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# 51信用卡

## 51 CREDIT CARD INC.

### 51 信用卡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2051)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

### FINANCIAL HIGHLIGHTS

	2021 <i>RMB'000</i> <i>(approximate)</i>	2020 <i>RMB'000</i> <i>(approximate)</i>	Year on year change <i>Percentage</i> <i>(approximate)</i>
Revenue	<b>440,098</b>	274,309	60.4%
Credit facilitation and service fee	<b>237,411</b>	95,427	148.8%
Payment service fee	<b>78,560</b>	44,976	74.7%
Credit card technology service fee	<b>39,902</b>	45,829	(12.9%)
SaaS service fee	<b>32,716</b>	29,850	9.6%
Other revenue	<b>51,509</b>	58,227	(11.5%)
Operating loss for the year	<b>(199,301)</b>	(1,438,437)	(86.1%)
Net loss for the year	<b>(260,701)</b>	(1,716,406)	(84.8%)
<b>Non-IFRS measures</b>			
<b>Non-IFRS adjusted operating profit/(loss)   for the year <sup>(1)</sup></b>	<b>1,783</b>	(927,235)	N/A
<b>Non-IFRS adjusted net loss   for the year <sup>(2)</sup></b>	<b>(57,656)</b>	(1,222,204)	(95.3%)

*Notes:*

- (1) Non-IFRS adjusted operating profit/(loss) for the year is defined as operating loss for the year ended 31 December 2021 and 2020 excluding share-based compensation expenses, fair value loss of financial assets at fair value through profit or loss, impairment loss of intangible assets and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.
  - (2) Non-IFRS adjusted net loss for the year is defined as net loss for the year ended 31 December 2021 and 2020 excluding share-based compensation expenses, fair value (loss)/gain of financial assets/(liabilities) at FVPL, impairment loss of intangible assets and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.
- No dividend has been paid or declared by the Company for the year ended 31 December 2021 (2020: 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**”). As at 31 December 2021, the number of registered users of 51 Credit Card Manager was approximately 88.3 million, and the number of credit cards we had managed cumulatively amounted to approximately 149.9 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 2021, Little Blue Book had approximately 6.5 million registered users.

In 2021, the scale of the existing customers of the credit facilitation business increased steadily, and through the adoption of more stringent risk control measures, the delinquency rate of credit facilitation assets maintained at a low level. In terms of new customers, we restarted the credit facilitation business targeting new customers and achieved a certain level of credit facilitation scale with risk under control. Meanwhile, we adopted multiple measures to continue to intensify efforts in the collection of overdue assets generated from historical credit facilitation business, so that the recovery of overdue assets has maintained a positive momentum.

In 2021, we repositioned Little Blue Book as a “smart sales growth cloud platform” and launched the “Intelligent Smart Expansion” product targeting small and medium-sized enterprises and sales solutions for medium and large-sized enterprises. In the meantime, we launched a membership system of Little Blue Book for individual users to provide them with multiple dimensions of corporate information inquiry services, social network recommendation, etc.. In this process, we have established a competitive C To B model to provide resources and business opportunities for the own development of To B business of Little Blue Book. We believe that To C service for individual users and To B service for enterprises of Little Blue Book can develop collaboratively and mutually promote to maintain a leading edge in the market competition.

In summary, in 2021, the scale of credit facilitation business recovered steadily, the delinquency rate maintained at a low level and the efficiency of overdue assets recovery maintained a positive momentum, providing a solid foundation for the Group’s day-to-day operations and the development of new businesses such as the software as a service (“SaaS”) business. For the year ended 31 December 2021, our revenue was approximately RMB440.1 million, representing an increase of approximately 60.4% from approximately RMB274.3 million for the corresponding period in 2020; our operating loss was approximately RMB199.3 million, representing a decrease of approximately 86.1% from approximately RMB1,438.4 million for the corresponding period in 2020; and our net loss was approximately RMB260.7 million, representing a decrease of approximately 84.8% from approximately RMB1,716.4 million for the corresponding period in 2020.

As for non-IFRS measures, for the year ended 31 December 2021, our non-IFRS adjusted operating profit was approximately RMB1.8 million, as compared with non-IFRS adjusted operating loss of approximately RMB927.2 million for the corresponding period in 2020; and our non-IFRS adjusted net loss was approximately RMB57.7 million, as compared with non-IFRS adjusted net loss of approximately RMB1,222.2 million for the corresponding period in 2020. Please refer to the section headed “FINANCIAL REVIEW – Non-IFRS measures” of this results announcement for the definitions, explanations of usage and reconciliations of non-IFRS measures.

	2021		2020		Year on year change
	<i>RMB'000</i> <i>(approximate)</i>	<i>Percentage</i> <i>of revenue</i> <i>(approximate)</i>	<i>RMB'000</i> <i>(approximate)</i>	<i>Percentage</i> <i>of revenue</i> <i>(approximate)</i>	<i>Percentage</i> <i>(approximate)</i>
Revenue	440,098	100%	274,309	100.0%	60.4%
Credit facilitation and service fee	237,411	53.9%	95,427	34.8%	148.8%
Payment service fee	78,560	17.9%	44,976	16.4%	74.7%
Credit card technology service fee	39,902	9.1%	45,829	16.7%	(12.9%)
SaaS service fee	32,716	7.4%	29,850	10.9%	9.6%
Other revenue	51,509	11.7%	58,227	21.2%	(11.5%)
Operating loss for the year	(199,301)		(1,438,437)		(86.1%)
Net loss for the year	(260,701)		(1,716,406)		(84.8%)
Non-IFRS measures					
Non-IFRS adjusted operating profit/(loss) for the year <sup>(1)</sup>	1,783		(927,235)		N/A
Non-IFRS adjusted net loss for the year <sup>(2)</sup>	<u>(57,656)</u>		<u>(1,222,204)</u>		<u>(95.3%)</u>

*Notes:*

- (1) Non-IFRS adjusted operating profit/(loss) for the year is defined as operating loss for the year ended 31 December 2021 and 2020 excluding share-based compensation expenses, fair value loss of financial assets at fair value through profit or loss (“FVPL”), impairment loss of intangible assets and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.
- (2) Non-IFRS adjusted net loss for the year is defined as net loss for the year ended 31 December 2021 and 2020 excluding share-based compensation expenses, fair value (loss)/gain of financial assets/(liabilities) at FVPL, impairment loss of intangible assets and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.

### **1. Credit Facilitation Service**

The Group refers qualified borrowers to partner financial institutions to provide loan services and receives service fees upon successful drawdown of loans to borrowers. We also provides credit enhancement to partner financial institutions through a licenced financial guarantee company within the Group.

In 2021, the total volume of credit facilitation business was approximately RMB4,317.2 million, all being businesses under the cooperation with financial institutions, representing an increase of approximately 78.6% from approximately RMB2,416.9 million for 2020. Through the adoption of stringent risk control measures, the Day-1 delinquency rate (defined as the total amount of overdue principal as of a specified date divided by the total amount of principal due for repayment as of such date) of the credit facilitation assets facilitated in 2021 was lower than 6.0%, and the total delinquency rate of the credit facilitation business maintained at a low level. Meanwhile, the 30-day collection rate of overdue assets was approximately 84.6%. The average tenure of loans decreased from approximately 10.4 months in 2020 to approximately 8.9 months in 2021, and the average amount of loans decreased from approximately RMB9,900 in 2020 to approximately RMB7,500 in 2021.

### **2. SaaS business**

The SaaS business consists of Little Blue Book business and smart retail business. Little Blue Book is a smart sales growth cloud platform that generates subscription income from corporate customers and individual users. The smart retail business serves corporate customers, and obtains fixed income from system development and hardware and software sales and agency fees based on customer usage such as transaction payment amount, cloud server usage and SMS traffic. Revenue from SaaS business increased from approximately RMB29.9 million in 2020 to approximately RMB32.7 million in 2021.

### **3. Credit Card Technology Service**

In 2021, credit card technology service mainly focuses on the issuance of co-branded cards under the cooperation with financial institutions. We evaluate the investment in each business line based on market conditions from time to time. In co-branded cards business, the Group carry out the online credit card applications under the cooperation with financial institutions. Individual users receive co-branded credit cards issued by financial institutions after passing a series of risk assessments. We share the revenue generated by co-branded credit cards with financial institutions over several years. For individual cooperative financial institutions, the Group also provide compensations for the risk of individual repayment default.

The revenue from credit card technology service decreased from approximately RMB45.8 million in 2020 to approximately RMB39.9 million in 2021.

## **OUTLOOK**

In 2021, with the steady increase in the scale of credit facilitation business and the steady development of SaaS business, the Company will focus on adjusting the business model of financial technology business and the pace of development of SaaS business in 2022. Specifically:

For financial technology business, we will rely on the scale of our existing quality customers, historical customer credit data, mature risk control models and strategies, and excellent customer operation capabilities to provide de-guaranteed credit facilitation services to licenced credit institutions such as banks and consumer finance companies subject to the stabilized business scale, so as to reduce the Company's risk profile. At the same time, we actively follow the policy trend, optimize our customer structure and focus on providing credit service products of reasonable credit facilitation and service fee to quality customers.

In terms of operation services for bank customers, we will focus on well serving the bank customers we have already cooperated with, and after the service capability and quality have been fully verified, we will launch a large-scale marketing campaign in a timely manner.

For the innovative business, we will continue to increase our investment in the Little Blue Book business and further enhance the abilities of big data, cloud computing and artificial intelligence technology in collecting and digging business data and improving the effectiveness of the sales chain to help enterprises improving the scale, accuracy and timeliness of potential customer clues, so as to facilitate business opportunities and improve sales efficiency. For individual users, we will continuously optimize product features and user experience, and launch new derivative value-added services in due course. For corporate customers, we will further study the sales pain points of small and medium-sized enterprises in order to refine the product design of key sections in sales chains, enhance product standardization and strengthen the customized service capability of personalized solutions for medium and large-sized enterprises, so as to achieve steady growth in customers and revenue.

## FINANCIAL INFORMATION

The Board announces the audited condensed results of the Group for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020 as below.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		Year ended 31 December	
		2021	2020
	Note	RMB'000	RMB'000
Credit facilitation and service fee	2	237,411	95,427
Payment service fee		78,560	44,976
Credit card technology service fee		39,902	45,829
SaaS service fee		32,716	29,850
Other revenue	3	51,509	58,227
<b>Total revenue</b>		<b>440,098</b>	<b>274,309</b>
Origination and servicing expenses	4	(265,232)	(308,951)
General and administrative expenses	4	(101,110)	(140,576)
Research and development expenses	4	(50,188)	(70,032)
Sales and marketing expenses	4	(53,429)	(60,923)
Expected credit loss	5	(15,398)	(665,465)
Other losses, net	6	(154,042)	(466,799)
<b>Total operating expenses</b>		<b>(639,399)</b>	<b>(1,712,746)</b>
<b>Operating loss</b>		<b>(199,301)</b>	<b>(1,438,437)</b>

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2021</b>	<b>2020</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Share of net loss of associates accounted for using equity method		<b>(2,121)</b>	(5,751)
Fair value (loss)/gain of financial liabilities at fair value through profit or loss		<b>(1,961)</b>	17,000
Finance expenses, net		<b>(7,525)</b>	(3,418)
<b>Loss before income tax</b>		<b>(210,908)</b>	(1,430,606)
Income tax expense	7	<b>(49,793)</b>	(285,800)
<b>Loss for the year</b>		<b>(260,701)</b>	(1,716,406)
<b>Loss for the year attributable to:</b>			
– Owners of the Company		<b>(233,687)</b>	(1,699,071)
– Non-controlling interests		<b>(27,014)</b>	(17,335)
		<b>(260,701)</b>	(1,716,406)
Other comprehensive loss			
<i>Items that may not be reclassified to profit or loss</i>			
Change in fair value attributable to change in the credit risk of other financial liability designated at fair value through profit or loss		<b>(1,777)</b>	–
Currency translation differences		<b>3,425</b>	(14,647)
<b>Total comprehensive loss for the year, net of tax</b>		<b>(259,053)</b>	(1,731,053)



		<b>Year ended 31 December</b>	
		<b>2021</b>	2020
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Total comprehensive loss attributable to:</b>			
– Owners of the Company		<b>(235,243)</b>	(1,708,725)
– Non-controlling interests		<b>(23,810)</b>	(22,328)
		<u><b>(259,053)</b></u>	<u>(1,731,053)</u>
<b>Loss per share attributable to owners of the Company</b>			
<b>– basic and diluted</b>			
<i>(expressed in RMB per share):</i>			
Loss for the year – basic	8	<u><b>(0.19)</b></u>	<u>(1.56)</u>
Loss for the year – diluted	8	<u><b>(0.19)</b></u>	<u>(1.56)</u>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment, net		<b>104,732</b>	121,937
Right-of-use assets		<b>5,392</b>	6,373
Intangible assets	<i>9</i>	<b>349,140</b>	501,137
Investments accounted for using equity method		<b>44,161</b>	32,099
Financial assets at fair value through profit or loss		<b>83,780</b>	100,693
Deferred income tax assets		<b>8,632</b>	101,745
Prepayments and other receivables	<i>10</i>	<b>292</b>	392
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>596,129</b>	864,376
<b>Current assets</b>			
Quality assurance fund receivable	<i>11</i>	<b>28,797</b>	22,190
Contract assets	<i>12</i>	<b>86,519</b>	35,487
Trade receivables	<i>13</i>	<b>19,163</b>	11,935
Prepayments and other receivables	<i>10</i>	<b>131,573</b>	132,128
Loans to customers, net		<b>158,498</b>	171,203
Financial assets at fair value through profit or loss		<b>295</b>	–
Restricted cash		<b>225,092</b>	221,735
Cash and cash equivalents		<b>313,148</b>	412,684
		<hr/>	<hr/>
<b>Total current assets</b>		<b>963,085</b>	1,007,362
		<hr/>	<hr/>
<b>Total assets</b>		<b>1,559,214</b>	1,871,738
		<hr/> <hr/>	<hr/> <hr/>

		As at 31 December	
		2021	2020
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		90	90
Share premium		6,152,799	6,136,837
Shares held for employee incentive schemes		(10)	(11)
Reserves		(32,485)	(45,843)
Accumulated losses		(5,355,147)	(5,121,460)
Non-controlling interests		(6,501)	11,973
		<u>758,746</u>	<u>981,586</u>
<b>Total equity</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings		20,540	27,483
Lease liabilities		1,051	1,828
Deferred income tax liabilities		77,550	119,434
		<u>99,141</u>	<u>148,745</u>
<b>Total non-current liabilities</b>			
<b>Current liabilities</b>			
Quality assurance fund payable	11	59,681	53,867
Payable to platform customers		79,467	129,653
Contract liabilities	12	16,481	17,214
Bank and other borrowings		171,943	171,563
Lease liabilities		3,551	2,988
Trade and other payables	14	318,169	316,338
Income tax payable		927	2,414
Financial liabilities at fair value through profit or loss		51,108	47,370
		<u>701,327</u>	<u>741,407</u>
<b>Total current liabilities</b>			
		<u>800,468</u>	<u>890,152</u>
<b>Total liabilities</b>			
		<u>1,559,214</u>	<u>1,871,738</u>
<b>Total equity and liabilities</b>			

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

# NOTES

## 1 Summary of significant 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 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 2021, the Group incurred a continuous net loss attributable to owners of the Company of approximately RMB233,687,000 and a net cash used in operating activities of approximately RMB22,942,000. In addition, the Group’s business results and liquidity position have been and will likely continue to be adversely impacted by the following factors:

- (1) the ongoing outbreak of the Coronavirus Disease 2019 (“COVID-19”) pandemic which put considerable downward pressure on the economy in the People’s Republic of China (“PRC”), and caused the decline of the willingness for personal consumptions and the demands for personal consumer credit; and
- (2) 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 2021.

The directors of the Company (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 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 amendments for the first time for their annual reporting period commencing 1 January 2021:

Amendments to IFRS 9, Interest Rate Benchmark Reform – Phase 2  
International Accounting Standards  
("IAS") 39, IFRS 7, IFRS 4  
and IFRS 16

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 cycle	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 8	Definition of Accounting Estimates	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

## 2 Credit facilitation and service fee

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Upfront credit facilitation service fee	<b>137,020</b>	26,507
Post credit facilitation service fee	<b>100,391</b>	68,920
	<b>237,411</b>	95,427

*Note: The unsatisfied performance obligation as at 31 December 2021 was approximately RMB50,190,000. Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 31 December 2021 will be recognized as revenue within the next twelve months.*

## 3 Other revenue

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Overdue charges	<b>11,168</b>	12,583
Referral service fee	<b>10,233</b>	26,585
Others	<b>30,108</b>	19,059
	<b>51,509</b>	58,227

#### 4 Expenses by nature

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	168,180	202,191
External technical service fees	96,414	108,132
Fund transfer charges	78,421	61,734
Marketing and advertising fees	44,469	55,343
Depreciation and amortization	27,247	73,589
Professional service fees	16,631	20,688
Office expenses	8,266	9,947
Auditor's remuneration	3,580	3,680
Others	26,751	45,178
	<u>469,959</u>	<u>580,482</u>
Total amount of origination and servicing expenses, general and administrative expenses, research and development expenses and sales and marketing expenses	<u>469,959</u>	<u>580,482</u>

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

#### 5 Expected credit loss

The compositions of expected credit loss ("ECL") provided for the years ended 31 December 2021 and 2020 are as follows:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	30,691	107,055
Prepayments and other receivables	17,790	40,955
Contract assets	5,503	141,596
Loans to customers, net	(419)	1,033
Quality assurance fund	(38,167)	374,826
	<u>15,398</u>	<u>665,465</u>

**6 Other losses, net**

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Impairment loss (a)	<b>(151,720)</b>	(424,583)
Fair value loss on financial assets at FVPL	<b>(13,711)</b>	(37,580)
Gain/(loss) on disposal of financial assets as FVPL	<b>1,389</b>	(5,162)
Government grants (b)	<b>6,631</b>	7,841
Interest expenses to trust senior tranche holders	–	(52)
Others	<b>3,369</b>	(7,263)
	<b><u>(154,042)</u></b>	<b><u>(466,799)</u></b>

- (a) The composition of impairment loss provided for the years ended 31 December 2021 and 2020 is as follows:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Impairment on intangible assets	<b>(148,903)</b>	(344,722)
Impairment on investments accounted for using equity method	<b>(2,817)</b>	(79,861)
	<b><u>(151,720)</u></b>	<b><u>(424,583)</u></b>

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



## 7 Income tax expense

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	(1,436)	4,841
Deferred income tax	<u>51,229</u>	<u>280,959</u>
	<u><b>49,793</b></u>	<u><b>285,800</b></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.

### *The 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 mainland 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 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) (“**Yaku Shikong**”) 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.\* (杭權振牛信息科技有限公司) were qualified as HNTEs in 2019. Yaku Shikong renewed its HNTEs qualification in 2021. 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 mainland 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	
	2021	2020
Loss attributable to owners of the Company ( <i>RMB'000</i> )	<b>(233,687)</b>	(1,699,071)
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u><b>1,211,852</b></u>	<u>1,088,786</u>
Basic loss per share ( <i>expressed in RMB</i> )	<u><u><b>(0.19)</b></u></u>	<u><u>(1.56)</u></u>

- (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 2021 and 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 years ended 31 December 2021 and 2020 is the same as basic loss per share.

	Year ended 31 December	
	2021	2020
Loss attributable to owners of the Company ( <i>RMB'000</i> )	<u><b>(233,687)</b></u>	<u>(1,699,071)</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u><b>1,211,852</b></u>	<u>1,088,786</u>
Weighted average number of ordinary shares for calculation of diluted loss per share ( <i>'000</i> )	<u><b>1,211,852</b></u>	<u>1,088,786</u>
Diluted loss per share ( <i>expressed in RMB</i> )	<u><u><b>(0.19)</b></u></u>	<u><u>(1.56)</u></u>

## 9 Intangible assets

	Goodwill RMB'000 (Note (a))	Software RMB'000	Platform RMB'000	Applications RMB'000	Payment licence RMB'000 (Note (b))	Trademark RMB'000	Total RMB'000
<b>Cost</b>							
As at 1 January 2021	482,377	25,828	9,810	3,260	499,000	5,272	1,025,547
Addition from purchases	-	464	-	-	-	-	464
As at 31 December 2021	482,377	26,292	9,810	3,260	499,000	5,272	1,026,011
<b>Accumulated amortization</b>							
As at 1 January 2021	-	(21,299)	(9,647)	(1,277)	-	(1,677)	(33,900)
Amortization charge for the year (Note (c))	-	(2,810)	(163)	-	-	(585)	(3,558)
As at 31 December 2021	-	(24,109)	(9,810)	(1,277)	-	(2,262)	(37,458)
<b>Impairment losses</b>							
As at 1 January 2021	(448,630)	-	-	(1,983)	(39,897)	-	(490,510)
Addition	-	-	-	-	(148,903)	-	(148,903)
As at 31 December 2021	(448,630)	-	-	(1,983)	(188,800)	-	(639,413)
<b>Net book value</b>							
As at 31 December 2021	<u>33,747</u>	<u>2,183</u>	<u>-</u>	<u>-</u>	<u>310,200</u>	<u>3,010</u>	<u>349,140</u>
<b>Cost</b>							
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
<b>Accumulated amortization</b>							
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)
<b>Impairment losses</b>							
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)
<b>Net book value</b>							
As at 31 December 2020	<u>33,747</u>	<u>4,529</u>	<u>163</u>	<u>-</u>	<u>459,103</u>	<u>3,595</u>	<u>501,137</u>

**(a) Impairment tests for goodwill**

As at 31 December 2021, goodwill of approximately RMB33,747,000 was recognized as the results of the acquisition of China Netcom in 2017 by the Group. Goodwill is monitored at the operating segment level by the management. The management assessed Netcom as one separate operating segment (“**Netcom Unit**”).

Impairment review on the goodwill of the Group has been conducted by the management as at 31 December 2021 and 2020 according to IAS 36 “Impairment of assets”. For the purpose of impairment review, the recoverable amount of Netcom Unit containing goodwill is determined based on the higher amount of the fair value less cost of disposal (“**FVLCD**”) and value in use calculations.

As at 31 December 2021, the recoverable amount of Netcom Unit containing goodwill was determined based on FVLCD, which was estimated by management with reference to the quoted market price of Netcom’s listed shares on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Management considered the recoverable amount of Netcom Unit containing goodwill was higher than its carrying amount as at 31 December 2021.

Based on the assessment, no impairment on Netcom Unit containing goodwill was required for the year ended 31 December 2021 (2020: RMB15,206,000).

**(b) Impairment tests for payment licence**

The Group’s payment licence which arose from the acquisition of Kaizhuo Technology on 31 December 2017 is carried at cost less any subsequent impairment loss, and is considered to have an indefinite based on the following grounds:

- (i) The payment licence was valid and granted by People’s Bank of China (“**PBOC**”) which is renewable every 5 years with immaterial administrative expenses;
- (ii) The management of the Company considered that there would be no practical difficulties in the application for payment licence renewal; and
- (iii) The Company has tested whether the payment licence with indefinite useful life had suffered any impairment on an annual basis by conducting an annual review to determine whether the latest events and circumstances continue to support an indefinite useful life assessment.

Impairment review on the payment licence with indefinite useful life has been conducted by the management as of 31 December 2021 according to IAS 36 “Impairment of assets”. The Group compares the carrying amount of the payment licence against its recoverable amount. The recoverable amount of the payment licence was determined based on FVLCD, which was estimated by management with reference to the comparable transaction cases within past one year. Based on the impairment assessment, an impairment loss of approximately RMB148,903,000 was recognized against the payment licence for the year ended 31 December 2021.

**(c) Amortization of intangible assets**

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

	<b>Year ended 31 December</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Origination and servicing expenses	<b>743</b>	3,218
General and administrative expenses	<b>2,276</b>	3,256
Research and development expenses	<b>539</b>	1,669
	<b><u>3,558</u></b>	<u>8,143</u>

## 10 Prepayments and other receivables

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Included in non-current assets:		
Rental deposits	<u>292</u>	<u>392</u>
	<u>292</u>	<u>392</u>
Included in current assets:		
Amounts due from related parties	37,764	7,326
Deposits	31,426	38,892
Receivable from disposal of bad debts	10,937	12,311
Loan to a director	10,214	1
Value-added tax receivable	11,498	17,579
Withholding tax paid on behalf of grantees under employee incentive schemes	9,138	21,998
Prepaid expense	7,587	10,157
Receivables from investees	–	4,000
Others	<u>13,009</u>	<u>19,864</u>
	<u>131,573</u>	<u>132,128</u>
<b>Total</b>	<b><u><u>131,865</u></u></b>	<b><u><u>132,520</u></u></b>

## 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 2021 and 2020:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Opening balance</b>	<b>53,867</b>	1,559,495
Fair value of newly written quality assurance obligation	<b>152,658</b>	94,293
ECL (reversed)/provided for the year	<b>(27,038)</b>	299,460
Release of the margin	<b>(11,651)</b>	(8,079)
Payouts during the year, net	<b>(108,155)</b>	(1,891,302)
<b>Ending balance</b>	<b>59,681</b>	53,867

In accordance with the regulatory guidances issued by the PRC authorities, the Group had been exiting the P2P business 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 RMB625.0 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 2021 and 2020:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Opening balance</b>	<b>22,190</b>	566,801
Fair value of newly written quality assurance obligation	<b>152,658</b>	94,293
ECL provided for the year	<b>(522)</b>	(83,445)
Contribution received from borrowers	<b>(145,529)</b>	(555,459)
<b>Ending balance</b>	<b>28,797</b>	22,190



	As at 31 December 2021			
	ECL staging			Total
	Stage 1	Stage 2	Stage 3	
	RMB'000	RMB'000	RMB'000	RMB'000
Quality assurance fund receivable	30,493	1,508	32,478	64,479
Less: ECL allowance under IFRS 9 (a)	(2,666)	(709)	(32,307)	(35,682)
<b>Quality assurance fund receivable, net</b>	<b>27,827</b>	<b>799</b>	<b>171</b>	<b>28,797</b>

	As at 31 December 2020			
	ECL staging			Total
	Stage 1	Stage 2	Stage 3	
	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)
<b>Quality assurance fund receivable, net</b>	<b>17,060</b>	<b>686</b>	<b>4,444</b>	<b>22,190</b>

(a) The following tables explain the changes in the ECL allowance of quality assurance fund receivable by stage for the years ended 31 December 2021 and 2020:

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Opening balance</b>	2,662	701	787,423	790,786
Transfer out	–	–	(755,626)	(755,626)
Net increase for the period (i)	26	22	474	522
Transfer				
Transfer from Stage 1 to Stage 2	(1)	1	–	–
Transfer from Stage 1 to Stage 3	(21)	–	21	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	(15)	15	–
<b>Ending balance</b>	<b>2,666</b>	<b>709</b>	<b>32,307</b>	<b>35,682</b>

	Year ended 31 December 2020			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	
<b>Opening balance</b>	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	–
<b>Ending balance</b>	<b>2,662</b>	<b>701</b>	<b>787,423</b>	<b>790,786</b>

- (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	
	2021 RMB'000	2020 RMB'000
Contract assets	695,357	638,822
Less: ECL allowance	(608,838)	(603,335)
Contract assets, net	<b>86,519</b>	<b>35,487</b>
Contract liabilities	<b>(16,481)</b>	<b>(17,214)</b>

The activity in the total ECL allowance for the years ended 31 December 2021 and 2020 consisted of the following:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Opening balance</b>	<b>(603,335)</b>	(461,739)
Provision of ECL for the year	<u>(5,503)</u>	<u>(141,596)</u>
<b>Ending balance</b>	<b><u>(608,838)</u></b>	<b><u>(603,335)</u></b>

*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 2021 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**

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Referral and credit card technology service receivables	<b>218,251</b>	192,755
Others	<u>13,920</u>	<u>1,497</u>
	<b>232,171</b>	194,252
ECL allowance	<u>(213,008)</u>	<u>(182,317)</u>
	<b><u>19,163</u></b>	<b><u>11,935</u></b>

The activity in the total ECL allowance for trade receivables as at 31 December 2021 and 2020 consisted of the following:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Opening balance</b>	<b>(182,317)</b>	(75,262)
Provision of ECL for the year	<u><b>(30,691)</b></u>	<u>(107,055)</u>
<b>Ending balance</b>	<b><u><u>(213,008)</u></u></b>	<b><u><u>(182,317)</u></u></b>

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

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 30 days	<b>8,268</b>	4,434
More than 30 days	<u><b>223,903</b></u>	<u>189,818</u>
	<b><u><u>232,171</u></u></b>	<b><u><u>194,252</u></u></b>

## 14 Trade and other payables

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for equity investments (a)	<b>214,825</b>	214,825
Payable to settlement banks	<b>32,566</b>	21,582
Trade payables (b)	<b>26,254</b>	8,149
Payroll and welfare payable	<b>12,608</b>	23,815
Interest payable	<b>10,401</b>	4,569
Professional service expenses	<b>5,476</b>	4,398
Other tax payable	<b>3,473</b>	7,375
Online promotion marketing expenses payable	<b>1,065</b>	2,471
External technical service expenses	<b>906</b>	281
Deposit payables (c)	<b>700</b>	2,387
Payable on behalf of credit card users	<b>503</b>	959
Payable to related parties	<b>565</b>	218
Others	<b>8,827</b>	25,309
	<b><u>318,169</u></b>	<b><u>316,338</u></b>

(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:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within 30 days	<b>18,998</b>	3,519
30 to 90 days	<b>3,070</b>	1,847
90 to 180 days	<b>1,324</b>	2,041
180 to 360 days	<b>1,599</b>	742
over 360 days	<b>1,263</b>	–
	<b><u>26,254</u></b>	<b><u>8,149</u></b>

- (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 2021 (2020: Nil).

## FINANCIAL REVIEW

### Revenue

Our total revenue increased by approximately 60.4% from approximately RMB274.3 million for the year ended 31 December 2020 to approximately RMB440.1 million for the year ended 31 December 2021.

Credit facilitation and service fee increased by approximately 148.8% from approximately RMB95.4 million for the year ended 31 December 2020 to approximately RMB237.4 million for the year ended 31 December 2021. We generally collect credit facilitation service fee from borrowers according to the pre-confirmed fee schedules, and recognize in the 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. The increase of credit facilitation service fee was mainly attributable to the increase of the credit facilitation business volume and the increased rate of return along with the decrease in the risk level of credit facilitation business in 2021.

Payment service fee increased by approximately 74.7% from approximately RMB45.0 million for the year ended 31 December 2020 to approximately RMB78.6 million for the year ended 31 December 2021, mainly due to the increase in business volume of payment service in 2021.

SaaS service fee increased by approximately 9.6% from approximately RMB29.9 million for the year ended 31 December 2020 to approximately RMB32.7 million for the year ended 31 December 2021, mainly due to the increase in the transaction volume of the smart retail business and the increase in the subscription income of Little Blue Book in 2021.

Credit card technology service fee decreased by approximately 12.9% from approximately RMB45.8 million for the year ended 31 December 2020 to approximately RMB39.9 million for the year ended 31 December 2021. In 2021, credit card technology service mainly focused on the issuance of co-branded cards under the cooperation with financial institutions. After evaluating the market situations, we reduced the investment in the co-branded card business, which led to a decrease in credit card technology service fee.

Other revenue decreased by approximately 11.5% from approximately RMB58.2 million for the year ended 31 December 2020 to approximately RMB51.5 million for the year ended 31 December 2021, mainly due to the decrease in the referral service fee from approximately RMB26.6 million for the year ended 31 December 2020 to approximately RMB10.2 million for the year ended 31 December 2021. In 2021, the number of referral service partners decreased, thus resulting in a decrease in business volume as compared with the corresponding period in 2020.

### **Operating expenses**

Total operating expenses decreased by approximately 62.7% from approximately RMB1,712.7 million for the year ended 31 December 2020 to approximately RMB639.4 million for the year ended 31 December 2021.

Origination and servicing expenses decreased by approximately 14.2% from approximately RMB309.0 million for the year ended 31 December 2020 to approximately RMB265.2 million for the year ended 31 December 2021, including (i) the staff compensation and benefit expenses for the year ended 31 December 2021 decreased by approximately 20.5% to approximately RMB55.6 million from approximately RMB69.9 million for the year ended 31 December 2020 due to the decreased average wages; and (ii) the depreciation and amortization expenses for the year ended 31 December 2021 decreased by approximately 67.7% to approximately RMB11.2 million from approximately RMB34.7 million for the corresponding period in 2020 due to the expiration of certain leases and useful lives of certain fixed assets.



Sales and marketing expenses decreased by approximately 12.3% from approximately RMB60.9 million for the year ended 31 December 2020 to approximately RMB53.4 million for the year ended 31 December 2021. In 2021, we optimized the investment model and achieved growth in the scale of credit facilitation business on the basis that sales and marketing expenses decreased as compared to the corresponding period in 2020.

General and administrative expenses decreased by approximately 28.1% from approximately RMB140.6 million for the year ended 31 December 2020 to approximately RMB101.1 million for the year ended 31 December 2021, including (i) the staff compensation and benefit expenses for the year ended 31 December 2021 decreased by approximately 13.5% to approximately RMB66.5 million from approximately RMB76.9 million for the year ended 31 December 2020 due to number of administrative staff was reduced; and (ii) the lease amortization expenses for the year ended 31 December 2021 decreased by approximately 69.9% to approximately RMB6.4 million from approximately RMB21.3 million for the corresponding period in 2020 due to the expiration of leases of certain fixed assets leased.

Research and development expenses decreased by approximately 28.3% from approximately RMB70.0 million for the year ended 31 December 2020 to approximately RMB50.2 million for the year ended 31 December 2021, mainly due to the decrease of research and development staff as the result of business transformation, which led to a decrease in employee benefit expenses for research and development department by approximately 22.9% to approximately RMB39.7 million for the year ended 31 December 2021 from approximately RMB51.5 million for the corresponding period in 2020.

Expected credit loss decreased by approximately 97.7% from a loss of approximately RMB665.5 million for the year ended 31 December 2020 to approximately RMB15.4 million for the year ended 31 December 2021, mainly because (i) the expected credit loss related to quality assurance fund and contract assets of a loss of approximately RMB516.4 million for the year ended 31 December 2020 turned to a reversal of a loss of approximately RMB32.7 million for the year ended 31 December 2021, mainly due to in 2021, the impact of the exit of P2P business and COVID-19 pandemic on our business was weakened substantially. Meanwhile, we adopted stringent risk control measures and the risk level of the credit facilitation business maintained at a low level; (ii) the expected credit loss related to loans to customers from approximately RMB1.0 million for the year ended 31 December 2020 turned to a reversal of approximately RMB0.4 million for the year ended 31 December 2021. Loans to customers, net are mainly historical overdue assets, and the overdue recovery in 2021 was maintained well; and (iii) the expected credit loss related to receivables are mainly caused by the expected credit loss on accounts receivables under the credit card technology service, which decreased by approximately 72.7% from approximately RMB100.0 million for the year ended 31 December 2020 to approximately RMB27.3 million for the year ended 31 December 2021, mainly due to the reduction of the scale in business. The management has closely monitored all outstanding overdue assets and regularly reviewed the recoverability of various loans and receivables.

Other losses, net decreased by approximately 67.0% from approximately RMB466.8 million for the year ended 31 December 2020 to approximately RMB154.0 million for the year ended 31 December 2021, which mainly represents that (i) the impairment loss on goodwill and licence under intangible assets accrued with reference to the market prices in the same period decreased to approximately RMB148.9 million for the year ended 31 December 2021 from approximately RMB342.7 million for the corresponding period in 2020; and (ii) the fair value loss on financial assets at FVPL decreased by approximately 63.6% to approximately RMB13.7 million for the year ended 31 December 2021 from approximately RMB37.6 million for the year ended 31 December 2020, as the business of several investees was underperformed in 2021, resulting in a lower market value as at 31 December 2021 as compared to that of 31 December 2020.

#### **Share of net loss of associates accounted for using equity method**

Share of net loss of associates accounted for using equity method decreased by approximately 63.8% from approximately RMB5.8 million for the year ended 31 December 2020 to approximately RMB2.1 million for the year ended 31 December 2021, because of the decrease in losses of several associates in 2021.

### **Fair value (loss)/gain of financial liabilities at FVPL**

Fair value (loss)/gain of financial liabilities at FVPL changed from a gain of approximately RMB17.0 million for the year ended 31 December 2020 to a loss of approximately RMB2.0 million for the year ended 31 December 2021, mainly because of the increase in market value of such liabilities as at 31 December 2021 as compared to that of 31 December 2020.

### **Finance expenses, net**

Finance expenses, net increased by 120.6% from expenses of approximately RMB3.4 million for the year ended 31 December 2020 to expenses of approximately RMB7.5 million for the year ended 31 December 2021. Such increase mainly reflected the decrease in interest income due to the decrease in deposits.

### **Income tax expense**

Income tax expense decreased by 82.6% from approximately RMB285.8 million for the year ended 31 December 2020 to approximately RMB49.8 million for the year ended 31 December 2021, mainly due to the decrease in the deferred tax assets written off.

### **Loss for the year**

As a result of the foregoing, our loss for the year decreased substantially by approximately 84.8% from approximately RMB1,716.4 million for the year ended 31 December 2020 to approximately RMB260.7 million for the year ended 31 December 2021, primarily due to (i) the rebound in scale of credit facilitation business which resulted in an increase in revenue in 2021; (ii) through the adoption of stringent risk control measures in 2021, the delinquency rate of credit facilitation assets continued to maintain at a low level, which led to a significant decrease in the amount of ECL under IAS 9 as compared to the corresponding period in 2020; and (iii) in 2021, the impairment loss on licence under intangible assets was accrued of approximately RMB148.9 million with reference to the market prices in the same period.

## **Non-IFRS measures**

To supplement our consolidated financial statements that have been prepared in accordance with IFRSs, we also use adjusted operating profit/(loss) and adjusted net loss as additional financial indicators, which are not presented in accordance with IFRSs. We believe that adjusted operating profit/(loss) and adjusted net loss facilitate comparisons of operating performance from period to period by eliminating potential impacts of items which the management considers non-indicative of our operating performance, and provide useful information to investors and others in understanding and evaluating our consolidated results of operations. The use of adjusted operating profit/(loss) and adjusted net loss has limitations as an analytical tool, and such measures should not be considered as an isolation from, or as a substitute for an analysis of, our results of operations or financial conditions as prepared under IFRSs. As non-IFRS measures do not have a standardised meaning prescribed by IFRSs, such non-IFRS measures may be defined differently from similar terms presented by other companies, and may not be comparable to other similarly titled measures presented by other companies.

When measuring adjusted operating profit/(loss) and adjusted net loss for the year, we excluded share-based compensation expenses, fair value (loss)/gain of financial assets/(liabilities) at FVPL, impairment loss of intangible assets and impairment loss of investments accounted for using equity method from operating loss and net loss, respectively. We excluded these items because they were either non-operating in nature or not indicative of our core operating results and business outlook, or did not generate any cash outflows: (i) share-based compensation expenses were excluded because they were non-cash in nature and did not result in cash outflow. In particular, as the types of incentive available and valuation methodologies used may vary in different companies, we believed that excluding such item provides investors and others with greater visibility to the underlying performance of our business operations; (ii) fair value (loss)/gain of financial assets/(liabilities) at FVPL were non-cash in nature and did not result in cash outflow. We believe that this item was not reflective of our ongoing operating results and there was no direct correlation to the operation of our business; and (iii) impairment loss of intangible assets and impairment loss of investments accounted for using equity method were non-cash items and there were no direct correlation to the operation of our business.

The following tables reconcile the non-IFRS adjusted operating profit/(loss) for the year and the adjusted net loss for the year presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs, which are operating profit for the year and net loss for the year:

	<b>As at 31 December 2021 RMB'000</b>	As at 31 December 2020 RMB'000
<b>Non-IFRS adjusted operating profit/(loss)</b>		
Operating loss	<b>(199,301)</b>	(1,438,437)
Adjusted for:		
Share-based compensation expenses	<b>35,653</b>	49,039
Fair value loss of financial assets at FVPL	<b>13,711</b>	37,580
Impairment loss of intangible assets	<b>148,903</b>	344,722
Impairment loss of investments accounted for using equity method	<b>2,817</b>	79,861
<b>Non-IFRS adjusted operating profit/(loss)</b>	<b><u>1,783</u></b>	<b><u>(927,235)</u></b>
	<b>As at 31 December 2021 RMB'000</b>	As at 31 December 2020 RMB'000
<b>Non-IFRS adjusted net loss</b>		
Net loss	<b>(260,701)</b>	(1,716,406)
Adjusted for:		
Share-based compensation expenses	<b>35,653</b>	49,039
Fair value loss/(gain) of financial liabilities at FVPL	<b>1,961</b>	(17,000)
Fair value loss of financial assets at FVPL	<b>13,711</b>	37,580
Impairment loss of intangible assets	<b>148,903</b>	344,722
Impairment loss of investments accounted for using equity method	<b>2,817</b>	79,861
<b>Non-IFRS adjusted net loss</b>	<b><u>(57,656)</u></b>	<b><u>(1,222,204)</u></b>

## Liquidity, Financial Resources and Gearing

The Group maintained a net cash position throughout the period under review. Our net cash positions as of 31 December 2021 and 31 December 2020 are as follows:

	<b>As at 31 December 2021 RMB' million</b>	<b>As at 31 December 2020 RMB' million</b>
Cash and cash equivalents	<b>313</b>	413
Liquid investments	<b>0<sup>(i)</sup></b>	–
Borrowings	<b>(192)</b>	(199)
<b>Net cash</b>	<b><u>121</u></b>	<b><u>214</u></b>

(i) Due to rounding.

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 HK dollars.

For the year ended 31 December 2021, the Group recorded net cash outflow of approximately RMB99.5 million, primarily representing net cash outflow in operating activities of approximately RMB22.9 million; net cash outflow in investing activities of approximately RMB56.5 million; and net cash outflow in financing activities of approximately RMB18.2 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 12.3% as at 31 December 2021 (31 December 2020: approximately 10.6%).

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

	<b>As at 31 December 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Within 1 year	<b>171,942</b>	171,563
1 year to 2 years	<b>7,344</b>	6,942
2 years to 5 years	<b>13,197</b>	20,541
<b>Total borrowings</b>	<b><u>192,483</u></b>	<b><u>199,046</u></b>

The bank and other borrowings as at 31 December 2021 were denominated in RMB (31 December 2020: RMB). For the year ended 31 December 2021, the annual interest rates of borrowings ranged from 5.64% to 8.04% (year ended 31 December 2020: 5.64% to 8.04%).

### **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 year ended 31 December 2021 would have been approximately RMB1,911,000 higher/lower, and the loss before income tax for the year ended 31 December 2020 would have been approximately RMB1,934,000 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 HK 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 2021 would have been approximately RMB300 lower/higher, and the loss before income tax for the year ended 31 December 2020 would have been approximately RMB300 lower/higher, 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 circumstance to cover specific foreign currency payments and receipts within the exposure generated from time to time.

### **Charge on Assets**

For the year ended 31 December 2021, the Group had charged its properties located at 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 RMB53.0 million and RMB90.0 million, respectively.

### **Material Investment and Future Plans for Material Investments on Capital Assets Acquisition**

For the year ended 31 December 2021, the Group did not have any material investments (year ended 31 December 2020: Nil). The Group had no other specific plan for material investment or acquisition of capital assets as at 31 December 2021.

### **Material Acquisition and Disposal**

For the year ended 31 December 2021, the Group did not have any material acquisition or disposal of subsidiaries (year ended 31 December 2020: Nil).

### **Contingent Liabilities**

The Group did not have any material contingent liabilities as at 31 December 2021 (31 December 2020: Nil).



## **FINAL DIVIDEND**

The Board does not recommend the declaration of the final dividend for the year ended 31 December 2021 (2020: nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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**

The Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) has been amended with effect from 1 January 2022. As this results announcement covers the financial period for the year ended 31 December 2021, all the corporate governance principles and code provisions mentioned herein refer to those stated in the CG Code before the amendments, not the revised CG Code.

For the year ended 31 December 2021, the Company had applied and complied with all the code provisions in the CG Code, with exceptions set out as follows:

### **Code Provision A.1.1 (Four Regular Board Meetings)**

For the year ended 31 December 2021, the Board held three regular meetings instead of four as required by code provision A.1.1 of the CG Code. The Board considers that the three meetings were sufficient to deal with the matters of the Company. Apart from the Board meetings, consent of Directors on certain issues was also sought through circulating resolutions in writing.

### **Code Provision E.1.2 (Chairman’s Attendance at Annual General Meeting)**

Mr. Sun Haitao, the chairman of the Board, was unable to attend the annual general meeting of the Company held in 2021 due to unexpected business engagements. Mr. Zheng Haiguo, a former executive Director, took the chair of that annual general meeting of the Company. Mr. Zhao Ke, a former executive Director and the former chief financial officer of the Company, and the representatives of the independent auditor of the Company were also present to answer questions from the shareholders.

## **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 2021 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](http://www.hkexnews.hk)) and the Company ([www.u51.com](http://www.u51.com)). The annual report will be despatched to the shareholders and published on both aforementioned websites on or before 30 April 2022.

\* *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*

30 March 2022

*As at the date of this announcement, the executive Directors are Mr. Sun Haitao, Mr. Zhu Jianfei and Ms. Wu Shan; 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.*