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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Financial Highlights

- Revenue for the six months ended 30 June 2019 was approximately RMB1,400.2 million, increased by 9.8% as compared to approximately RMB1,275.3 million for the corresponding period in 2018.

- Operating profit for the six months ended 30 June 2019 was approximately RMB264.1 million, increased by 66.3% as compared to approximately RMB158.8 million for the corresponding period in 2018.

- Adjusted net profit for the six months ended 30 June 2019 was approximately RMB308.8 million, increased by 12.9% as compared to approximately RMB273.5 million for the corresponding period in 2018.

- No interim dividend was declared for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

51 Credit Card Inc. ("**51 Credit Card**" or the "**Company**") together with its subsidiaries (collectively, the "**Group**", "**we**", "**our**" or "**us**") have created a comprehensive ecosystem built upon a widely-used credit card management platform, 51 Credit Card Manager App ("**51 Credit Card Manager App**"). During the first half of 2019, we continued to maintain a steady growth in business scale and user base. The number of registered users of 51 Credit Card Manager App grew 21.0% to approximately 83.4 million as of 30 June 2019 from approximately 68.9 million as of 30 June 2018, and the number of credit cards we have managed cumulatively also grew 16.9% to approximately 138.7 million as of 30 June 2019 from approximately 118.6 million as of 30 June 2018.

	As of 30 June 2019 ***(million)***	As of 30 June 2018 *(million)*	Period on period change *%*
Number of registered users of 51 Credit Card Manager App	**83.4**	68.9	21.0%
Number of credit cards we have managed cumulatively	**138.7**	118.6	16.9%

The overall consumption standard of the citizens of the People's Republic of China (the "**PRC**" or "**China**") has maintained stable growth, while the younger generation with forward consumption concept has increasingly become the mainstream among the consumers. In recent years, the popularity of mobile payment has enabled more convenient and wider usage of credit cards. Thus, the credit card business in the PRC achieved explosive development in the recent decade, with increasing number of credit cards in use.

After 7 years of development, our 51 Credit Card Manager App has grown into an integrated platform with huge user base, from an APP originally designed only for credit card bills management. Our users mainly are credit card holders who are growing young consumers. They are willing to use consumer finance products, and they have both strong consumption needs and abilities. Total consumption through credit card per capita of our long-term active user groups was observed to sustain an upward trend. We continue to learn and explore users' needs, and develop various financial products to satisfy them while creating cross-selling opportunities. In the meantime, our enormous and high-value user traffic has attracted more business partners, including nationwide joint-stock banks and other financial institutions, to provide services to users through our platform, thus further improving our user satisfaction.

	For the six months ended 30 June				**Period on period change**
	2019		2018		
	RMB' 000	***% of revenue***	*RMB'000*	*% of revenue*	*%*
Revenue	**1,400,178**	**100.0%**	1,275,279	100.0%	9.8%
Credit facilitation and service fee	**803,930**	**57.4%**	934,062	73.2%	-13.9%
Referral service fee	**197,015**	**14.1%**	84,014	6.6%	134.5%
Credit card technology service fee	**110,879**	**7.9%**	116,259	9.1%	-4.6%
Other revenue	**288,354**	**20.6%**	140,944	11.1%	104.6%
Operating profit	**264,129**		158,780		66.3%
Adjusted net profit for the period	**308,839**		273,490		12.9%

Our revenue achieved stable growth in the first half of 2019 attributable to our unique and competitive business model. Our total revenue increased by 9.8% to approximately RMB1,400.2 million for the first half of 2019 from approximately RMB1,275.3 million for the corresponding period of 2018. It is worth noting that our huge user base and advanced technology enable us to further diversify our revenue streams. The percentage of revenue from non-credit facilitation service to our total revenue increased to 42.6% for the first half of 2019 from 26.8% for the corresponding period of 2018. Furthermore, the proportion of funding source from financial institutions for credit facilitation business also enhanced substantially. In June 2019, the scale of credit facilitated for financial institutions exceeded that on our P2P platform. We will continue cooperation with financial institutions in a more extensive and in-depth manner, expecting that the proportion of institutional funding of the credit facilitation business will continue steady growth.

1. Credit Facilitation Service

In terms of credit facilitation business, we have adopted a prudent growth strategy by implementing more stringent and disciplined risk control measures, and focusing on serving credit card holders. During the first half of 2019, the overall credit facilitation business scale increased by 6.5% from approximately RMB12,987.8 million for the corresponding period of last year to approximately RMB13,833.2 million. The number of loans facilitated increased by 27.3% from 1.1 million for the first half of 2018 to 1.4 million for the first half of 2019.

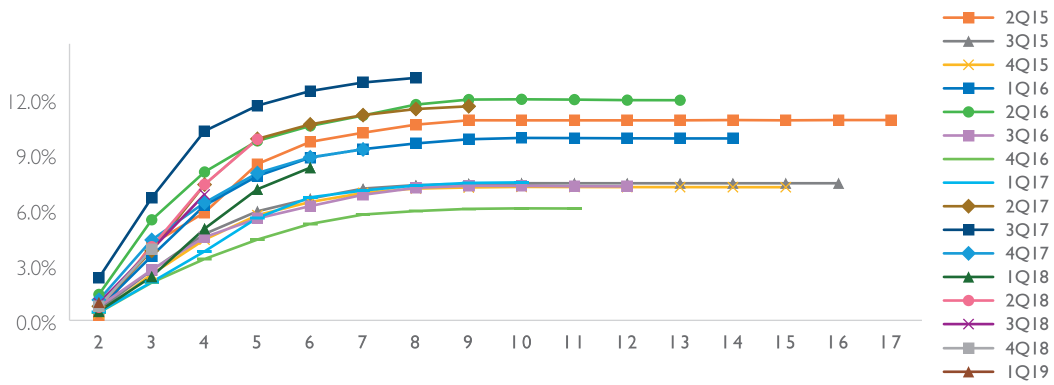
In the meantime, we have reduced the average amount and shortened the average tenure of our credit products, in order to achieve further diversification of risk in credit facilitation business. For example, the average amount of loans targeting credit card holders decreased to approximately RMB10,800 for the first half of 2019 from approximately RMB15,400 for the first half of 2018, and the average tenure also decreased to approximately 10.8 months for the first half of 2019 from approximately 14.5 months for the first half of 2018. Although the decrease in the average tenure of loans would reduce the level of our service fee for loans facilitated in the short-term, we believe that such growth strategy and business adjustment would help our credit facilitation business better stand against external fluctuations, and achieve long-term sustainable development.

It is particularly noteworthy that, we are committed to diversifying the funding sources of the credit facilitation business. During the first half of 2019, we entered into cooperation with dozens of institutional funding partners, most of which were banks, and entered into comprehensive strategic cooperation agreements with many of them. During the first half of 2019, the amount of loan we facilitated for institutional funding partners amounted to approximately RMB4,830.2 million, representing an increase of 339.3% compared to approximately RMB1,099.4 million for the corresponding period of 2018. Accordingly, the proportion of institutional funding of the credit facilitation business increased significantly, from 8.5% in the first half of 2018 to 34.9% in the first half of 2019, and further increased to 50.5% in June 2019. Meanwhile, as at the end of June 2019, we had secured a total credit line of over RMB15 billion from institutional funding partners.

(i) The following table shows the volume, number, average size and average tenure of loans facilitated targeting credit card holders and non-credit card holders respectively:

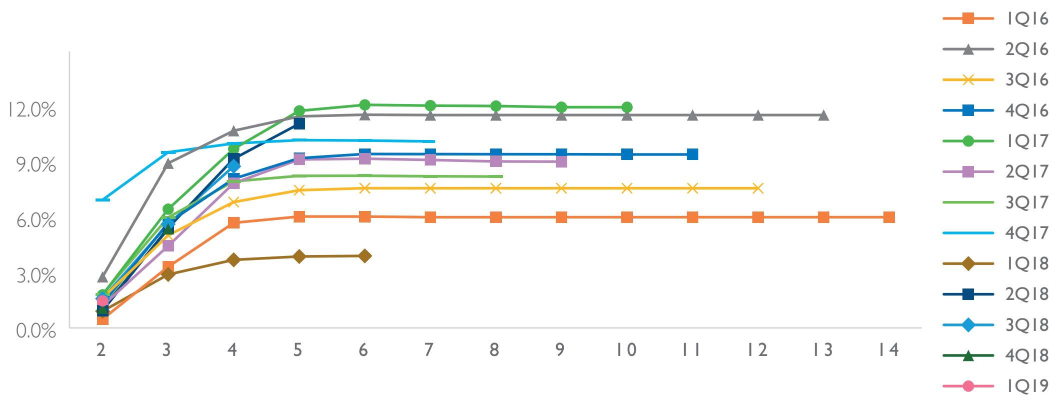
	Loan products targeting credit card holders		**Loan products targeting non-credit card holders**	
	For the six months ended 30 June			
	2019	2018	**2019**	2018
Volume of loan facilitated	**RMB12,090.4 million**	RMB11,539.3 million	**RMB1,742.8 million**	RMB1,448.5 million
Number of loans facilitated	**1.1 million**	0.8 million	**0.3 million**	0.3 million
Average amount of loans	**RMB10.8 thousand**	RMB15.4 thousand	**RMB6.3 thousand**	RMB4.5 thousand
Average tenure of loans	**10.8 months**	14.5 months	**10.4 months**	9.9 months

(ii) 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 30 June 2019:



Quarters since origination

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 30 June 2019:



Quarters since origination

(iii) The following table shows the proportion of funding sources of credit facilitation service:

	For the six months ended 30 June		For the month of June
	2019	2018	**2019**
Individual investors on our platform	**65.1%**	91.5%	**49.5%**
Institutions	**34.9%**	8.5%	**50.5%**

2. Referral Service

Our referral service, which is based on an open platform built on our ecosystem and benefits from improvement in internal efficiency enabled by the application of technology as well as the growing user demand, achieved a significant growth, with its revenue increased by 134.5%, from approximately RMB84.0 million for the first half of 2018 to approximately RMB197.0 million for the first half of 2019.

3. Credit Card Technology Service

In the first half of 2019, we had introduced five new credit card issuing bank partners and strived for better pricing of the credit card technology service. However, affected by the fluctuations in the macro environment, the banking industry has adopted more rigorous measures in credit card issuance since 2019, which also affected us to some extent.

Overall, credit card technology service fee generally remained stable as compared with that of the corresponding period of last year.

Big Data Technology Innovation

We have maintained a leading technology development team in the industry. Different from traditional financial institutions which generally have relatively lower percentage of staff in technology department, more than 50% of our staff are research and development engineers. With a credit card management platform of high loyalty and enormous user base, we are able to continuously improve our technology capabilities.

On the one hand, we constantly accumulate knowledge of our users, which allows us to provide, on a real time basis, optimized user product interfaces based on users' behavior data. Thus, users can promptly and conveniently find credit card information or other product information that they may be interested in, thereby greatly improving user experience.

On the other hand, we develop and upgrade our risk assessment system, i.e., iCredit. The system is built on our vast amounts of data and improved with advanced artificial intelligence and advanced machine learning technologies. Our "Light Cone" platform further enhances the efficiency of our risk control system, achieving centralization of various data sources and risk characteristics, and improvement in deployment efficiency in the Big Data Era.

Enabling Financial Institution Partners

Our unique business scenarios, high-value user base and leading-edge technological capabilities attract many financial institutions to cooperate with us. With the development of China's financial technology, a large number of financial institutions in China are eager to establish or expand their channel accesses to Internet users. At the early stage of our business development, our cooperation with financial institutions was mainly in terms of user traffic.

With the diversification of our products and the improvement of our technological capabilities, more and more financial institutions have established more in-depth and comprehensive cooperation with us in respect of traffic plus technology. So far, we have more than 100 financial institution partners spreading across various sectors, including banks, consumer finance companies and trust companies. We are convinced that enabling partners not only benefits us economically, but also improves our user satisfaction with greater variety of product choices.

OUTLOOK

According to the People's Bank of China, as at 30 June 2019, the number of credit card in use in China reached 711 million, representing an increase of approximately 11.4% compared with that as at the end of the corresponding period of 2018. The number of credit card held per capita was only 0.51, which still showed greater growth potentials compared with other developed countries such as the United States ("**US**"). We are of the view that with the PRC's further expansion of opening of the financial industry as well as the adoption of a series of measures to stabilize growth and achieve structural adjustment, the macro economy will maintain stable and upward trend in general. Additionally, large-scaled measures to reduce tax and fees will directly facilitate the growth of residents' income and consumer demand. We believe that these factors will enable the credit card industry to maintain growth momentum in the foreseeable future, which will be beneficial to the expansion of our user base and stable business growth.

We will continue our investment in research and development and application of advanced technologies, such as artificial intelligence and big data, to enhance our operation and risk control capabilities, such as accurate user-targeted marketing and instant credit evaluation, and ensure our industry-leading position in these areas.

We will also strengthen cooperation with financial institutions. On the one hand, we will further develop services and products in our ecosystem, which will enable us to strengthen our cooperation with partners, especially credit card technology services such as co-branding credit cards. On the other hand, we will continue expanding cooperation with financial institutions in providing credit facilitation services to users.

Leveraging our industry-leading technology, our vast user base and proprietary data, we are well-positioned to enable various financial institutions, including banks, to access individual customers and satisfy users' financial needs in the framework of regulatory requirements. It will lay a solid foundation for mutually beneficial cooperation between both parties, better satisfy various financial needs of our users, and achieve a win-win situation. In the second half of 2019, we will increase our resources invested in such area, including measures such as introducing new partners and seeking strategic partnerships with the existing partners, to further achieve more extensive and in-depth cooperation with financial institutions.

Since 2019, with the implementation and clarification of regulatory policies which have accelerated the exit of non-compliant platforms, the online personal credit market further integrated. Although the market may be subject to external fluctuations in the near term, we believe that in the long run, the industry will further concentrate which will usher in good opportunities for healthy development resulting from the clearing of risks and the continuous guidance by the government. With a vast and high-value user base, we have formed a unique business model from user acquisition through credit card management tools to subsequent capitalization. Our business is built upon solid foundation of our proprietary big data, and independent risk control system. We believe that the Company will continue playing a leading role in the financial technology industry and set benchmarks for technological advantages.

FINANCIAL INFORMATION

The board (the "**Board**") of directors (the "**Directors**") of 51 Credit Card is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018 as below.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Credit facilitation and service fee	3	**803,930**	934,062
Referral service fee		**197,015**	84,014
Credit card technology service fee		**110,879**	116,259
Other revenue	4	**288,354**	140,944
Total revenue		**1,400,178**	1,275,279
Origination and servicing expenses	5	**(526,371)**	(345,270)
Sales and marketing expenses	5	**(256,010)**	(283,831)
General and administrative expenses	5	**(132,294)**	(188,878)
Research and development expenses	5	**(118,569)**	(171,218)
Other losses, net	6	**(102,805)**	(127,302)
Total operating expenses		**(1,136,049)**	(1,116,499)
Operating profit		**264,129**	158,780
Share of net (loss)/gain of associates accounted for using equity method		**(4,770)**	720
Fair value gain of preferred shares		**–**	1,905,589
Fair value gain of financial liability at fair value through profit or loss		**213**	33,805
Finance expenses, net		**(5,745)**	(15,477)
Profit before income tax		**253,827**	2,083,417
Income tax (expense)/credit	7	**(60,135)**	2,874
Profit for the period		**193,692**	2,086,291

	Note	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit/(loss) for the period attributable to:			
– Owners of the Company		**183,540**	2,087,657
– Non-controlling interests		**10,152**	(1,366)
Other comprehensive loss			
Items that may not be reclassified to profit or loss			
Currency translation differences		**(6,047)**	(33,208)
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 liability at fair value through profit or loss		**–**	(517)
Total comprehensive income for the period, net of tax		**187,645**	2,035,576
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**176,550**	2,036,321
– Non-controlling interests		**11,095**	(745)
Basic earnings per share	8	**0.18**	11.38
Diluted earnings per share	8	**0.17**	8.18

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2019** *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property and equipment, net		**208,996**	236,340
Right-of-use assets	2	**73,048**	–
Intangible assets		**1,028,640**	1,029,342
Investments accounted for using equity method		**155,061**	144,430
Financial assets at fair value through profit or loss		**393,201**	425,026
Deferred income tax assets		**277,252**	222,300
Term deposits		**5,700**	6,000
Prepayments and other receivables	9	**6,084**	7,531
Total non-current assets		**2,147,982**	2,070,969
Current assets			
Quality assurance fund receivable	10	**969,715**	812,078
Contract assets	11	**1,269,050**	1,155,184
Trade receivables	12	**192,664**	149,567
Prepayments and other receivables	9	**1,281,931**	322,923
Loans to customers, net		**99,580**	185,296
Financial assets at fair value through profit or loss		**168,455**	573,221
Restricted cash		**1,099,978**	1,056,788
Cash and cash equivalents		**1,474,445**	1,206,172
Total current assets		**6,555,818**	5,461,229
Total assets		**8,703,800**	7,532,198

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Equity			
Share capital		**79**	79
Share premium		**5,878,494**	5,878,494
Share held for employee incentive scheme		**(14)**	(14)
Reserves		**(8,782)**	(57,450)
Accumulated losses		**(2,109,760)**	(2,291,794)
Non-controlling interests		**27,827**	16,941
Total equity		**3,787,844**	3,546,256
Liabilities			
Non-current liabilities			
Long-term borrowings		**404,888**	413,102
Lease liabilities		**37,807**	–
Payable to trust senior tranche holders		**81,500**	209,500
Deferred income tax liabilities		**224,860**	150,252
Total non-current liabilities		**749,055**	772,854
Current liabilities			
Quality assurance fund payable	10	**1,648,050**	1,524,621
Payable to platform customers		**898,256**	744,783
Contract liabilities	11	**84,613**	47,514
Short-term borrowings		**16,033**	189,900
Lease liabilities		**19,777**	–
Trade and other payables	13	**1,388,528**	624,608
Income tax payable		**41,328**	11,133
Financial liabilities at fair value through profit or loss		**70,316**	70,529
Total current liabilities		**4,166,901**	3,213,088
Total liabilities		**4,915,956**	3,985,942
Total equity and liabilities		**8,703,800**	7,532,198

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

NOTES

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim financial reporting" issued by the International Accounting Standards Board ("**IASB**"). The interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

2 CHANGES IN ACCOUNTING POLICY

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new standards, amendments and interpretation as of 1 January 2019 as described below.

The following new standards, amendments and interpretation of IFRSs have been adopted by the Group for the first time for the financial year beginning 1 January 2019:

IFRS 16	Leases
Amendements to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement

The adoption of these revised IFRSs except for IFRS 16 currently was irrelevant or has had no significant impact on these condensed consolidated interim financial statements. The Group has not early adopted any other standard, amendment or interpretation that was issued but is not yet effective.

The impact of the adoption of IFRS 16 and the new accounting policy is described below:

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening statement of financial position on 1 January 2019 as disclosed below. The new accounting policy is disclosed in Note 2(v) below.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.48%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**93,964**
Discounted using the lessee's incremental borrowing rate at the date of initial application	87,296
(Less): short-term leases not recognized as liabilities	(5,377)
Lease liabilities recognized as at 1 January 2019	**81,919**
Of which are:	
Current lease liabilities	37,949
Non-current lease liabilities	43,970

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	As at 30 June 2019	As at 1 January 2019
	RMB'000	*RMB'000*
Properties	**73,048**	**86,838**

(iv) Adjustments recognized in the consolidated statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

Items	As at 31 December 2018 *RMB'000*	Effect of initial adoption of IFRS 16 *RMB'000*	As at 1 January 2019 *RMB'000*
Right-of-use assets	–	86,838	86,838
Deferred income tax assets	222,300	218	222,518
Prepayments and other receivables	330,454	(6,852)	323,602
	552,754	**80,204**	**632,958**
Lease liabilities	–	(81,919)	(81,919)
Non-controlling interests	(16,941)	209	(16,732)
Accumulated losses	2,291,794	1,506	2,293,300
	2,274,853	**(80,204)**	**2,194,649**

(v) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 2 to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

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

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

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received; and

- restoration costs.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3 CREDIT FACILITATION AND SERVICE FEE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Upfront credit facilitation service fee	**543,492**	588,965
Post credit facilitation service fee	**260,438**	345,097
	803,930	934,062

Note: The unsatisfied performance obligation as at 30 June 2019 is approximately RMB372,365,000. Management expects that 97% of the transaction price allocated to the unsatisfied contracts as at 30 June 2019 will be recognized as revenue within the next twelve months.

4 OTHER REVENUE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Payment service fee	**188,346**	18,417
Interest income of loans to customers	**26,256**	61,983
Insurance commission income	**22,929**	11,299
Overdue charges	**10,302**	32,116
Others	**40,521**	17,129
	288,354	140,944

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**270,006**	355,466
Marketing and advertising fees	**246,189**	272,322
Fund transfer charges	**215,669**	100,282
External technical service fee	**152,506**	96,627
Depreciation and amortization	**45,504**	30,147
Referral service expense	**26,545**	19,151
Professional service fee	**13,436**	12,421
Office expenses	**9,721**	17,282
Listing expenses	**–**	34,781
Others	**53,668**	50,718
	1,033,244	989,197

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

6 OTHER LOSSES, NET

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fair value loss on financial assets at fair value through profit or loss	**(59,702)**	(19,342)
Dividend income from an investee	**15,434**	11,270
Gain on disposal of a debt host security	**12,686**	–
Quality assurance fund (loss)/gain	**(75,054)**	3,685
Government grants	**9,592**	913
Interest expenses to trust senior tranche holders	**(6,297)**	(32,677)
Expected credit loss ("**ECL**") for financial assets other than quality assurance fund receivable/payable	**287**	(93,665)
Others	**249**	2,514
	(102,805)	(127,302)

7 INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) of the Group during the periods presented are analyzed as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**40,261**	24,664
Deferred income tax	**19,874**	(27,538)
	60,135	(2,874)

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.

*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

The subsidiaries and variable interest entities of the Group established in the PRC are generally subject to the standard enterprise income tax rate of 25%, except for entities qualified as "Software Enterprise" and "High and New Technology Enterprise" which are entitled to the preferential income tax rate of 12.5% and 15%, respectively, and entities qualified as "Small Low-profit Enterprise" at an income tax rate of 10%.

8 EARNINGS PER SHARE

(a) Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Group by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Group *(RMB'000)*	**183,540**	2,087,657
Weighted average number of ordinary shares in issue *('000)*	**999,047**	183,417
Basic earnings per share *(expressed in RMB)*	**0.18**	11.38

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2019 and 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 dilutive potential 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).

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Group *(RMB'000)*	**183,540**	2,087,657
Weighted average number of ordinary shares in issue *('000)*	**999,047**	183,417
Adjustments for share options and RSUs granted to employees *('000)*	**78,957**	71,719
Weighted average number of ordinary shares for calculation of diluted earnings per share *('000)*	**1,078,004**	255,136
Diluted earnings per share *(expressed in RMB)*	**0.17**	8.18

9 PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Included in non-current assets:		
Rental deposits	**6,084**	7,531
Included in current assets:		
Receivable on behalf of customers for payment service	**870,330**	49,203
Deposits	**266,126**	112,775
Withholding tax paid on behalf of grantees under employee incentive schemes	**42,508**	42,508
Prepaid expense	**41,189**	45,023
Receivable from disposal of bad debts	**2,686**	23,100
Others	**59,092**	50,314
	1,288,015	330,454

10 QUALITY ASSURANCE FUND PAYABLE AND RECEIVABLE

The following table sets forth the Group's quality assurance fund payable movements for the six months ended 30 June 2019 and 2018:

	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Opening balance	**1,524,621**	1,756,382
Fair value of newly written quality assurance obligation	**1,623,417**	1,001,235
ECL for quality assurance fund	**112,966**	28,509
Release of the margin	**(127,134)**	(64,436)
Payouts during the period, net	**(1,485,820)**	(1,640,828)
Ending balance	**1,648,050**	1,080,862

The following table sets forth the Group's quality assurance fund receivable movements for the six months ended 30 June 2019 and 2018:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening balance	**812,078**	1,361,021
Fair value of newly written quality assurance obligation	**1,623,417**	1,001,235
ECL for quality assurance fund (a)	**(89,222)**	(32,242)
Contribution received from borrowers	**(1,376,558)**	(1,438,641)
Ending balance	**969,715**	891,373

(a) The following table explains the changes in the ECL allowance of quality assurance fund receivable by stage for the six months ended 30 June 2019:

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Opening balance	40,287	36,927	401,911	479,125
Provisions	48,529	9,360	66,242	124,131
Reversal	(25,507)	(3,113)	(6,289)	(34,909)
Transfer				
Transfer from Stage 1 to Stage 2	(4,110)	4,110	–	–
Transfer from Stage 1 to Stage 3	(2,859)	–	2,859	–
Transfer from Stage 2 to Stage 1	1,845	(1,845)	–	–
Transfer from Stage 2 to Stage 3	–	(4,146)	4,146	–
Transfer from Stage 3 to Stage 1	60	–	(60)	–
Ending balance	58,245	41,293	468,809	568,347

11 CONTRACT ASSETS/(LIABILITIES)

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Contract assets	**1,470,188**	1,370,529
Less: ECL allowance	**(201,138)**	(215,345)
Contract assets, net	**1,269,050**	1,155,184
Contract liabilities	**(84,613)**	(47,514)

The activity in the total ECL allowance for the six months ended 30 June 2019 and 2018 consisted of the following:

	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Opening balance	**(215,345)**	(1,933)
Changes on initial application of IFRS 9	**N/A**	(776)
Reversal/(provision) of ECL for the period	**14,207**	(53,625)
Ending balance	**(201,138)**	(56,334)

Note: The Group receives payments from borrowers over the tenure 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 30 June 2019 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.

12 TRADE RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Referral and credit card technology service receivables	**185,582**	142,053
Others	**7,428**	7,860
	193,010	149,913
ECL allowance	**(346)**	(346)
Trade receivables, net	**192,664**	149,567

The activity in the total ECL allowance for trade receivables as at 30 June 2019 and 2018 consisted of the following:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening balance	**(346)**	–
Changes on initial application of IFRS 9	**N/A**	(76)
ECL allowance for the period	**–**	(58)
Ending balance	**(346)**	(134)

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

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Within 30 days	**72,434**	110,784
More than 30 days	**120,230**	38,783
	192,664	149,567

13 TRADE AND OTHER PAYABLES

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Payable on behalf of customers for payment service	**899,908**	74,847
Payables for equity investments	**214,825**	218,329
Online promotion marketing expenses payable	**89,031**	80,863
Payroll and welfare payable	**69,212**	115,519
Trade payables (a)	**27,960**	30,197
Other tax payable	**10,738**	19,460
Payable on behalf of credit card users	**6,715**	8,670
Deposit payables	**3,535**	1,965
Payable to related parties	**2,035**	3,951
Listing fee payables	**1,037**	3,431
Others	**63,532**	67,376
	1,388,528	624,608

(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 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**16,980**	22,831
30 to 90 days	**7,806**	7,298
90 to 180 days	**3,154**	43
180 to 360 days	**20**	25
	27,960	30,197

14 DIVIDENDS

No dividends had been paid or declared by the Company during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

15 SUBSEQUENT EVENTS

In order to further facilitate progress of record filing of the acquisition (the "**Acquisition**") of Beijing Shouhui Kaizhuo Technology Company Limited ("**Shouhui Kaizhuo**"), in June 2019, the Group and the former shareholders (the "**Former Shareholders**") of Shouhui Kaizhuo entered into a supplementary agreement (the "**Supplementary Agreement**") to the acquisition agreement (the "**Original Agreement**") signed in April 2017 in respect of the Group's acquisition of the equity interests of Shouhui Kaizhuo. Pursuant to the Supplementary Agreement, the Group would transfer the title of all equity interests of Shouhui Kaizhuo to the Former Shareholders but would continue to control Shouhui Kaizhuo, by taking all the risks and benefits of Shouhui Kaizhuo. On 25 July 2019, Shouhui Kaizhuo updated the registration of the above equity interests change with the local Industrial and Commercial Bureau.

FINANCIAL REVIEW

Revenue

Our total revenue increased by 9.8% from approximately RMB1,275.3 million for the six months ended 30 June 2018 to approximately RMB1,400.2 million for the six months ended 30 June 2019.

Credit facilitation and service fee decreased by 13.9% from approximately RMB934.1 million for the six months ended 30 June 2018 to approximately RMB803.9 million for the six months ended 30 June 2019. We generally collect credit facilitation and service fee from borrowers according to the pre-confirmed fee schedules, recognize in our 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 period. The decrease of credit facilitation and service fee is mainly attributable to the shortened average tenure of loans.

Our referral service fee increased by 134.5% from approximately RMB84.0 million for the six months ended 30 June 2018 to approximately RMB197.0 million for the six months ended 30 June 2019, primarily driven by the increase in the business volume as a result of enhanced efficiency and increased users' demand.

Credit card technology service fee decreased by 4.6% from approximately RMB116.3 million for the six months ended 30 June 2018 to approximately RMB110.9 million for the six months ended 30 June 2019, mainly because the banking industry in general has adopted more rigorous measures with credit card issuance in 2019 as affected by the fluctuations in the macro environment.

Other revenue increased by 104.6% from approximately RMB140.9 million for the six months ended 30 June 2018 to approximately RMB288.4 million for the six months ended 30 June 2019, among which (i) the payment service fee increased by 923.4% from approximately RMB18.4 million for the six months ended 30 June 2018 to approximately RMB188.3 million for the six months ended 30 June 2019, due to the increase in business volume of payment channel service; and (ii) the interest income of loans to customers decreased by 57.6% from approximately RMB62.0 million for the six months ended 30 June 2018 to approximately RMB26.3 million for the six months ended 30 June 2019 primarily due to the lower balance of loans funded by trusts.

Operating expenses

Our operating expenses for the six months ended 30 June 2019 amounted to approximately RMB1,136.0 million, which remained relatively stable as compared to approximately RMB1,116.5 million for the six months ended 30 June 2018.

Origination and servicing expenses increased by 52.4% from approximately RMB345.3 million for the six months ended 30 June 2018 to approximately RMB526.4 million for the six months ended 30 June 2019, including (i) an increase by 57.0% to approximately RMB142.1 million in external technical service fee for the six months ended 30 June 2019 from approximately RMB90.5 million for the corresponding period in 2018 due to the increased demand for third party technical services such as loan collection services and credit assessment data usage; (ii) an increase by 115.1% to approximately RMB215.7 million in fund transfer charges for the six months ended 30 June 2019 from approximately RMB100.3 million for the corresponding period in 2018 due to the increased payment service business volume; (iii) an increase by 38.0% to approximately RMB26.5 million in loan referral service expense for the six months ended 30 June 2019 from approximately RMB19.2 million for the corresponding period in 2018, mainly because of the increase in the volume of loans referred by third-party business partners; and (iv) an increase by 70.6% to approximately RMB21.5 million in depreciation and amortization for the six months ended 30 June 2019 from approximately RMB12.6 million for the corresponding period in 2018, mainly due to the implementation of IFRS 16 Leases.

Sales and marketing expenses decreased by 9.8% from approximately RMB283.8 million for the six months ended 30 June 2018 to approximately RMB256.0 million for the six months ended 30 June 2019, as we reduced sales and marketing spending in the first half of 2019 along with the enhanced operating efficiency.

General and administrative expenses decreased by 30.0% from approximately RMB188.9 million for the six months ended 30 June 2018 to approximately RMB132.3 million for the six months ended 30 June 2019, which mainly represents (i) the listing expenses decreased from approximately RMB34.8 million for the six months ended 30 June 2018 to nil for the six months ended 30 June 2019, as the initial listing of the shares of the Company was completed in 2018; and (ii) a decrease by 24.8% to approximately RMB86.8 million in employee benefit expenses for the six months ended 30 June 2019 from approximately RMB115.5 million for the corresponding period in 2018 primarily due to the decrease in headcount of administrative staff as a result of enhanced efficiency, including a decrease of approximately RMB18.7 million of share-based compensation expenses.

Research and development expenses decreased by 30.7% from approximately RMB171.2 million for the six months ended 30 June 2018 to approximately RMB118.6 million for the six months ended 30 June 2019, primarily because of our technology efficiency improvements.

Other losses, net decreased by 19.2% from approximately RMB127.3 million for the six months ended 30 June 2018 to approximately RMB102.8 million for the six months ended 30 June 2019, which mainly represents (i) the fair value loss on financial assets at fair value through profit or loss increased to approximately RMB59.7 million for the six months ended 30 June 2019 from approximately RMB19.3 million for the six months ended 30 June 2018, due to the recognition of the gain on disposal of a debt host security and the dividend income from an investee in the first half of 2019, which led to the decrease of the fair value of the related financial assets at fair value through profit or loss; (ii) the quality assurance fund (loss)/gain changed to a loss of approximately RMB75.1 million for the six months ended 30 June 2019 from a gain of approximately RMB3.7 million for the six months ended 30 June 2018, as a result of the fluctuating marco economies in the first half of 2019; (iii) ECL for financial assets other than quality assurance fund receivable/payable changed to approximately RMB287,000 of gain for the six months ended 30 June 2019 from approximately RMB93.7 million of loss for the six months ended 30 June 2018, mainly due to a lower balance of loans funded by trusts and improvement of collectability of contract assets; and (iv) interest expense to trust senior tranche holders decreased by 80.7% to approximately RMB6.3 million for the six months ended 30 June 2019 from approximately RMB32.7 million for the six months ended 30 June 2018, as a result of a lower balance of loans funded by trusts.

Share of net (loss)/gain of associates accounted for using equity method

Share of net (loss)/gain of associates accounted for using equity method changed from a gain of approximately RMB720,000 for the six months ended 30 June 2018 to a loss of approximately RMB4.8 million for the six months ended 30 June 2019, mainly because several associates were loss-making during the first half of 2019.

Fair value gain of preferred shares

The fair value gain of preferred shares was nil for the six months ended 30 June 2019, while the fair value gain of preferred shares amounted to approximately RMB1,905.6 million for the six months ended 30 June 2018, as all preferred shares had been converted to ordinary shares in 2018 with the initial listing of the shares of the Company.

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

Fair value gain of financial liability at fair value through profit or loss for the six months ended 30 June 2019 decreased by 99.4% from approximately RMB33.8 million for the six months ended 30 June 2018 to approximately RMB213,000 for the six months ended 30 June 2019, mainly because as at 30 June 2019, the market value of the financial liability generally remained stable as compared to that of 31 December 2018.

Finance expenses, net

Finance expenses, net decreased by 63.2% from approximately RMB15.5 million for the six months ended 30 June 2018 to approximately RMB5.7 million for the six months ended 30 June 2019. The decrease was mainly attributable to the decrease in interest expenses due to the reduction in amount of indebtedness.

Income tax (expense)/credit

Income tax (expense)/credit changed from an income tax credit of approximately RMB2.9 million for the six months ended 30 June 2018 to an income tax expense of approximately RMB60.1 million for the six months ended 30 June 2019, mainly because there was a one-off recognition of deferred income tax assets related to deductible expenses approved by the tax authority in the first half of 2018, while no such event occurred in the first half of 2019.

Profit for the period

As a result of the foregoing, our profit for the period decreased from approximately RMB2,086.3 million for the six months ended 30 June 2018 to approximately RMB193.7 million for the six months ended 30 June 2019, primarily because all preferred shares had been converted to ordinary shares in 2018 with the initial listing of the shares of the Company, and the fair value gain of preferred shares decreased to nil for the six months ended 30 June 2019 from approximately RMB1,905.6 million for the corresponding period of 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 adjusted net profit increased by 12.9% from approximately RMB273.5 million for the six months ended 30 June 2018 to approximately RMB308.8 million for the six months ended 30 June 2019. The following table reconciles our adjusted net profit in the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the period:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Adjusted net profit		
Net profit	**193,692**	2,086,291
Adjusted for:		
Share-based compensation expenses	**55,658**	72,470
Fair value gain of preferred shares	**–**	(1,905,589)
Fair value gain of financial liability at fair value through profit or loss	**(213)**	(33,805)
Fair value loss of financial assets at fair value through profit or loss [(1)]	**59,702**	19,342
Listing expense	**–**	34,781
Adjusted net profit	**308,839**	273,490

Note:

(1) Based on the changes of external market, the Group reduced its investment in non-strategic investment business and the fair value loss of which generally does not have cash outflow/inflow impact. Thus, we adjusted the effect of net profit by such business.

Liquidity, Financial Resources and Gearing

The Group maintained a net cash position throughout the period under review. Our net cash positions as at 30 June 2019 and 31 December 2018 are as follows:

	As at 30 June 2019	As at 31 December 2018
	RMB'million	*RMB'million*
	(Unaudited)	(Audited)
Cash and cash equivalents	**1,474**	1,206
Liquid investments	**163**	569
Borrowings	**(421)**	(603)
Net cash	**1,216**	1,172

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 US dollars, RMB and Hong Kong dollars.

For the six months ended 30 June 2019, the Group recorded net cash flow of approximately RMB268.3 million, primarily as a result of net cash flow generated from operating activities of approximately RMB243.4 million and net cash flow generated from investing activities of approximately RMB384.8 million, offset by net cash used in financing activities of approximately RMB360.8 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 approximately 4.8% as at 30 June 2019 (31 December 2018: approximately 8.0%).

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

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**16,033**	189,900
1 year to 2 years	**236,077**	34,056
2 years to 5 years	**159,445**	365,850
Over 5 years	**9,366**	13,196
Total borrowings	**420,921**	603,002

The bank and other borrowings as at 30 June 2019 were denominated in RMB (31 December 2018: RMB). For the six months ended 30 June 2019, the annual interest rates of borrowings are between 5.64%-14.61% (six months ended 30 June 2018: 4.79%-14.61%).

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 six months ended 30 June 2019 would have been approximately RMB578,000 higher/lower as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in US dollars, and the profit before income tax for the six months ended 30 June 2018 would have been approximately RMB4,782,000 lower/higher 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 Hong Kong dollars had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the six months ended 30 June 2019 would have been approximately RMB17,000 higher/lower, and the profit before income tax for the six months ended 30 June 2018 would have been approximately RMB2,040,000 higher/lower, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in Hong Kong dollars.

The Group would enter into foreign exchange forward contracts depending on specific circumstance to cover specific foreign currency payments and receipts within the exposure generated from time to time.

Charge on Assets

As at 30 June 2019, the Group had pledged its 49.61% shares 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 Hangzhou Bank Co., Ltd. ("**Hangzhou Bank**") as security for obtaining a loan in a total sum of RMB30.0 million; and had charged its properties located in Building B3, Wenyi West Road, Hangzhou, PRC in favour of Wenchuang Branch of Hangzhou Bank for obtaining a mortgage loan in a total sum of RMB53.0 million.

Significant Investments

For the six months ended 30 June 2019, the Group did not have any significant investments (six months ended 30 June 2018: nil).

Material Acquisition and Disposal

For the six months ended 30 June 2019, the Group did not have any material acquisition or disposal (six months ended 30 June 2018: nil).

Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities (31 December 2018: nil).

Employees and Remuneration Policy

As at 30 June 2019, the Group had approximately 1,030 staff. For the six months ended 30 June 2019, the total staff cost incurred by the Group was approximately RMB270.0 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 has implemented 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 "Report of the Directors - Restricted Share Unit ("RSU") Schemes" in the annual report for the year ended 31 December 2018 of the Company.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING ("IPO")

The shares of the Company were listed and commenced trading on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 July 2018 (the "**Listing Date**"). 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 issuance of the shares as a result of the partial exercise of the over-allotment option.

For the period from the Listing Date to 30 June 2019, the proceeds were utilized consistent with that disclosed in the prospectus of the Company in the manner set out below:

	%	Use of net proceeds from the IPO		Amount utilized		Amount not yet utilized	
		HK$ million	*RMB' million*	*HK$ million*	*RMB' million*	*HK$ million*	*RMB' million*
User acquisition	40%	419.8	359.7	157.0	128.5	262.8	231.2
Enhancement of technology and risk management capabilities	30%	314.9	269.8	116.0	94.8	198.9	175.0
Investment	20%	209.9	179.8	40.5	30.8	169.4	149.0
Working capital and other general corporate purposes	10%	105.0	89.9	42.0	34.5	63.0	55.4
Total	100%	1,049.6	899.2	355.5	288.6	694.1	610.6

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2019, 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 ("**Mr. Sun**") 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 of the Company and the applicable 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 enquiries with all Directors and all Directors confirmed that they have complied with the Model Code for the six months ended 30 June 2019.

REVIEW OF THE INTERIM 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. Ye Xiang and Ms. Zou Yunli, respectively. Mr. Wong Ti is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results of the Group and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2019. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 has been reviewed by the Company's external auditor, PricewaterhouseCoopers, in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the International Auditing and Assurance Standard Board.

EVENTS AFTER THE REPORTING PERIOD

Save as otherwise disclosed in note 15 to the financial statements, there is no other material subsequent event undertaken by the Company or by the Group after 30 June 2019 and up to the date of this announcement.

PUBLICATION OF INTERIM 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 interim report will be despatched to the shareholders of the Company and published on both websites on or before 30 September 2019.

By Order of the Board
51 Credit Card Inc.
Sun Haitao
Chairman, Chief Executive Officer and Executive Director

28 August 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. Ye Xiang and Mr. Yang Dong as independent non-executive Directors.