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 2019

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2019 was approximately RMB2,045.4 million, decreased by 27.3% as compared to approximately RMB2,812.0 million for the corresponding period in 2018.
- Operating loss for the year ended 31 December 2019 was approximately RMB1,325.3 million as compared with operating profit of approximately RMB65.6 million for the corresponding period in 2018.
- Adjusted net loss for the year ended 31 December 2019 was approximately RMB847.1 million as compared with adjusted net profit of approximately RMB374.2 million for the corresponding period in 2018.
- No final dividend was declared for the year ended 31 December 2019 (2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

51 Credit Card Inc. (the "**Company**") together with its subsidiaries (collectively, the "**Group**" or "**we**") have created a comprehensive ecosystem built upon a widely-used credit card management platform, 51 Credit Card Manager App ("**51 Credit Card Manager App**"). In 2019, we continued to maintain steady growth in user base. The number of registered users of 51 Credit Card Manager App grew 12.8% to approximately 85.6 million as of 31 December 2019 from approximately 75.9 million as of 31 December 2018, and the number of credit cards we had managed cumulatively also grew 16.8% to approximately 143.7 million as of 31 December 2019 from approximately 123.0 million as of 31 December 2018.

	As of 31 December 2019 ***(million)***	As of 31 December 2018 *(million)*	**Increase** *%*
Number of registered users of 51 Credit Card Manager App	**85.6**	75.9	12.8%
Number of credit cards we have managed cumulatively	**143.7**	123.0	16.8%

We have also been enriching our ecosystem to provide the users with better product experience. We have established cooperation with six banks since the trial operation of the bank wealth management product referral business at the end of 2018. Our users can purchase the wealth management products issued by cooperating banks through the entrance on 51 Credit Card Manager App conveniently. As of 31 December 2019, the accumulated transaction amount of the bank wealth management product referral business had reached approximately RMB27.79 billion.

2019 was a challenging year for the fintech industry. Regulatory authorities of the People's Republic of China (the "**PRC**") have issued a series of documents and guidances, specifying that healthy exiting and transformational development would be the general principle for the P2P industry. More efforts were put on P2P transformation and exiting by regulatory authorities across the PRC, and especially after October 2019, a number of provinces announced to start ceasing all P2P platforms in areas under their administration. Meanwhile, the further development of the special crackdown against organized crimes had an extensive effect on the post-loan debt collection industry. Risks in the personal consumption credit market have risen in a short time as a result of many of the above factors.

To ensure the risks relating to the debt collection business is controllable, we have stopped engaging independent third parties to collect loans which are overdue by 30 days or more since July 2019, and all relevant collection is managed by our professional debt collection teams directly instead. However, on 21 October 2019, our office located in Hangzhou was under the on-site investigation carried out by the relevant PRC government authorities due to the suspected violation of laws and regulations by a debt collection agency we once cooperated with (the "**1021 Event**", please refer to the announcements of the Company dated 21 and 22 October 2019 for details). After the occurrence of the 1021 Event, we fully cooperated with the investigation and supervision of the relevant authorities and further improved our compliance awareness. Meanwhile, we made efforts to maintain positive communication and cooperation with our business partners and resumed our daily operations soon thereafter.

The factors above have exposed our business to relatively significant short-term risks. In particular, the default risk of the outstanding loans facilitated by us rose significantly in the fourth quarter of 2019. To cope with these risks, we have proactively adopted more prudent strategies as compared to 2018, including implementing stricter and more cautious risk control, reducing the scale of the credit facilitation business proactively and stopping new facilitations of P2P funds. The balance of our P2P online lending business decreased from approximately RMB13.24 billion as of 31 December 2018 to approximately RMB5.63 billion as of 31 December 2019 and further decreased to approximately RMB3.5 billion as of 29 February 2020.

	For the year ended 31 December				**Year-on-year change**
	2019		2018		
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*	*%*
Revenue	**2,045,393**	**100.0%**	2,811,994	100.0%	-27.3%
Credit facilitation and service fee	**1,173,082**	**57.4%**	2,055,531	73.1%	-42.9%
Referral service fee	**289,146**	**14.1%**	203,061	7.2%	42.4%
Credit card technology service fee	**152,261**	**7.4%**	255,676	9.1%	-40.4%
Other revenue	**430,904**	**21.1%**	297,726	10.6%	44.7%
(Loss)/profit for the year	**(1,111,043)**		2,168,767		N/A
Adjusted net (loss)/profit for the year	**(847,100)**		374,204		N/A

Affected by the risks and strategies above, our total revenue in 2019 decreased from approximately RMB2,812.0 million in 2018 to approximately RMB2,045.4 million, and an adjusted net loss for the year of RMB847.1 million was recorded, mainly due to the decrease in credit facilitation volumes and the increase in expected credit loss ("**ECL**") under International Financial Report Standard 9 ("**IFRS 9**") as a result of the rising default risk of outstanding loans facilitated by us.

1. Credit Facilitation Service

In terms of credit facilitation business, affected by the abovementioned regulatory documents, the 1021 Event and other factors, we have adopted a series of measures in 2019, such as reducing business scale, focusing the business on credit card holders with low risks and stopping new facilitations of P2P funds, so as to cope with rising risks relating to personal credit business. In 2019, the overall credit facilitation business scale amounted to approximately RMB23.22 billion, representing a decline compared to 2018. Particularly, the credit facilitation scale attributable to credit card holders amounted to approximately RMB20.09 billion, reaching 86.5% of the overall credit facilitation business scale, and representing an increase as compared to 81.8% in 2018.

Meanwhile, facing increasing risks during the transformation period of the P2P industry, we have also reduced the average loan size and average loan term of our main credit products. These two indictors of the loan products targeting credit card holders have decreased from approximately RMB14,900 and approximately 13.6 months in 2018 to approximately RMB10,600 and approximately 10.5 months in 2019, respectively. Such strategy may reduce our revenue from each loan we facilitated in the short term, but we believe that it can diversify the potential risks more effectively and help us to better achieve sustainable development in the long run.

To adapt to the tightening regulations in the industry and achieve our strategic goal of long-term sustainable development, we have continued to strengthen our cooperation with various financial institutions since 2019. After the 1021 Event, all of the new credit facilitation business was funded by financial institutions. Currently, the credit line of the credit facilitation business we secured from financial institution partners is sufficient to support the long-term and healthy development.

(i) The following table shows the volume, number, average amount 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 year ended 31 December			
	2019	2018	**2019**	2018
	(approximate)	*(approximate)*	***(approximate)***	*(approximate)*
Volume of loan facilitated	**RMB20,090.7 million**	RMB20,457.4 million	**RMB3,126.7 million**	RMB4,556.7 million
Number of loans facilitated	**1.9 million**	1.4 million	**0.5 million**	0.9 million
Average amount of loans	**RMB10,600**	RMB14,900	**RMB6,500**	RMB5,000
Average tenure of loans	**10.5 months**	13.6 months	**10.1 months**	10.2 months

(ii) The following table shows the proportion of funding sources of the credit facilitation business:

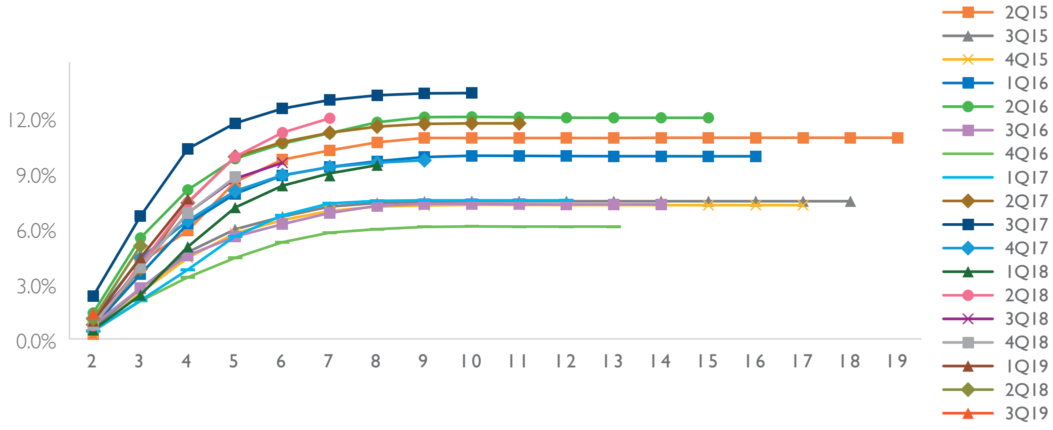
	For the year ended 31 December	
	2019	2018
Individual investors from 51 Renpin *(Note 1)*	**60.8%**	86.4%
Institutions *(Note 2)*	**39.2%**	13.6%

Notes:

1. *51 Renpin refers to our online investment products.*

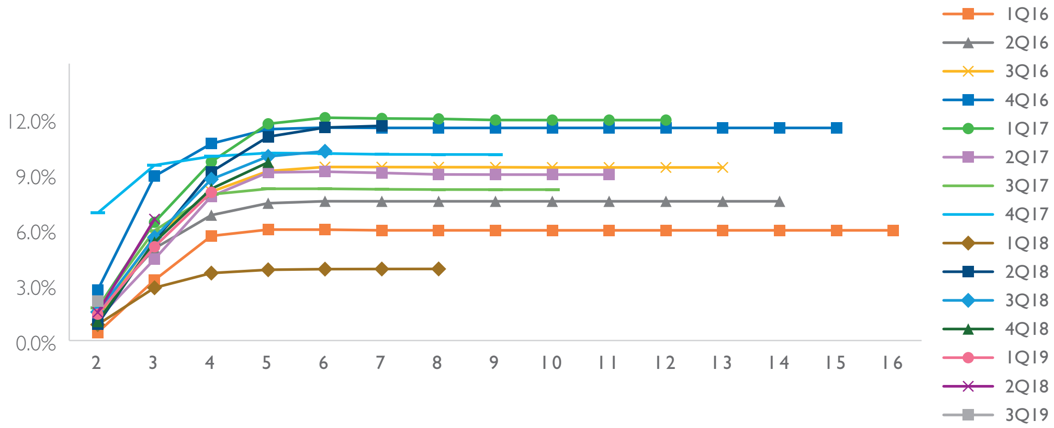
2. *Institutions include a wholly owned micro loan subsidiary of the Company.*

(iii) 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 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 31 December 2019:



Quarters since origination

2. Referral Service

Benefiting from the continuous user growth, the improvement in efficiency enabled by the application of technology and the cross-selling opportunities brought by our ecosystem, the referral service fee increased by 42.3% from approximately RMB203.1 million in 2018 to approximately RMB289.1 million in 2019.

3. Credit Card Technology Service

Affected by the macro environment in 2019, our partner banks tightened their risk strategies for the credit card market. Although we have introduced a number of new partner banks, our revenue from credit card technology service decreased from approximately RMB255.7 million in 2018 to approximately RMB152.3 million in 2019.

OUTLOOK

The pneumonia caused by the novel coronavirus was firstly discovered in Hubei Province and then spread throughout the PRC rapidly since January 2020. To prevent further spread of the disease, all local governments in the PRC have put in place rigorous prevention measures, including extension of the Chinese New Year holiday, restriction on public transport, requesting enterprises to delay the resumption of work, etc. The abovementioned measures will have adverse effect on personal consumption financial market in the short term. However, we expect that the demand of personal consumption will rebound after the end of epidemic, leading to further growth in the consumption financial market. We also expect that the PRC government will implement looser monetary policies with the aim to stimulate the economic growth, including increasing the investment in personal consumption lending, reducing the funding cost, etc. Therefore, we foresee that our credit facilitation business and credit card technology service business will make improvements as directly benefiting from the gradual recovery of the personal consumption financial market after the end of epidemic. Meanwhile, we will keep paying attention to the trend of risk changes in the personal consumption financial market and adjust our business strategy in a timely manner to seize the favorable opportunity of development arising from the recovering financial market.

In 2020, we will also prepare for the overall exiting and transforming of the P2P business. Benefiting from our quality customer base of credit card business that we have accumulated over the years, together with our comprehensive ecological service system built on the credit card management tools, which consist of management and repayment of credit cards, personal wealth management, consumer credit and other services, we have established solid cooperation with various financial institutions. Our rich experiences in working with various financial institutions will provide our business with sufficient support for the long-term and sustainable development. We will continuously strengthen the cooperation with financial institutions and enhance the output of our technological capability. In addition, we are now proactively seeking measures to apply for the license for the Internet micro credit business mentioned in the Guidance on the Transformation of Online Lending Information Intermediary Institutions into Pilot Micro Credit Companies in order to fully transform and exit the P2P business. We expect that by seizing the new opportunities arising after the transformation from the license for the Internet micro credit business and based on the cooperation with other financial institutions, our long-term and sustainable development of the credit facilitation business will be supported.

Since the fourth quarter of 2019, pursuant to the promotion made by regulatory authorities of the PRC, P2P operators have begun to connect to the Credit Reference Center of the People's Bank of China (the "**Reference Center**") successively. Currently, we are in progress of connecting to the Reference Center. With the gradual optimization of the individual credit reference system in the PRC, we believe that the risk performance of individual consumption credit aspect is becoming more stable. We expect to see a favorable movement in the collection of the bad debts arising from previous credit facilitation business.

In conclusion, in the promising and challenging year of 2020, we, by leveraging on our highly compliant business philosophy, unique business model, advanced technology and large user base, with strategic objective of long-term and sustainable development, will continue to maintain our competitive advantages in the financial technology market in the PRC.

FINANCIAL INFORMATION

The board (the "**Board**") of directors (the "**Directors**") of the Company announces the audited consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Credit facilitation and service fee	2	**1,173,082**	2,055,531
Referral service fee		**289,146**	203,061
Credit card technology service fee		**152,261**	255,676
Other revenue	3	**430,904**	297,726
Total revenue		**2,045,393**	2,811,994
Origination and servicing expenses	4	**(870,463)**	(758,314)
Sales and marketing expenses	4	**(454,219)**	(618,153)
General and administrative expenses	4	**(291,711)**	(411,323)
Research and development expenses	4	**(194,815)**	(328,634)
Other losses, net	5	**(1,559,481)**	(629,939)
Total operating expenses		**(3,370,689)**	(2,746,363)
Operating (loss)/profit		**(1,325,296)**	65,631
Share of net loss of associates accounted for using equity method		**(3,255)**	(1,302)
Fair value gain of preferred shares		**–**	1,942,221
Fair value gain of financial liabilities at fair value through profit or loss		**46,160**	98,448
Finance expenses, net		**(5,014)**	(24,374)
(Loss)/profit before income tax		**(1,287,405)**	2,080,624
Income tax credit	6	**176,362**	88,143
(Loss)/profit for the year		**(1,111,043)**	2,168,767

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(1,128,878)**	2,162,084
– Non-controlling interests		**17,835**	6,683
		(1,111,043)	2,168,767
Other comprehensive loss			
Items that may not be reclassified to profit or loss			
Currency translation differences		**(5,303)**	(57,408)
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)
Total comprehensive (loss)/income for the year, net of tax		**(1,116,346)**	2,093,852
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		**(1,134,969)**	2,083,254
– Non-controlling interests		**18,623**	10,598
Basic (loss)/earnings per share	7	**(1.13)**	3.84
Diluted (loss)/earnings per share	7	**(1.13)**	3.29

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 December** **2019** *RMB'000*	2018 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment, net		**179,185**	236,340
Right-of-use assets	1	**55,718**	–
Intangible assets	8	**852,850**	1,029,342
Investments accounted for using equity method		**117,711**	144,430
Financial assets at fair value through profit or loss		**153,318**	425,026
Deferred income tax assets		**390,894**	222,300
Term deposits		**–**	6,000
Prepayments and other receivables	9	**4,464**	7,531
Total non-current assets		**1,754,140**	2,070,969
Current assets			
Quality assurance fund receivable	10	**566,801**	812,078
Contract assets	11	**711,741**	1,155,184
Trade receivables	12	**96,761**	149,567
Prepayments and other receivables	9	**386,528**	322,923
Loans to customers, net		**20,739**	185,296
Financial assets at fair value through profit or loss		**–**	573,221
Restricted cash		**810,302**	1,056,788
Cash and cash equivalents		**1,283,144**	1,206,172
Assets classified as held for sale		**110,270**	–
Total current assets		**3,986,286**	5,461,229
Total assets		**5,740,426**	7,532,198

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
EQUITY AND LIABILITIES			
Equity			
Share capital		**79**	79
Share premium		**5,960,095**	5,878,494
Shares held for employee incentive schemes		**(12)**	(14)
Reserves		**(15,599)**	(57,450)
Accumulated losses		**(3,422,389)**	(2,291,794)
Non-controlling interests		**32,184**	16,941
Total equity		**2,554,358**	3,546,256
Liabilities			
Non-current liabilities			
Long-term borrowings		**149,046**	413,102
Lease liabilities		**35,435**	–
Deferred income tax liabilities		**127,624**	150,252
Payable to trust senior tranche holders		**–**	209,500
Total non-current liabilities		**312,105**	772,854
Current liabilities			
Quality assurance fund payable	10	**1,559,495**	1,524,621
Payable to platform customers		**707,842**	744,783
Contract liabilities	11	**108,250**	47,514
Short-term borrowings		**19,821**	189,900
Lease liabilities		**12,012**	–
Payable to trust senior tranche holders		**20,100**	–
Trade and other payables	13	**404,032**	624,608
Income tax payable		**11,347**	11,133
Financial liabilities at fair value through profit or loss		**24,370**	70,529
Liabilities directly associated with assets classified as held for sale		**6,694**	–
Total current liabilities		**2,873,963**	3,213,088
Total liabilities		**3,186,068**	3,985,942
Total equity and liabilities		**5,740,426**	7,532,198

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 ("FVPL"). 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.

During the year ended 31 December 2019, the Group reported a net loss attributable to owners of the Company of approximately RMB1,128,878,000. In addition, the Group's business results and liquidity position have been and likely will continue to be adversely impacted by:

(1) the 1021 Event, as disclosed in Note 15 "Contingent liabilities" to the consolidated financial statements, has had a negative impact on the Group's business and liquidity, including (a) a decrease in the Group's credit facilitation volume after the incident; and (b) the associated publicity has led to a higher risk of default for those loans facilitated by the Group which are still outstanding; and

(2) the release of a series of stricter regulatory notices and guidance, together with an increase in credit risk associated with the personal credit market, will lead to at least a temporary decline in the Group's credit facilitation and service fee. This is because the new regulations have led to the Group adopting a more prudent strategy towards its credit facilitation business and focusing on customers with higher credit quality, as well as ceasing the facilitation of new P2P financing.

In view of the above circumstances, management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern. Management has prepared cash flow projections of the Group covering a period of not less than twelve months from 31 December 2019.

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

1.2 Significant accounting policies

1.2.1 New and amended standards adopted by the Group

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
Amendments 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 consolidated 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 disclosed in Note 1.3 below.

1.2.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.3 Changes in accounting policy and disclosures

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.

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 assets 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 type of assets:

	As at 31 December 2019	As at 1 January 2019
	RMB'000	*RMB'000*
Properties	**55,718**	**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**	**Effect of initial adoption of IFRS 16**	**As at 1 January 2019**
	RMB'000	*RMB'000*	*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) Lessor accounting

The Group did not need to make any adjustment to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

2. CREDIT FACILITATION AND SERVICE FEE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Upfront credit facilitation service fee	**740,271**	1,414,185
Post credit facilitation service fee	**432,811**	641,346
	1,173,082	2,055,531

Note: The unsatisfied performance obligation as at 31 December 2019 was approximately RMB137,359,000. Management expects that 99% of the transaction price allocated to the unsatisfied contracts as at 31 December 2019 will be recognized as revenue within the next twelve months.

3. OTHER REVENUE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Payment service fee	**267,326**	75,438
Insurance commission income	**47,700**	30,656
Interest income of loans to customers	**27,518**	91,107
Overdue charges	**15,472**	45,098
Others	**72,888**	55,427
	430,904	297,726

4. EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Employee benefit expenses	**508,756**	766,083
Marketing and advertising fees	**439,754**	592,382
Fund transfer charges	**327,194**	194,040
External technical service fees	**252,902**	238,059
Depreciation and amortization	**94,081**	66,433
Referral service expense	**40,591**	48,126
Professional service fees	**38,012**	26,682
Insurance commissions	**30,925**	27,339
Office expenses	**19,988**	26,752
Office rental	**5,422**	19,189
Listing expenses	**–**	37,275
Others	**53,583**	74,064
Total origination and servicing expenses, sales and marketing expenses, general and administrative expenses and research and development expenses	**1,811,208**	2,116,424

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, NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Fair value loss on financial assets at FVPL	**(137,303)**	(3,911)
Dividend income from an investee	**16,103**	11,083
Fair value (loss)/gain on foreign exchange contracts	**(2,154)**	4,262
Quality assurance fund loss, net	**(858,457)**	(345,854)
Government grants (a)	**21,113**	6,705
Interest expenses to trust senior tranche holders	**(8,946)**	(44,640)
ECL for financial assets other than quality assurance fund receivable/payable (b)	**(407,008)**	(258,375)
Impairment loss (c)	**(184,652)**	–
Others	**1,823**	791
	(1,559,481)	(629,939)

(a) Government grants represented various subsidies granted by the government authorities which are not asset related to the Group.

(b) The composition of ECL provided for the years ended 31 December 2019 and 2018 is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contract assets	**(246,394)**	(212,636)
Loans to customers, net	**(85,698)**	(45,469)
Trade receivables	**(74,916)**	(270)
	(407,008)	(258,375)

(c) The composition of impairment loss provided for the years ended 31 December 2019 and 2018 is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Goodwill impairment	**(145,788)**	–
Impairment on investments accounted for using equity method	**(38,864)**	–
	(184,652)	–

6. INCOME TAX CREDIT

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**10,092**	21,185
Deferred income tax	**(186,454)**	(109,328)
	(176,362)	(88,143)

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 to 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%.

Within the PRC

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

Beijing Yaku Shikong Information Exchange Technology Co., Ltd. and Beijing Shouhui Shidai Information Technology Co., Ltd. were qualified as HNTEs in 2014 and 2015; Beijing Dingli Chuangshi Technology Co., Ltd. ("Dingli Technology"), Hangzhou Yiniu Network Technology Co., Ltd. and Beijing Shouhui Kaizhuo Technology Co., Ltd. ("Kaizhuo Technology") were qualified as HNTEs in 2017; Hangzhou Enniu Network Technology Co., Ltd. and Hangzhou Zhenniu Information Technology Co., Ltd. were qualified as HNTEs in 2019. They were entitled to a preferential income tax rate of 15% for three years. The HNTE qualification is subject to renewal every three years.

Guangxi Jiahai Technology Co., Ltd. was qualified as Small Low-profit Enterprise under the EIT Law in 2019 and was entitled to a preferential income tax rate of 10% for the year ended 31 December 2019.

All other subsidiaries of the Company established within the PRC were subject to enterprise income tax rate of 25%.

Withholding Tax on Undistributed Profits

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

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

7. (LOSS)/EARNINGS PER SHARE

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

	Year ended 31 December	
	2019	2018
(Loss)/earnings attributable to owners of the Group *(RMB'000)*	**(1,128,878)**	2,162,084
Weighted average number of ordinary shares in issue *('000)*	**999,772**	563,603
Basic (loss)/earnings per share *(expressed in RMB)*	**(1.13)**	3.84

(b) Diluted (loss)/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 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 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).

As the Group incurred losses for the year ended 31 December 2019, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be antidilutive. Accordingly, diluted loss per share for the year ended 31 December 2019 is the same as basic loss per share.

	Year ended 31 December	
	2019	2018
(Loss)/earnings attributable to owners of the Group *(RMB'000)*	**(1,128,878)**	2,162,084
Weighted average number of ordinary shares in issue *('000)*	**999,772**	563,603
Adjustments for share options and RSUs granted to employees *('000)*	**–**	92,713
Weighted average number of ordinary shares for calculation of diluted (loss)/earnings per share *('000)*	**999,772**	656,316
Diluted (loss)/earnings per share *(expressed in RMB)*	**(1.13)**	3.29

8. INTANGIBLE ASSETS

	Goodwill	Software	Platform	Applications	Licenses	Trademark	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note a)				(Note b)		
Cost							
As at 1 January 2019	491,303	20,473	9,810	3,260	517,200	2,358	1,044,404
Addition from purchases	–	4,203	–	–	–	2,914	7,117
Assets classified as held for sale	(8,926)	–	–	–	(18,200)	–	(27,126)
As at 31 December 2019	482,377	24,676	9,810	3,260	499,000	5,272	1,024,395
Accumulated amortisation							
As at 1 January 2019	–	(8,213)	(5,722)	(951)	–	(176)	(15,062)
Amortisation charge for the year (Note c)	–	(7,492)	(1,962)	(326)	–	(915)	(10,695)
As at 31 December 2019	–	(15,705)	(7,684)	(1,277)	–	(1,091)	(25,757)
Impairment losses							
As at 1 January 2019	–	–	–	–	–	–	–
Addition	(145,788)	–	–	–	–	–	(145,788)
As at 31 December 2019	(145,788)	–	–	–	–	–	(145,788)
Net book value							
As at 31 December 2019	336,589	8,971	2,126	1,983	499,000	4,181	852,850
Cost							
As at 1 January 2018	491,303	11,884	9,810	3,260	517,200	–	1,033,457
Addition from purchases	–	9,489	–	–	–	2,358	11,847
Disposal	–	(900)	–	–	–	–	(900)
As at 31 December 2018	491,303	20,473	9,810	3,260	517,200	2,358	1,044,404
Accumulated amortisation							
As at 1 January 2018	–	(2,300)	(3,761)	(625)	–	–	(6,686)
Amortisation charge for the year (Note c)	–	(5,913)	(1,961)	(326)	–	(176)	(8,376)
As at 31 December 2018	–	(8,213)	(5,722)	(951)	–	(176)	(15,062)
Net book value							
As at 31 December 2018	491,303	12,260	4,088	2,309	517,200	2,182	1,029,342

(a) Impairment tests for goodwill

As at 31 December 2019, goodwill of RMB42,707,000, RMB132,454,000, RMB307,161,000 and RMB55,000 were recognized as the results of the acquisition of Dingli Technology in 2016, China Netcom Technology Holdings Limited ("Netcom"), Kaizhuo Technology and Shanghai Qiandian Information Technology Co., Ltd. in 2017 by the Group, respectively. Goodwill is monitored at the operating segment level by the management. The management assessed Netcom as one separate operating segment ("Netcom Unit") and the Group excluding Netcom as the other operating segment ("Core Unit").

As at 31 December 2019 and 2018, goodwill is allocated to the Group's cash-generating units identified as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Core Unit (i)	**349,923**	358,849
Netcom Unit (ii)	**132,454**	132,454
	482,377	491,303

Impairment review on the goodwill of the Group has been conducted by the management as at 31 December 2019 and 2018 according to IAS 36 "Impairment of assets". For the purpose of impairment review, the recoverable amount of goodwill is determined based on the higher amount of the fair value less cost of disposal ("FVLCD") and value in use calculations.

i) Core Unit

As at 31 December 2019 and 2018, the recoverable amount of goodwill of Core Unit was determined based on value in use calculations. The value in use calculations uses cash flow projections based on financial budgets approved by management covering a five year period. Key assumptions for the value in use calculations relate to the estimation of cash flows which include expected annual growth rate and operating profit margin, such estimation based on each operating unit's past performance and management's expectations for the market development. The pre-tax discount rates used reflect specific risks relating to each relevant operating unit. As at 31 December 2019 and 2018, key assumptions and parameter for goodwill of Core Unit used for value in use calculations are set as below:

	As at 31 December	
	2019	2018
Annual growth rates	**(35.6%) – 35.6%**	(15.2%) – 34.8%
Operating profit margin	**(74.1%) – 28.7%**	28.9% – 36.5%
Pre-tax discount rate	**16.2%**	18.0%

Based on the impairment assessment review, the recoverable amount of goodwill of Core Unit was lower than the carrying amount, resulting in an impairment loss of RMB62,287,000 recognised against the goodwill of Core Unit during the year ended 31 December 2019.

ii) Netcom Unit

As at 31 December 2019, the recoverable amount of goodwill of Netcom Unit was determined based on FVLCD, which was estimated by management with reference to the transaction price of Netcom's listed shares on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Management considered the recoverable amount of goodwill of Netcom Unit was lower than its carrying amount as at 31 December 2019.

Based on the result of the above impairment testing, the estimated recoverable amount was lower than its carrying amount, resulting in an impairment loss of RMB83,501,000 recognised against the goodwill of Netcom Unit during the year ended 31 December 2019.

(b) Impairment tests for license

The Group tests whether the payment license with indefinite useful life has suffered any impairment on an annual basis. The Group compares the carrying amounts of the payment license against their recoverable amounts (the higher amount of FVLCD and value in use) to assessing the impairment.

As at 31 December 2019, the carrying amount of license was RMB499,000,000. The recoverable amount of the payment license was determined based on FVLCD, which was estimated by management with reference to the comparable transaction cases within one year. As the disposal consideration of which exceed the attributable carrying amounts of the license, the Directors were of the opinion that there was no impairment of the license as at 31 December 2019.

(c) Amortization of intangible assets

Amortization charges of intangible assets were expensed in the following categories in the consolidated statement of comprehensive (loss)/income:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Origination and servicing expenses	**4,528**	4,101
General and administrative expenses	**3,551**	3,175
Research and development expenses	**2,616**	1,100
	10,695	8,376

9. PREPAYMENT AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Included in non-current assets:		
Rental deposits	**4,464**	7,531
Included in current assets:		
Deposits	**228,811**	112,775
Receivables from investees	**44,150**	–
Withholding tax paid on behalf of grantees under employee incentive schemes	**31,040**	42,508
Prepaid expense	**20,282**	45,023
Receivable on behalf of customers for payment service	**–**	49,203
Receivable from disposal of bad debts	**–**	23,100
Others	**62,245**	50,314
	390,992	330,454

10. 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 2019 and 2018:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Opening balance	**1,524,621**	1,767,210
Changes on initial application of IFRS 9	**N/A**	(10,828)
Fair value of newly written quality assurance obligation	**2,838,588**	2,393,887
ECL for quality assurance fund	**810,466**	423,489
Release of the margin	**(239,335)**	(178,537)
Payouts during the year, net	**(3,374,845)**	(2,870,600)
Ending balance	**1,559,495**	1,524,621

The following table sets forth the Group's quality assurance fund receivable movements for the years ended 31 December 2019 and 2018:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Opening balance	**812,078**	1,407,981
Changes on initial application of IFRS 9	**N/A**	(46,960)
Fair value of newly written quality assurance obligation	**2,838,588**	2,393,887
ECL for quality assurance fund	**(287,326)**	(100,902)
Contribution received from borrowers	**(2,796,539)**	(2,841,928)
Ending balance	**566,801**	812,078

	As at 31 December 2018	**As at 31 December 2019 ECL staging**			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Quality assurance fund receivable	1,291,203	**545,607**	**104,860**	**682,785**	**1,333,252**
Less: ECL allowance under IFRS 9 (a)	(479,125)	**(49,449)**	**(49,749)**	**(667,253)**	**(766,451)**
Quality assurance fund receivable, net	812,078	**496,158**	**55,111**	**15,532**	**566,801**

(a) The following table explains the changes in the ECL allowance of quality assurance fund receivable by stage for the year ended 31 December 2019:

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Opening balance	40,287	36,927	401,911	479,125
Provisions	46,193	21,411	256,835	324,439
Reversal	(29,255)	(4,399)	(3,459)	(37,113)
Transfer				
Transfer from Stage 1 to Stage 2	(1,036)	1,036	–	–
Transfer from Stage 1 to Stage 3	(6,973)	–	6,973	–
Transfer from Stage 2 to Stage 1	233	(233)	–	–
Transfer from Stage 2 to Stage 3	–	(4,993)	4,993	–
Ending balance	49,449	49,749	667,253	766,451

11. CONTRACT ASSETS/(LIABILITIES)

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contract assets	**1,173,480**	1,370,529
Less: ECL allowance	**(461,739)**	(215,345)
Contract assets, net	**711,741**	1,155,184
Contract liabilities	**(108,250)**	(47,514)

The activity in the total ECL allowance for the years ended 31 December 2019 and 2018 consisted of the following:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Opening balance	**(215,345)**	(1,933)
Changes on initial application of IFRS 9	**N/A**	(776)
Provision of ECL for the year	**(246,394)**	(212,636)
Ending balance	**(461,739)**	(215,345)

Note: The Group receives payments from borrowers over the tenures of the loans. Contract assets represent the Group's right to consideration in exchange for services that the Group has provided. A substantial majority of the Group's contract assets as at 31 December 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 31 December	
	2019	2018
	RMB'000	*RMB'000*
Referral and credit card technology service receivables	**167,118**	142,053
Others	**4,905**	7,860
	172,023	149,913
ECL allowance	**(75,262)**	(346)
Trade receivables, net	**96,761**	149,567

The activity in the total ECL allowance for trade receivables as at 31 December 2019 and 2018 consisted of the following:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Opening balance	**(346)**	–
Changes on initial application of IFRS 9	**N/A**	(76)
Provision of ECL for the year	**(74,916)**	(270)
Ending balance	**(75,262)**	(346)

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**35,000**	110,784
More than 30 days	**61,761**	38,783
	96,761	149,567

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Payables for equity investments (a)	**214,825**	218,329
Payroll and welfare payable	**49,699**	115,519
Trade payables (b)	**27,468**	30,197
Payable to settlement banks	**24,920**	74,847
Online promotion marketing expenses payable	**19,909**	80,863
Other tax payable	**11,457**	19,460
Payable on behalf of credit card users	**3,539**	8,670
Deposit payables (c)	**3,287**	1,965
Payable to related parties	**1,513**	3,951
Listing fee payables	**–**	3,431
Others	**47,415**	67,376
	404,032	624,608

(a) Payables for equity investments primarily represent the cash consideration due to the counterparties of equity transactions in connection with the acquisition of Kaizhuo Technology.

(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	
	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**13,304**	22,831
30 to 90 days	**11,266**	7,298
90 to 180 days	**2,323**	43
180 to 360 days	**575**	25
	27,468	30,197

(c) Deposit payables primarily represent credit facilitation deposit received from other lending platforms when the Group introduced investors to other lending platforms.

14. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2019 (2018: nil).

15. CONTINGENT LIABILITIES

On 21 October 2019, the Company's office in Hangzhou, Zhejiang was subject to an onsite investigation by certain PRC government authorities (the "Authorities"). A number of employees, including several members of the Group's key management team, were requested to assist with the investigation. On the same day the Public Security Bureau of Hangzhou issued an announcement on its website stating that the investigation related to allegations of criminal behavior, specifically the offence of "picking quarrels and provoking trouble" (the "Offence"), committed by certain debt collection agencies deployed by the Group. The Group resumed its normal business operations the following day and since then has not been subject to any formal investigation by the Authorities related to the 1021 Event, nor has any assets of the Group been confiscated or frozen.

According to the Company's PRC legal counsel, only a natural person, rather than a corporate body, can be charged for committing the Offence. In addition, given the Group has compliance policies and controls in place to govern its debt collection processes, and that management is not aware of any intentional or knowingly illegal acts conducted or instructed by the Group in relation to debt collection, management has assessed that the likelihood of the Group being charged with such Offence is relatively remote.

Nevertheless, it is uncertain at the date of this announcement whether the investigation in connection with the 1021 Event has been completed; whether the Group or any staff member (including senior management members) will be convicted and held liable for any negative legal consequences arising from the 1021 Event investigation; and whether any further investigations will be carried out by the Authorities. The Group will continue to monitor the developments in relation to the 1021 Event and assess the impact to the consolidated financial statements.

16. SUBSEQUENT EVENTS

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

The COVID-19 outbreak has certain impacts on the Group's business operation and overall economy in some areas or industries. This may affect the personal consumption credit market and increase the credit risk of the credit facilitation business to a certain extent, and the degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

The Group will keep continuous attention on the situation of the COVID-19 outbreak, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this announcement, the assessment is still in progress.

FINANCIAL REVIEW

Revenue

Our total revenue decreased by 27.3% from approximately RMB2,812.0 million for the year ended 31 December 2018 to approximately RMB2,045.4 million for the year ended 31 December 2019.

Credit facilitation and service fee decreased by 42.9% from approximately RMB2,055.5 million for the year ended 31 December 2018 to approximately RMB1,173.1 million for the year ended 31 December 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 during the year. Compared with 2018, regulatory authorities applied more stringent management on P2P and debt-collection industries in 2019. Personal consumption credit market had experienced substantial fluctuations. Particularly, the default risk of the outstanding loans facilitated by us increased in the fourth quarter of 2019. To cope with the fluctuations, we proactively reduced the scale of credit facilitation business and shortened the average loan term of major credit products, leading to a decrease in credit facilitation and service fee.

Our referral service fee increased by 42.3% from approximately RMB203.1 million for the year ended 31 December 2018 to approximately RMB289.1 million for the year ended 31 December 2019, primarily driven by the increase in business volume as a result of enhanced efficiency and increased users' demand.

Credit card technology service fee decreased by 40.4% from approximately RMB255.7 million for the year ended 31 December 2018 to approximately RMB152.3 million for the year ended 31 December 2019, mainly because the partner banks in general had adopted rigorous measures with credit card issuance in 2019 as affected by the fluctuations in macro economy, which resulted in a decrease in both the number of credit cards issued to our users through us and the business volume of technology services rendered through our co-branding credit cards as compared to that in the corresponding period in 2018.

Other revenue increased by 44.7% from approximately RMB297.7 million for the year ended 31 December 2018 to approximately RMB430.9 million for the year ended 31 December 2019, among which (i) the payment service fee increased by 254.5% from approximately RMB75.4 million for the year ended 31 December 2018 to approximately RMB267.3 million for the year ended 31 December 2019, due to the increase in business volume of payment channel service; (ii) the interest income of loans to customers decreased by 69.8% from approximately RMB91.1 million for the year ended 31 December 2018 to approximately RMB27.5 million for the year ended 31 December 2019 primarily due to the lower balance of loans funded by trusts; and (iii) the overdue charges decreased by 65.6% from approximately RMB45.1 million for the year ended 31 December 2018 to approximately RMB15.5 million for the year ended 31 December 2019 primarily due to a decline in the credit facilitation scale in 2019, and the reduction in the percentage of overdue charges for certain products to increase the repayment willingness of the defaulting users.

Operating expenses

Our operating expenses increased by 22.7% from approximately RMB2,746.4 million for the year ended 31 December 2018 to approximately RMB3,370.7 million for the year ended 31 December 2019.

Origination and servicing expenses increased by 14.8% from approximately RMB758.3 million for the year ended 31 December 2018 to approximately RMB870.5 million for the year ended 31 December 2019, including (i) an increase by 68.7% to approximately RMB327.2 million in fund transfer charges for the year ended 31 December 2019 from approximately RMB194.0 million for the corresponding period in 2018 due to the increased payment service business volume; (ii) an increase by 5.4% to approximately RMB235.4 million in external technical service fee for the year ended 31 December 2019 from approximately RMB223.3 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; (iii) a decrease by 16.3% to approximately RMB153.9 million in employee benefit expenses for the year ended 31 December 2019 from approximately RMB183.8 million for the corresponding period in 2018 due to the decrease in headcount as a result of downsizing of the business, despite an increase of approximately RMB0.2 million of share-based compensation expenses; and (iv) an increase by 71.2% to approximately RMB45.7 million in depreciation and amortization for the year ended 31 December 2019 from approximately RMB26.7 million for the corresponding period in 2018, mainly due to the implementation of IFRS 16 Leases during the year.

Sales and marketing expenses decreased by 26.5% from approximately RMB618.2 million for the year ended 31 December 2018 to approximately RMB454.2 million for the year ended 31 December 2019, as we reduced sales and marketing spending in 2019 along with the enhanced operating efficiency and the downsizing of the business.

General and administrative expenses decreased by 29.1% from approximately RMB411.3 million for the year ended 31 December 2018 to approximately RMB291.7 million for the year ended 31 December 2019, which mainly represents (i) the decrease of listing expenses from approximately RMB37.3 million for the year ended 31 December 2018 to nil for the year ended 31 December 2019, as the initial listing of the shares of the Company (the "**Shares**") on the Main Board of the Stock Exchange was completed in 2018; and (ii) a decrease by 33.3% to approximately RMB189.4 million in employee benefit expenses for the year ended 31 December 2019 from approximately RMB284.0 million for the corresponding period in 2018 primarily due to the decrease in headcount of administrative staff as a result of the downsizing of the business, including a decrease of approximately RMB77.6 million of share-based compensation expenses.

Research and development expenses decreased by 40.7% from approximately RMB328.6 million for the year ended 31 December 2018 to approximately RMB194.8 million for the year ended 31 December 2019. The demand in research and development personnel decreased in 2019 because of the downsizing of the business and the enhanced efficiency brought by technology application, which caused a decrease of 43.7% in research and development employee benefit expenses to approximately RMB156.0 million for the year ended 31 December 2019 from approximately RMB277.2 million for the corresponding period in 2018, despite an increase in share-based compensation expenses of approximately RMB3.1 million.

Other losses, net increased by 147.6% from approximately RMB629.9 million for the year ended 31 December 2018 to approximately RMB1,559.5 million for the year ended 31 December 2019, which mainly represents (i) the fair value loss on financial assets at FVPL amounted to approximately RMB137.3 million for the year ended 31 December 2019, mainly as we disposed of a number of financial assets at FVPL in 2019. Affected by macroeconomic environment, the disposal prices (being the fair values upon the disposals) of certain financial assets at FVPL were higher than their investment cost but lower than their fair value assessed at the end of 2018, leading to the recognition of the fair value loss on financial assets at FVPL in 2019. No financial assets at FVPL was disposed of in the corresponding period in 2018, therefore no loss on the disposal of financial assets at FVPL was recorded; (ii) the quality assurance fund loss increased by 148.2% to a loss of approximately RMB858.5 million for the year ended 31 December 2019 from a loss of approximately RMB345.9 million for the year ended 31 December 2018, as a result of the fluctuating personal credit market in 2019. The delinquency performance of the credit business in 2019 was worse than the corresponding period in 2018. Meanwhile, the downsizing of the new credit facilitation business scale in 2019 also resulted in higher proportion of the defaulting users in the balance of the loan products than the corresponding period in 2018; (iii) the ECL for financial assets other than quality assurance fund receivable/payable increased by 57.5% to approximately RMB407.0 million for the year ended 31 December 2019 from approximately RMB258.4 million for the year ended 31 December 2018, mainly due to increasing difficulties in the collection of contract assets as a result of the fluctuations in the industry; (iv) the impairment loss for the year ended 31 December 2019 amounted to approximately RMB184.7 million, mainly consisting of approximately RMB145.8 million of impairment loss of goodwill. We will adopt a more conservative strategy for our business in response to increasing risks of the personal credit market. For instance, we will have the scale of credit facilitation maintained at a relatively low level over a period of time, and such strategy is expected to contribute to less future cash inflow of the Group, which would result in impairment of goodwill. There is no impairment of goodwill in the corresponding period in 2018 as the implemented strategy was less conservative than that of 2019; and (v) the interest expenses to trust senior tranche holders decreased by 80.0% to approximately RMB8.9 million for the year ended 31 December 2019 from approximately RMB44.6 million for the year ended 31 December 2018, as a result of a lower balance of loans funded by trusts.

Share of net loss of associates accounted for using equity method

Share of net loss of associates accounted for using equity method increased by 153.8% from a loss of approximately RMB1.3 million for the year ended 31 December 2018 to a loss of approximately RMB3.3 million for the year ended 31 December 2019, mainly because of a greater amount of loss of several associates in 2019 than that in the corresponding period in 2018.

Fair value gain of preferred shares

The fair value gain of preferred shares was nil for the year ended 31 December 2019, while the fair value gain of preferred shares amounted to approximately RMB1,942.2 million for the year ended 31 December 2018, as all preferred shares had been converted to ordinary shares in 2018 with the initial listing of the Shares on the Main Board of the Stock Exchange.

Fair value gain of financial liability at FVPL

Fair value gain of financial liability at FVPL decreased by 53.0% from approximately RMB98.4 million for the year ended 31 December 2018 to approximately RMB46.2 million for the year ended 31 December 2019, mainly because the decrease in the amount in the market value of the financial liability in 2019 was less than that in the corresponding period in 2018.

Finance expenses, net

Finance expenses, net decreased by 79.5% from approximately RMB24.4 million for the year ended 31 December 2018 to approximately RMB5.0 million for the year ended 31 December 2019. The decrease was mainly attributable to the decrease in interest expenses due to the reduction in amount of indebtedness.

Income tax credit

Income tax credit increased by 100.2% from an income tax credit of approximately RMB88.1 million for the year ended 31 December 2018 to an income tax credit of approximately RMB176.4 million for the year ended 31 December 2019, mainly because the quality assurance fund loss, the ECL for financial assets other than quality assurance fund receivable/payable and impairment loss that had been provided but not yet incurred as at 31 December 2019 were higher than that in the corresponding period in 2018, and such items were deductible when incurred, which resulted in higher corresponding income tax credit.

(Loss)/profit for the year

Our (loss)/profit for the year decreased from a net profit of approximately RMB2,168.8 million for the year ended 31 December 2018 to a net loss of approximately RMB1,111.0 million for the year ended 31 December 2019, primarily because (i) all preferred shares had been converted to ordinary shares in 2018 with the initial listing of the Shares on the Main Board of the Stock Exchange and the fair value gain of preferred shares decreased to nil for the year ended 31 December 2019 from approximately RMB1,942.2 million for the year ended 31 December 2018; (ii) credit facilitation and service fee decreased from approximately RMB2,055.5 million for the year ended 31 December 2018 to approximately RMB1,173.1 million for the year ended 31 December 2019 due to the smaller scale of credit product facilitation and shorter average tenure in 2019 than that in the corresponding period in 2018; and (iii) the quality assurance fund loss increased to a loss of approximately RMB858.5 million for the year ended 31 December 2019 from a loss of approximately RMB345.9 million for the year ended 31 December 2018, as a result of the fluctuations in the industry in 2019.

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 loss for the year ended 31 December 2019 was approximately RMB847.1 million, compared with the adjusted net profit of approximately RMB374.2 million for the year ended 31 December 2018.

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

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Adjusted net (loss)/profit		
Net (loss)/profit	**(1,111,043)**	2,168,767
Adjusted for:		
Share-based compensation expenses	**130,553**	204,920
Fair value gain of preferred shares	**–**	(1,942,221)
Fair value gain of financial liability at FVPL	**(46,160)**	(98,448)
Fair value loss of financial assets at FVPL	**33,762**	3,911
Impairment loss of goodwill	**145,788**	–
Listing expenses	**–**	37,275
Adjusted net (loss)/profit	**(847,100)**	374,204

Liquidity, Financial Resources and Gearing

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

	As at 31 December 2019	As at 31 December 2018
	RMB'million	*RMB'million*
Cash and cash equivalents	**1,283**	1,206
Liquid investments	**–**	569
Borrowings	**(169)**	(603)
Net cash	**1,114**	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 of generating income at a yield higher than current deposit bank interest rates. All liquid investments were expired in 2019. Our cash and cash equivalents and liquid investments are denominated in the United States dollars (the "**US dollars**"), Renminbi ("**RMB**") and Hong Kong dollars.

For the year ended 31 December 2019, the Group recorded net cash inflow of approximately RMB77.0 million, primarily as a result of net cash flow generated from operating activities of approximately RMB200.5 million and net cash flow generated from investing activities of approximately RMB577.9 million, offset by net cash used in financing activities of approximately RMB705.4 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 2.9% as at 31 December 2019 (31 December 2018: 8.0%).

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

	As at 31 December 2019 RMB' 000	As at 31 December 2018 RMB' 000
Within 1 year	**19,821**	189,900
1 year to 2 years	**121,563**	34,056
2 years to 5 years	**22,056**	365,850
Over 5 years	**5,427**	13,196
Total borrowings	**168,867**	603,002

The bank and other borrowings as at 31 December 2019 were denominated in RMB (31 December 2018: RMB).

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 loss before income tax for the year ended 31 December 2019 would have been approximately RMB2,068,000 higher/lower as a result of net foreign exchange gains/(losses) on translation of net monetary liabilities denominated in US dollars, and the profit before income tax for the year ended 31 December 2018 would have been approximately RMB584,000 higher/lower 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 loss before income tax for the year ended 31 December 2019 would have been approximately RMB17,000 lower/higher, and the profit before income tax for the year ended 31 December 2018 would have been approximately RMB5,708,000 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

During the year ended 31 December 2019, 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 2019, the Group did not have any significant investments.

Material Acquisition and Disposal

For the year ended 31 December 2019, the Group did not have any material acquisition or disposal.

Contingent Liabilities

Save as disclosed in Note 15 to the consolidated financial information as set out in this announcement, the Group did not have any other material contingent liabilities as at 31 December 2019 (31 December 2018: nil).

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (THE "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 2019, the proceeds were utilized in consistent with the usage as disclosed in the prospectus of the Company dated 29 June 2018 in the manner set out below:

	%	Net proceeds from the IPO		Amount utilized as at 31 December 2019		Amount not yet utilized as at 31 December 2019	
		HK$ million	*RMB' million*	*HK$ million*	*RMB' million*	*HK$ million*	*RMB' million*
User acquisition	40%	419.8	359.7	282.6	236.8	137.2	122.9
Enhancement of technology and risk management capabilities	30%	314.9	269.8	164.0	134.6	150.9	135.2
Investment	20%	209.9	179.8	40.5	28.1	169.4	151.7
Working capital and other general corporate purposes	10%	105.0	89.9	105.0	89.9	–	–
Total	100%	1,049.6	899.2	592.1	489.4	457.5	409.8

FINAL DIVIDEND

The Board does not recommend the declaration of the final dividend for the year ended 31 December 2019 (2018: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders (the "**Shareholders**") of the Company who are qualified for attending and voting at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Monday, 8 June 2020 to Friday, 12 June 2020, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 5 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2019, the Company repurchased a total of 2,772,000 Shares on the Stock Exchange, with the aggregate consideration paid (before expenses) amounting to HK$8,799,405. All the Shares repurchased were subsequently cancelled.

Particulars of the repurchase of Shares were as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share	Lowest price paid per Share	Total purchase price paid
		HK$	*HK$*	*HK$*
September 2019	890,000	3.59	3.05	2,982,985
October 2019	1,882,000	3.23	2.92	5,816,420
Total	**2,772,000**	**–**	**–**	**8,799,405**

Save as disclosed above, for the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2019, the Company had applied and complied with all the code provisions in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchanges (the "**Listing Rules**"), with exceptions set out as follows:

Code Provision A.1.1 (Four Regular Board Meetings)

For the year ended 31 December 2019, the Board held three regular meetings instead of four as required by code provision A.1.1 of the CG Code. The Board considers that the three meetings were sufficient to deal with the matters of the Company. Apart from the Board meetings, consent of Directors on certain issues was also sought through circulating resolutions in writing.

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

Mr. Sun Haitao ("**Mr. Sun**") acts as the chairman, an executive Director and the 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/she 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 relating to 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 the 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 of the Company is necessary.

Going forward, while Mr. Sun as the founder will continue to play a crucial role in steering the development and operations of the Group as a whole, the Company will present the key decisions for the approval by the Board in accordance with the requirements under the Listing Rules, the articles of association of the Company and the laws of Hong Kong and the Cayman Islands.

Code Provision E.1.2 (Chairman's Attendance at Annual General Meeting)

Mr. Sun, the chairman of the Board, was unable to attend the annual general meeting of the Company held in 2019 due to unexpected business engagements. Mr. Zhao Ke, an executive Director and the chief financial officer of the Company, took the chair of that annual general meeting, and Mr. Yang Yuzhi, an executive Director and the vice-president of the Company, and Mr. Wong Ti, an independent non-executive Director and the chairman of the audit committee (the "**Audit Committee**") of the Company were also present to answer questions from the Shareholders.

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 had complied with the Model Code for the year ended 31 December 2019.

REVIEW OF THE ANNUAL RESULTS

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

The Audit Committee has reviewed the audited consolidated annual results of the Group and the audited consolidated annual financial information for the year ended 31 December 2019 and also reviewed and confirmed the accounting policies and practices adopted by the Group.

EVENTS AFTER THE REPORTING PERIOD

For details of important events the Group which have occurred since the end of the year ended 31 December 2019, please refer to Note 16 to the consolidated financial information as set out in this announcement.

PUBLICATION OF ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.u51.com). The annual report will be despatched to the Shareholders and published on both websites on or before 30 April 2020.

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

30 March 2020

As at the date of this announcement, the executive Directors are Mr. Sun Haitao, Mr. Yang Yuzhi and Mr. Zhao Ke; the non-executive Director is Ms. Zou Yunli; and the independent non-executive Directors are Mr. Wong Ti, Mr. Ye Xiang and Mr. Yang Dong.