB1.7 million for the year ended 31 December 2022. Loans to customers, net are mainly historical overdue assets, and the overdue recovery in the year ended 31 December 2022 was maintained well; and (iii) expected credit loss related to receivables are mainly caused by expected credit loss on accounts receivables under the credit card technology service, which significantly decreased by approximately 96.3% from approximately RMB30.7 million for the year ended 31 December 2021 to approximately RMB1.1 million for the year ended 31 December 2022, mainly due to the reduction of scale in business. In this segment, the management has closely monitored all outstanding overdue assets and regularly reviewed the recoverability of various loans and receivables.

Other losses, net decreased by approximately 78.6% from approximately RMB154.0 million for the year ended 31 December 2021 to approximately RMB32.9 million for the year ended 31 December 2022, mainly due to (i) the absence of impairment loss of approximately RMB148.9 million for the year ended 31 December 2021 in respect of license under intangible assets with reference to the market prices for the same period of the year ended 31 December 2022; and (ii) the fair value loss on financial assets at FVPL increased by approximately 5.7% to approximately RMB14.5 million for the year ended 31 December 2022 from approximately RMB13.7 million for the year ended 31 December 2021, as the business of several investees was underperformed, resulting in a lower market value as at 31 December 2022 as compared to that of 31 December 2021.

Share of net loss of associates accounted for using equity method

Share of net loss of associates accounted for using equity method increased by approximately 462.1% from approximately RMB2.1 million for the year ended 31 December 2021 to approximately RMB11.9 million for the year ended 31 December 2022, because of the increase in losses of several associates.

Fair value loss of financial liabilities at FVPL

Fair value loss of financial liabilities at FVPL increased by approximately 70.8% from approximately RMB2.0 million for the year ended 31 December 2021 to approximately RMB3.4 million for the year ended 31 December 2022, mainly because of the increase in appraisal value of such liabilities as at 31 December 2022 as compared to that of 31 December 2021.

Finance expenses, net

Financial expenses, net amounted to approximately RMB7.4 million for the year ended 31 December 2022 which was basically unchanged from the expenses for the year ended 31 December 2021 of approximately RMB7.5 million.

Income tax expenses

Income tax expenses decreased by from approximately 93.5% from approximately RMB49.8 million for the year ended 31 December 2021 to RMB3.2 million for the year ended 31 December 2022.

Loss for the year

As a result of the foregoing, our loss for the year decreased by approximately 62.6% from approximately RMB260.7 million for the year ended 31 December 2021 to approximately RMB97.6 million for the year ended 31 December 2022, primarily due to (i) the improved recovery of overdue assets in the credit facilitation assets as compared to the year ended 31 December 2021, during which there was a significant offset in the amount of expected credit loss under International Financial Reporting Standard 9; and (ii) the absence of the impairment loss on license under intangible assets of approximately RMB148.9 million accrued with reference to the market prices during the year ended 31 December 2021. The decrease in the loss for the year ended 31 December 2022 is partially offset by the one-off loss on deconsolidation of Beiing Shouhui Kaizhuo Technology Co., Ltd.* (北京首惠開桌科技有限公司) and its subsidiaries from the Group with effect from 3 August 2022.

Non-IFRS measures

To supplement our consolidated financial statements that have been prepared in accordance with IFRSs, we also use adjusted operating profit and adjusted net profit/(loss) as additional financial indicators, which are not presented in accordance with IFRSs. We believe that adjusted operating profit and adjusted net profit/(loss) facilitate comparisons of operating performance from period to period by eliminating potential impacts of items which the management considers non-indicative of our operating performance, and provide useful information to investors and others in understanding and evaluating our consolidated results of operations. The use of adjusted operating profit and adjusted net profit/(loss) has limitations as an analytical tool, and such measures should not be considered as an isolation from, or as a substitute for an analysis of, our results of operations or financial conditions as prepared under IFRSs. As non-IFRS measures do not have a standardised meaning prescribed by IFRSs, such non-IFRS measures may be defined differently from similar terms presented by other companies, and may not be comparable to other similarly titled measures presented by other companies.

When measuring adjusted operating profit and adjusted net profit/(loss) for the year, we excluded share-based compensation expenses, fair value loss of financial assets/liabilities at FVPL, impairment loss of intangible assets, loss on deconsolidation of subsidiaries and impairment loss of investments accounted for using equity method from operating loss and net loss, respectively. We excluded these items because they were either non-operating in nature or not indicative of our core operating results and business outlook, or did not generate any cash outflows: (i) share-based compensation expenses were excluded because they were non-cash in nature and did not result in cash outflow. In particular, as the types of incentive available and valuation methodologies used may vary in different companies, we believed that excluding such item provides investors and others with greater visibility to the underlying performance of our business operations; (ii) fair value loss of financial assets/liabilities at FVPL were non-cash in nature and did not result in cash outflow. We believe that this item was not reflective of our ongoing operating results and there was no direct correlation to the operation of our business; and (iii) impairment loss of intangible assets, loss on deconsolidation of subsidiaries and impairment loss of investments accounted for using equity method were non-cash items and there were no direct correlation to the operation of our business.

The following tables reconcile the non-IFRS adjusted operating profit for the year and the adjusted net profit/(loss) for the year presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs, which are operating loss for the year and net loss for the year:

	For the year ended	
	31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Non-IFRS adjusted operating profit		
Operating loss	(40,735)	(199,301)
Adjusted for:		
Share-based compensation expenses	33,809	35,653
Fair value loss of financial assets at FVPL	14,489	13,711
Impairment loss of intangible assets	–	148,903
Impairment loss of investments accounted for using equity method	26,179	2,817
	<u>33,742</u>	<u>1,783</u>
Non-IFRS adjusted operating profit	<u>33,742</u>	<u>1,783</u>
	For the year ended	
	31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Non-IFRS adjusted net profit/(loss)		
Net loss	(97,629)	(260,701)
Adjusted for:		
Share-based compensation expenses	33,809	35,653
Fair value loss of financial liabilities at FVPL	3,350	1,961
Fair value loss of financial assets at FVPL	14,489	13,711
Impairment loss of intangible assets	–	148,903
Loss on deconsolidation of subsidiaries	30,956	–
Impairment loss of investments accounted for using equity method	26,179	2,817
	<u>11,154</u>	<u>(57,656)</u>
Non-IFRS adjusted net profit/(loss)	<u>11,154</u>	<u>(57,656)</u>

Liquidity, Financial Resources and Gearing

The Group maintained a net cash position throughout the period under review. Our net cash positions as at 31 December 2022 and 31 December 2021 are as follows:

	As at 31 December 2022 RMB' million	As at 31 December 2021 RMB' million
Cash and cash equivalents	377	313
Liquid investments	0	0 ⁽ⁱ⁾
Borrowings	(180)	(192)
Net cash	<u>197</u>	<u>121</u>

(i) Due to rounding.

Cash and cash equivalents include cash at banks and other short-term deposits with original maturities of three months or less. Our cash and cash equivalents and liquid investments are denominated in the United States dollars (the “US dollars”), Renminbi (“RMB”) and HK dollars.

For the year ended 31 December 2022, the Group recorded net cash inflow of approximately RMB64 million, primarily representing net cash inflow in operating activities of approximately RMB125 million; net cash outflow in investing activities of approximately RMB37 million; and net cash outflow in financing activities of approximately RMB24 million.

The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

The gearing ratio, calculated as total borrowings divided by total assets, was approximately 15.8% as at 31 December 2022 (31 December 2021: approximately 12.3%).

The following table sets forth the maturity profile of our borrowings within the years indicated:

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Within 1 year	166,687	171,943
1 year to 2 years	7,763	7,344
2 years to 5 years	5,407	13,196
Total borrowings	<u>179,857</u>	<u>192,483</u>

The bank and other borrowings as at 31 December 2022 were denominated in RMB (31 December 2021: RMB). For the year ended 31 December 2022, the annual interest rates of borrowings ranged from 3.40% to 8.04% (year ended 31 December 2021: 5.64% to 8.04%).

Exposure to Fluctuations in Exchange Rates

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 dollars and HK dollars.

For the Group's PRC subsidiaries whose functional currency is RMB, if US dollars had strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the year ended 31 December 2022 would have been approximately RMB2,723,000 higher/lower, and the loss before income tax for the year ended 31 December 2021 would have been approximately RMB1,911,000 higher/lower, as a result of net foreign exchange gains/(losses) on translation of net monetary liabilities denominated in US dollars.

For the Group's PRC subsidiaries whose functional currency is RMB, if HK dollars had strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the year ended 31 December 2022 would have been approximately RMB300 lower/higher, and the loss before income tax for the year ended 31 December 2021 would have been approximately RMB250 lower/higher, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in HK dollars.

The Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuating during the year ended 31 December 2022. The Group will monitor and manage foreign exchange risk from time to time and enter into foreign exchange forward contracts depending on circumstance to cover specific foreign currency payments and receipts within the exposure generated from time to time where appropriate.

Charge on Assets

For the year ended 31 December 2022, the Group had charged its properties located at Building B3, No. 588 Wenyi West Road, Hangzhou, PRC in favour of Wenchuang Branch of Bank of Hangzhou and Hangzhou Branch of Bank of Wenzhou for obtaining mortgage loans of RMB53.0 million and RMB85.0 million, respectively.

Material Investment and Future Plans for Material Investments on Capital Assets Acquisition

For the year ended 31 December 2022, the Group did not have any material investments (year ended 31 December 2021: Nil). The Group had no other specific plan for material investment or acquisition of capital assets as at 31 December 2022.

Material Acquisition and Disposal

For the year ended 31 December 2022, the Group did not have any material acquisition or disposal of subsidiaries (year ended 31 December 2021: Nil).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

Employees and Remuneration policy

As at 31 December 2022, the Group had approximately 469 employees. For the year ended 31 December 2022, the total staff cost incurred by the Group was approximately RMB153.4 million.

The Company has established an effective compensation management system and talent incentive mechanism by following the principle of “competitive compensation to attract high-quality talent”. The Company’s compensation system is linked to the performance appraisal system and the Group’s operating results to create a more fair and humane working environment for each employee to fully exert his/her own value, so as to provide human resources guarantee for the Group’s sustainable and stable development. In addition, the Company focuses on employee training system construction, including new employee induction training and on-the-job training, covering professional training to improve vocational skills, management training to enhance leadership quality and general-purpose training to develop comprehensive quality. The Company has also adopted the 51 Stock Scheme and 51 Award Scheme to reward the employees.

FINAL DIVIDEND

The Board does not recommend the declaration of the final dividend for the year ended 31 December 2022 (2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

There were no material events undertaken by the Group subsequent to 31 December 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2022, the Company had applied and complied with all the code provisions in Part 2 of Appendix 14 (the “**CG Code**”), with exceptions set out as follows:

Code Provision C.2.1

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Currently, Mr. Sun takes up the roles of both chairman of the Board and the chief executive officer of the Company, which is deviated from code provision C.2.1 of the CG Code which stipulates that the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. The Board considers that Mr. Sun possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. In the opinion of the Directors, through supervision by the Board and the independent non-executive Directors, together with effective control of the Company’s internal check and balance mechanism, the same individual performing the roles of chairman and the chief executive officer can achieve the goal of improving the Company’s efficiency in decision making, execution and effectively capturing business opportunities. The Board will review the effectiveness of this arrangement from time to time.

Code Provision C.5.8

Code provision C.5.8 of the CG Code stipulates that an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period).

The members of the Board or Board committees of the Company were informed by the company secretary of the Company by email, by WeChat or by phone on the updated information from time to time. Although the meeting papers could not be sent to the directors at least three days before intended date of meeting, the Board or Board committees of the Company nonetheless received sufficient information to discuss the matters on proposed agenda of such meetings in a timely manner.

REVIEW OF THE ANNUAL RESULTS

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, of whom Mr. Ye Xiang (independent non-executive Director) is the chairman, and other members are Ms. Zou Yunli (non-executive Director) and Mr. Xu Xuchu (independent non-executive Director).

The Audit Committee has reviewed the audited consolidated annual results of the Group and the audited consolidated annual financial information for the year ended 31 December 2022 and also reviewed and confirmed the accounting policies and practices adopted by the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from ZHONGHUI ANDA CPA Limited, the external auditor of the Company, on the Group's consolidated financial statements for the year ended 31 December 2022:

“QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 QUALIFIED OPINION

1. Deconsolidation of subsidiaries

As disclosed in the note to the consolidated financial statements, Beijing Shouhui Kaizhuo Technology Co., Ltd. (“Shouhui Kaizhuo”), who, through its subsidiaries (collectively, the “SK Group”), holds a valid payment license (the “payment license”), was acquired by the Group from the former shareholders of Shouhui Kaizhuo in December 2017.

In or around early August 2022, Mr. Yang Fan, the former controlling shareholder of Shouhui Kaizhuo, had restricted the management of SK Group from contacting the staff of the Group, and the Group had since 3 August 2022 (the “Date of Deconsolidation”) been unable to carry out workplace communication with SK Group and also unable to access all the books and records of SK Group. The Group considered that since the Date of Deconsolidation, the Group is unable to (i) control the operation and finance of SK Group; (ii) obtain the books and records of SK Group; (iii) obtain report from the management of SK Group on business matters; and (iv) direct the future development of SK Group.

In light of the above circumstances, the Group considered it had lost control over SK Group and had excluded the consolidated financial position of SK Group as at and after the Date of Deconsolidation and the results and cash flows of SK Group since the Date of Deconsolidation from the consolidated financial statements of the Group for the year ended 31 December 2022 (the “Deconsolidation”).

The Group has been taking protective measures such as (i) taking legal action against SK Group for the repayment of loans of an aggregate of approximately RMB101,425,800 to the Group; (ii) obtaining an order from the court to freeze the bank accounts of operating companies of SK Group; and (iii) commencing legal proceedings against the relevant individuals and entities (collectively, the “Legal Proceedings”). Due to the uncertainty of the outcome of the Legal Proceedings, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the Deconsolidation of SK Group was appropriate.

Due to the insufficient supporting documents and relevant explanations on the accounting books and records in respect of SK Group and its operations, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether (i) the Deconsolidation of SK Group on the Date of Deconsolidation and the loss on Deconsolidation of approximately RMB30,956,000; (ii) the income and expenses for the years ended 31 December 2022 and 2021; (iii) the assets and liabilities as at 31 December 2022 and 2021; and (iv) the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

(a) *Income and expenses*

	For the years ended	
	31 December	
	2022	2021
	RMB'000	RMB'000
Payment service fee	152,945	78,560
Origination and servicing expenses	(128,431)	(68,778)
General and administrative expenses	(12,719)	(24,411)
Sales and marketing expenses	(1,000)	(148)
Impairment loss on payment license	–	(148,903)
Fair value loss on financial liabilities at fair value through profit or loss	(5,061)	(704)
Profit/(loss) before tax	5,734	(164,384)
Income tax credit	77,550	37,226
Profit/(loss) for the year	83,284	(127,158)

(b) *Assets and liabilities*

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents	–	14,346
Restricted cash	–	36,666
Trade receivables	–	601
Prepayments and other receivables	–	4,806
Property and equipment, net	–	2,031
Intangible assets	–	310,200
Trade payables	–	(11,920)
Other payables	–	(38,253)
Payables for equity investments	–	(214,825)
Financial liabilities at fair value through profit or loss on unissued shares	–	(8,074)
Deferred tax liabilities	–	(77,550)

(c) Commitments and contingent liabilities in relation to SK Group and its operations

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities in relation to SK Group and its operations as at 31 December 2022 and 2021.

(d) Related party transactions and disclosures in relation to SK Group and its operations

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the year ended 31 December 2022 and 2021 and balances as at 31 December 2022 and 2021 in relation to SK Group and its operations as required by International Accounting Standard 24 (Revised) “Related Party Disclosures”.

Any adjustments to the figures described above might have a consequential effect on the Group’s consolidated financial performance and consolidated cash flows for the years ended 31 December 2022 and 2021, the consolidated financial position of the Group as at 31 December 2022 and 2021 and the related disclosure thereof in the consolidated financial statements.

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 are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.”

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.u51.com). The annual report will be despatched to the shareholders and published on both aforementioned websites on or before 30 April 2023.

* *The English names have been transliterated from their respective Chinese names and are for identification only.*

By Order of the Board

51 Credit Card Inc.

Sun Haitao

Chairman, Chief Executive Officer and Executive Director

31 March 2023

As at the date of this announcement, the executive Directors are Mr. Sun Haitao and Ms. Wu Shan; the non-executive Directors are Ms. Zou Yunli, Ms. Gao Li and Ms. Jiang Chloe Cuicui and the independent non-executive Directors are Mr. Ye Xiang, Mr. Xu Xuchu and Mr. Shou Jian.