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51信用卡

51 CREDIT CARD INC.

51 信用卡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2051)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020
AND
CHANGE IN USE OF PROCEEDS
FROM THE INITIAL PUBLIC OFFERING**

The board (the “**Board**”) of directors (the “**Directors**”) of 51 Credit Card Inc. (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**”) for the six months ended 30 June 2020.

HIGHLIGHTS

- Revenue for the six months ended 30 June 2020 was approximately RMB164.6 million, decreased by approximately 88.2% as compared to approximately RMB1,400.2 million for the corresponding period in 2019.
- Operating loss for the six months ended 30 June 2020 was approximately RMB765.6 million as compared with operating profit of approximately RMB264.1 million for the corresponding period in 2019.
- Adjusted net loss for the six months ended 30 June 2020 was approximately RMB752.4 million as compared with adjusted net profit of approximately RMB308.8 million for the corresponding period in 2019.
- No interim dividend was declared for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).
- As at the date of this announcement, the Group had completed the exiting of the P2P business.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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**”).

As at 30 June 2020, the number of registered users of 51 Credit Card Manager App increased by approximately 3.0% to approximately 85.9 million from approximately 83.4 million as at 30 June 2019, and the number of credit cards managed cumulatively also increased by approximately 4.0% to approximately 144.3 million from approximately 138.7 million as at 30 June 2019.

We keep expanding the ecosystem boundary. The bank wealth management product referral business was launched at the end of 2018, the accumulated transaction amount of which had reached approximately RMB34.78 billion as at 30 June 2020. In September 2019, we launched a commercial information searching tool, Little Blue Book App (“**Little Blue Book**”), with an aim to provide users with valuable commercial information. As at 30 June 2020, Little Blue Book had approximately 5.92 million registered users.

In the first half of 2020, we followed the guidance of the regulatory authorities to proceed with the exiting of the P2P business (the “**P2P Exiting**”). The balance of our P2P business as at the end of 2019 was approximately RMB5.63 billion. After our efforts, including continuously improving the debt collection efficiency, adopting multiple measures to urge borrowers to prepay loans, and enhancing debt recovery efforts to delinquent borrowers through lawsuits and by other means, etc., as at the date of this announcement, we had completed the P2P Exiting successfully and had totally withdrawn from the P2P industry.

To concentrate resources to ensure that the P2P Exiting could be completed, we significantly reduced various expenses, including marketing expenses and general administrative expenses, etc. Further, due to the impact caused by the pandemic of the Novel Coronavirus pneumonia (the “**COVID-19 Pandemic**”), we kept the new user growth at a slower pace in the first half of 2020 and maintained the scale of various businesses, such as credit facilitation service, credit card technology service and referral service, etc., at a relatively low level. In the meantime, we made efforts to maintain the activity level of the existing users with the expectation that the business growth will be resumed after the completion of the P2P Exiting and the abatement of the COVID-19 Pandemic.

	For the six months ended 30 June				Period on period change
	2020		2019		
	<i>RMB' 000</i>	<i>Percentage of revenue</i>	<i>RMB' 000</i>	<i>Percentage of revenue</i>	<i>Percentage</i>
	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
Revenue	164,596	100.0%	1,400,178	100.0%	-88.2%
Credit facilitation and service fee	71,974	43.8%	803,930	57.4%	-91.0%
Credit card technology service fee	26,530	16.1%	110,879	7.9%	-76.1%
Referral service fee	21,284	12.9%	197,015	14.1%	-89.2%
Other revenue	44,808	27.2%	288,354	20.6%	-84.5%
Operating (loss)/profit for the period	(765,598)		264,129		N/A
Adjusted net (loss)/profit for the period	(752,426)		308,839		N/A

Affected by the factors above, the total revenue in the first half of 2020 decreased by approximately 88.2% to approximately RMB164.6 million from approximately RMB1,400.2 million for the corresponding period of 2019, and recorded an adjusted net loss for the period of approximately RMB752.4 million (adjusted net profit for the corresponding period in 2019 of approximately RMB308.8 million). Those were mainly due to the decrease in scale of credit facilitation service, credit card technology service and referral service in the first half of 2020, and the rise in default risk of financial assets and liabilities caused by the P2P Exiting and the COVID-19 Pandemic, which led to the increase in the expected credit loss (“**ECL**”) under the International Financial Reporting Standard 9 (“**IFRS 9**”).

1. Credit Facilitation Service

In the first half of 2020, the total volume of credit facilitation business was approximately RMB1,520.6 million, all being businesses under the cooperation with financial institutions, among which, the credit facilitation volume of credit card holders amounted to approximately RMB1,434.9 million and accounted for approximately 94.4% of the total facilitation volume in the first half of 2020. Affected by the P2P Exiting and the COVID-19 Pandemic, we significantly reduced the scale of credit facilitation business and focused more on serving credit card holders.

- (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:

	For the six months ended 30 June			
	Loan products targeting credit card holders		Loan products targeting non-credit card holders	
	2020 (approximate)	2019 (approximate)	2020 (approximate)	2019 (approximate)
Volume of loans facilitated	RMB1,434.9 million	RMB12,090.4 million	RMB85.7 million	RMB1,742.8 million
Number of loans facilitated	117.1 thousand	1,114.7 thousand	13.2 thousand	276.1 thousand
Average amount of loans	RMB12.3 thousand	RMB10.8 thousand	RMB6.5 thousand	RMB6.3 thousand
Average tenure of loans	10.0 months	10.8 months	9.5 months	10.4 months

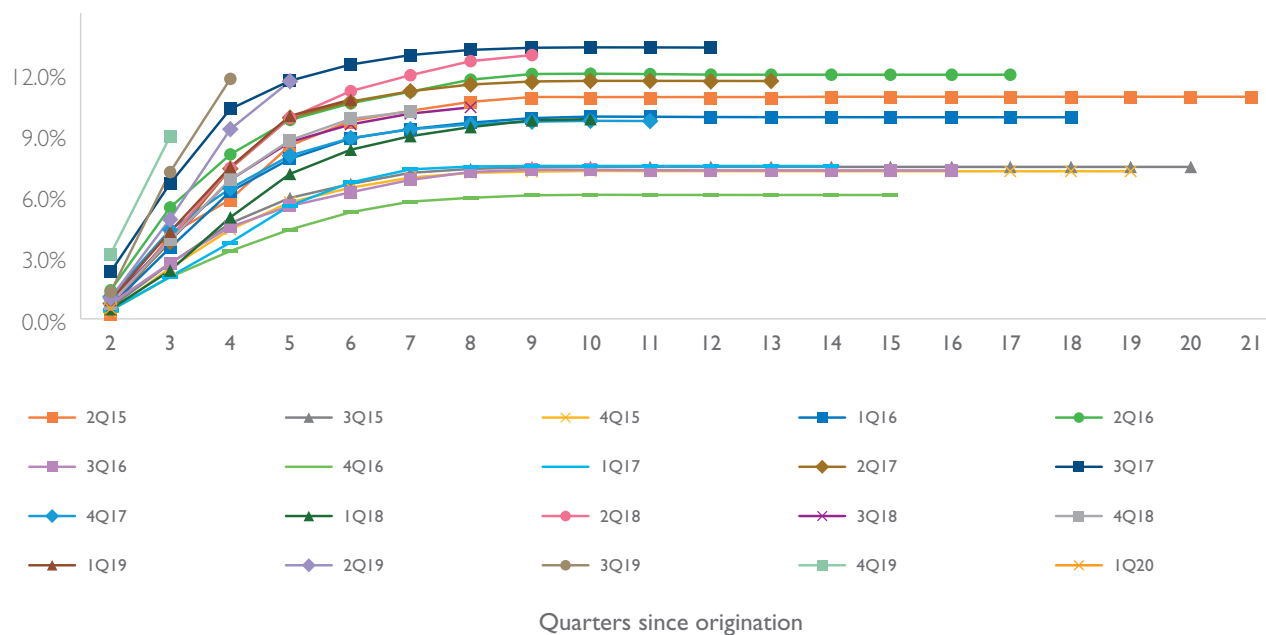
- (ii) The following table shows the proportion of funding sources of credit facilitation business:

	For the six months ended 30 June	
	2020	2019 (approximate)
Individual investors from 51 Renpin (<i>Note 1</i>)	—	65.1%
Institutions (<i>Note 2</i>)	100.0%	34.9%

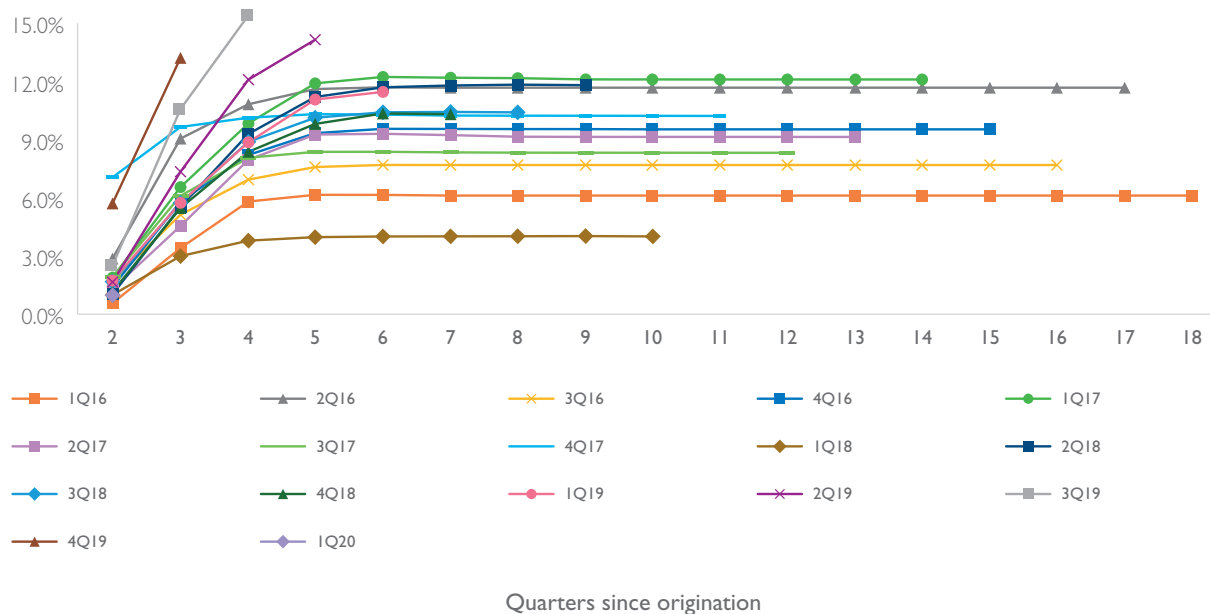
Notes:

- 51 Renpin refers to our online investment products.
- Institutions include a wholly owned subsidiary of the Company operating online micro credit business.

(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 30 June 2020:



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 2020:



2. *Credit Card Technology Service*

In the first half of 2020, the personal consumption credit market experienced volatility as a whole, which led to the increase in the delinquency rate of credit card business. The new card issuance volume of our partner banks recorded a significant decrease, thus the revenue from credit card technology service decreased from approximately RMB110.9 million for the corresponding period of 2019 to approximately RMB26.5 million in the first half of 2020.

3. *Referral Service*

In the first half of 2020, the scale of referral service had decreased significantly. In addition to the effect of the P2P Exiting and the COVID-19 Pandemic, the regulation on the Internet finance industry in the People's Republic of China (the “**PRC**” or “**China**”) has been tightened. As a result, we closely followed the changes in policy, set higher partner admission standards and took the initiative to reduce the business volume. The revenue from referral service decreased from approximately RMB197.0 million for the corresponding period of 2019 to approximately RMB21.3 million in the first half of 2020.

4. *Little Blue Book Business*

Little Blue Book is a commercial information searching tool that we launched in September 2019, with an aim to provide users with valuable commercial information. As at 30 June 2020, Little Blue Book had approximately 5.92 million registered users. Based on the internal data of the Company, over 50.0% of the authenticated users of Little Blue Book are senior management personnel and operating decision makers.

OUTLOOK

2020 is a year of comprehensive transformation for the financial technology industry. According to a series of regulatory documents and guidances issued by the PRC government at the end of 2019, including the Guidances on the Transformation of Online Lending Information Intermediary Institutions into Pilot Micro Credit Companies* (《關於網絡借貸信息中介機構轉型為小額貸款公司試點的指導意見》), the P2P industry witnessed full exiting and transformation. In addition, the Interim Measures for the Administration of Internet Loans issued by Commercial Banks* (《商業銀行互聯網貸款管理暫行辦法》) have become effective on 17 July 2020, which provide clear guidelines for the cooperation between financial institutions and financial technology companies, and also offer policy support to the long-term, healthy and steady development of the financial technology industry.

In order to adapt to the trend of industry changes, we had made great effort to complete the P2P Exiting in the first half of 2020. To further improve the efficiency of overdue assets recovery in respect of historical credit facilitation business, we have filed lawsuits against delinquent borrowers in various places. We believe that through unremitting efforts, we have removed the major policy and compliance obstacles for the further development of financial technology business. Meanwhile, as the personal credit system in the PRC is gradually improving, the efficiency of overdue assets recovery in respect of our historical credit facilitation business will further improve accordingly.

The recently announced Guidelines on Laws Applicable to Trials of Private Lending Cases* (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) by the Supreme People's Court of China set the new court protected interest rate cap for private lending. Although our credit facilitation business currently is entirely dealing with institutional lending, we believe this new guideline is consistent with our view that the overall interest rate in the PRC will gradually trend lower in the intermediate term and our business planning has been largely based on that assumption. We are confident that we should be able to make timely adjustment to our operations to comply with the updating regulatory environment.

In the meantime, we continuously develop innovative businesses including Little Blue Book, etc. On Little Blue Book, users can get an easy access to various real-time commercial information. In the next step, we will construct the network-wide enterprise knowledge map and the real-time intelligence information by leveraging the advanced technologies such as big data and artificial intelligence, etc. We believe that commercial intelligence information can help enterprises to explore more commercial opportunities and create value for enterprises' development. In the first half of 2020, the operator of Little Blue Book, Shenzhen Xiaolanben Network Technology Limited* (深圳小藍本網絡技術有限公司) (formerly known as Hangzhou Lanye Network Technology Limited* (杭州藍頁網絡技術有限公司)), completed the financing of RMB40 million. On 31 August 2020, three existing shareholders (directly or indirectly) of the Company completed the subscription of approximately HK\$100 million of new shares of the Company in aggregate, demonstrating their confidence and support to the Company's long-term development. These new financings will provide funds and resources for our strategic development in each field.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

		Six months ended 30 June	
		2020	2019
	Note	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Credit facilitation and service fee	3	71,974	803,930
Credit card technology service fee		26,530	110,879
Referral service fee		21,284	197,015
Other revenue	4	44,808	288,354
Total revenue		164,596	1,400,178
Origination and servicing expenses	5	(136,821)	(526,371)
General and administrative expenses	5	(81,470)	(132,294)
Research and development expenses	5	(38,997)	(118,569)
Sales and marketing expenses	5	(22,736)	(256,010)
Expected credit loss	6	(639,803)	(74,767)
Other losses, net	7	(10,367)	(28,038)
Total operating expenses		(930,194)	(1,136,049)
Operating (loss)/profit		(765,598)	264,129
Share of net loss of associates accounted for using equity method		(4,551)	(4,770)
Fair value gain of financial liabilities at fair value through profit or loss		15,860	213
Finance income/(expenses), net		3,953	(5,745)

		Six months ended 30 June	
		2020	2019
	Note	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
(Loss)/profit before income tax		(750,336)	253,827
Income tax expense	8	<u>(9,710)</u>	<u>(60,135)</u>
(Loss)/profit for the period		<u>(760,046)</u>	<u>193,692</u>
(Loss)/profit for the period attributable to:			
– Owners of the Company		(730,839)	183,540
– Non-controlling interests		<u>(29,207)</u>	<u>10,152</u>
		<u>(760,046)</u>	<u>193,692</u>
Other comprehensive loss			
<i>Items that may not be reclassified to profit or loss</i>			
Currency translation differences		<u>(955)</u>	<u>(6,047)</u>
Total comprehensive (loss)/income for the period, net of tax		<u>(761,001)</u>	<u>187,645</u>
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		(730,568)	176,550
– Non-controlling interests		<u>(30,433)</u>	<u>11,095</u>
(Loss)/earnings per share attributable to owners of the Company – basic and diluted (expressed in RMB per share):			
From (loss)/earnings for the period – basic	9	<u>(0.73)</u>	<u>0.18</u>
From (loss)/earnings for the period – diluted	9	<u>(0.73)</u>	<u>0.17</u>

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property and equipment, net		149,696	179,185
Right-of-use assets		27,763	55,718
Intangible assets		834,183	852,850
Investments accounted for using equity method		103,801	117,711
Financial assets at fair value through profit or loss		168,705	153,318
Deferred income tax assets		386,764	390,894
Prepayments and other receivables	10	3,503	4,464
Total non-current assets		1,674,415	1,754,140
Current assets			
Quality assurance fund receivable	11	131,001	566,801
Contract assets	12	269,761	711,741
Trade receivables	13	39,679	96,761
Prepayments and other receivables	10	268,004	386,528
Loans to customers, net		234,852	20,739
Financial assets at fair value through profit or loss		4,300	–
Restricted cash		445,494	810,302
Cash and cash equivalents		291,120	1,283,144
Assets classified as held for sale		–	110,270
Total current assets		1,684,211	3,986,286
Total assets		3,358,626	5,740,426
EQUITY AND LIABILITIES			
Equity			
Share capital		79	79
Share premium		5,983,793	5,960,095
Shares held for employee incentive schemes		(11)	(12)
Reserves		(11,884)	(15,599)
Accumulated losses		(4,153,228)	(3,422,389)
Non-controlling interests		38,071	32,184
Total equity		1,856,820	2,554,358

		As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
	Note		
Liabilities			
Non-current liabilities			
Bank and other borrowings		55,811	149,046
Lease liabilities		18,999	35,435
Deferred income tax liabilities		129,808	127,624
Total non-current liabilities		204,618	312,105
Current liabilities			
Quality assurance fund payable	11	381,658	1,559,495
Payable to platform customers		356,492	707,842
Contract liabilities	12	53,350	108,250
Bank and other borrowings		160,958	19,821
Lease liabilities		10,075	12,012
Payable to trust senior tranche holders		–	20,100
Trade and other payables	14	322,111	404,032
Income tax payable		4,034	11,347
Financial liabilities at fair value through profit or loss		8,510	24,370
Liabilities directly associated with assets classified as held for sale		–	6,694
Total current liabilities		1,297,188	2,873,963
Total liabilities		1,501,806	3,186,068
Total equity and liabilities		3,358,626	5,740,426

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 2020 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 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

During the period ended 30 June 2020, the Group reported a net loss attributable to owners of the Company of approximately RMB730,839,000 and a net cash used in operating activities of approximately RMB1,147,440,000. In addition, the Group’s business results and liquidity position have been and will likely continue to be adversely impacted by the decrease in the volume of credit facilitation activities of the Group as a result of the following factors:

- (1) the release of a series of stricter regulatory notices and guidances in 2019, resulting in the Group’s P2P Exiting in the first half of 2020;
- (2) the ongoing COVID-19 Pandemic in the first half of 2020 which put considerable downward pressure on the economy in the PRC, and caused the decline of the willingness for personal consumptions and the demands for personal consumer credit; and
- (3) an increase in credit risk associated with the personal credit market as a result of the current market conditions, leading the Group to adopt a more prudent strategy towards its credit facilitation business and focusing on customers with better credit quality.

In view of the above circumstances, management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern. Management has prepared cash flow projections of the Group covering a period of not less than twelve months from 30 June 2020.

The Directors of the Company 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 flows 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 condensed consolidated interim financial information. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Standards and amendments effective in 2020 relevant to and adopted by the Group

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 2019, except for the adoption of new or amended standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2020.

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 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRSs	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2019. The adoption of these standards and amendments does not have a significant impact on the operating results, comprehensive (loss)/income, or financial position of the Group.

(b) Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period of 30 June 2020 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.

(c) **Purchased or originated credit-impaired (“POCI”) financial assets**

For POCI financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of ECL in estimated future cash flows.

The original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

At the reporting date, the Group only recognizes the cumulative changes in lifetime ECL since initial recognition.

3. CREDIT FACILITATION AND SERVICE FEE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Upfront credit facilitation service fee	35,116	543,492
Post credit facilitation service fee	36,858	260,438
	71,974	803,930

Note: The unsatisfied performance obligation as at 30 June 2020 was approximately RMB24,523,000. Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 30 June 2020 will be recognized as revenue within the next twelve months.

4. OTHER REVENUE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Payment service fee	20,573	188,346
Overdue charges	6,290	10,302
Interest income of loans to customers	1,361	26,256
Insurance commission income	–	22,929
Others	16,584	40,521
	<u>44,808</u>	<u>288,354</u>

5. EXPENSES BY NATURE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses	111,067	270,006
Depreciation and amortization	40,860	45,504
External technical service fees	36,831	152,506
Fund transfer charges	34,859	215,669
Professional service fees	18,730	13,436
Marketing and advertising fees	17,457	246,189
Office expenses	4,716	9,721
Referral service expenses	–	26,545
Others	15,504	53,668
Total amount of origination and servicing expenses, general and administrative expenses, research and development expenses and sales and marketing expenses	<u>280,024</u>	<u>1,033,244</u>

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

6. EXPECTED CREDIT LOSS

The composition of ECL provided for six months ended 30 June 2020 and 2019 is as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Quality assurance fund (Note 11)	(534,657)	(75,054)
Trade receivables (Note 13)	(50,888)	14,207
Contract assets (Note 12)	(38,597)	–
Loans to customers, net	(15,661)	(13,920)
	<u>(639,803)</u>	<u>(74,767)</u>

7. OTHER LOSSES, NET

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fair value gain/(loss) on financial assets		
at fair value through profit or loss (“FVPL”)	15,945	(59,702)
Dividend income from an investee	–	15,434
(Loss)/gain on disposal of financial assets at FVPL	(9,260)	12,686
Gain on disposal of a subsidiary	5,405	–
Government grants	4,858	9,592
Interest expenses to trust senior tranche holders	(52)	(6,297)
Impairment loss	(24,565)	–
Others	(2,698)	249
	<u>(10,367)</u>	<u>(28,038)</u>

8. INCOME TAX EXPENSE

The income tax expense of the Group during the periods presented are analyzed as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	3,396	40,261
Deferred income tax	6,314	19,874
	<u>9,710</u>	<u>60,135</u>

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

Cayman Islands

The Company was incorporated in the Cayman Islands. Under the current tax laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no withholding tax will be imposed on dividends distributed by the Company to its shareholders (“**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 the profits tax rate of 16.5%.

Within the PRC

The subsidiaries and variable interest entities of the Group established within 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” are subject to an income tax rate of 10%.

9. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/earnings for the period attributable to owners of the Company (RMB'000)	(730,839)	183,540
Weighted average number of ordinary shares in issue ('000)	1,003,299	999,047
Basic (loss)/earnings per share (<i>expressed in RMB</i>)	<u>(0.73)</u>	<u>0.18</u>

- (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. As the Group incurred losses for the six months ended 30 June 2020, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2020 is the same as basic loss per share.

For the six months ended 30 June 2019, diluted (loss)/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	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/earnings for the period attributable to owners of the Company (RMB'000)	(730,839)	183,540
Weighted average number of ordinary shares in issue ('000)	1,003,299	999,047
Adjustments for share options and RSUs granted to employees ('000)	–	78,957
Weighted average number of ordinary shares for calculation of diluted earnings per share ('000)	1,003,299	1,078,004
Diluted (loss)/earnings per share (<i>expressed in RMB</i>)	<u>(0.73)</u>	<u>0.17</u>

10. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Included in non-current assets:		
Rental deposits	<u>3,503</u>	<u>4,464</u>
Included in current assets:		
Deposits	137,411	228,811
Withholding tax paid on behalf of grantees under employee incentive schemes	21,998	31,040
Value-added tax receivables	18,240	17,330
Prepaid expenses	17,750	20,282
Receivables from disposal of bad debts	13,110	–
Receivables from investees	4,750	44,150
Others	<u>54,745</u>	<u>44,915</u>
	<u>271,507</u>	<u>390,992</u>

11. 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 2020 and 2019:

	Six months ended 30 June 2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Opening balance	1,559,495	1,524,621
Fair value of newly written quality assurance obligation	63,922	1,623,417
ECL for quality assurance fund	499,812	112,966
Release of the margin	(6,000)	(127,134)
Payouts during the period, net	<u>(1,735,571)</u>	<u>(1,485,820)</u>
Ending balance	<u>381,658</u>	<u>1,648,050</u>

In accordance with the regulatory guidances issued by the PRC authorities, the Group conducted the P2P Exiting in the first half of 2020. In particular, the Group ceased to facilitate any loans from individual investors, and in the meantime all remaining outstanding loans (that were facilitated by the Group) to individual investors before 30 June 2020 had been settled by the Group by the repayment of approximately RMB625 million in cash to the individual investors or transferred to the third party institutional companies.

The following tables set forth the Group's quality assurance fund receivable movements for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Opening balance	566,801	812,078
Fair value of newly written quality assurance obligation	63,922	1,623,417
ECL for quality assurance fund (a)	(40,845)	(89,222)
Contribution received from borrowers	(458,877)	(1,376,558)
Ending balance	<u>131,001</u>	<u>969,715</u>

	As at 30 June 2020			
	ECL staging			Total
	Stage 1	Stage 2	Stage 3	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Quality assurance fund receivable	106,817	21,560	750,999	879,376
Less: ECL allowance under IFRS 9 (a)	(8,726)	(7,979)	(731,670)	(748,375)
Quality assurance fund receivable, net	<u>98,091</u>	<u>13,581</u>	<u>19,329</u>	<u>131,001</u>

	As at 31 December 2019			
	ECL staging			Total <i>RMB'000</i> (Audited)
	Stage 1	Stage 2	Stage 3	
	<i>RMB'000</i> (Audited)	<i>RMB'000</i> (Audited)	<i>RMB'000</i> (Audited)	
Quality assurance fund receivable	545,607	104,860	682,785	1,333,252
Less: ECL allowance under IFRS 9 (a)	<u>(49,449)</u>	<u>(49,749)</u>	<u>(667,253)</u>	<u>(766,451)</u>
Quality assurance fund receivable, net	<u>496,158</u>	<u>55,111</u>	<u>15,532</u>	<u>566,801</u>

- (a) The following tables explain the changes in the ECL allowance of quality assurance fund receivable by stage for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total <i>RMB'000</i> (Unaudited)
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	(Unaudited)	
Opening balance	49,449	49,749	667,253	766,451
Transfer out	(1,022)	(347)	(57,552)	(58,921)
Net increase/(decrease)				
for the period (i)	(34,399)	(15,118)	90,362	40,845
Transfer				–
Transfer from Stage 1 to Stage 2	(3,763)	3,763	–	–
Transfer from Stage 1 to Stage 3	(5,750)	–	5,750	–
Transfer from Stage 2 to Stage 1	4,211	(4,211)	–	–
Transfer from Stage 2 to Stage 3	–	(25,961)	25,961	–
Transfer from Stage 3 to Stage 2	–	104	(104)	–
Ending balance	<u>8,726</u>	<u>7,979</u>	<u>731,670</u>	<u>748,375</u>

	Six months ended 30 June 2019			
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening balance	40,287	36,927	401,911	479,125
Net increase for the period (i)	23,022	6,247	59,953	89,222
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	<u>58,245</u>	<u>41,293</u>	<u>468,809</u>	<u>568,347</u>

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

12. CONTRACT ASSETS/(LIABILITIES)

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Contract assets	770,097	1,173,480
Less: ECL allowance	<u>(500,336)</u>	<u>(461,739)</u>
Contract assets, net	<u>269,761</u>	<u>711,741</u>
Contract liabilities	<u>(53,350)</u>	<u>(108,250)</u>

The activity in the total ECL allowance for the six months ended 30 June 2020 and 2019 consisted of the following:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Opening balance	(461,739)	(215,345)
(Provision)/reversal of ECL for the period	(38,597)	14,207
Ending balance	(500,336)	(201,138)

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 30 June 2020 would be realized within the next twelve months as the weighted average term of the arrangements where the Group was not the loan originator was less than twelve months. The Group determined that there was no significant financing component for its arrangements where the Group was not the loan originator.

13. TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Referral and credit card technology service receivables	162,743	167,118
Others	3,086	4,905
	165,829	172,023
ECL allowance	(126,150)	(75,262)
Trade receivables, net	39,679	96,761

The activity in the total ECL allowance for trade receivables as at 30 June 2020 and 2019 consisted of the following:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Opening balance	(75,262)	(346)
ECL allowance for the period	(50,888)	–
Ending balance	(126,150)	(346)

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

	As at	As at
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 30 days	15,532	35,000
More than 30 days	150,297	137,023
	165,829	172,023

14. TRADE AND OTHER PAYABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables (a)	11,224	27,468
Other payables		
Payables for equity investments	214,825	214,825
Payables to settlement banks	27,498	24,920
Payroll and welfare payables	9,100	49,699
Online promotion marketing expenses payables	8,041	19,909
Payables to related parties	3,315	1,513
Deposit payables	2,787	3,287
Other tax payables	2,514	11,457
Payables on behalf of credit card users	1,243	3,539
Others	41,564	47,415
	322,111	404,032

(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 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within 30 days	6,104	13,304
30 to 90 days	2,689	11,266
90 to 180 days	1,301	2,323
180 to 360 days	1,130	575
	11,224	27,468

15. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

16. CONTINGENT LIABILITIES

On 21 October 2019, the Company's office in Hangzhou, Zhejiang was subject to an onsite investigation (the "**1021 Event**") by certain PRC government authorities including the Hangzhou police force (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 developments in relation to the 1021 Event and assess the impact on the interim financial information.

17. SUBSEQUENT EVENT

On 13 July 2020, the Company entered into the subscription agreements with three subscribers (namely Guanrui Investment Limited, Tiantu Investments Limited and East Jump Management Limited) respectively, pursuant to which the three subscribers agreed to subscribe, and the Company agreed to allot and issue, an aggregate of 166,666,666 subscription shares at the subscription price of HK\$0.6 per subscription share. The total number of subscription shares represents (i) approximately 13.99% of the existing total number of issued shares (the "**Shares**") of the Company as at 30 June 2020 and (ii) approximately 12.27% of the total number of issued Shares as enlarged only by the allotment and issue of the subscription shares.

The above share issues and subscriptions were approved by the Shareholders in the extraordinary general meeting of the Company on 24 August 2020; and on 31 August 2020, the three subscribers completed the said subscriptions.

FINANCIAL REVIEW

Revenue

The total revenue decreased by approximately 88.2% from approximately RMB1,400.2 million for the six months ended 30 June 2019 to approximately RMB164.6 million for the six months ended 30 June 2020.

Credit facilitation and service fee decreased by approximately 91.0% from approximately RMB803.9 million for the six months ended 30 June 2019 to approximately RMB72.0 million for the six months ended 30 June 2020. We generally collect the 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 was mainly attributable to the relatively small scale of new credit facilitated in the first half of 2020 as affected by the COVID-19 Pandemic. In addition, we also implemented relatively large discount and exemption measures to facilitate the repayment of borrowers when we conducted the P2P Exiting in the first half of 2020.

Credit card technology service fee decreased by approximately 76.1% from approximately RMB110.9 million for the six months ended 30 June 2019 to approximately RMB26.5 million for the six months ended 30 June 2020, mainly because the scale of credit card technology services was relatively small due to the fact that the new card issuance volume of our partner banks decreased as affected by the volatility of personal consumption credit market and the COVID-19 Pandemic in the first half of 2020.

Referral service fee decreased by approximately 89.2% from approximately RMB197.0 million for the six months ended 30 June 2019 to approximately RMB21.3 million for the six months ended 30 June 2020, primarily as we closely followed the relevant changes in policy, set higher admission standards for referral services partners, and actively reduced the business volume, due to the increasingly stringent regulation on the Internet finance industry within the PRC.

Other revenue decreased by approximately 84.5% from approximately RMB288.4 million for the six months ended 30 June 2019 to approximately RMB44.8 million for the six months ended 30 June 2020, among which (i) the payment service fee decreased by approximately 89.1% from approximately RMB188.3 million for the six months ended 30 June 2019 to approximately RMB20.6 million for the six months ended 30 June 2020, mainly due to the decrease in business volume of payment channel service; and (ii) the interest income of loans to customers decreased by approximately 94.7% from approximately RMB26.3 million for the six months ended 30 June 2019 to approximately RMB1.4 million for the six months ended 30 June 2020, primarily due to the lower balance of loans funded by trusts.

Operating expenses

Total operating expenses decreased by approximately 18.1% from approximately RMB1,136.0 million for the six months ended 30 June 2019 to approximately RMB930.2 million for the six months ended 30 June 2020.

Origination and servicing expenses decreased by approximately 74.0% from approximately RMB526.4 million for the six months ended 30 June 2019 to approximately RMB136.8 million for the six months ended 30 June 2020, including (i) a decrease by approximately 83.8% to approximately RMB34.9 million in fund transfer charges for the six months ended 30 June 2020 from approximately RMB215.7 million for the corresponding period in 2019 due to the decreased payment service business volume; (ii) a decrease by approximately 76.1% to approximately RMB34.0 million in external technical service fees for the six months ended 30 June 2020 from approximately RMB142.1 million for the corresponding period in 2019 due to the decline in the business scale and the decreased demand for third-party technical services such as loan collection services and credit assessment data usage, etc.; (iii) a decrease by approximately 55.8% to approximately RMB34.9 million in employee benefit expenses for the six months ended 30 June 2020 from approximately RMB78.9 million for the corresponding period in 2019 due to the decrease in headcount as a result of business downsizing; and (iv) the loan referral service expenses decreased to nil for the six months ended 30 June 2020 from approximately RMB26.5 million for the corresponding period in 2019, as we had no loan referred by third-party business partners in the first half of 2020.

Sales and marketing expenses decreased by approximately 91.1% from approximately RMB256.0 million for the six months ended 30 June 2019 to approximately RMB22.7 million for the six months ended 30 June 2020, as we had significantly reduced marketing expenses in order to concentrate resources to ensure the smooth completion of the P2P Exiting in the first half of 2020.

General and administrative expenses decreased by approximately 38.4% from approximately RMB132.3 million for the six months ended 30 June 2019 to approximately RMB81.5 million for the six months ended 30 June 2020, which mainly represents a decrease by approximately 47.0% to approximately RMB46.0 million in employee benefit expenses for the six months ended 30 June 2020 from approximately RMB86.8 million for the corresponding period in 2019 due to the decrease in headcount of administrative staff as a result of downsizing of the business, including a decrease of approximately RMB30.4 million of share-based compensation expenses.

Research and development expenses decreased by approximately 67.1% from approximately RMB118.6 million for the six months ended 30 June 2019 to approximately RMB39.0 million for the six months ended 30 June 2020 mainly due to a decrease by approximately 72.5% to approximately RMB26.7 million in research and development employee benefit expenses for the six months ended 30 June 2020 from approximately RMB97.0 million for the corresponding period in 2019 due to the decrease in headcount of research and development staff as a result of downsizing of the business, including a decrease of approximately RMB0.2 million of share-based compensation expenses.

ECL increased by approximately 755.3% to approximately RMB639.8 million for the six months ended 30 June 2020 from approximately RMB74.8 million for the six months ended 30 June 2019, as a result of the increase in the default risk of financial assets and liabilities held by us affected by the P2P Exiting and the COVID-19 Pandemic in the first half of 2020.

Other losses, net decreased by approximately 62.9% from approximately RMB28.0 million for the six months ended 30 June 2019 to approximately RMB10.4 million for the six months ended 30 June 2020, which mainly represents that the fair value gain/(loss) on financial assets at FVPL changed to a gain of approximately RMB15.9 million for the six months ended 30 June 2020 from a loss of approximately RMB59.7 million for the six months ended 30 June 2019, as a result of the completion of new financing by several investee companies in the first half of 2020, which led to an increase in the fair value as compared to that of 31 December 2019.

Share of net loss of associates accounted for using equity method

Share of net loss of associates accounted for using equity method was approximately RMB4.6 million for the six months ended 30 June 2020, generally remained stable as compared to that in the corresponding period in 2019, mainly due to that the businesses of the associates remained stable (six months ended 30 June 2019: approximately RMB4.8 million).

Fair value gain of financial liabilities at FVPL

Fair value gain of financial liabilities at FVPL for the six months ended 30 June 2019 increased from approximately RMB213,000 for the six months ended 30 June 2019 to approximately RMB15.9 million for the six months ended 30 June 2020, mainly because as at 30 June 2020, the market value of such financial liabilities decreased as compared to that of 31 December 2019.

Finance income/(expenses), net

Finance income/(expenses), net changed from expenses of approximately RMB5.7 million for the six months ended 30 June 2019 to income of approximately RMB4.0 million for the six months ended 30 June 2020, which was mainly attributable to the decrease in interest expenses due to the reduction in amount of indebtedness.

Income tax expense

Income tax expense decreased by approximately 83.9% from approximately RMB60.1 million for the six months ended 30 June 2019 to approximately RMB9.7 million for the six months ended 30 June 2020, mainly because the amount of taxable income under the “Law of the PRC on Enterprise Income Tax” for the six months ended 30 June 2020 decreased, as compared with that in the corresponding period in 2019.

(Loss)/profit for the period

As a result of the foregoing, our (loss)/profit for the period changed from a net profit of approximately RMB193.7 million for the six months ended 30 June 2019 to a net loss of approximately RMB760.0 million for the six months ended 30 June 2020, primarily due to (i) the decline in business scale in the first half of 2020 resulted in a decrease in revenue; (ii) the default risk of financial assets and financial liabilities held by us increased as affected by the P2P Exiting and the COVID-19 Pandemic, which led to a significant increase in the amount of ECL; and (iii) the above were partially offset by the decreases in sales and marketing expenses, general and administrative expenses and research and development expenses.

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 six months ended 30 June 2020 was approximately RMB752.4 million, as compared with the adjusted net profit of approximately RMB308.8 million for the six months ended 30 June 2019.

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Adjusted net (loss)/profit		
Net (loss)/profit	(760,046)	193,692
Adjusted for:		
Share-based compensation expenses	24,219	55,658
Fair value gain of financial liability at FVPL	(15,860)	(213)
Fair value (gain)/loss of financial assets at FVPL	(15,945)	59,702
Impairment loss of goodwill	15,206	—
Adjusted net (loss)/profit	<u>(752,426)</u>	<u>308,839</u>

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 2020 and 31 December 2019 are as follows:

	As at	As at
	30 June	31 December
	2020	2019
	<i>RMB' million</i>	<i>RMB' million</i>
	(Unaudited)	(Audited)
Cash and cash equivalent	291	1,283
Liquid investments	4	—
Borrowings	(217)	(169)
Net cash	<u>78</u>	<u>1,114</u>

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

For the six months ended 30 June 2020, the Group recorded net cash outflow of approximately RMB992.0 million, primarily as a result of net cash used in operating activities of approximately RMB1,147.4 million, offset by net cash flow generated from investing activities of approximately RMB99.5 million and net cash flow generated from financing activities of approximately RMB56.7 million.

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

The gearing ratio, calculated as total borrowings divided by total assets, was approximately 6.5% as at 30 June 2020 (31 December 2019: approximately 2.9%).

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

	As at 30 June 2020 <i>RMB’ million</i> (Unaudited)	As at 31 December 2019 <i>RMB’ million</i> (Audited)
Within 1 year	160,958	19,821
1 year to 2 years	31,750	121,563
2 years to 5 years	22,685	22,056
Over 5 years	1,376	5,427
Total borrowings	216,769	168,867

The bank and other borrowings as at 30 June 2020 were denominated in RMB (31 December 2019: RMB). For the six months ended 30 June 2020, the annual interest rates of borrowings ranged between 5.64% to 14.61% (six months ended 30 June 2019: 5.64% to 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 HK dollars.

For the Group's PRC subsidiaries whose functional currency is RMB, if US dollars had strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the six months ended 30 June 2020 would have been approximately RMB2,099,000 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 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.

For the Group's PRC subsidiaries whose functional currency is RMB, if HK dollars had strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the six months ended 30 June 2020 would have been approximately RMB400 lower/higher, and the profit before income tax for the six months ended 30 June 2019 would have been approximately RMB17,000 higher/lower, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in HK dollars.

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

Charge on Assets

As at 30 June 2020, the Group had charged its properties located in Building B3, No. 588 Wenyi West Road, Hangzhou, PRC in favour of Wenchuang Branch of Bank of Hangzhou and Hangzhou Branch of Bank of Wenzhou for obtaining mortgage loans of RMB53 million and RMB90 million, respectively.

Significant Investments

For the six months ended 30 June 2020, the Group did not have any significant investments (six months ended 30 June 2019: nil).

Material Acquisition and Disposal

For the six months ended 30 June 2020, the Group did not have any material acquisition or disposal except for the deemed disposal of a subsidiary as disclosed in the announcements dated 14 April, 27 April and 29 May 2020, and the circular dated 11 May 2020 of the Company, respectively (six months ended 30 June 2019: nil).

Contingent Liabilities

Save as disclosed in Note 16 to the condensed consolidated interim financial information as set out in this announcement, the Group did not have any other material contingent liabilities as at 30 June 2020 (31 December 2019: nil, except for the contingent liabilities as disclosed in Note 39 to the section headed “Notes to the Consolidated Financial Statements” of the annual report of the Company for the year ended 31 December 2019).

Employees and Remuneration Policy

As at 30 June 2020, the Group had approximately 340 staff. For the six months ended 30 June 2020, the total staff cost incurred by the Group was approximately RMB111.1 million.

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

The Company has also adopted 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 of the Company for the year ended 31 December 2019.

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 of Hong Kong Limited (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.

Details of use of net proceeds as at 31 December 2019 were disclosed in the announcement dated 30 March 2020 and the annual report of the Company for the year ended 31 December 2019, respectively. Further details of the expected timeline for utilizing the remaining unutilized net proceeds as at 31 December 2019 are set out below:

Planned use of net proceeds	Proportion	Amount not yet utilized as at 31 December 2019		Expected timeline for utilizing the remaining unutilized net proceeds ^(Note)
		HK\$ million	RMB' million	
		(approximate)	(approximate)	
User acquisition	40.0%	137.2	122.9	by 31 December 2021
Enhancement of technology and risk management capabilities	30.0%	150.9	135.2	by 31 December 2021
Investment	20.0%	169.4	151.7	by 31 December 2021
Working capital and other general corporate purposes	10.0%	–	–	–
Total	100.0%	457.5	409.8	

Note: Due to the change of use of net proceeds as disclosed below, the expected timelines of two of the planned uses as at 31 December 2019 were being changed accordingly. Please refer to the paragraph headed “CHANGE IN USE OF NET PROCEEDS” below for details.

As at 30 June 2020, the net proceeds were utilized in consistent with the usage as disclosed in the prospectus (the “**Prospectus**”) of the Company dated 29 June 2018, further details of which are set out below:

Planned use of net proceeds	Proportion	Net proceeds from the IPO		Amount utilized up to 30 June 2020		Amount not yet utilized as at 30 June 2020		Amount utilized up to the date of this announcement		Unutilized Proceeds (as defined below)	
		HK\$ million	RMB' million	HK\$ million	RMB' million	HK\$ million	RMB' million	HK\$ million	RMB' million	HK\$ million	RMB' million
		(approximate)	(approximate)	(approximate)	(approximate)	(approximate)	(approximate)	(approximate)	(approximate)	(approximate)	(approximate)
User acquisition	40.0%	419.8	359.7	346.4	294.6	73.4	65.1	365.2	311.6	54.6	48.1
Enhancement of technology and risk management capabilities	30.0%	314.9	269.8	253.7	215.9	61.2	53.9	281.3	240.9	33.6	28.9
Investment	20.0%	209.9	179.8	40.5	28.1	169.4	151.7	40.5	28.1	169.4	151.7
Working capital and other general corporate purposes	10.0%	105.0	89.9	105.0	89.9	–	–	105.0	89.9	–	–
Total	100.0%	1,049.6	899.2	745.6	628.5	304.0	270.7	792.0	670.5	257.6	228.7

CHANGE IN USE OF NET PROCEEDS

For reasons set out in the paragraph headed “REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF NET PROCEEDS” below, the Board has resolved to change the use of approximately HK\$257.6 million (equivalent to approximately RMB228.7 million) out of the remaining unutilized net proceeds as at the date of this announcement (the “**Unutilized Proceeds**”), which were originally allocated for (i) user acquisition; (ii) enhancement of technology and risk management capabilities; and (iii) investment. The table below sets out the original approximate proportion of net proceeds as stated in the Prospectus, the revised approximate proportion of net proceeds, the original allocation of the Unutilized Proceeds, the change in use, the revised position after the change in use and the expected timeline for utilizing the Unutilized Proceeds:

Planned use of net proceeds	Original approximate proportion of net proceeds as stated in the Prospectus	Original allocation of Unutilized Proceeds		Revised approximate proportion of net proceeds	Reallocation of Unutilized Proceeds		Expected timeline for utilizing the Unutilized Proceeds ^(Note)
		HK\$ million	RMB' million		HK\$ million	RMB' million	
		(approximate)	(approximate)		(approximate)	(approximate)	
User acquisition	40.0%	54.6	48.1	38.8%	41.9	37.0	by 31 December 2021
Enhancement of technology and risk management capabilities	30.0%	33.6	28.9	39.2%	130.4	115.7	by 31 December 2021
Investment	20.0%	169.4	151.7	3.9%	–	–	–
Working capital and other general corporate purposes	10.0%	–	–	18.1%	85.3	76.0	by 31 December 2021
Total	100.0%	257.6	228.7	100.0%	257.6	228.7	

Note: The expected timeline for utilizing the Unutilized Proceeds is based on the best estimation of the future market conditions made by the Group as at the date of this announcement. It may be subject to change based on the current and future development of the market conditions.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF NET PROCEEDS

The Board considered that even though the Group has completed the P2P Exiting as at the date of this announcement, the COVID-19 Pandemic and the uncertainties of the credit market may affect the development of the Group. In light of this, the Group needs to adopt a more effective policy to maintain its existing business operations and cash flow liquidity in response to the economic uncertainties and market conditions. Meanwhile, the Group also needs to further strengthen the input in technology in the development of innovative business. The Board believes that the change in use of net proceeds is beneficial for the Group to meet the current operation needs, increase its competitiveness and provide more buffer to cope with the economic uncertainties in the future; and thus, is in the best interests of the Group and the Shareholders as a whole.

INTERIM DIVIDEND

The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2020, 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 six months ended 30 June 2020, 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 Exchange (the “**Listing Rules**”), with exceptions 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, 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 HK 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 2020 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, a former executive Director and the former vice-president of the Company, was 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 six months ended 30 June 2020.

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 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 unaudited interim results of the Group and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020. 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 2020 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.

EVENT AFTER THE REPORTING PERIOD

For details of important event of the Group which has occurred since the end of the six months ended 30 June 2020, please refer to Note 17 to the condensed consolidated interim financial information as set out in this announcement.

PUBLICATION OF INTERIM REPORT

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

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

By Order of the Board

51 Credit Card Inc.

Sun Haitao

Chairman, Chief Executive Officer and Executive Director

31 August 2020

As at the date of this announcement, the executive Directors are Mr. Sun Haitao 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. Xu Xuchu.