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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 2018**

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2018 was approximately RMB2,812.0 million, increased by 24.0% as compared to approximately RMB2,268.6 million for the corresponding period in 2017.
- Profit for the year ended 31 December 2018 was approximately RMB2,168.8 million compared with a loss of approximately RMB1,378.5 million for the corresponding period in 2017.
- Basic earnings per share for the year ended 31 December 2018 was approximately RMB3.84, compared with basic loss per share of approximately RMB7.90 for the corresponding period in 2017.
- No final dividend was declared for the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

	For the year ended 31 December		Year on year change
	2018	2017	%
	<i>RMB' 000</i>	<i>RMB'000</i>	
Revenue	2,811,994	2,268,580	24.0%
Profit/(loss) for the year	<u>2,168,767</u>	<u>(1,378,471)</u>	<u>N/A</u>

BUSINESS REVIEW

51 Credit Card Inc. (the “**Company**”) together with its subsidiaries (collectively, the “**Group**” or “**We**”) has created a comprehensive ecosystem built upon a widely-used credit card management platform, 51 Credit Card Manager App (“**51 Credit Card Manager App**”). We are endowed with competitive advantages by owning a highly valuable user base.

	As of 31 December 2018 (<i>million</i>)	As of 31 December 2017 (<i>million</i>)	Increase %
Number of registered users of 51 Credit Card Manager App	75.9	62.0	22.4%
Number of credit cards we have managed cumulatively	123.0	106.3	15.7%

	For the year ended 31 December 2018 (<i>RMB in billions</i>)	2017 (<i>RMB in billions</i>)	Increase %
Transaction volume of repayment of credit card bills and other liabilities through 51 Credit Card Manager App	187.2	109.1	71.6%

As of 31 December 2018, the number of registered users of 51 Credit Card Manager App grew 22.4% to approximately 75.9 million from approximately 62.0 million as of 31 December 2017 and the number of credit cards we had managed accumulatively also grew to approximately 123.0 million from approximately 106.3 million as of 31 December 2017. With the continuous growth of users, we facilitated credit card bills and other liabilities repayment transactions totaling approximately RMB187.2 billion in 2018, representing an increase of 71.6% year on year, notwithstanding the reduction in the repayment incentives during the second half of 2018, which represents high stickiness of our users.

Our unique business model is highly competitive and has great growth potential in attracting credit card holders and converting them into users of various comprehensive services we provide.

Most of our users are credit card holders. They are credit active, accustomed to higher levels of consumption and are willing to pay interest to satisfy their consumption needs. In 2018, the credit card consumption amount by users who continuously manage credit cards on our platform, was observed to sustain an upward trend. We have also accumulated a wealth of valuable data through our credit card management services, which includes credit card transaction records from different banks, consumption history across different users' cases, and repayment data throughout users' life cycles. On this basis, we offer various services to users on the platform, including personal credit management service, credit card technology service, and online credit facilitation and investment service.

	For the year ended 31 December				Year on
	2018		2017		year change
	<i>RMB' 000</i>	<i>% of revenue</i>	<i>RMB' 000</i>	<i>% of revenue</i>	<i>%</i>
Revenue	2,811,994	100.0%	2,268,580	100.0%	24.0%
Credit facilitation and service fee	2,055,531	73.1%	1,627,324	71.7%	26.3%
Credit card technology service fee	255,676	9.1%	140,382	6.2%	82.1%
Loan referral service fee	203,061	7.2%	189,327	8.4%	7.3%
Other revenue	297,726	10.6%	311,547	13.7%	-4.4%
Profit/(loss) for the year	<u>2,168,767</u>	<u></u>	<u>(1,378,471)</u>	<u></u>	<u>N/A</u>

In 2018, we adopted a more prudent and steady strategy in credit facilitation business as we observed that the personal online consumer credit market had experienced rounds of short-term volatilities, with the issue of various regulatory policies at the end of 2017, the disorderly exit of some non-compliant P2P platforms and wealth management companies in mid-2018, and macroeconomic fluctuations. Therefore, in 2018, we focused more on serving credit card holders and improving our risk management capabilities, while maintaining our borrowers' overall borrowing cost at a stable level in general. Thus, we achieved better performance in credit facilitation business in 2018, which enabled us to generate higher revenue from credit facilitation business. Credit facilitation and service fee increased by 26.3% in 2018, as compared to that of 2017.

	For the year ended 31 December		Increase
	2018	2017	%
Number of credit cards issued through us (million)	2.7	2.1	28.6%
Number of partner banks in credit card technology service	24	19	26.3%

We also have substantial growth in our credit card technology service fee. Benefited from continuous growth in number of users, introduction of new partner banks and improvement of efficiency caused by technology application, approximately 2.7 million credit cards were issued through us in 2018, representing a year on year increase of 28.6%. In addition, our high-value-added technology services provided to regional commercial banks through our co-branding credit cards also increased significantly. Therefore, our credit card technology service fee increased by 82.1% in 2018 as compared with that of 2017.

The loan referral service fee also increased. Our loan referral service fee recorded a year on year increase of 7.3% mainly driven by the steady growth of customer demand, despite some of our cooperation partners also suffered from market volatilities in 2018 to certain extent.

Other revenue decreased mainly due to less interest income generated from a lower balance of loans funded by trusts.

Funding sources of our loan products

	For the year ended 31 December			
	2018		2017	
	<i>RMB'million</i> <i>(approximate)</i>	%	<i>RMB'million</i> <i>(approximate)</i>	%
Investors of 51 Renpin	21,620.1	86.4%	26,096.5	77.0%
Institutions	3,394.0	13.6%	7,794.1	23.0%
Total <i>(note)</i>	25,014.1	100.0%	33,890.6	100.0%

	For the six months ended 31 December 2018		For the six months ended 30 June 2018	
	<i>RMB'million</i> <i>(approximate)</i>	%	<i>RMB'million</i> <i>(approximate)</i>	%
Investors of 51 Renpin	9,731.8	80.9%	11,888.3	91.5%
Institutions	2,294.5	19.1%	1,099.5	8.5%
Total <i>(note)</i>	12,026.3	100.0%	12,987.8	100.0%

Note: 51 Renpin refers to our online investment products. Institutions include a wholly-owned micro loan subsidiary of the Company.

After the issue of various regulatory policies at the end of 2017, we temporarily suspended cooperation with institutional funding partners and adjusted the related business model, so as to strictly comply with the regulatory requirements. We successfully obtained a financing guarantee licence in April 2018, and progressively resumed cooperation with various funding partners including banks, consumer finance companies and trusts, etc. since the second quarter of 2018. The proportion of funding sources from institutions increased to 19.1% in the second half of 2018 from 8.5% in the first half of 2018, and reached 26.3% in December 2018. At the end of 2018, we obtained a total funding commitment on loan balance of over RMB10 billion from various institutional funding partners. Thus, we expect that the proportion of loan facilitated from institutional funding partners will further increase, which will enable us to further realize the diversification of funding sources of our loan facilitation business. Despite the restrictions on the balance of loans facilitated through 51 Renpin platform imposed by related regulatory authorities since the second half of 2017, funding resources from institutional funding partners will support further development of our credit facilitation business.

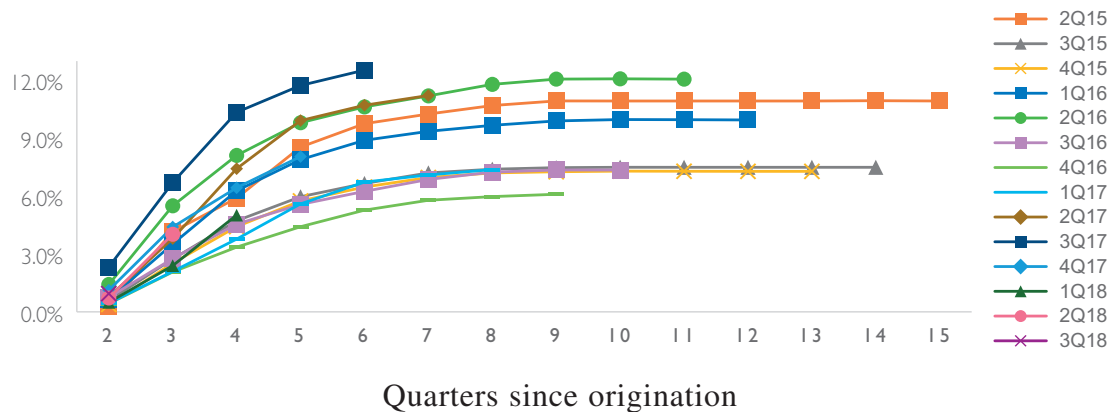
Key metrics of our loan products

	Loan products targeting credit card holders		Loan products targeting non-credit card holders	
	For the year ended 31 December			
	2018 <i>(approximate)</i>	2017 <i>(approximate)</i>	2018 <i>(approximate)</i>	2017 <i>(approximate)</i>
Volume of loan facilitated	RMB20,457.4 million	RMB21,854.7 million	RMB4,556.7 million	RMB12,035.9 million
Number of borrowers	0.8 million	0.8 million	0.7 million	1.8 million
Number of loans facilitated	1.4 million	1.3 million	0.9 million	4.6 million
Average loan size	RMB14,900	RMB16,700	RMB5,000	RMB4,000*
Average term of loan	13.6 months	13.5 months	10.2 months	9.5 months*

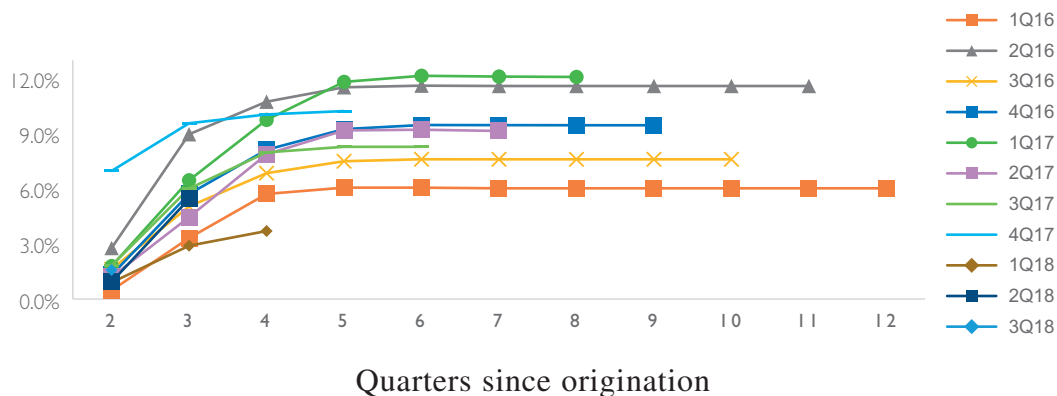
* *Excluding the short-term and micro loan products we had offered from February 2017 to November 2017.*

The volume of loans targeting credit card holders we facilitated in 2018 reached approximately RMB20,457.4 million, which remained generally stable compared to last year. Along with the enforcement of stricter regulations in the online consumer credit market and acceleration of industry consolidation, as one of the leading platforms, our market share may benefit. In addition, as at the end of 2018, users who have had credit transactions with us only accounted for a relatively small proportion of our credit card management users, and we expect our credit facilitation business to have a great development potential.

The following chart shows the historical cumulative 90-day plus past due delinquency rates by vintage for loan products targeting credit card holders up to 31 December 2018:



The following chart shows the historical cumulative 90-day plus past due delinquency rates by vintage for loan products targeting non-credit card holders up to 31 December 2018:



The 90-day plus past due delinquency rate of loan facilitated in 2018 generally showed a year on year decline compared to that of 2017.

As a council member of the National Internet Finance Association of China, our 51 Renpin platform took the lead in completing the data docking and reporting for P2P rectification project in September 2018, so as to meet the regulatory requirements and improve information disclosure transparency. Meanwhile, 51 Renpin platform successfully completed self-examination in accordance with the regulatory requirements, and we have moved smoothly in the compliance filling progress. Additionally, we keep working closely with the regulatory authorities and are confident in meeting future industry compliance requirements.

Pursuant to the Opinions on the Classification and Disposal of Online Lenders and Risk-prevention Measures (《關於做好網貸機構分類處置和風險防範工作的意見》) (Circular 175) issued in December 2018, P2P platforms shall be properly classified. Specifically, except for a few large scale platforms which strictly complied with the existing regulations, other platforms will be forced to exit the market progressively. We are of the view that, the policies orienting supervision by classification, the exit or transformation of non-compliant or weak platforms and increase of elimination, the accelerating industry consolidation will increase our competitive advantage.

Big data technology innovation

In 2018, our technology research and development team independently developed and launched the full lifecycle marketing solution “Fermat” and the big data and artificial intelligence driven risk management solution “Light Cone”, which had yielded promising results in terms of reducing the cost of customer acquisition, optimizing the product experience and improving the risk-management level.

During the user acquisition process, Fermat quantifies the channel value and conducts precise real-time control using big data technology, and enables the conversion of users through steps such as channel tracking, intent identification and real-time calculation, following the users’ registration; then, by leveraging our exclusive deep-learning algorithms such as the industry-leading short text mining algorithm and the user behavior mining algorithm, it fully analyzes user characteristics and depicts user portrait to achieve intelligent touch and precise marketing, and completes the mining of users’ full lifecycle value. Fermat creates high-frequency services and products through capturing and stimulating users’ needs, extends service chains and coverage, and ultimately maximizes users’ value.

The Light Cone risk-management engine has the core capabilities of order-level snapshot time slicing, offline real-time data source unification, unified variable development engine, one-stop model solution and real-time backtracking and simulation decision-making. Compared with the 3-to-6-month model iteration period of traditional financial institutions, the big data solution of the Light Cone can complete the whole process of the relatively complex risk-management model from the development of variables to the launching in 3 to 15 days. On this basis, the risk-management engine can extract the risk information efficiently and accurately by using cutting-edge technologies such as machine learning, non-supervision, knowledge graphs and relational networks, and fully perfect the risk samples with help from various creative application of technologies such as active learning plus semi-supervision learning with a view to reducing the negative impact of inaccurate samples of the traditional risk-control model, and at last package and calibrate through the traditional scorecard model. Thanks to such high-level risk identification capability, the interpretability and stability of the risk-management model are guaranteed and hence the global optimal performance is achieved.

All these technology innovations will enable us to continuously enhance our efficiency in serving users, thus further realizing higher economic benefits.

OUTLOOK

According to the People's Bank of China, the number of credit cards in use in the People's Republic of China (the “**China**” or “**PRC**”) has reached approximately 686 million as of 31 December 2018, representing a 16.7% increase from approximately 588 million as of 31 December 2017. We believe the penetration of credit card service in China will continue in 2019 and will benefit our user base expansion and business growth.

We will put more emphasis on strengthening cooperation with financial institutions. On the one hand, we will further develop services and products in our ecosystem that enable us to deepen such cooperation, especially credit card technology services including co-branding credit cards. On the other hand, we will also explore business opportunities in partnering with financial institutions to provide credit facilitation service to our users. We will continue making efforts in development of more products and services, including loan products with diversified features that suit the needs of our users. We have been investing in research and development in technologies. We will further strengthen our technology capabilities by optimizing our proprietary big data analysis model in areas like precision marketing and credit assessment.

In 2018, with the increasingly stringent regulations, small-and-medium-sized platforms and non-compliant platforms exited the market gradually. As the online personal credit market consolidation accelerates, platforms with large scale and have strictly complied with the existing regulations will have a great chance to thrive. Capitalized on our high-value financially active users accumulated from 51 Credit Card Manager App since 2012, the unique business model from user acquisition through credit card management tools to subsequent capitalization on various financial services to meet the users' needs, the unique credit card bills data, and the big data risk management system independently developed based on such data together with the progress achieved in the compliance filing, we believe that our competitive advantages will be further strengthened in the future.

FINANCIAL INFORMATION

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

		Year ended 31 December	
	Note	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Credit facilitation and service fee	2	2,055,531	1,627,324
Credit card technology service fee		255,676	140,382
Loan referral service fee		203,061	189,327
Other revenue	3	297,726	311,547
Total revenue		2,811,994	2,268,580
Origination and servicing expenses	4	(758,314)	(516,904)
Sales and marketing expenses	4	(618,153)	(614,406)
General and administrative expenses	4	(411,323)	(182,144)
Research and development expenses	4	(328,634)	(261,378)
Other (losses)/gains, net	5	(629,939)	11,931
Total operating expenses		(2,746,363)	(1,562,901)
Operating profit		65,631	705,679
Share of net loss of associates accounted for using equity method		(1,302)	(1,465)
Fair value gain/(loss) of preferred shares		1,942,221	(2,260,930)
Extinguishment gain of preferred shares		–	242,462
Fair value gain of financial liability at fair value through profit or loss		98,448	–
Finance expenses, net		(24,374)	(47,778)
Profit/(loss) before income tax		2,080,624	(1,362,032)
Income tax credit/(expense)	6	88,143	(16,439)
Profit/(loss) for the year		2,168,767	(1,378,471)

		Year ended 31 December	
		2018	2017
Note		<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the year attributable to:			
	– Owners of the Company	2,162,084	(1,371,270)
	– Non-controlling interests	6,683	(7,201)
		<u>2,168,767</u>	<u>(1,378,471)</u>
Other comprehensive (loss)/income			
<i>Items that may not be reclassified to profit or loss</i>			
	Currency translation differences	(57,408)	98,004
	Change in fair value attributable to change in the credit risk of preferred shares	(16,990)	–
	Change in fair value attributable to change in the credit risk of other financial liabilities at fair value through profit or loss	(517)	–
		<u>2,093,852</u>	<u>(1,280,467)</u>
Total comprehensive income/(loss) for the year, net of tax			
		<u>2,093,852</u>	<u>(1,280,467)</u>
Total comprehensive income/(loss) attributable to:			
	– Owners of the Company	2,083,254	(1,274,250)
	– Non-controlling interests	10,598	(6,217)
		<u>2,093,852</u>	<u>(1,280,467)</u>
Basic earnings/(loss) per share	7	<u>3.84</u>	<u>(7.90)</u>
Diluted earnings/(loss) per share	7	<u>3.29</u>	<u>(7.90)</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2018	2017
	Note	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property and equipment, net		236,340	222,066
Intangible assets		1,029,342	1,026,771
Investments accounted for using equity method		144,430	145,732
Financial assets at fair value through profit or loss		425,026	425,093
Deferred income tax assets		222,300	104,556
Term deposits		6,000	5,000
Prepayments and other receivables		7,531	—
Total non-current assets		2,070,969	1,929,218
Current assets			
Quality assurance fund receivable	8	812,078	1,407,981
Contract assets	9	1,155,184	22,692
Trade receivables	10	149,567	59,957
Prepayments and other receivables		322,923	355,799
Loans to customers, net		185,296	948,987
Financial assets at fair value through profit or loss		573,221	334,471
Restricted cash		1,056,788	1,407,491
Cash and cash equivalents		1,206,172	1,258,446
Total current assets		5,461,229	5,795,824
Total assets		7,532,198	7,725,042

		As at 31 December	
		2018	2017
	Note	RMB'000	RMB'000
EQUITY/(DEFICIT) AND LIABILITIES			
Equity/(deficit)			
Share capital		79	20
Share premium		5,878,494	33,134
Share held for employee incentive schemes		(14)	(9)
Reserves		(57,450)	(214,433)
Accumulated losses		(2,291,794)	(4,403,224)
Non-controlling interests		16,941	2,956
Total equity/(deficit)		3,546,256	(4,581,556)
Liabilities			
Non-current liabilities			
Long-term borrowings		413,102	436,196
Deferred income tax liabilities		150,252	176,886
Preferred shares	11	–	6,815,260
Payable to trust senior tranche holders		209,500	950,000
Total non-current liabilities		772,854	8,378,342
Current liabilities			
Quality assurance fund payable	8	1,524,621	1,767,210
Payable to platform customers		744,783	656,422
Contract liabilities	9	47,514	49,714
Payable to preferred shareholders		–	30,000
Short-term borrowings		189,900	257,057
Trade and other payables	12	624,608	963,351
Income tax payable		11,133	36,042
Financial liabilities at fair value through profit or loss		70,529	168,460
Total current liabilities		3,213,088	3,928,256
Total liabilities		3,985,942	12,306,598
Total equity/(deficit) and liabilities		7,532,198	7,725,042

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

NOTES

1. BASIS OF PREPARATION AND 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”). The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of financial instruments at fair value through profit or loss. The preparation of consolidated financial statements of the Group 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.

1.2 Significant accounting policies

1.2.1 New standard early adopted by the Group

IFRS 15: Revenue from Contracts with Customers

IFRS 15, ‘Revenue from contracts with customers’ replaces the previous revenue standards IAS 18 ‘Revenue’ and IAS 11 ‘Construction Contracts’ and related interpretations. The standard is effective for annual years beginning on or after 1 January 2018 and earlier application is permitted. The Group has elected to early apply IFRS 15 and consistently applied for the years are presented.

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ‘earnings processes’ to an ‘asset-liability’ approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

1.2.2 New and amended standards adopted by the Group

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2018 and have not been early adopted by the Group.

IFRS 2	Classification and measurement of share-based payment transactions
IFRS 9	Financial Instruments
Amendment to IAS 28	Investments in associates and joint ventures
Amendments to IAS 40	Transfers of investment property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Except for IFRS 9, impact of which is disclosed below, the above new accounting standards and amendments to IFRSs which are effective and adopted by the Group from 1 January 2018 have no significant impact on the Group's consolidated financial statements.

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the consolidated financial statements.

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 recognized in the opening accumulated losses of the year ended 31 December 2018.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the year ended 31 December 2018.

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'.

(a) *IFRS 9 “Financial Instruments” – Impact of adoption*

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group.

The total impact of the adoption of IFRS 9 on the Group’s accumulated losses as at 1 January 2018 is as follows:

	Accumulated losses RMB’000
Closing accumulated losses as at 31 December 2017– IAS 39	4,403,224
Impact of adoption of IFRS 9	
– Increase in impairment provision for contract assets (<i>Note iii</i>)	776
– Increase in impairment provision for financial assets at amortized cost (<i>Note iii</i>)	95,793
– Decrease in quality assurance fund payable with adoption of IFRS 9 (<i>Note iii</i>)	<u>(10,828)</u>
– Adjustment from adoption of IFRS 9 on 1 January 2018, before income tax	85,741
– Income tax effect	(35,087)
Adjustment to accumulated losses from adoption of IFRS 9 on 1 January 2018, net of tax	<u>50,654</u>
Opening accumulated losses of 1 January 2018 – IFRS 9	<u><u>4,453,878</u></u>

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of assets and liabilities in accordance with IAS 39 and IFRS 9 as at 1 January 2018 are compared as follows:

Financial assets

	IAS 39		IFRS 9	
	Measurement category	Carrying amount <i>RMB'000</i>	Measurement category	Carrying amount <i>RMB'000</i>
Financial assets at fair value through profit or loss ("FVPL")	FVPL	759,564	FVPL	759,564
Quality assurance fund receivable	Amortized cost (Loans and receivables)	1,407,981	Amortized cost	1,361,021
Trade receivables	Amortized cost (Loans and receivables)	59,957	Amortized cost	59,881
Prepayments and other receivables	Amortized cost (Loans and receivables)	355,799	Amortized cost	355,577
Loans to customers, net	Amortized cost (Loans and receivables)	948,987	Amortized cost	900,452
Restricted cash	Amortized cost	1,407,491	Amortized cost	1,407,491
Cash and cash equivalents	Amortized cost	1,258,446	Amortized cost	1,258,446

Financial liabilities

There was no change to the classification and measurement of financial liabilities, other than to changes in the fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in the instrument's credit risk, which are now presented in other comprehensive income.

(ii) Reconciliation of financial assets and liabilities balances from IAS 39 to IFRS 9

The Group revised its impairment methodology using expected credit loss (“ECL”) model under IFRS 9 for each class of financial assets and financial guarantee contracts (i.e. quality assurance fund payable). The Group performed a detailed analysis of its business models for managing assets and analysis of their cash flow characteristics.

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

	IAS 39 carrying amount 31 December 2017 RMB'000	Reclassification difference RMB'000	Remeasurement difference – impairment allowance RMB'000	IFRS 9 carrying amount 1 January 2018 RMB'000
Financial assets measured at amortized cost				
– Restricted cash	1,407,491	–	–	1,407,491
– Cash and cash equivalents	1,258,446	–	–	1,258,446
– Trade receivables	59,957	–	(76)	59,881
– Prepayments and other receivables	355,799	–	(222)	355,577
– Loans to customers, net	948,987	–	(48,535)	900,452
– Quality assurance fund receivable	1,407,981	–	(46,960)	1,361,021
Total financial assets measured at amortized cost	5,438,661	–	(95,793)	5,342,868
	IAS 39 carrying amount 31 December 2017 RMB'000	Reclassification difference RMB'000	Remeasurement difference RMB'000	IFRS 9 carrying amount 1 January 2018 RMB'000
Fair value through profit or loss				
– Financial assets at fair value through profit or loss	759,564	–	–	759,564
Total financial assets measured at FVPL	759,564	–	–	759,564
Financial guarantee contracts				
Quality assurance fund payable	1,767,210	–	(10,828)	1,756,382

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

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

Measurement category	Impairment loss	Reclassification difference	Remeasurement difference	Expected credit
	allowance under			loss allowance
	IAS 39			under IFRS 9
	RMB'000	RMB'000	RMB'000	RMB'000
Non-financial asset				
Contract assets	1,933	–	776	2,709
Loans and receivables (IAS 39)/financial assets at amortized cost (IFRS 9)				
– Trade receivables	–	–	76	76
– Prepayments and other receivables	–	–	222	222
– Loans to customers, net	101,772	–	48,535	150,307
– Quality assurance fund receivable	331,264	–	46,960	378,224
	<u>433,036</u>	<u>–</u>	<u>95,793</u>	<u>528,829</u>
Financial guarantee contracts				
Quality assurance fund payable	1,767,210	–	(10,828)	1,756,382
	<u>1,767,210</u>	<u>–</u>	<u>(10,828)</u>	<u>1,756,382</u>

2. Credit facilitation and service fee

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Upfront credit facilitation service fee	1,414,185	944,058
Post credit facilitation service fee	<u>641,346</u>	<u>683,266</u>
	<u>2,055,531</u>	<u>1,627,324</u>

Note: The unsatisfied performance obligation as at 31 December 2018 is approximately RMB442,622,000. Management expects that 89% of the transaction price allocated to the unsatisfied contracts as at 31 December 2018 will be recognized as revenue within the next twelve months.

3. Other revenue

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest income of loans to customers	91,107	227,440
Payment service fee	75,438	–
Overdue charges	45,098	75,231
Insurance commission income	30,656	–
Others	55,427	8,876
	<u>297,726</u>	<u>311,547</u>

4. Expenses by nature

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Employee benefit expenses	766,083	471,036
Marketing and advertising fees	592,382	598,211
External technical service fee	238,059	103,487
Fund transfer charges	194,040	169,247
Depreciation and amortization	66,433	29,654
Loan referral service fee	48,126	89,412
Listing expenses	37,275	14,905
Insurance commissions	27,339	1,037
Office expenses	26,752	22,253
Professional service fee	21,737	16,847
Office rental	19,189	16,445
Auditor's remuneration		
– Audit services	4,100	–
– Non-audit services	845	722
Others	74,064	41,576
Total of origination and servicing expenses, sales and marketing expenses, general and administrative expenses and research and development expenses	<u>2,116,424</u>	<u>1,574,832</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. Other (losses)/gains, net

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Fair value (loss)/gain on financial assets		
at fair value through profit or loss	(3,911)	191,706
Dividend income from an investee	11,083	–
Fair value gain/(loss) on foreign exchange contracts	4,262	(13,083)
Quality assurance fund loss, net	(345,854)	(36,585)
Government grants	6,705	15,253
Interest expenses to trust senior tranche holders	(44,640)	(43,993)
ECL/Impairment loss	(258,375)	(97,442)
Others	791	(3,925)
	<u>(629,939)</u>	<u>11,931</u>

6. Income tax (credit)/expense

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	21,185	996
Deferred income tax	(109,328)	15,443
	<u>(88,143)</u>	<u>16,439</u>

7. Earnings/(loss) per share

- (a) Basic earnings/(loss) per share is calculated by dividing the income/(loss) of the Group attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year. In March 2018, the Company effected a share split. Each of ordinary share and preferred share of the Company was subdivided into 10 shares at par value of US\$0.00001. The weighted average number of ordinary shares has reflected the effect of share split.

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings/(loss) attributable to owners of the Group	2,162,084	(1,371,270)
Weighted average number of ordinary shares in issue ('000)	563,603	173,613
Basic earnings/(loss) per share (expressed in RMB)	3.84	(7.90)

- (b) Diluted earnings/(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 year ended 31 December 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended 31 December 2017 is the same as basic loss per share.

For the year ended 31 December 2018, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and restricted share units ("RSUs") granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	Year ended 31 December	
	2018	2017
Profit/(loss) attributable to owners of the Group (<i>RMB '000</i>)	<u>2,162,084</u>	<u>(1,371,270)</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	563,603	173,613
Adjustments for share options and RSUs granted to employees (<i>'000</i>)	<u>92,713</u>	<u>–</u>
Weighted average number of ordinary shares for calculation of diluted earnings/(loss) per share	<u>656,316</u>	<u>173,613</u>
Diluted earnings/(loss) per share (expressed in RMB)	<u>3.29</u>	<u>(7.90)</u>

8. 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 2018 and 2017:

	Year ended 31 December	
	2018	2017
	<i>RMB '000</i>	<i>RMB '000</i>
Opening balance	1,767,210	706,612
Changes on initial application of IFRS 9	(10,828)	–
Fair value of newly written quality assurance obligation	2,393,887	2,681,917
ECL/impairment loss	423,489	–
Release of the margin	(178,537)	(210,898)
Payouts during the year, net	<u>(2,870,600)</u>	<u>(1,410,421)</u>
Ending balance	<u>1,524,621</u>	<u>1,767,210</u>

The following table sets forth the Group's quality assurance fund receivable movements for the years ended 31 December 2018 and 2017:

	Year ended 31 December	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Opening balance	1,407,981	576,921
Changes on initial application of IFRS 9	(46,960)	–
Fair value of newly written quality assurance obligation	2,393,887	2,681,917
ECL/impairment loss	(100,902)	(247,483)
Contribution received from borrowers	(2,841,928)	(1,603,374)
Ending balance	812,078	1,407,981

- (a) The following table explains the changes in the loss allowance of quality assurance fund receivable by stage for the year ended 31 December 2018:

	Stage 1 12-month ECL <i>RMB'000</i>	Stage 2 Lifetime ECL <i>RMB'000</i>	Stage 3 Lifetime ECL <i>RMB'000</i>	Total <i>RMB'000</i>
Opening balance	139,948	47,810	190,465	378,223
Provisions	34,375	6,451	250,622	291,448
Reversal	(107,038)	(7,136)	(76,372)	(190,546)
Transfer				
Transfer from Stage 1 to Stage 2	(5,158)	5,158	–	–
Transfer from Stage 1 to Stage 3	(22,333)	–	22,333	–
Transfer from Stage 2 to Stage 1	493	(493)	–	–
Transfer from Stage 2 to Stage 3	–	(14,898)	14,898	–
Transfer from Stage 3 to Stage 2	–	35	(35)	–
Ending balance	40,287	36,927	401,911	479,125

9. Contract assets/(liabilities)

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Contract assets	1,370,529	24,625
Less: ECL allowance/impairment allowance	<u>(215,345)</u>	<u>(1,933)</u>
Contract assets, net	<u>1,155,184</u>	<u>22,692</u>
Contract liabilities	<u>(47,514)</u>	<u>(49,714)</u>

The activity in the total impairment allowance for the years ended 31 December 2018 and 2017 consisted of the following:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning balance	(1,933)	(103)
Changes on initial application of IFRS 9	(776)	–
Provisions for the year	<u>(212,636)</u>	<u>(1,830)</u>
Ending balance	<u>(215,345)</u>	<u>(1,933)</u>

Note: The Group receives payments from borrowers 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 31 December 2018 would be realized within the next twelve months as the weighted average term of the arrangements where the Group is not the loan originator were less than twelve months. The Group determined there is no significant financing component for its arrangements where the Group is not the loan originator.

10. Trade receivables

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Loan referral and credit card technology service receivables	142,053	56,599
Others	7,860	3,358
	<u>149,913</u>	<u>59,957</u>
Expected credit impairment allowance	(346)	–
	<u>149,567</u>	<u>59,957</u>

The activity in the total ECL allowance for trade receivable as at 31 December 2018 and 2017 consisted of the following:

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning balance	–	–
Changes on initial application of IFRS 9	(76)	–
Provisions for the year	(270)	–
Ending balance	<u>(346)</u>	<u>–</u>

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

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	110,784	55,817
More than 30 days	38,783	4,140
	<u>149,567</u>	<u>59,957</u>

11. Preferred shares

The preferred shares has converted to ordinary shares when the Company completed the IPO on 13 July 2018.

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

	<i>RMB'000</i>
At 1 January 2017	4,105,301
Execution of warrants by Series C preferred shareholders	801,139
Redemption of preferred shares	(32,396)
Extinguishment of Series A1, Series A2, Series B, Series B1 and Series C preferred shares	(6,607,410)
Issuance of Class B ordinary shares, Series A1, Series A2, Series B, Series B1 and Series C preferred shares	6,367,343
Ordinary shares transferred to Class B ordinary shares of reorganization	19,135
Changes in fair value of preferred shares	2,260,930
Currency translation differences	(98,782)
At 31 December 2017	<u><u>6,815,260</u></u>
At 1 January 2018	6,815,260
Changes in fair value of preferred shares	(1,942,221)
Change in fair value attributable to change in the credit risk of preferred shares	16,990
Currency translation differences	61,391
Conversion to ordinary shares	<u>(4,951,420)</u>
At 31 December 2018	<u><u>—</u></u>

12. Trade and other payables

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for equity investments (a)	218,329	507,168
Payroll and welfare payable	115,519	145,453
Online promotion marketing expenses payable	80,863	31,648
Payable to settlement banks	74,847	–
Trade payables (b)	30,197	33,778
Other tax payable	19,460	62,299
Payable on behalf of credit card users	8,670	22,029
Payable to related parties	3,951	73,854
Listing fee payables	3,431	9,472
Payable on behalf of users of payment company	–	8,131
Others	69,341	69,519
	624,608	963,351

(a) Payables for equity investments primarily represent the cash consideration due to the counterparties of equity transactions in connection with the acquisition of Beijing Shouhui Kaizhuo Technology Co., Ltd. and Shenzhen Zhong Rong Insurance Brokers Co., Ltd..

(b) 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	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
within 30 days	22,831	22,613
30 to 90 days	7,298	11,165
90 to 180 days	43	–
180 to 360 days	25	–
	30,197	33,778

13. Dividends

No dividend has been paid or declared by the Company for the year ended 31 December 2018 (2017: Nil).

14. Commitments

The Group leases offices under non-cancellable operating leases agreements, and the majority of lease agreements are renewable at the end of the lease at market rate.

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

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Not later than 1 year	34,074	22,104
Later than 1 year and not later than 5 years	58,826	40,524
Over five years	1,064	–
	93,964	62,628

FINANCIAL REVIEW

Revenue

Our total revenue increased by 24.0% from approximately RMB2,268.6 million for the year ended 31 December 2017 to approximately RMB2,812.0 million for the year ended 31 December 2018.

Credit facilitation and service fee increased by 26.3% from approximately RMB1,627.3 million for the year ended 31 December 2017 to approximately RMB2,055.5 million for the year ended 31 December 2018. We recognize in our financial statements the upfront credit facilitation service fee at the inception of the loan and post credit facilitation service fee over the loan period. The credit facilitation service fee growth is mainly because we adopted a more prudent strategy and focused more on serving credit card customers while maintaining the borrowers' overall borrowing cost at a stable level. Thus, we achieved better credit performance in 2018, allowing us to generate higher revenue from credit facilitation service.

Credit card technology service fee increased by 82.1% from approximately RMB140.4 million for the year ended 31 December 2017 to approximately RMB255.7 million for the year ended 31 December 2018, mainly because of the increase in the number of credit cards issued to our users through us and the increase in high-value-added technology services rendered to cooperating banks through our co-branding credit cards.

Our loan referral service fee increased by 7.3% from approximately RMB189.3 million for the year ended 31 December 2017 to approximately RMB203.1 million for the year ended 31 December 2018, primarily driven by the increase in the total volume of loans we referred to third-party business partners.

Other revenue decreased by 4.4% from approximately RMB311.5 million for the year ended 31 December 2017 to approximately RMB297.7 million for the year ended 31 December 2018, mainly resulted from decrease of interest income of loans to customers due to decrease in loan balance from the trusts we established.

Operating expenses

Our operating expenses increased by 75.7% from approximately RMB1,562.9 million for the year ended 31 December 2017 to approximately RMB2,746.4 million for the year ended 31 December 2018.

Origination and servicing expenses increased by 46.7% from approximately RMB516.9 million for the year ended 31 December 2017 to approximately RMB758.3 million for the year ended 31 December 2018, primarily because (i) external technical service fee increased by 135.5% to approximately RMB223.3 million for the year ended 31 December 2018 from approximately RMB94.8 million for the year ended 31 December 2017 due to increased demand for third party services such as loan collection services and credit risk assessment services, (ii) employee benefit expenses increased by 56.4% to approximately RMB183.8 million for the year ended 31 December 2018 from approximately RMB117.5 million for the year ended 31 December 2017 due to the increased human resources expense to further enhance our risk management capability of credit facilitation business.

General and administrative expenses increased by 125.9% from approximately RMB182.1 million for the year ended 31 December 2017 to approximately RMB411.3 million for the year ended 31 December 2018, mainly because (i) employee benefit expenses for the year ended 31 December 2018 increased by 177.1% to approximately RMB284.0 million from approximately RMB102.5 million for the year ended 31 December 2017, including the increase of approximately RMB150.1 million of share-based compensation expenses, and (ii) listing expenses increased by 150.3% to approximately RMB37.3 million for the year ended 31 December 2018 from approximately RMB14.9 million for the year ended 31 December 2017.

Research and development expenses increased by 25.7% from approximately RMB261.4 million for the year ended 31 December 2017 to approximately RMB328.6 million for the year ended 31 December 2018, primarily due to the headcount increase for our research and development team to strengthen our technology capabilities.

Other (losses)/gains, net changed from a gain of approximately RMB11.9 million for the year ended 31 December 2017 to a loss of approximately RMB629.9 million for the year ended 31 December 2018. Our quality assurance fund (“QAF”) loss increase to approximately RMB345.9 million from approximately RMB36.6 million for the corresponding period in 2017. Our impairment loss increased to approximately RMB258.4 million from approximately RMB97.4 million for the corresponding period in 2017. The increase in QAF loss and impairment loss is mainly because of the adoption of IFRS 9 in 2018. IFRS 9 introduced a new methodology of recognizing the impairment of financial assets and financial guarantee contracts (i.e. QAF payable) using ECL model, replacing the incurred credit loss model under IAS 39 in previous years. As a result of adopting IFRS 9, the Company measured 12-month ECL for non-impaired financial instruments which have not experienced significant increase in credit risk (“SICR”), and lifetime ECL for non-impaired financial instruments which have experienced SICR and for impaired financial instruments. The major difference between IFRS 9 and IAS 39 is the measurement of impairment for non-impaired financial instruments. Under IAS 39, the allowances are only provided for credit losses incurred but not yet identified. In general, the adoption of IFRS 9 results in early recognition of impairment for non-impaired financial instruments. And our fair value gain on financial assets at fair value through profit or loss changed from approximately RMB191.7 million to fair value loss on financial assets at fair value through profit or loss of approximately RMB3.9 million, mainly because that the fair value of our investments kept relatively stable as at 31 December 2018 compared to 31 December 2017.

Share of net loss of associates accounted for using equity method

Share of net loss of associates accounted for using equity method decreased by 13.3% from approximately RMB1.5 million for the year ended 31 December 2017 to approximately RMB1.3 million for the year ended 31 December 2018.

Fair value gain/(loss) of preferred shares

Fair value gain/(loss) of preferred shares changed from a loss of approximately RMB2,260.9 million for the year ended 31 December 2017 to a gain of approximately RMB1,942.2 million for the year ended 31 December 2018.

Fair value gain of financial liability at fair value through profit or loss

We recorded approximately RMB98.4 million of fair value gain of financial liability at fair value through profit or loss for the year ended 31 December 2018, as compared to nil for the year ended 31 December 2017.

Finance expenses, net

Finance expenses, net decreased by 49.0% from approximately RMB47.8 million for the year ended 31 December 2017 to approximately RMB24.4 million for the year ended 31 December 2018. The decrease mainly reflected the decrease in financing expense of preferred shares.

Income tax credit/(expense)

Income tax credit/(expense) changed from an income tax expense of approximately RMB16.4 million for the year ended 31 December 2017 to an income tax credit of approximately RMB88.1 million for the year ended 31 December 2018, mainly as a result of recognition of deferred income tax assets related to deductible expenses approved by tax authority in 2018.

Profit/(loss) for the year

As a result of the foregoing, our profit/(loss) for the year changed from a net loss of approximately RMB1,378.5 million for the year ended 31 December 2017 to a net profit of approximately RMB2,168.8 million for the year ended 31 December 2018.

Non-IFRS measures

We compensate for the limitations of the non-IFRS measures by reconciling the non-IFRS financial measures to the nearest IFRS performance measure, all of which should be considered when evaluating our performance.

The following table reconciles our non-IFRS net profit/(loss) in the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit/(loss) for the year:

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Non-IFRS net profit		
Net profit/(loss)	2,168,767	(1,378,471)
Adjusted for:		
Share-based compensation expenses	204,920	56,594
Fair value (gain)/loss of preferred shares	(1,942,221)	2,260,930
Extinguishment gain of preferred shares	–	(242,462)
Fair value gain of financial liability at fair value through profit or loss	(98,448)	–
Finance expenses related to preferred shares	–	32,351
Fair value loss/(gain) of financial assets at fair value through profit or loss ⁽¹⁾	3,911	(191,706)
Listing expenses	37,275	14,905
Non-IFRS net profit⁽²⁾	<u>374,204</u>	<u>552,141</u>

Notes:

- (1) Based on the changes of external market, the Company reduced its investment in non-strategic investment business and the fair value loss/(gain) of which generally does not have cash outflow/inflow impact. Thus, we adjusted the effect of net profit by such business.
- (2) The decrease in non-IFRS net profit was mainly due to the increase of QAF loss and impairment loss as a result of the adoption of IFRS 9 in 2018 while in the corresponding period of 2017 IAS 39 was applied.

Liquidity, Financial Resources and Gearing

The Group maintained a net cash position throughout the years under review. Our net cash positions as at 31 December 2018 and 31 December 2017 are as follows:

	As at 31 December 2018 <i>RMB' million</i>	As at 31 December 2017 <i>RMB' million</i>
Cash and cash equivalents	1,206	1,258
Liquid investments	569	245
Borrowings	(603)	(693)
Net cash	<u>1,172</u>	<u>810</u>

Cash and cash equivalents include cash at banks and other short-term deposits with original maturities of three months or less. Liquid investments are primarily wealth management products issued by banks and held with the primary objective to generate income at a yield higher than current deposit bank interest rates. Our cash and cash equivalents and liquid investments are denominated in the United States (“US”) dollars, RMB and Hong Kong dollars.

For the year ended 31 December 2018, the Group recorded net cash outflow of approximately RMB52.3 million, primarily as a result of net cash flow generated from operating activities of approximately RMB89.2 million, net cash flow generated from financing activities of approximately RMB51.5 million, offset by net cash used in investing activities of approximately RMB207.0 million.

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

The gearing ratio, calculated as total borrowings divided by total assets, was 8.0% as at 31 December 2018. (31 December 2017: 9.0%).

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

	As at 31 December 2018 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Within 1 year	189,900	257,057
1 to 2 years	34,056	9,767
2 to 5 years	365,850	403,720
Over 5 years	13,196	22,709
Total borrowings	603,002	693,253

The bank and other borrowings as at 31 December 2018 were all denominated in RMB (31 December 2017: RMB and Hong Kong dollars).

Capital Structure

On 13 July 2018 (the “**Listing Date**”), being the date of which the shares of the Company (the “**Shares**”) were initially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the total number of issued Shares was 1,187,026,522 and was further increased to 1,194,425,522 after the partial exercise of over-allotment option on 3 August 2018. For details, please refer to the prospectus of the Company dated 29 June 2018 (“**Prospectus**”) and the announcement dated 5 August 2018, respectively.

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 Hong Kong 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 profit before income tax for the year ended 31 December 2018 would have been approximately RMB584,000 higher/lower, and the loss before income tax for the year ended 31 December 2017 would have been approximately RMB3,357,000 lower/higher, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in US dollars.

For the Group's PRC subsidiaries whose functional currency is RMB, if Hong Kong dollars had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the year ended 31 December 2018 would have been approximately RMB5,708,000 higher/lower, and the loss before income tax for the year ended 31 December 2017 would have been approximately RMB7,523,000 lower/higher, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in Hong Kong dollars.

The Group has entered into foreign exchange forward contracts to cover specific foreign currency payments and receipts within the exposure generated from time to time.

Charge on Assets

During the year ended 31 December 2018, the Group had pledged its shares held in 北京決策信誠科技有限公司 (transliterated as Beijing Juece Xincheng Technology Co., Ltd.) in favour of Wenchuang Branch of Bank of Hangzhou Co., Ltd. ("**Hangzhou Bank**") as security for obtaining a loan of a total sum of RMB30 million. The Group had charged its properties located in Building B3, Wenyi West Road, No. 588 Hangzhou, PRC in favour of Wenchuang Branch of Hangzhou Bank for obtaining a mortgage loan of a total sum of RMB53 million.

Significant Investments

For the year ended 31 December 2018, the Group did not have any significant investments.

Material Acquisition and Disposal

For the year ended 31 December 2018, the Group did not have any material acquisition or disposal.

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liability (31 December 2017: nil).

Employees and Remuneration Policy

As at 31 December 2018, the Group had 1,145 staff (31 December 2017: 1,441). For the year ended 31 December 2018, the total employee benefit expenses incurred by the Group was approximately RMB766.1 million (year ended 31 December 2017: approximately RMB471.0 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 Company’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. Meanwhile, the Company implements a training score management system to create a good learning atmosphere for achieving the simultaneous development of employees and the enterprise.

The Company has also adopted 51 Stock Scheme and 51 Award Scheme to reward the employees. For details, please refer to the section headed “Appendix IV - Statutory and General Information - D. RSU Schemes” of the Prospectus.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (“IPO”)

The Shares were listed and commenced trading on the Main Board of the Stock Exchange on 13 July 2018. The gross proceeds and net proceeds raised by the Company from the IPO amounted to approximately HK\$1,009.0 million and approximately HK\$988.3 million, respectively and an additional gross proceeds and net proceeds of approximately HK\$62.9 million and approximately HK\$61.3 million, respectively were raised from the allotment and issue of the Shares as a result of the partial exercise of the over-allotment option.

As at 31 December 2018, the proceeds were utilized consistent with that disclosed in the Prospectus in the manner set out below:

	%	Use of net proceeds from the IPO		Amount utilized in 2018		Amount not yet utilized	
		<i>HK'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>HK'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>HK'</i> <i>million</i>	<i>RMB'</i> <i>million</i>
User acquisition	40%	419.8	359.7	118.8	99.3	301.0	260.4
Enhancement of technology and risk management capabilities	30%	314.9	269.8	89.1	74.5	225.8	195.3
Investment	20%	209.9	179.8	–	–	209.9	179.8
Working capital and other general corporate purposes	10%	105.0	89.9	29.7	24.8	75.3	65.1
Total	100%	1,049.6	899.2	237.6	198.6	812.0	700.6

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are qualified for attending and voting at the meeting, the register of members of the Company will be closed from Monday, 27 May 2019 to Friday, 31 May 2019 both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 24 May 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Shares were initially listed on the Main Board of the Stock Exchange on the Listing Date.

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

Throughout the period from the listing of the Company on the Main Board of the Stock Exchange on the Listing Date to 31 December 2018, the Company has applied and complied with all the code provisions in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange, with one exception set out as follows.

Code Provision A.2.1 (Separation of the Roles of Chairman and Chief Executive Officer)

Mr. Sun Haitao acts as the Chairman, executive Director and Chief Executive Officer of the Company. While this will constitute a deviation from Code Provision A.2.1 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of seven Directors, which is more than the Listing Rules requirement of one-third, and the Board believes there is sufficient check and balance in the Board; (ii) Mr. Sun and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and Chief Executive Officer is necessary.

Going forward, while Mr. Sun as the founder will continue to play a crucial role in steering the development and operation of the Group as a whole, as the business operation expands, the Company will present the key decisions for approval by the Board in accordance with the requirements of the Listing Rules, the Articles of Association and the laws of the Cayman Islands.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry with all Directors and all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to 31 December 2018.

REVIEW OF THE ANNUAL RESULTS

The Company has established the audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely, Mr. Wong Ti, Mr. Wang Zhaocheng and Ms. Zou Yunli, respectively. Mr. Wong Ti is the chairman of the Audit Committee.

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 2018. The Audit Committee has also reviewed and confirmed the accounting policies and practices adopted by the Company.

PUBLICATION OF ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.u51.com>). The annual report will be despatched to the shareholders of the Company and published on both websites on or before 30 April 2019.

By Order of the Board

51 Credit Card Inc.

Sun Haitao

Chairman, Chief Executive Officer and Executive Director

26 March 2019

As at the date of this announcement, the Board comprises Mr. Sun Haitao, Mr. Yang Yuzhi and Mr. Zhao Ke as executive Directors; Ms. Zou Yunli as a non-executive Director; and Mr. Wong Ti, Mr. Wang Zhaocheng and Mr. Ye Xiang as independent non-executive Directors.