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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)

**SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Reference is made to the annual report of 51 CREDIT CARD INC. (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2022 (the “**2022 Annual Report**”). Unless otherwise defined in this announcement, capitalised terms used herein have the same meanings as those defined in the 2022 Annual Report.

In addition to the information as set out in the 2022 Annual Report, the Board hereby provides supplemental information with regard to its business review under the management discussion and analysis section, in particular, for the Group’s credit facilitation business (the “**Credit Facilitation Business**”).

SUPPLEMENTAL INFORMATION ON THE CREDIT FACILITATION BUSINESS

Overview

For the year ended 31 December 2022, the Credit Facilitation Business was one of the Group’s major sources of revenue. The Board considered that the Credit Facilitation Business offers credit solutions at competitive price to fill a gap in the PRC lending market by targeting borrowers who have been largely underserved by traditional PRC commercial financial institutions (the “**Target Borrowers**”). The Group, through its online platforms, refers the Target Borrowers who are assessed to have a satisfactory credit level to partnered financial institutions being the funders (the “**Funder(s)**”) by providing credit facilitation services.

The credit facilitation services business model

Under the business model of the Credit Facilitation Business (the “**Credit Facilitation Services Business Model**”), the Group follows the common practice to provide guarantee services (which is described as “credit enhancement” in the 2022 Annual Report) for loans granted to the Target Borrowers after successful matching of a Target Borrower with a Funder, in which case the guarantee service is part and parcel of the Group’s credit facilitation services. The Group provides such guarantee service with a view to enhance the credit of the Target Borrowers and facilitate their successful matching with the Funders. In return, the Group would receive a service fee and a guarantee fee upon the loan repayment by the Target Borrower. The service fee and the guarantee fee are both charged on a percentage basis to the loan principal amount facilitated. The total fee, which comprised of service fee and guarantee fee, are collected on a monthly basis over the loan period from the Target Borrower. For details on revenue recognition of the total fee under the credit facilitation services, please refer to the section headed “Notes to the consolidated financial statements – 2. Summary of significant accounting policies – 2.23 Revenue recognition – (a) Credit facilitation and service fee” as set out in the 2022 Annual Report.

Pursuant to the guarantee agreements with the Funders, in the event that the Target Borrower fails to fulfil his/her repayment obligation in the prescribed time, the Group is required to take up the relevant outstanding loan amount together with outstanding interests. The guarantees provided by the Group require no collateral and/or other guarantee from the Target Borrowers as the credit risk exposure on an individual loan basis was considered to be limited to the Group as a whole. Relevant credit risk is further managed by the measures taken by the Group as described under section headed “Internal assessment prior to credit facilitation” below.

Under the Credit Facilitation Services Business Model, the Group promotes sustainable and mutually beneficial collaborations with the Target Borrowers and the Funders. In this connection, the Funders should save effort and benefit from the validation and preliminary assessment performed by the Group in connection with its provision of guarantee services, and access to a large pool of Target Borrowers with desirable credit profiles, which the Funders may be unable to otherwise reach through traditional lending platforms and/or avenues as efficiently and effectively. From the Target Borrowers’ perspective, it should be relatively quick and more convenient for them to obtain a loan from the Funders, subject to the grant of credit at the Funders’ discretion, by utilising the Group’s credit facilitation service and have their credit enhanced through the Group’s guarantee.

As at 31 December 2022, the total number of Target Borrowers with outstanding loans under the Credit Facilitation Business was 340,742 (as at 31 December 2021: 334,389).

Internal assessment prior to credit facilitation

The internal assessment procedures of the Credit Facilitation Services Business Model comprised of, among others, (i) Pre-lending assessment: such includes identification verification to ensure the authenticity of the Target Borrower's identity and that the Target Borrower is not on any specific internal watch list; (ii) Internal assessment and risk evaluation: after obtaining the Target Borrower's consent and permission for data collection and usage, relevant data will be collected for the purpose of internal assessment, which data will in turn be inputted into the risk control model and develop risk control assessment strategy; (iii) Internal risk control system: based on the information collected as mentioned above, each Target Borrower will be given a credit score by the internal risk control system. The credit score will determine which risk level the Target Borrower falls into. The Group will only provide guarantee for the Target Borrowers with a sufficient credit score, nonetheless the granting of credit will be at the Funder's discretion based on their own assessment; (iv) Affirmation from the Target Borrower: prior to the provision of guarantee services to the Target Borrower, the Group requires the Target Borrower to, among others, confirm all information provided are accurate and complete, and not to use the credit with guarantee granted by the Group for unlawful purposes; and (v) Overall risk monitoring and management: the Group will evaluate its assessment results prior to the approval of guarantee to Target Borrowers, subject to his/her respective credit score and the Group's overall risk exposure given the prevailing composition of the Group's portfolio at the material time.

Risk management and ongoing monitoring of loans

With a view to minimise the risks of delinquent loans, the Group also actively carried out post-lending management which comprised of (i) post-lending early warning system* (貸後預警) to proactively manage ongoing risks and identify loans with potential collection problems as early as possible; and (ii) loan collection management* (催收管理) to manage the collection of overdue loan to minimise potential credit losses. The Group primarily rely on its progress management system (the “**Progress Management System**”) for the Group's risk monitoring and post-lending management. The Progress Management System tracks individual loan repayment status and analyse potential red flags, such as late repayments, and in turn, it identifies related risks in a timely basis and give appropriate early warnings to the Group. Based on information from the Progress Management System, the post-lending management team will follow up with the Target Borrower accordingly.

Having considered, among others, (i) the Credit Facilitation Business is in compliance with the relevant regulatory requirements in the PRC; (ii) prior to the listing of the Shares on the Stock Exchange, the Group has already provided credit facilitation services and demonstrated its established track record and financial performance under this sustainable and viable business model; and (iii) the Board considered that there are adequate and effective internal control procedures in place to safeguard the interests of the Company and its Shareholders, the Board is therefore of the view that in the long run, the Credit Facilitation Services Business Model is in the interests of the Company and its Shareholders as a whole.

The above information does not affect the information disclosed in the 2022 Annual Report and save as disclosed in this announcement, all other information in the 2022 Annual Report remains unchanged.

By Order of the Board

51 Credit Card Inc.

Sun Haitao

Chairman, Chief Executive Officer and Executive Director

3 November 2023

As at the date of this announcement, the executive Directors are Mr. Sun Haitao and Ms. Wu Shan; the non-executive Directors are Ms. Zou Yunli, Ms. Gao Li and Ms. Jiang Chloe Cuicui and the independent non-executive Directors are Mr. Ye Xiang, Mr. Xu Xuchu and Mr. Shou Jian.