51信用卡

51 CREDIT CARD INC.

51 信 用 卡 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2051)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of 51 Credit Card Inc. (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**" or "**we**") for the year ended 31 December 2020.

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2020 was approximately RMB274.3 million, decreased by 86.6% as compared to approximately RMB2,045.4 million for the corresponding period in 2019.

- Operating loss for the year ended 31 December 2020 was approximately RMB1,438.4 million, increased by 8.5% as compared to approximately RMB1,325.3 million for the corresponding period in 2019.

- Adjusted operating loss for the year ended 31 December 2020 was approximately RMB927.2 million, decreased by 5.0% as compared to approximately RMB976.3 million for the corresponding period in 2019; adjusted net loss for the year ended 31 December 2020 was approximately RMB1,343.9 million, increased by 58.7% as compared to approximately RMB847.1 million for the corresponding period in 2019.

- No final dividend was declared for the year ended 31 December 2020 (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group operates a widely-used credit card management platform, 51 Credit Card Manager App ("**51 Credit Card Manager App**"). As at 31 December 2020, the number of registered users of 51 Credit Card Manager App was approximately 86.4 million, and the number of credit cards we had managed cumulatively amounted to approximately 145.0 million. 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 31 December 2020, Little Blue Book had approximately 6.2 million registered users.

In the first half of 2020, we followed the guidances 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 debt collection efficiency, adopting multiple measures to urge borrowers to repay loans in advance, and enhancing debt recovery efforts to delinquent borrowers through lawsuits and by other means, etc., we had completed the P2P Exiting successfully in mid-2020. To concentrate resources to ensure that the P2P Exiting could be completed, we significantly reduced various expenses, including new user acquisition cost, etc., and kept the scale of various businesses, including the credit facilitation service, at a low level.

In the second half of 2020, following our successful withdrawal from the P2P industry, we have shifted the focus of our business fully to providing technology services to financial institutions, and the scale of credit facilitation business recovering steadily. We concentrated on providing services to more creditworthy users and adopted stringent risk controls to achieve long-term and stable growth. As a result of our continuous efforts, the recovered amount of overdue assets in respect of the historical credit facilitation business also increased significantly.

In the meantime, we continued to explore new business opportunities. We repositioned Little Blue Book as a "smart sales intelligence platform" to help enterprises quickly identify and accurately reach their customers through the reconstruction of network-wide data using big data, artificial intelligence technology and automation approaches, thereby shortening their sales cycle and improving sales efficiency. At the end of 2020, we launched the "Blue Intelligence*(藍色線索)" product targeting small and medium-sized enterprises ("**SMEs**").

In summary, the Group completely withdrew from the P2P industry and underwent a full reconstruction and transformation of business in 2020. Despite a steady recovery in the scale of our credit facilitation business and a significant decrease in delinquency rates in the second half of 2020, our operating results declined significantly as compared to 2019 due to factors such as the P2P Exiting and the pandemic of the coronavirus disease ("**COVID-19**"). For the year ended 31 December 2020, our revenue was approximately RMB274.3 million, representing a decrease of 86.6% from approximately RMB2,045.4 million for the corresponding period in 2019; our adjusted operating loss was approximately RMB927.2 million, representing a decrease of 5.0% from approximately RMB976.3 million for the corresponding period in 2019; and our adjusted net loss was approximately RMB1,343.9 million, representing an increase of 58.7% from approximately RMB847.1 million for the corresponding period in 2019.

	For the year ended 31 December				**Year-on-year change**
	2020		2019		
	RMB'000 (approximate)	***Percentage of revenue (approximate)***	*RMB'000 (approximate)*	*Percentage of revenue (approximate)*	*Percentage (approximate)*
Revenue	**274,309**	**100.0%**	2,045,393	100.0%	-86.6%
Credit facilitation and service fee	**95,427**	**34.8%**	1,173,082	57.4%	-91.9%
Credit card technology service fee	**45,829**	**16.7%**	152,261	7.4%	-69.9%
Referral service fee	**26,585**	**9.7%**	289,146	14.1%	-90.8%
Other revenue	**106,468**	**38.8%**	430,904	21.1%	-75.3%
Operating loss for the year	**(1,438,437)**		(1,325,296)		8.5%
Net loss for the year	**(1,716,406)**		(1,111,043)		54.5%
Adjusted operating loss for the year	**(927,235)**		(976,329)		-5.0%
Adjusted net loss for the year	**(1,343,945)**		(847,100)		58.7%

1. Credit Facilitation Service

In 2020, the total volume of the credit facilitation business was approximately RMB2,416.9 million, all being businesses under the cooperation with financial institutions. Affected by the P2P Exiting and the COVID-19 pandemic, our scale of credit facilitation business decreased significantly as compared to 2019 and we focused on providing services to more creditworthy users. The average tenure of loans increased from approximately 9.4 months in 2019 to approximately 10.4 months in 2020, and the average amount of loans increased from approximately RMB9,800 in 2019 to approximately RMB9,900 in 2020. At the same time, the delinquency rate of new credit facilitation business in 2020 also decreased significantly.

2. Credit Card Technology Service

Affected by COVID-19 pandemic, the personal consumption credit market in 2020 experienced volatility as a whole, which led to a significant increase in the delinquency rate of the credit card business. The number of new credit card issued by our partner banks through our platform recorded a substantial decrease. Thus the revenue from credit card technology service decreased from approximately RMB152.3 million for the corresponding period in 2019 to approximately RMB45.8 million in 2020.

3. Referral Service

In 2020, in light of the regulations on the Internet finance industry by the government of the People's Republic of China (the "**PRC**" or "**China**"), the scale of the industry downsized significantly. Accordingly, the revenue from referral service decreased from approximately RMB289.1 million for the corresponding period in 2019 to approximately RMB26.6 million in 2020.

4. Little Blue Book Business

Little Blue Book is a commercial information searching tool that we launched in September 2019. As at 31 December 2020, Little Blue Book had approximately 6.2 million registered users. In the second half of 2020, we repositioned Little Blue Book as a "smart sales intelligence platform". At the end of 2020, we launched the "Blue Intelligence" product targeting SMEs.

OUTLOOK

In the first half of 2020, we made great efforts and successfully completed the P2P Exiting, laying a solid foundation for the full transformation and development of our business. We will continuously adjust our business in response to changes in the industry environment. Apart from providing services to financial institutions in areas such as credit facilitation and credit card technology services, we will actively explore market opportunities in the digital transformation of banks in the PRC and leverage our years of experience in Internet technology, products and operations to provide them with comprehensive solutions, aiming to be the first-class provider of customer operation and management service for financial institutions in China.

In respect of Little Blue Book business, we will further strengthen the ability of artificial intelligence in processing big data and optimizing sales chain of enterprises, so as to provide solutions to major obstacles faced by enterprises such as difficulties in acquiring and reaching customers and determining closing opportunities. On top of the "Blue Intelligence" product line serving SMEs, we will also explore market opportunities to provide customized services for large enterprises in order to achieve steady revenue growth.

In 2020, amidst the complex and severe external environment, 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 RMB40.0 million, which was intended to be used as working capital for the technology development, promotion and operation of Little Blue Book. The Company also completed its equity fund raising of approximately HK$100.0 million. These financings demonstrate the confidence and support of the Company's shareholders (the "**Shareholders**") to us and will provide long-term support for the full transformation and development of our business.

FINANCIAL INFORMATION

The Board announces the audited consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		Year ended 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Credit facilitation and service fee	2	**95,427**	1,173,082
Credit card technology service fee		**45,829**	152,261
Referral service fee		**26,585**	289,146
Other revenue	3	**106,468**	430,904
Total revenue		**274,309**	2,045,393
Origination and servicing expenses	4	**(308,951)**	(870,463)
General and administrative expenses	4	**(140,576)**	(291,711)
Research and development expenses	4	**(70,032)**	(194,815)
Sales and marketing expenses	4	**(60,923)**	(454,219)
Expected credit loss	5	**(665,465)**	(1,265,465)
Other losses, net	6	**(466,799)**	(294,016)
Total operating expenses		**(1,712,746)**	(3,370,689)
Operating loss		**(1,438,437)**	(1,325,296)
Share of net loss of associates accounted for using equity method		**(5,751)**	(3,255)
Fair value gain of financial liabilities at fair value through profit or loss		**17,000**	46,160
Finance expenses, net		**(3,418)**	(5,014)
Loss before income tax		**(1,430,606)**	(1,287,405)
Income tax (expense)/credit	7	**(285,800)**	176,362
Loss for the year		**(1,716,406)**	(1,111,043)

	Note	Year ended 31 December **2020** ***RMB'000***	2019 *RMB'000*
Loss for the year attributable to:			
– Owners of the Company		**(1,699,071)**	(1,128,878)
– Non-controlling interests		**(17,335)**	17,835
		(1,716,406)	(1,111,043)
Other comprehensive loss			
Items that may not be reclassified to profit or loss			
Currency translation differences		**(14,647)**	(5,303)
Total comprehensive loss for the year, net of tax		**(1,731,053)**	(1,116,346)
Total comprehensive loss attributable to:			
– Owners of the Company		**(1,708,725)**	(1,134,969)
– Non-controlling interests		**(22,328)**	18,623
		(1,731,053)	(1,116,346)
Loss per share attributable to owners of the Company – basic and diluted *(expressed in RMB per share)*:			
Loss for the year – basic	8	**(1.56)**	(1.13)
Loss for the year – diluted	8	**(1.56)**	(1.13)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property and equipment, net		**121,937**	179,185
Right-of-use assets		**6,373**	55,718
Intangible assets	9	**501,137**	852,850
Investments accounted for using equity method		**32,099**	117,711
Financial assets at fair value through profit or loss		**100,693**	153,318
Deferred income tax assets		**101,745**	390,894
Prepayments and other receivables	10	**392**	4,464
Total non-current assets		**864,376**	1,754,140
Current assets			
Quality assurance fund receivable	11	**22,190**	566,801
Contract assets	12	**35,487**	711,741
Trade receivables	13	**11,935**	96,761
Prepayments and other receivables	10	**132,128**	386,528
Loans to customers, net		**171,203**	20,739
Restricted cash		**221,735**	810,302
Cash and cash equivalents		**412,684**	1,283,144
Assets classified as held for sale		**–**	110,270
Total current assets		**1,007,362**	3,986,286
Total assets		**1,871,738**	5,740,426

	Note	As at 31 December **2020** ***RMB'000***	 2019 *RMB'000*
EQUITY AND LIABILITIES			
Equity			
Share capital		**90**	79
Share premium		**6,136,837**	5,960,095
Shares held for employee incentive schemes		**(11)**	(12)
Reserves		**(45,843)**	(15,599)
Accumulated losses		**(5,121,460)**	(3,422,389)
Non-controlling interests		**11,973**	32,184
Total equity		**981,586**	2,554,358
Liabilities			
Non-current liabilities			
Bank and other borrowings		**27,483**	149,046
Lease liabilities		**1,828**	35,435
Deferred income tax liabilities		**119,434**	127,624
Total non-current liabilities		**148,745**	312,105
Current liabilities			
Quality assurance fund payable	11	**53,867**	1,559,495
Payable to platform customers		**129,653**	707,842
Contract liabilities	12	**17,214**	108,250
Bank and other borrowings		**171,563**	19,821
Lease liabilities		**2,988**	12,012
Payable to trust senior tranche holders		**–**	20,100
Trade and other payables	14	**316,338**	404,032
Income tax payable		**2,414**	11,347
Financial liabilities at fair value through profit or loss		**47,370**	24,370
Liabilities directly associated with assets classified as held for sale		**–**	6,694
Total current liabilities		**741,407**	2,873,963
Total liabilities		**890,152**	3,186,068
Total equity and liabilities		**1,871,738**	5,740,426

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 2020, the Group incurred a continuous net loss attributable to owners of the Company of approximately RMB1,699,071,000 and a net cash used in operating activities of approximately RMB1,128,466,000. 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 that the Group exited the P2P business in 2020 and focused on credit facilitation for institutional investors;

(2) the ongoing outbreak COVID-19 pandemic in 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 31 December 2020.

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

1.2 Significant accounting policies

1.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Amendments to International Accounting Standards ("**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

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

1.2.2 New standards and interpretations not yet adopted

The Group has not adopted the following new or amended standards and interpretations issued by the International Accounting Standards Board ("**IASB**") and the IFRS Interpretations Committee ("**IFRIC**"), that have been issued but are not yet effective.

			Effective for annual periods beginning on or after
Amendments to IFRS 16	(i)	COVID-19-Related Rent Concessions	1 June 2020
Amendments to IAS 1	(ii)	Amended by Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to IFRS 3	(iii)	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	(iv)	Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	(v)	Proceeds before Intended Use	1 January 2022

			Effective for annual periods beginning on or after
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	(vi)	Annual Improvements 2018 – 2020 cycle	1 January 2022
IFRS 17	(vii)	Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	(viii)	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	To be determined

The Group anticipates that the adoption of the above new or amended standards will not have significant impact on the Group's financial information.

2 CREDIT FACILITATION AND SERVICE FEE

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Upfront credit facilitation service fee	**26,507**	740,271
Post credit facilitation service fee	**68,920**	432,811
	95,427	1,173,082

Note: The unsatisfied performance obligation as at 31 December 2020 was approximately RMB19,013,000. Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 31 December 2020 will be recognized as revenue within the next twelve months.

3 OTHER REVENUE

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Payment service fee	**44,976**	267,326
Smart retail solutions service fee	**29,321**	–
Overdue charges	**12,583**	15,472
Interest income of loans to customers	**1,492**	27,518
Insurance commission income	**–**	47,700
Others	**18,096**	72,888
	106,468	430,904

4 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Employee benefit expenses	**202,191**	508,756
External technical service fees	**108,132**	252,902
Depreciation and amortization	**73,589**	94,081
Fund transfer charges	**61,734**	327,194
Marketing and advertising fees	**55,343**	439,754
Professional service fees	**24,368**	38,012
Office expenses	**9,947**	19,988
Referral service expenses	**–**	40,591
Insurance commissions	**–**	30,925
Others	**45,178**	59,005
Total amount of origination and servicing expenses, general and administrative expenses, research and development expenses and sales and marketing expenses	**580,482**	1,811,208

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

5 EXPECTED CREDIT LOSS

The composition of expected credit loss ("**ECL**") provided for the years ended 31 December 2020 and 2019 as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Quality assurance fund *(Note 11)*	**374,826**	858,457
Contract assets *(Note 12)*	**141,596**	246,394
Trade receivables *(Note 13)*	**107,055**	74,916
Prepayments and other receivables	**40,955**	–
Loans to customers, net	**1,033**	85,698
	665,465	1,265,465

6 OTHER LOSSES, NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Impairment loss (a)	**(424,583)**	(184,652)
Fair value loss on financial assets at FVPL	**(42,742)**	(137,303)
Government grants (b)	**7,841**	21,113
Interest expenses to trust senior tranche holders	**(52)**	(8,946)
Dividend income from an investee	**–**	16,103
Fair value loss on foreign exchange contracts	**–**	(2,154)
Others	**(7,263)**	1,823
	(466,799)	(294,016)

(a) The composition of impairment loss provided for the years ended 31 December 2020 and 2019 is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Impairment on intangible assets *(Note 9)*	**(344,722)**	(145,788)
Impairment on investments accounted for using equity method	**(79,861)**	(38,864)
	(424,583)	(184,652)

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

7 INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) the Group for the years ended 31 December 2020 and 2019 presented are analyzed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current income tax	**4,841**	10,092
Deferred income tax	**280,959**	(186,454)
	285,800	(176,362)

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%.

The PRC

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

Beijing Dingli Chuangshi Technology Co., Ltd.*（北京鼎力創世科技有限公司）, Hangzhou Yiniu Network Technology Co., Ltd.*（杭州義牛網絡技術有限公司）and Beijing Shouhui Kaizhuo Technology Co., Ltd.*（北京首惠開桌科技有限公司）(“**Kaizhuo Technology**”) were qualified as HNTEs in 2017; Beijing Yaku Shikong Information Exchange Technology Co., Ltd.*（北京雅酷時空信息交換技術有限公司）and Beijing Shouhui Shidai Information Technology Co., Ltd.*（北京首惠時代信息技術有限公司）were qualified as HNTEs in 2018; Hangzhou Enniu Network Technology Co., Ltd.*（杭州恩牛網絡技術有限公司）and Hangzhou Zhenniu Information Technology Co., Ltd.*（杭州振牛信息科技有限公司）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.

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

Withholding Tax on Undistributed Profits

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

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

8 LOSS PER SHARE

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

	Year ended 31 December	
	2020	2019
Loss attributable to owners of the Company *(RMB'000)*	**(1,699,071)**	(1,128,878)
Weighted average number of ordinary shares in issue *('000)*	**1,088,786**	999,772
Basic loss per share *(expressed in RMB)*	**(1.56)**	(1.13)

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

As the Group incurred losses for the years ended 31 December 2020 and 2019, 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 years ended 31 December 2020 and 2019 are the same as basic loss per share.

	Year ended 31 December	
	2020	2019
Loss attributable to owners of the Company *(RMB'000)*	**(1,699,071)**	(1,128,878)
Weighted average number of ordinary shares in issue *('000)*	**1,088,786**	999,772
Weighted average number of ordinary shares for calculation of diluted loss per share *('000)*	**1,088,786**	999,772
Diluted loss per share *(expressed in RMB)*	**(1.56)**	(1.13)

9 INTANGIBLE ASSETS

	Goodwill RMB'000 (Note (a))	Software RMB'000	Platform RMB'000	Applications RMB'000	Payment license RMB'000 (Note (b))	Trademark RMB'000	Total RMB'000
Cost							
As at 1 January 2020	482,377	24,676	9,810	3,260	499,000	5,272	1,024,395
Addition from purchases	–	1,152	–	–	–	–	1,152
As at 31 December 2020	482,377	25,828	9,810	3,260	499,000	5,272	1,025,547
Accumulated amortization							
As at 1 January 2020	–	(15,705)	(7,684)	(1,277)	–	(1,091)	(25,757)
Amortization charge for the year *(Note (c))*	–	(5,594)	(1,963)	–	–	(586)	(8,143)
As at 31 December 2020	–	(21,299)	(9,647)	(1,277)	–	(1,677)	(33,900)
Impairment losses							
As at 1 January 2020	(145,788)	–	–	–	–	–	(145,788)
Addition	(302,842)	–	–	(1,983)	(39,897)	–	(344,722)
As at 31 December 2020	(448,630)	–	–	(1,983)	(39,897)	–	(490,510)
Net book value							
As at 31 December 2020	33,747	4,529	163	–	459,103	3,595	501,137
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 amortization							
As at 1 January 2019	–	(8,213)	(5,722)	(951)	–	(176)	(15,062)
Amortization 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

(a) Impairment tests for goodwill

Goodwills were mainly arising from the Group's acquisitions of China Netcom Technology Holdings Limited ("**China Netcom**") of approximately RMB132,454,000, Kaizhuo Technology of approximately RMB307,161,000 and other entities of approximately RMB42,762,000, respectively. Goodwill is monitored at the cash-generating unit ("**CGU**") level determined by the management. The management has assessed and determined that the Group operates in two CGUs, namely China Netcom unit ("**China Netcom Unit**") and other operating business excluding China Netcom Unit ("**Core Unit**").

As at 31 December 2020 and 2019, goodwills are allocated to the Group's CGUs identified as follow:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Core Unit (i)	**–**	287,636
China Netcom Unit (ii)	**33,747**	48,953
	33,747	336,589

Impairment review on the goodwills of the Group has been conducted by the management as at 31 December 2020 and 2019 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

Goodwill and the payment license with indefinite useful life are allocated to Core Unit. In assessing whether these assets have suffered any impairment, the carrying value of Core Unit on which these assets are allocated is compared with its recoverable amount.

As at 31 December 2020 and 2019, the recoverable amount 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.

Based on the impairment review by the management, impairment indicators were noted for Core Unit and caused the changes in key assumptions, which was primarily due to the following factors:

1) the exit of the P2P business in 2020 and the focus on credit facilitation for institutional investors following the regulatory guidances which led to the significant decrease in the volume of credit facilitation activities;

2) the prolonged uncertainty associated with COVID-19 pandemic which put considerable downward pressure on the economy in the PRC, and caused the decline of the willingness for personal consumptions and the demands for personal consumer credit; and

3) the dynamic change in market environment in third party payment business, together with the decrease of the credit facilitation volume as a result of a more prudent strategy adopted by the Group towards its credit facilitation business, greatly reduced the synergistic effect with the business of the third-party payment service, and resulted in the impairment indicator of the goodwill and payment license arising from the acquisition of Kaizhuo Technology.

As at 31 December 2020 and 2019, key assumptions and parameter for goodwill of Core Unit used for value in use calculations are set as below:

	As at 31 December	
	2020	2019
Annual growth rates	**(2.7%) – 44.7%**	(35.6%) – 35.6%
Operating profit margin	**(22.0%) – 35.0%**	(74.1%) – 28.7%
Pre-tax discount rate	**16.2%**	16.2%

Based on the impairment assessment review, the recoverable amount of Core Unit was lower than the carrying amount, resulting in an impairment loss of approximately RMB287,636,000 recognized against the goodwill of Core Unit for the year ended 31 December 2020.

(ii) China Netcom Unit

The recoverable amount of China Netcom Unit was determined based on FVLCD. On 30 June 2020, impairment test conducted as the stock price of China Netcom listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") was lower than the carrying amount of China Netcom Unit which indicated an impairment. An impairment provision of RMB15,206,000 was made with reference to the stock price of China Netcom on 30 June 2020. As at 31 December 2020, the stock price of China Netcom was higher than that on 30 June 2020, no further provision was provided.

(b) Impairment tests for payment license

The Group's payment license arises from the acquisition of Kaizhuo Technology on 31 December 2017 and is allocated to Core Unit. As at 31 December 2020, as the payment license is with indefinite useful life and hence impairment test was performed together with the goodwill in Core Unit using the methodology and assumptions as disclosed in Note 9(a)(i) above. Based on the impairment assessment, an impairment loss of approximately RMB39,897,000 was recognized against the payment license for the year ended 31 December 2020.

(c) Amortization of intangible assets

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Origination and servicing expenses	**3,218**	4,528
General and administrative expenses	**3,256**	3,551
Research and development expenses	**1,669**	2,616
	8,143	10,695

10 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Included in non-current assets:		
Rental deposits	**392**	4,464
	392	4,464
Included in current assets:		
Deposits	**38,892**	228,811
Withholding tax paid on behalf of grantees under employee incentive schemes	**21,998**	31,040
Value-added tax receivable	**16,340**	17,330
Receivable from disposal of bad debts	**12,311**	–
Prepaid expense	**10,157**	20,282
Receivables from investees	**4,000**	44,150
Others	**28,430**	44,915
	132,128	386,528
Total	**132,520**	390,992

11 QUALITY ASSURANCE FUND PAYABLE AND RECEIVABLE

The following table sets forth the Group's quality assurance fund payable movements for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Opening balance	**1,559,495**	1,524,621
Fair value of newly written quality assurance obligation	**94,293**	2,838,588
ECL provided for the year *(Note 5)*	**299,460**	810,466
Release of the margin *(Note 5)*	**(8,079)**	(239,335)
Payouts during the year, net	**(1,891,302)**	(3,374,845)
Ending balance	**53,867**	1,559,495

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 table sets forth the Group's quality assurance fund receivable movements for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Opening balance	**566,801**	812,078
Fair value of newly written quality assurance obligation	**94,293**	2,838,588
ECL for quality assurance fund *(Note 5)*	**(83,445)**	(287,326)
Contribution received from borrowers	**(555,459)**	(2,796,539)
Ending balance	**22,190**	566,801

	As at 31 December 2020			
	ECL staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Quality assurance fund receivable	**19,722**	**1,387**	**791,867**	**812,976**
Less: ECL allowance under IFRS 9 (a)	**(2,662)**	**(701)**	**(787,423)**	**(790,786)**
Quality assurance fund receivable, net	**17,060**	**686**	**4,444**	**22,190**

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

(a) The following tables explain the changes in the ECL allowance of quality assurance fund receivable by stage for the years ended 31 December 2020 and 2019:

	Year ended 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month	**Lifetime**	**Lifetime**	
	ECL	**ECL**	**ECL**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Opening balance	49,449	49,749	667,253	766,451
Transfer out	(1,022)	(357)	(57,731)	(59,110)
Net (decrease)/increase for the period (i)	(38,419)	(8,178)	130,042	83,445
Transfer				
Transfer from Stage 1 to Stage 2	(306)	306	–	–
Transfer from Stage 1 to Stage 3	(7,252)	–	7,252	–
Transfer from Stage 2 to Stage 1	212	(212)	–	–
Transfer from Stage 2 to Stage 3	–	(40,607)	40,607	–
Ending balance	2,662	701	787,423	790,786

	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
Transfer out	46,193	21,411	256,835	324,439
Net decrease for the period (i)	(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

(i) This item includes changes of Probability of Default, Exposure at Default and Loss Given Default due to routine updates to model parameters, and the impact of stage changes on the measurement of ECL.

12 CONTRACT ASSETS/(LIABILITIES)

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Contract assets	**638,822**	1,173,480
Less: ECL allowance	**(603,335)**	(461,739)
Contract assets, net	**35,487**	711,741
Contract liabilities	**(17,214)**	(108,250)

The activity in the total ECL allowance for the years ended 31 December 2020 and 2019 consisted of the following:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Opening balance	**(461,739)**	(215,345)
Provision of ECL for the year	**(141,596)**	(246,394)
Ending balance	**(603,335)**	(461,739)

Note: The Group receives payments from borrowers over the tenures of the loans. Contract asset represents the Group's right to consideration in exchange for services that the Group has provided. A substantial majority of the Group's contract assets as at 31 December 2020 would be realized within the next twelve months as the weighted average term of the arrangements where the Group is not the loan originator was less than twelve months. The Group determined that there is no significant financing component for its arrangements where the Group is not the loan originator.

13 TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Referral and credit card technology service receivables	**192,755**	167,118
Others	**1,497**	4,905
	194,252	172,023
ECL allowance	**(182,317)**	(75,262)
	11,935	96,761

The activity in the total ECL allowance for trade receivables as at 31 December 2020 and 2019 consisted of the following:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Opening balance	**(75,262)**	(346)
Provision of ECL for the year	**(107,055)**	(74,916)
Ending balance	**(182,317)**	(75,262)

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**4,434**	35,000
More than 30 days	**189,818**	137,023
	194,252	172,023

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Payables for equity investments (a)	**214,825**	214,825
Payroll and welfare payable	**23,815**	49,699
Payable to settlement banks	**21,582**	24,920
Trade payables (b)	**8,149**	27,468
Other tax payable	**7,375**	11,457
Online promotion marketing expenses payable	**2,471**	19,909
Deposit payables (c)	**2,387**	3,287
Payable on behalf of credit card users	**959**	3,539
Payable to related parties	**218**	1,513
Others	**34,557**	47,415
	316,338	404,032

(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	
	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**3,519**	13,304
30 to 90 days	**1,847**	11,266
90 to 180 days	**2,041**	2,323
180 to 360 days	**742**	575
	8,149	27,468

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

15 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2020 (2019: nil).

FINANCIAL REVIEW

Revenue

Our total revenue decreased by approximately 86.6% from approximately RMB2,045.4 million for the year ended 31 December 2019 to approximately RMB274.3 million for the year ended 31 December 2020.

Credit facilitation and service fee decreased by approximately 91.9% from approximately RMB1,173.1 million for the year ended 31 December 2019 to approximately RMB95.4 million for the year ended 31 December 2020. We generally collect credit facilitation and service fee from borrowers according to the pre-confirmed fee schedules, and 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. In 2020, as affected by the P2P Exiting and the COVID-19 pandemic, the scale of the credit facilitation business decreased significantly compared with that in 2019, leading to a decrease in credit facilitation and service fee.

Credit card technology service fee decreased by approximately 69.9% from approximately RMB152.3 million for the year ended 31 December 2019 to approximately RMB45.8 million for the year ended 31 December 2020. In 2020, due to the COVID-19 pandemic, the personal consumption credit market experienced volatility as a whole. The number of new credit cards issued by our partner banks through our platform recorded a substantial decrease, resulting in a decrease in credit card technology service fees.

Referral service fee decreased by approximately 90.8% from approximately RMB289.1 million for the year ended 31 December 2019 to approximately RMB26.6 million for the year ended 31 December 2020. Affected by the PRC government's regulation of the Internet finance industry, the scale of the industry downsized significantly in 2020, and the referral service fee decreased accordingly.

Other revenue decreased by approximately 75.3% from approximately RMB430.9 million for the year ended 31 December 2019 to approximately RMB106.5 million for the year ended 31 December 2020, among which (i) the payment service fee decreased by approximately 83.2% from approximately RMB267.3 million for the year ended 31 December 2019 to approximately RMB45.0 million for the year ended 31 December 2020, mainly due to the decrease in business volume of payment service; (ii) as the Group completed the disposal of Shenzhen Zhongrong Insurance Brokers Co., Ltd.*（深圳中融保險經紀有限公司）in 2019, the insurance commission income decreased from approximately RMB47.7 million for the year ended 31 December 2019 to nil for the year ended 31 December 2020; and (iii) the interest income of loans to customers decreased by approximately 94.5% from approximately RMB27.5 million for the year ended 31 December 2019 to approximately RMB1.5 million for the year ended 31 December 2020, due to the lower balance of the non-delinquent loans.

Operating expenses

Total operating expenses decreased by approximately 49.2% from approximately RMB3,370.7 million for the year ended 31 December 2019 to approximately RMB1,712.7 million for the year ended 31 December 2020.

Origination and servicing expenses decreased by approximately 64.5% from approximately RMB870.5 million for the year ended 31 December 2019 to approximately RMB309.0 million for the year ended 31 December 2020, including (i) a decrease by approximately 81.1% to approximately RMB61.7 million in fund transfer charges for the year ended 31 December 2020 from approximately RMB327.2 million for the corresponding period in 2019 due to the decreased payment service business volume; (ii) a decrease by approximately 54.1% to approximately RMB108.1 million in external technical service fees for the year ended 31 December 2020 from approximately RMB235.4 million for the corresponding period in 2019 due to the downsize 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 54.6% to approximately RMB69.9 million in employee benefit expenses for the year ended 31 December 2020 from approximately RMB153.9 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 year ended 31 December 2020 from approximately RMB40.6 million for the corresponding period in 2019, as we had no loan referred by third-party business partners in 2020.

Sales and marketing expenses decreased by approximately 86.6% from approximately RMB454.2 million for the year ended 31 December 2019 to approximately RMB60.9 million for the year ended 31 December 2020. To concentrate resources to complete the P2P Exiting, we had significantly reduced sales and marketing expenses in 2020.

General and administrative expenses decreased by approximately 51.8% from approximately RMB291.7 million for the year ended 31 December 2019 to approximately RMB140.6 million for the year ended 31 December 2020, among which (i) employee benefit expenses decreased by approximately 59.4% to approximately RMB76.9 million for the year ended 31 December 2020 from approximately RMB189.4 million for the corresponding period in 2019 due to the decrease in headcount of administrative staff as a result of the downsizing of the business; and (ii) professional services fees decreased by approximately 35.3% to approximately RMB24.4 million for the year ended 31 December 2020 from approximately RMB37.7 million for the corresponding period in 2019 as a result of the reduction in our consulting services expenses in order to save cost.

Research and development expenses decreased by approximately 64.1% from approximately RMB194.8 million for the year ended 31 December 2019 to approximately RMB70.0 million for the year ended 31 December 2020, mainly due to a decrease by approximately 67.0% to approximately RMB51.5 million in employee benefit expenses for research and development department for the year ended 31 December 2020 from approximately RMB156.0 million for the corresponding period in 2019 resulting from the decrease in headcount of research and development staff as a result of downsizing of the business scale.

ECL decreased by approximately 47.4% to approximately RMB665.5 million for the year ended 31 December 2020 from approximately RMB1,265.5 million for the year ended 31 December 2019. ECL in 2020 mainly originated from the risk of overdue assets in respect of historical business due to the P2P Exiting and the COVID-19 pandemic. After the P2P Exiting, our new credit facilitation business mainly serves more creditworthy users, therefore the overall ECL in 2020 was significantly lower than the corresponding period in 2019.

Other losses, net increased by approximately 58.8% from approximately RMB294.0 million for the year ended 31 December 2019 to approximately RMB466.8 million for the year ended 31 December 2020, which was mainly due to the impairment loss on licenses and goodwill in intangible assets increased by approximately 135.0% to approximately RMB342.7 million from approximately RMB145.8 million for the corresponding period in 2019, mainly due to the decrease in expected net cash inflows from payment business and credit facilitation business as a result of our business transformation.

Share of net loss of associates accounted for using equity method

Share of net loss of associates accounted for using equity method increased by approximately 75.8% from approximately RMB3.3 million for the year ended 31 December 2019 to approximately RMB5.8 million for the year ended 31 December 2020, mainly because of the greater amount of loss of several associates for the year ended 31 December 2020 than that in the corresponding period in 2019 as a result of the COVID-19 pandemic.

Fair value gain of financial liabilities at FVPL

Fair value gain of financial liabilities at FVPL decreased by approximately 63.2% from approximately RMB46.2 million for the year ended 31 December 2019 to approximately RMB17.0 million for the year ended 31 December 2020, mainly because the decrease in the amount in the market value of such financial liabilities in 2020 was less than that in the corresponding period in 2019.

Finance expenses, net

Finance expenses, net decreased by 32.0% from approximately RMB5.0 million for the year ended 31 December 2019 to approximately RMB3.4 million for the year ended 31 December 2020. Such decrease was mainly attributable to the decrease in interest expenses due to the decrease in interest rates.

Income tax (expense)/credit

Income tax (expense)/credit changed from an income tax credit of approximately RMB176.4 million for the year ended 31 December 2019 to an income tax expense of approximately RMB285.8 million for the year ended 31 December 2020. We completely withdrew from the P2P industry in 2020, thus it is not probable to make sufficient taxable profit for the use of the related deferred income tax assets in the future. The derecognition of the deferred income tax assets leads to an increase in income tax expense.

Loss for the year

Our loss for the year increased by approximately 54.5% from approximately RMB1,111.0 million for the year ended 31 December 2019 to approximately RMB1,716.4 million for the year ended 31 December 2020, primarily due to (i) the decrease in revenue resulted from the decline in business scale in 2020; (ii) the decrease in operating expenses resulted from the decline in business scale and the cost-saving measures taken to concentrate resources in the P2P Exiting; and (iii) the increase in income tax expenses resulted from the derecognition of deferred income tax assets in relation to the P2P business as a result of the P2P Exiting.

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 increased by approximately 58.7% from approximately RMB847.1 million for the year ended 31 December 2019 to approximately RMB1,343.9 million for the year ended 31 December 2020. The adjusted operating loss decreased by approximately 5.0% from approximately RMB976.3 million for the year ended 31 December 2019 to approximately RMB927.2 million for the year ended 31 December 2020.

The following tables reconcile the adjusted operating loss and the adjusted net loss for the years presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which is operating loss for the year and loss for the year:

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Adjusted operating loss		
Operating loss	**(1,438,437)**	(1,325,296)
Adjusted for:		
Share-based compensation expenses	**49,039**	130,553
Fair value loss of financial assets at FVPL	**37,580**	33,762
Impairment loss of intangible assets	**344,722**	145,788
Impairment loss of investments accounted for using equity method	**79,861**	38,864
Adjusted operating loss	**(927,235)**	(976,329)

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Adjusted net loss		
Net loss	**(1,716,406)**	(1,111,043)
Adjusted for:		
Share-based compensation expenses	**49,039**	130,553
Fair value gain of financial liabilities at FVPL	**(17,000)**	(46,160)
Fair value loss of financial assets at FVPL	**37,580**	33,762
Impairment loss of goodwill	**302,842**	145,788
Adjusted net loss	**(1,343,945)**	(847,100)

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 2020 and 2019 were as follows:

	As at 31 December 2020 *RMB'million*	As at 31 December 2019 *RMB'million*
Cash and cash equivalents	**413**	1,283
Borrowings	**(199)**	(169)
Net cash	**214**	1,114

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

For the year ended 31 December 2020, the Group recorded net cash outflow of approximately RMB870.5 million, primarily as a result of net cash used in operating activities of approximately RMB1,128.5 million, offset by net cash flow generated from investing activities of approximately RMB117.1 million and net cash flow generated from financing activities of approximately RMB140.8 million.

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

The gearing ratio, calculated as total borrowings divided by total assets, was approximately 10.6% as at 31 December 2020 (31 December 2019: approximately 2.9%).

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

	As at 31 December 2020	As at 31 December 2019
	RMB'000	*RMB'000*
Within 1 year	**171,563**	19,821
1 year to 2 years	**6,942**	121,563
2 years to 5 years	**20,541**	22,056
Over 5 years	**–**	5,427
Total borrowings	**199,046**	168,867

The bank and other borrowings as at 31 December 2020 were denominated in RMB (31 December 2019: RMB). For the year ended 31 December 2020, the annual interest rates of borrowings ranged from 5.64% to 8.04% (the year ended 31 December 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 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 2020 would have been approximately RMB1,934,000 higher/lower, and 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.

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 2020 would have been approximately RMB300 lower/higher, and the loss before income tax for the year ended 31 December 2019 would have been approximately RMB17,000 lower/higher as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in Hong Kong dollars.

The Group 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 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 a mortgage loan of RMB53.0 million and RMB90.0 million, respectively.

Future Plans for Material Investment or Capital Asset Purchase

For the year ended 31 December 2020, the Group did not have any material investments (2019: nil). The Group had no other specific plan for material investment or acquisition of capital assets as at 31 December 2020.

Material Acquisition and Disposal

For the year ended 31 December 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 (2019: nil).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 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 31 December 2020, the Group had approximately 260 staff. For the year ended 31 December 2020, the total staff cost incurred by the Group was approximately RMB202.2 million.

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

The Company has also adopted the 51 Stock Scheme and 51 Award Scheme to reward the employees. 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 2020 to be despatched to the Shareholders.

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

The shares (the "**Shares**") of the Company 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.

In order to meet the current operation needs, increase the Group's competitiveness and provide more buffer to cope with the economic uncertainties in the future, on 31 August 2020, the Board 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 the Announcement (as defined below), which were originally allocated for (i) user acquisition; (ii) enhancement of technology and risk management capabilities; and (iii) investment (the "**Change**"). The Board considered that the Change was in the best interests of the Group and the Shareholders as a whole. For details of the Change, please refer to the announcement (the "**Announcement**") of the Company dated 31 August 2020.

As at 31 December 2020, the amount of the net proceeds which remained unutilized was approximately HK$180.0 million (equivalent to approximately RMB159.8 million). The remaining unutilized net proceeds are expected to be utilized on or before 31 December 2021.

Set out below are details of the use of proceeds up to 31 December 2020:

Planned use of net proceeds	**Net proceeds from the IPO**		**Amount unutilized up to the date of the Announcement**		**Revised approximate proportion of net proceeds**	**Reallocation of unutilized net proceeds**		**Amount utilized up to 31 December 2020**		**Unutilized net proceeds**		**Expected timeline for utilizing the remaining unutilized net proceeds** (Note)
	HK$ million (approximate)	*RMB' million (approximate)*	*HK$ million (approximate)*	*RMB' million (approximate)*		*HK$ million (approximate)*	*RMB' million (approximate)*	*HK$ million (approximate)*	*RMB' million (approximate)*	*HK$ million (approximate)*	*RMB' million (approximate)*	
User acquisition	419.8	359.7	54.6	48.1	38.8%	41.9	37.0	9.1	8.0	32.8	29.0	by 31 December 2021
Enhancement of technology and risk management capabilities	314.9	269.8	33.6	28.9	39.2%	130.4	115.7	34.3	30.5	96.1	85.2	by 31 December 2021
Investment	209.9	179.8	169.4	151.7	3.9%	–	–	–	–	–	–	–
Working capital and other general corporate purposes	105.0	89.9	–	–	18.1%	85.3	76.0	34.2	30.4	51.1	45.6	by 31 December 2021
Total	1,049.6	899.2	257.6	228.7	100.0%	257.6	228.7	77.6	68.9	180.0	159.8	

Note: The expected timeline for utilizing the unutilized net 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.

USE OF PROCEEDS FROM THE SUBSCRIPTIONS

On 13 July 2020, the Company entered into subscription agreements with each of Guanrui Investment Limited, Tiantu Investments Limited and East Jump Management Limited, pursuant to which the above 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 gross proceeds and net proceeds raised from the above subscriptions amounted to approximately HK$100.0 million and HK$99.4 million, respectively.

As at 31 December 2020, the above proceeds were utilized in consistent with the usage as disclosed in the supplemental announcement and circular of the Company dated 16 July 2020 and 3 August 2020, respectively, in the manner set out below:

Planned use of net proceeds	Proportion	Net proceeds from the subscriptions		Amount utilized up to 31 December 2020		Unutilized net proceeds		Expected timeline for utilizing the remaining unutilized net proceeds(Note)
		HK$ million (approximate)	*RMB' million (approximate)*	*HK$ million (approximate)*	*RMB' million (approximate)*	*HK$ million (approximate)*	*RMB' million (approximate)*	
Salary and welfare	50%	49.7	44.2	11.5	10.2	38.2	34.0	by 31 December 2021
Expansion of customer base	30%	29.9	26.5	22.8	20.3	7.1	6.2	by 31 December 2021
Enhancement of collection capabilities	10%	9.9	8.8	9.9	8.8	–	–	–
Working capital and other general corporate purpose	10%	9.9	8.8	3.2	2.9	6.7	5.9	by 31 December 2021
Total	100%	99.4	88.3	47.4	42.2	52.0	46.1	

Note: *The expected timeline for utilizing the unutilized net 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.*

FINAL DIVIDEND

The Board does not recommend the declaration of the final dividend for the year ended 31 December 2020 (2019: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders 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 Tuesday, 25 May 2021 to Monday, 31 May 2021, 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 transfer documents 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 no later than 4:30 p.m. on Monday, 24 May 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 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 Exchanges (the "**Listing Rules**"), with exceptions set out as follows:

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

For the year ended 31 December 2020, Mr. Sun Haitao ("**Mr. Sun**") acted as the chairman of the Board, the chief executive officer (the "**Chief Executive Officer**") of the Company and an executive Director. While this constituted a deviation from code provision A.2.1 of the CG Code, the Board believes that this structure did not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decisions made by the Board requires approval by at least a majority of the Directors and that the Board comprised three independent non-executive Directors out of six Directors, which was more than the Listing Rules requirement of one-third, and the Board believes there was sufficient check and balance in the Board; (ii) Mr. Sun and the other Directors were aware of and undertook to fulfill their fiduciary duties as Directors, which required, among other things, that he/she acts for the benefit and in the best interests of the Company and would make decisions for the Group accordingly; and (iii) the balance of power and authority was ensured by the operations of the Board which comprised experienced and high calibre individuals who met 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 were made collectively after thorough discussion at both the Board and senior management levels.

On 19 February 2021, Mr. Sun ceased to be the Chief Executive Officer, but he remains as the chairman of the Board and an executive Director. Mr. Zheng Haiguo was appointed as the Chief Executive Officer and an executive Director on the same day. The Board considers that the above arrangements will enable the Company to attract more professional talents and implement a delicate division of responsibilities and management, further laying a solid foundation of its business development in the long run. The Company has complied with code provision A.2.1 of the CG Code after the completion of the above arrangement.

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 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. Mr. Yang Yuzhi, a former executive Director and the former vice-president of the Company, and the representatives of the independent auditor 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 enquiries with all Directors and all Directors confirmed that they had complied with the Model Code for the year ended 31 December 2020.

REVIEW OF THE ANNUAL RESULTS

The Company has established the audit committee (the "**Audit Committee**") of the Company 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 2020 and also reviewed and confirmed the accounting policies and practices adopted by the Group.

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 aforementioned websites on or before 30 April 2021.

* *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 and Executive Director

30 March 2021

As at the date of this announcement, the executive Directors are Mr. Sun Haitao, Mr. Zheng Haiguo and Mr. Zhao Ke; the non-executive Directors are Ms. Zou Yunli and Mr. Yu Jin; and the independent non-executive Directors are Mr. Wong Ti, Mr. Ye Xiang and Mr. Xu Xuchu.