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51信用卡

51 CREDIT CARD INC.

51 信用卡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2051)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of 51 Credit Card Inc. (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the six months ended 30 June 2023.

FINANCIAL HIGHLIGHTS

| | For the six months ended 30 June | | |
|---|----------------------------------|---------------|---------------|
| | 2023 | 2022 | Change |
| | RMB'000 | RMB'000 | |
| | (unaudited) | (unaudited) | |
| | (approximate) | (approximate) | (approximate) |
| Revenue | 138,465 | 261,905 | (47.1%) |
| Credit facilitation and service fee | 36,948 | 76,294 | (51.6%) |
| Payment service fee | – | 133,931 | (100.0%) |
| Credit card technology service fee | 12,851 | 17,420 | (26.2%) |
| SaaS service fee | 52,276 | 14,384 | 263.4% |
| Camping service fee | 18,505 | 685 | 2,601.5% |
| Other revenue | 17,885 | 19,191 | (6.8%) |
| Operating profit/(loss) for the period | 7,725 | (10,706) | 172.2% |
| Net loss for the period | (6,211) | (20,310) | (69.4%) |
| Non-IFRS measures | | | |
| Non-IFRS adjusted operating profit for the period ⁽¹⁾ | 9,226 | 14,874 | (38.0%) |
| Non-IFRS adjusted net profit for the period ⁽²⁾ | 3,898 | 4,920 | (20.8%) |

Notes:

- (1) Non-IFRS adjusted operating profit for the period is defined as operating loss for the six months ended 30 June 2023 and 2022 excluding share-based compensation expenses, fair value gain/(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 refer to the section headed “FINANCIAL REVIEW – Non-IFRS measures” of this announcement.
- (2) Non-IFRS adjusted net profit for the period is defined as net loss for the six months ended 30 June 2023 and 2022 excluding share-based compensation expenses, fair value gain/(loss) 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 refer to the section headed “FINANCIAL REVIEW – Non-IFRS measures” of this announcement.
- (3) No interim dividend was declared for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 30 June 2023, the number of registered users of 51 Credit Card Manager was approximately 88.8 million, and the number of credit cards we had managed cumulatively amounted to approximately 151.6 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 30 June 2023, Little Blue Book had approximately 6.8 million registered users.

In the first half of 2023, our innovative business achieved considerable development momentum as we broke previous records of the revenue size in the SaaS business and camping services. On the other hand, given the anticipated impact of the increasingly stringent financial regulatory policies, we gradually fine-tuned the operating strategy of the Group’s credit facilitation business, with the aim of strictly ensuring business compliance while monitoring the overall scale of the credit facilitation business.

For the six months ended 30 June 2023, the To B SaaS business of Little Blue Book experienced a significant growth as our sales force size, sales force effectiveness, and monthly sales doubled as compared to that as of the end of 2022 and customer purchases, renewal rate and customer unit prices also registered a steady growth as compared to the corresponding period of 2022 due to the Group’s proactive marketing and development efforts. In general, the To C business of Little Blue Book remained relatively stable and continued to generate some leads to the To B business, which further consolidated the collective competitive strength of C To B.

In summary, for the six months ended 30 June 2023, our revenue was approximately RMB138.5 million, representing a decrease of approximately 47.1% as compared to approximately RMB261.9 million for the corresponding period in 2022; our operating profit was approximately RMB7.7 million, as compared to the operating loss of approximately RMB10.7 million for the corresponding period in 2022; and our net loss was approximately RMB6.2 million, representing a decrease of approximately 69.4% as compared to approximately RMB20.3 million for the corresponding period in 2022.

As for non International Financial Reporting Standards (“non-IFRS”) measures, for the six months ended 30 June 2023, our non-IFRS adjusted operating profit was approximately RMB9.2 million, as compared with non-IFRS adjusted operating profit of approximately RMB14.9 million for the corresponding period in 2022; and our non-IFRS adjusted net profit was approximately RMB3.9 million, as compared with non-IFRS adjusted net profit of approximately RMB4.9 million for the corresponding period in 2022. Please refer to the section headed “FINANCIAL REVIEW – Non-IFRS measures” of this announcement for the definitions, explanations of usage and reconciliations of non-IFRS measures.

| | For the six months ended 30 June | | | | Period |
|--|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2023 | | 2022 | | on period |
| | <i>RMB'000</i> | <i>Percentage</i> | <i>RMB'000</i> | <i>Percentage</i> | <i>Percentage</i> |
| | <i>(unaudited)</i> | <i>of revenue</i> | <i>(unaudited)</i> | <i>of revenue</i> | <i>(approximate)</i> |
| | <i>(approximate)</i> | <i>(approximate)</i> | <i>(approximate)</i> | <i>(approximate)</i> | <i>(approximate)</i> |
| Revenue | 138,465 | 100.0% | 261,905 | 100.0% | (47.1%) |
| Credit facilitation and service fee | 36,948 | 26.7% | 76,294 | 29.1% | (51.6%) |
| Payment service fee | – | – | 133,931 | 51.1% | (100%) |
| Credit card technology service fee | 12,851 | 9.3% | 17,420 | 6.7% | (26.2%) |
| SaaS service fee | 52,276 | 37.8% | 14,384 | 5.5% | 263.4% |
| Camping service fee | 18,505 | 13.4% | 685 | 0.3% | 2,601.5% |
| Other revenue | 17,885 | 12.8% | 19,191 | 7.3% | (6.8%) |
| Operating profit/(loss) for the period | 7,725 | | (10,706) | | 172.2% |
| Net loss for the period | <u>(6,211)</u> | | <u>(20,310)</u> | | <u>(69.4%)</u> |
| Non-IFRS measures | | | | | |
| Non-IFRS adjusted operating profit for the period ⁽¹⁾ | 9,226 | | 14,874 | | (38.0%) |
| Non-IFRS adjusted net profit for the period ⁽²⁾ | <u>3,898</u> | | <u>4,920</u> | | <u>(20.8%)</u> |

Notes:

- (1) *Non-IFRS adjusted operating profit for the period is defined as operating loss for the six months ended 30 June 2023 and 2022 excluding share-based compensation expenses, fair value gain/(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 refer to the section headed “FINANCIAL REVIEW – Non-IFRS measures” of this announcement.*
- (2) *Non-IFRS adjusted net profit for the period is defined as net loss for the six months ended 30 June 2023 and 2022 excluding share-based compensation expenses, fair value gain/(loss) 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 refer to the section headed “FINANCIAL REVIEW – Non-IFRS measures” of this announcement.*

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 by borrowers. We also provide credit enhancement to partner financial institutions through a licenced financial guarantee company within the Group. In the first half of 2023, the total volume of credit facilitation business was approximately RMB904.1 million, all being businesses cooperated with financial institutions, representing a decrease of approximately 42.1% from approximately RMB1,562.3 million in the first half of 2022, mainly due to our business strategy adjustment, which limited the loan facilitation volume. 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 the first half of 2023 was lower than 4.0%, which is of the same level as the corresponding period last year. Meanwhile, the 30-day collection rate of overdue assets was approximately 81.0% as compared with approximately 85.5% for the corresponding period of 2022. The average tenure of loans decreased to approximately 9.2 months in the first half of 2023 from approximately 9.7 months for the corresponding period in 2022, and the average amount of loans in the first half of 2023 decreased to approximately RMB7,700 from approximately RMB10,000 for the corresponding period in 2022.

2. SaaS Business

The SaaS business consists of the Little Blue Book business and the smart retail business as well as the bank operation management business. Little Blue Book is a commercial information searching tool that generates subscription income from corporate customers and individual users. Our smart retail business serves corporate customers, and receives a fixed amount of revenue 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. The bank operation business mainly provides full-spectrum back-office operation management services to financial institutions such as banks. Revenue from SaaS business increased to approximately RMB52.3 million in the first half of 2023 from approximately RMB14.4 million for the corresponding period in 2022.

3. Camping services

In 2022, we established the campsite brand chain named 51 CAMP, with the aim to develop the “2H” urban camping circle centered on intra-urban themed urban campsites, peri-urban campsites and complemented by remote glamping campsites. The revenue of 51 CAMP can mainly be divided into two types: To C and To B. For To C, we provide our customers with delicate camping services and charge a fixed service fee for the use of the venue, food and beverage consumption, etc. On the other hand, To B revenue includes fees charged for commercial advertising shooting, live broadcast, commercial brand press conference, wedding shooting, bespoke wedding, music festivals, camping festivals, enterprise team building customization, event advertising sponsorship and other modes of site services. Revenue from camping services increased from approximately RMB0.7 million for the corresponding period in 2022 to approximately RMB18.5 million for the first half of 2023.

OUTLOOK

In 2023, given the slow economic recovery in the aftermath of the COVID-19 pandemic, the global economy still faces a series of challenges. In light of this, we are prepared to seize the development opportunities presented by the new business and will keep devoting efforts to explore new contributing factor for revenue growth for each of the businesses. Specifically:

For the financial technology business, subject to business compliance, we will continue to seek new institutions for collaboration and explore new cooperation models, and fully capitalize on our established risk control model and platform operation capabilities to provide premium credit facilitation service to a wide array of reliable customers.

As for the SaaS business, with Little Blue Book, as an intelligent sales growth cloud platform, the Group will conduct further in-depth analysis of the whole sales process data and demand of various sectors to identify more potential sectors and customers for Little Blue Book, enhancing the sales conversion rate at different tiers, namely leads, opportunities and order generating process. Moreover, we will further consolidate the technical team, strengthen the use of technologies such as big data, artificial intelligence and cloud computing to keep enriching the breadth and depth of data, further retrieve the data core value based on scenarios and actual needs of customers on the premise of ensuring data compliance, and assist customers to achieve effective development and capability enhancement in terms of sales digitization and digital marketing.

In respect of camping services, 51CAMP has established 20+ campsites, mainly located in the Yangtze River Delta and Pearl River Delta regions since its launch. To further strengthen the large-scale expansion of campsite, the Group has employed various collaboration models such as campsite agency operation, campsite franchise and member campsite during the first half of the year, through which the Group exports its established supply chain system and standardized campsite operation management system, empowers its partner campsites, helps partner campsites to achieve breakthrough and shares the 51CAMP brand and traffic to achieve a win-win situation. Meanwhile, the Group will continue to explore the feasibility of other business models, extend the boundaries for the development of the entire camping industry chain, promote camping-related consumption, and further enhance 51CAMP's presence in the domestic camping market.

FINANCIAL INFORMATION

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023, together with the comparative figures for the six months ended 30 June 2022 are set out as below.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE LOSS**

| | | Six months ended 30 June | |
|---|--------------|---------------------------------|-----------------------|
| | <i>Notes</i> | 2023 | 2022 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Unaudited) |
| Credit facilitation and service fee | 3 | 36,948 | 76,294 |
| Payment service fee | | – | 133,931 |
| Credit card technology service fee | | 12,851 | 17,420 |
| SaaS service fee | | 52,276 | 14,384 |
| Camping service fee | | 18,505 | 685 |
| Other revenue | 4 | 17,885 | 19,191 |
| Total revenue | | <u>138,465</u> | <u>261,905</u> |
| Origination and servicing expenses | 5 | (123,951) | (197,252) |
| General and administrative expenses | 5 | (25,534) | (51,790) |
| Research and development expenses | 5 | (9,539) | (21,544) |
| Sales and marketing expenses | 5 | (12,210) | (19,095) |
| Expected credit gain, net | 6 | 39,250 | 13,083 |
| Other gain, net | 7 | 1,244 | 3,987 |
| Total operating expenses | | <u>(130,740)</u> | <u>(272,611)</u> |
| Operating profit/(loss) | | <u>7,725</u> | <u>(10,706)</u> |
| Share of net loss of associates accounted for using equity method | | (12,652) | (3,245) |
| Fair value (loss)/gain of financial liabilities at fair value through profit or loss | | (8,608) | 350 |
| Finance income/(expenses), net | | 3,317 | (4,904) |
| Loss before income tax | | (10,218) | (18,505) |
| Income tax credit/(expense) | 8 | 4,007 | (1,805) |
| Loss for the period | | <u>(6,211)</u> | <u>(20,310)</u> |

| | | Six months ended 30 June | |
|--|--------------|---------------------------------|------------------------|
| | <i>Notes</i> | 2023 | 2022 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Unaudited) |
| Loss for the period attributable to: | | | |
| – Owners of the Company | | 133 | (6,389) |
| – Non-controlling interests | | <u>(6,344)</u> | <u>(13,921)</u> |
| | | <u>(6,211)</u> | <u>(20,310)</u> |
| 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 at fair value through profit or loss | | 1,339 | (242) |
| Currency translation differences | | <u>1,228</u> | <u>1,384</u> |
| Total comprehensive loss for the period, net of tax | | <u>(3,644)</u> | <u>(19,168)</u> |
| Total comprehensive loss attributable to: | | | |
| – Owners of the Company | | 2,393 | (5,592) |
| – Non-controlling interests | | <u>(6,037)</u> | <u>(13,576)</u> |
| | | <u>(3,644)</u> | <u>(19,168)</u> |
| Earnings/(losses) per share attributable to owners of the Company – basic and diluted (expressed in RMB cent per share): | | | |
| Earnings/(losses) for the period – basic | 9 | 0.01 | (0.52) |
| Earnings/(losses) for the period – diluted | 9 | <u>0.01</u> | <u>(0.52)</u> |

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

| | | As at 30 June 2023 | As at 31 December 2022 |
|---|--------------|--------------------------------------|------------------------------------|
| | <i>Notes</i> | RMB'000 (Unaudited) | RMB'000 (Audited) |
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment, net | | 107,971 | 102,464 |
| Right-of-use assets | | 14,630 | 13,887 |
| Intangible assets | | 39,818 | 40,717 |
| Investments accounted for using equity method | | 19,008 | 31,660 |
| Financial assets at fair value through profit or loss | | 68,403 | 69,291 |
| Deferred income tax assets | | 9,637 | 5,386 |
| Prepayments and other receivables | <i>10</i> | 292 | 1,073 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 259,759 | 264,478 |
| Current assets | | | |
| Inventory | | 1,351 | – |
| Quality assurance fund receivable | <i>11</i> | 14,554 | 16,443 |
| Contract assets | <i>12</i> | 30,273 | 34,875 |
| Trade receivables | <i>13</i> | 22,889 | 18,968 |
| Prepayments and other receivables | <i>10</i> | 132,311 | 116,375 |
| Loans to customers, net | | 173,391 | 179,725 |
| Financial assets at fair value through profit or loss | | 269 | – |
| Restricted cash | | 123,236 | 128,827 |
| Cash and cash equivalents | | 352,488 | 376,813 |
| | | <hr/> | <hr/> |
| Total current assets | | 850,762 | 872,026 |
| | | <hr/> | <hr/> |
| Total assets | | 1,110,521 | 1,136,504 |

| | | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|---|-----------|---|---|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 90 | 90 |
| Reserves | | 715,353 | 712,347 |
| Non-controlling interests | | <u>(7,252)</u> | <u>(1,215)</u> |
| Total equity | | <u>708,191</u> | <u>711,222</u> |
| Liabilities | | | |
| Non-Current liabilities | | | |
| Bank and other borrowings | | 68,660 | 13,170 |
| Lease liabilities | | <u>6,972</u> | <u>6,589</u> |
| Total non-current liabilities | | <u>75,632</u> | <u>19,759</u> |
| Current liabilities | | | |
| Quality assurance fund payable | <i>11</i> | 26,713 | 21,713 |
| Payable to platform customers | | 55,848 | 75,389 |
| Contract liabilities | <i>12</i> | 10,140 | 16,347 |
| Bank and other borrowings | | 101,760 | 166,687 |
| Lease liabilities | | 7,007 | 6,600 |
| Trade and other payables | <i>14</i> | 65,230 | 66,056 |
| Financial liabilities at fair value through profit or loss | | <u>60,000</u> | <u>52,731</u> |
| Total current liabilities | | <u>326,698</u> | <u>405,523</u> |
| Total liabilities | | <u>402,330</u> | <u>425,282</u> |
| Total equity and liabilities | | <u>1,110,521</u> | <u>1,136,504</u> |

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

NOTES

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim financial reporting” issued by the International Accounting Standards Board (“IASB”). The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), and any public announcements made by the Group during the six months ended 30 June 2023.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise IFRSs; IAS; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new IFRS that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the financial statements of the Group.

3. CREDIT FACILITATION AND SERVICE FEE

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB’000</i> | <i>RMB’000</i> |
| | (Unaudited) | (Unaudited) |
| Upfront credit facilitation service fee | 17,524 | 29,464 |
| Post credit facilitation service fee | 19,424 | 46,830 |
| | <u>36,948</u> | <u>76,294</u> |

Note: The unsatisfied performance obligation as at 30 June 2023 was approximately RMB22,542,000. Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 30 June 2023 will be recognized as revenue within the next twelve months.

4. OTHER REVENUE

| | Six months ended 30 June | |
|----------------------|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Referral service fee | 7,519 | 8,796 |
| Overdue charges | 3,581 | 3,469 |
| Others | 6,785 | 6,926 |
| | <u>17,885</u> | <u>19,191</u> |

5. EXPENSES BY NATURE

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Fund transfer charges | 2,111 | 116,713 |
| Employee benefit expenses | 67,331 | 97,084 |
| External technical service fees | 66,561 | 45,131 |
| Depreciation and amortization | 4,994 | 10,410 |
| Professional service fees | 3,287 | 6,058 |
| Office expenses | 4,686 | 3,408 |
| Marketing and advertising fees | 4,013 | 1,221 |
| Camping operating fee | 5,439 | – |
| Others | 12,812 | 9,656 |
| | <u>171,234</u> | <u>289,681</u> |
| Total amount of origination and servicing expenses, general and administrative expenses, research and development expenses and sales and marketing expenses | | |

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

6. EXPECTED CREDIT GAIN, NET

The composition of expected credit (gain)/loss (“ECL”) provided for six months ended 30 June 2023 and 2022 is as follows:

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Contract assets (<i>Note 12</i>) | 2,483 | 6,609 |
| Prepayments and other receivables | 4,053 | 5,047 |
| Trade receivables (<i>Note 13</i>) | (41) | 2,865 |
| Loans to customers, net | (203) | (682) |
| Quality assurance fund (<i>Note 11</i>) | (45,542) | (26,922) |
| | <u>(39,250)</u> | <u>(13,083)</u> |

7. OTHER GAIN, NET

| | Six months ended 30 June | |
|--|--------------------------|--------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Government grants | 250 | 1,627 |
| Fair value (loss)/gain on financial assets at FVPL | (888) | 752 |
| Others | 1,882 | 1,608 |
| | <u>1,244</u> | <u>3,987</u> |

8. INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense of the Group during the periods presented are analyzed as follows:

| | Six months ended 30 June | |
|---------------------|--------------------------|-----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Current income tax | 244 | 20,618 |
| Deferred income tax | <u>(4,251)</u> | <u>(18,813)</u> |
| | <u>(4,007)</u> | <u>1,805</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 "Shareholders").

British Virgin Islands ("BVI")

The Group's entities incorporated in BVI are not subject to tax on income or capital gains.

Hong Kong ("HK")

The Group's entities incorporated in HK are subject to profits tax rate of 16.5%.

Within the People's Republic of China (the "PRC")

The subsidiaries and variable interest entities of the Group established within the PRC are generally subject to the standard enterprise income tax rate of 25%, except for entities qualified as "High and New Technology Enterprise" which are entitled to the preferential income tax rate of 15%.

9. EARNINGS/(LOSSES) PER SHARE

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

| | Six months ended 30 June | |
|--|--------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Profit/(loss) attributable to owners of the Company (<i>RMB'000</i>) | 133 | (6,389) |
| Weighted average number of ordinary shares in issue (<i>'000</i>) | <u>1,225,363</u> | <u>1,219,379</u> |
| Basic earnings/(losses) per share (<i>expressed in RMB cent</i>) | <u>0.01</u> | <u>(0.52)</u> |

- (b) Diluted earnings/(losses) 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 earnings/(losses) for the six months ended 30 June 2023 and 2022, the potential ordinary shares were not included in the calculation of dilutive earnings/(losses) per share, as their inclusion would be anti-dilutive. Accordingly, diluted earnings/(losses) per share for the six months ended 30 June 2023 and 2022 is the same as basic earnings/(losses) per share.

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Profit/(loss) attributable to owners of the Company (<i>RMB'000</i>) | 133 | (6,389) |
| Weighted average number of ordinary shares in issue (<i>'000</i>) | 1,225,363 | 1,219,379 |
| Weighted average number of ordinary shares for calculation of diluted earnings/(losses) per share (<i>'000</i>) | <u>1,225,363</u> | <u>1,219,379</u> |
| Diluted earnings/(losses) per share (<i>expressed in RMB cent</i>) | <u>0.01</u> | <u>(0.52)</u> |

10. PREPAYMENTS AND OTHER RECEIVABLE

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|--|---|---|
| Included in non-current assets: | | |
| Rental deposits | <u>292</u> | <u>1,073</u> |
| | <u>292</u> | <u>1,073</u> |
| Included in current assets: | | |
| Amounts due from related parties | 14,049 | 24,573 |
| Deposits and prepaid expenses | 36,617 | 31,975 |
| Receivable from disposal of bad debts | 12,483 | 10,574 |
| Loan to a Director | 10,429 | 10,393 |
| Withholding tax paid on behalf of grantees under employee incentive schemes | 6,292 | 6,292 |
| Loans to third parties | 19,991 | – |
| Others | <u>32,450</u> | <u>32,568</u> |
| | <u>132,311</u> | <u>116,375</u> |
| Total | <u>132,603</u> | <u>117,448</u> |

11. QUALITY ASSURANCE FUND PAYABLE AND RECEIVABLE

The following table sets forth the Group's quality assurance fund payable movements for the six months ended 30 June 2023 and 2022:

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Opening balance | 21,713 | 59,681 |
| Fair value of newly written quality assurance obligation | 32,752 | 57,989 |
| ECL reversed for the period | (43,324) | (22,699) |
| Release of the margin | (2,675) | (5,008) |
| Payouts during the period, net | 18,247 | (56,154) |
| | <hr/> | <hr/> |
| Ending balance | 26,713 | 33,809 |

The following tables set forth the Group's quality assurance fund receivable movements for the six months ended 30 June 2023 and 2022:

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Opening balance | 16,443 | 28,797 |
| Fair value of newly written quality assurance obligation | 32,752 | 57,989 |
| ECL for quality assurance fund (a) | (457) | (785) |
| Contribution received from borrowers | (34,184) | (61,399) |
| | <hr/> | <hr/> |
| Ending balance | 14,554 | 24,602 |

| | Six months ended 30 June 2023 | | | |
|---|-------------------------------|----------------|----------------|----------------|
| | ECL Staging | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Quality assurance fund receivable | 15,902 | 888 | 34,219 | 51,009 |
| Less: ECL allowance under IFRS 9 (a) | (2,626) | (641) | (33,188) | (36,455) |
| Quality assurance fund receivable, net | 13,276 | 247 | 1,031 | 14,554 |

| | As at 31 December 2022 | | | |
|---|------------------------|----------------|----------------|----------------|
| | ECL Staging | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Audited) | (Audited) | (Audited) | (Audited) |
| Quality assurance fund receivable | 17,746 | 933 | 33,762 | 52,441 |
| Less: ECL allowance under IFRS 9 (a) | (2,598) | (632) | (32,768) | (35,998) |
| Quality assurance fund receivable, net | 15,148 | 301 | 994 | 16,443 |

- (a) The following tables explain the changes in the ECL allowance of quality assurance fund receivable by stage for the six months ended 30 June 2023 and 2022:

| | Six months ended 30 June 2023 | | | |
|----------------------------------|-------------------------------|----------------|----------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Opening balance | 2,598 | 632 | 32,768 | 35,998 |
| Net increase for the period (i) | 36 | 32 | 389 | 457 |
| Transfer | | | | |
| Transfer from Stage 1 to Stage 2 | (8) | 8 | - | - |
| Transfer from Stage 1 to Stage 3 | (11) | - | 11 | - |
| Transfer from Stage 2 to Stage 1 | 11 | (11) | - | - |
| Transfer from Stage 2 to Stage 3 | - | (20) | 20 | - |
| Ending balance | 2,626 | 641 | 33,188 | 36,455 |

| | Six months ended 30 June 2022 | | | Total <i>RMB'000</i> (Unaudited) |
|----------------------------------|-------------------------------|-------------------------------|-------------------------------|--|
| | Stage 1 | Stage 2 | Stage 3 | |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | |
| | <i>RMB'000</i> (Unaudited) | <i>RMB'000</i> (Unaudited) | <i>RMB'000</i> (Unaudited) | |
| Opening balance | 2,666 | 709 | 32,307 | 35,682 |
| Net decrease for the period (i) | (13) | 61 | 737 | 785 |
| Transfer out | - | - | (68) | (68) |
| Transfer | | | | |
| Transfer from Stage 1 to Stage 2 | (16) | 16 | - | - |
| Transfer from Stage 1 to Stage 3 | (12) | - | 12 | - |
| Transfer from Stage 2 to Stage 1 | 24 | (24) | - | - |
| Transfer from Stage 2 to Stage 3 | - | (63) | 63 | - |
| Ending balance | <u>2,649</u> | <u>699</u> | <u>33,051</u> | <u>36,399</u> |

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

12. CONTRACT ASSETS/(LIABILITIES)

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|-----------------------------|---|---|
| Contract assets | 636,092 | 638,211 |
| Less: ECL allowance | <u>(605,819)</u> | <u>(603,336)</u> |
| Contract assets, net | <u>30,273</u> | <u>34,875</u> |
| Contract liabilities | <u>(10,140)</u> | <u>(16,347)</u> |

The activity in the total ECL allowance for the six months ended 30 June 2023 and 2022 consisted of the following:

| | Six months ended 30 June | |
|---------------------------------|---------------------------------|------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Opening balance | (603,336) | (608,838) |
| Provision of ECL for the period | <u>(2,483)</u> | <u>(6,609)</u> |
| Ending balance | <u>(605,819)</u> | <u>(615,447)</u> |

Note: The Group receives payments from borrowers over the tenures of the loans. Contract assets represent the Group's right to consideration in exchange for services that the Group has provided. A substantial majority of the Group's contract assets as at 30 June 2023 would be realized within the next twelve months as the weighted average term of the arrangements where the Group was not the loan originator was less than twelve months. The Group determined that there was no significant financing component for its arrangements where the Group was not the loan originator.

13. TRADE RECEIVABLES

| | As at | As at |
|---|-------------------------|------------------|
| | 30 June | 31 December |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Referral and credit card technology service receivables | 221,463 | 226,582 |
| Others | <u>15,525</u> | <u>6,526</u> |
| | <u>236,988</u> | <u>233,108</u> |
| ECL allowance | <u>(214,099)</u> | <u>(214,140)</u> |
| Trade receivable, net | <u>22,889</u> | <u>18,968</u> |

The activity in the total ECL allowance for trade receivables for the six months ended 30 June 2023 and 2022 consisted of the following:

| | Six months ended 30 June | |
|--|---------------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Opening balance | (214,140) | (213,008) |
| Reversal/(provision) of ECL for the period | 41 | (2,865) |
| | <hr/> | <hr/> |
| Ending balance | (214,099) | (215,873) |
| | <hr/> | <hr/> |

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

| | As at | As at |
|-------------------|-----------------------|----------------|
| | 30 June | 31 December |
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Audited) |
| Within 30 days | 2,398 | 6,467 |
| More than 30 days | 234,590 | 226,641 |
| | <hr/> | <hr/> |
| | 236,988 | 233,108 |
| | <hr/> | <hr/> |

14. TRADE AND OTHER PAYABLES

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|-------------------------------|---|---|
| Trade payables (a) | 15,858 | 18,058 |
| Payroll and welfare payable | 9,199 | 13,556 |
| Interest payable | 17,409 | 16,110 |
| Professional service expenses | 6,237 | 6,965 |
| Other tax payable | 16,527 | 11,367 |
| | <u>65,230</u> | <u>66,056</u> |

(a) Trade payables represent payables of fund transfer charges and collection service charges.

The aging analysis of trade payables based on invoice date is as below:

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|-----------------|---|---|
| Within 30 days | 11,936 | 9,046 |
| 30 to 90 days | 1,606 | 8,352 |
| 90 to 180 days | 524 | 322 |
| 180 to 360 days | 1,491 | 163 |
| Over 360 days | 301 | 175 |
| | <u>15,858</u> | <u>18,058</u> |

15. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

FINANCIAL REVIEW

Revenue

Total revenue decreased by approximately 47.1% from approximately RMB261.9 million for the six months ended 30 June 2022 to approximately RMB138.5 million for the six months ended 30 June 2023.

Credit facilitation and service fee decreased by approximately 51.6% from approximately RMB76.3 million for the six months ended 30 June 2022 to approximately RMB36.9 million for the six months ended 30 June 2023. The decrease in credit facilitation service fee was mainly attributable to our business strategy adjustment, which limited the loan facilitation volume and led to the decrease in the credit facilitation business volume in the first half of 2023.

Payment service fee decreased from approximately RMB133.9 million for the six months ended 30 June 2022 to nil for the six months ended 30 June 2023, mainly due to the deconsolidation of Beijing Shouhui Kaizhuo Technology Co. Ltd* (北京首惠開桌科技有限公司) and its subsidiaries (collectively, the “**SK Group**”) in August 2022.

SaaS service fee increased by approximately 263.4% from approximately RMB14.4 million for the six months ended 30 June 2022 to approximately RMB52.3 million for the six months ended 30 June 2023, mainly due to the increase in the subscription income of Little Blue Book in the first half of 2023 and the addition of income from the provision of technical and operational services to financial institutions in the PRC since September 2022.

Other revenue decreased by approximately 6.8% from approximately RMB19.2 million for the six months ended 30 June 2022 to approximately RMB17.9 million for the six months ended 30 June 2023, mainly due to the decrease in the referral service income generated from loans referred to third-party business partners.

Camping service fee for the six months ended 30 June 2023 amounted to approximately RMB18.5 million.

Operating expenses

Total operating expenses decreased by approximately 52.0% from approximately RMB272.6 million for the six months ended 30 June 2022 to approximately RMB130.7 million for the six months ended 30 June 2023.

Origination and servicing expenses decreased by approximately 37.2% from approximately RMB197.3 million for the six months ended 30 June 2022 to approximately RMB124.0 million for the six months ended 30 June 2023, mainly because the fund transfer charges decreased by approximately 98.2% from approximately RMB116.7 million for the six months ended 30 June 2022 to approximately RMB2.1 million for the six months ended 30 June 2023, mainly due to the deconsolidation of SK Group since August 2022, such that no fund transfer charges attributable thereto have been incurred by the Group.

Sales and marketing expenses decreased by approximately 36.1% from approximately RMB19.1 million for the six months ended 30 June 2022 to approximately RMB12.2 million for the six months ended 30 June 2023. This was mainly due to the adjustment made to our business strategies and the reduction in the number of sales executives in the first half of 2023.

General and administrative expenses decreased by approximately 50.7% from approximately RMB51.8 million for the six months ended 30 June 2022 to approximately RMB25.5 million for the six months ended 30 June 2023, mainly because of the Group's cost control measures in the first half of 2023, and because the share-based compensation expenses decreased significantly by 97.7% from approximately RMB26.3 million for the six months ended 30 June 2022 to approximately RMB0.6 million for the corresponding period in 2023 as the amortization end date approached, resulting in the decrease in employee benefit expenses by approximately 70.5% to approximately RMB11.7 million for the six months ended 30 June 2023 from approximately RMB39.7 million for the corresponding period in 2022.

Research and development expenses decreased by approximately 55.7% from approximately RMB21.5 million for the six months ended 30 June 2022 to approximately RMB9.5 million for the six months ended 30 June 2023, mainly because employee benefit expenses decreased by approximately 53.6% to approximately RMB8.9 million for the six months ended 30 June 2023 from approximately RMB19.2 million for the six months ended 30 June 2022. Meanwhile, depreciation and amortization fees incurred from the expiration of certain leased-in fixed assets leases decreased by approximately 94.1% to approximately RMB0.1 million for the six months ended 30 June 2023 from approximately RMB1.7 million for the corresponding period in 2022.

Expected credit gain, net increased by 200.0% from a loss reversal of approximately RMB13.1 million for the six months ended 30 June 2022 to approximately RMB39.3 million for the six months ended 30 June 2023, mainly due to expected credit gain related to quality assurance fund and contract assets increased by 112.3% to approximately RMB43.1 million from approximately RMB20.3 million for the corresponding period in 2022, which was mainly because the recovery of historical overdue assets was maintained well in the first half of 2023. In this segment, the management has closely monitored all outstanding overdue assets and regularly reviewed the recoverability of various loans receivable.

Other gain, net decreased by 70% from approximately RMB4.0 million for the six months ended 30 June 2022 to approximately RMB1.2 million for the six months ended 30 June 2023, mainly due to the change of fair value (loss)/gain on financial assets at FVPL to a loss of approximately RMB0.9 million for the six months ended 30 June 2023 from a gain of approximately RMB0.8 million for the six months ended 30 June 2022, as the business performance of several investees declined in the first half of 2023, resulting in a lower market value as at 30 June 2023 as compared to that of 30 June 2022.

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 289.9% from approximately RMB3.2 million for the six months ended 30 June 2022 to approximately RMB12.7 million for the six months ended 30 June 2023, due to the increase in losses as a result of market downturns.

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

Fair value (loss)/gain of financial liabilities at FVPL changed from a gain of approximately RMB0.4 million for the six months ended 30 June 2022 to a loss of approximately RMB8.6 million for the six months ended 30 June 2023, mainly due to the increase in appraised value of such liabilities as at 30 June 2023 as compared to that of 30 June 2022.

Finance income/(expenses), net

Finance income/(expenses), net changed from expenses of approximately RMB4.9 million for the six months ended 30 June 2022 to income of approximately RMB3.3 million for the six months ended 30 June 2023. Such increase mainly reflected the foreign exchange gains and the increase in interest income.

Income tax (credit)/expenses

Income tax (credit)/expenses changed from expenses of approximately RMB1.8 million for the six months ended 30 June 2022 to credit of approximately RMB4.0 million for the six months ended 30 June 2023, mainly due to the increase in deferred income tax assets.

Loss for the period

As a result of the foregoing, our loss for the period decreased by approximately 69.4% from approximately RMB20.3 million for the six months ended 30 June 2022 to approximately RMB6.2 million for the six months ended 30 June 2023, mainly because employee benefit expenses decreased by approximately 30.7% from approximately RMB97.1 million for the corresponding period in 2022 to approximately RMB67.3 million as a result of the Group's cost control measures, which was partially offset by 1) the loss recorded in respect of the share of associates accounted for using equity method due to market downturns which affected its provision; and 2) the increase in fair value loss of financial liabilities at fair value through profit or loss due to the increase in appraised value.

Non-IFRS measures

To supplement our consolidated financial results that have been prepared in accordance with IFRSs, we also use adjusted operating profit and adjusted net profit as additional financial indicators, which are not presented in accordance with IFRSs. We believe that adjusted operating profit and adjusted net profit 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 and adjusted net profit have 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 standardized 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 and adjusted net profit for the period, we excluded share-based compensation expenses, fair value gain/(loss) 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 share-based compensation 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 gain/(loss) 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 was no direct correlation to the operation of our business.

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

| | For the six months ended 30 June | |
|---|---|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-IFRS adjusted operating profit | | |
| Operating profit/(loss) | 7,725 | (10,706) |
| Adjusted for: | | |
| Share-based compensation expenses | 613 | 26,332 |
| Fair value (loss)/gain of financial assets at FVPL | 888 | (752) |
| | <u>9,226</u> | <u>14,874</u> |
| Non-IFRS adjusted operating profit | 9,226 | 14,874 |
| | | |
| | For the six months ended 30 June | |
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-IFRS adjusted net profit | | |
| Net loss | (6,211) | (10,706) |
| Adjusted for: | | |
| Share-based compensation expenses | 613 | 26,332 |
| Fair value (loss)/gain of financial liabilities at FVPL | 8,608 | (350) |
| Fair value (loss)/gain of financial assets at FVPL | 888 | (752) |
| | <u>3,898</u> | <u>4,920</u> |
| Non-IFRS adjusted net profit | 3,898 | 4,920 |

Liquidity, Financial Resources and Gearing

The Group maintained a net cash position throughout the period under review. Our net cash positions as at 30 June 2023 and 31 December 2022 are as follows:

| | As at 30 June 2023 | As at 31 December 2022 |
|---------------------------|-----------------------------------|------------------------------|
| | <i>RMB' million</i> | <i>RMB' million</i> |
| Cash and cash equivalents | 352 | 377 |
| Borrowings | <u>(170)</u> | <u>(180)</u> |
| Net cash | <u>182</u> | <u>197</u> |

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 (“**HK dollars**”).

For the six months ended 30 June 2023, the Group recorded net cash outflow of approximately RMB25.8 million, primarily representing net cash outflow in operating activities of approximately RMB0.8 million; net cash outflow in investing activities of approximately RMB9.9 million; and net cash outflow in financing activities of approximately RMB15.1 million.

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

The gearing ratio of the Group, calculated as total borrowings divided by total assets, was approximately 15.3% as at 30 June 2023 (31 December 2022: approximately 15.8%).

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

| | As at 30 June 2023 RMB'000 | As at 31 December 2022 RMB'000 |
|-------------------------|---|---|
| Within 1 year | 101,760 | 166,687 |
| 1 year to 2 years | 67,290 | 7,763 |
| 2 years to 5 years | 1,370 | 5,407 |
| Total borrowings | <u>170,420</u> | <u>179,857</u> |

The bank and other borrowings as at 30 June 2023 were all denominated in RMB (31 December 2022: all RMB). For the six months ended 30 June 2023, the annual interest rates of borrowings ranged between 3.30% to 8.04% (six months ended 30 June 2022: 5.64% to 8.04%).

Exposure to Fluctuations in Exchange Rates

The Group's subsidiaries are primarily operated in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and HK dollars.

For the Group's PRC subsidiaries whose functional currency is RMB, if US dollars had strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the six months ended 30 June 2023 would have been approximately RMB2,883,000 higher/lower, and the loss before income tax for the six months ended 30 June 2022 would have been approximately RMB2,013,000 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 six months ended 30 June 2023 would have been approximately RMB270 lower/higher, and the loss before income tax for the six months ended 30 June 2022 would have been approximately RMB310 lower/higher, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in HK dollars.

The Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuating exchange rates during the six months ended 30 June 2023.

The Group will monitor and manage foreign exchange risk from time to time, and enter into foreign exchange forward contracts depending on the circumstance(s) to cover specific foreign currency payments and receipts within the exposure generated from time to time.

Charge on Assets

For the six months ended 30 June 2023, 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 RMB69.3 million, respectively.

Future Plans for Material Investments or Acquisition of Capital Assets

The Group had no specific plans for material investments or acquisition of capital assets as at 30 June 2023.

Material Acquisition and Disposal

For the six months ended 30 June 2023, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures (twelve months ended 31 December 2022: nil).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2023 (31 December 2022: nil).

INTERIM DIVIDEND

The Board has decided not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2023, the Company had applied the principles and complied with all applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as contained in Part 2 of Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), save and except the deviation set out below:

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

Currently, Mr. Sun Haitao (“**Mr. Sun**”) takes up the roles of both chairman of the Board and the chief executive officer of the Company (the “**CEO**”), which is deviated from code provision C.2.1 of the CG Code that the roles of chairman and CEO are performed by the same individual. The Board considers that Mr. Sun possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. In the opinion of the Directors, through supervision by the Board and the independent non-executive Directors, together with effective control of the Company’s internal check and balance mechanism, the same individual performing the roles of chairman and CEO can achieve the goal of improving the Company’s efficiency in decision-making, execution and effectively capturing business opportunities. The Board will review the effectiveness of this arrangement from time to time.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had approximately 459 employees (31 December 2022: approximately 469 employees). For the six months ended 30 June 2023, the total employees cost incurred by the Group was approximately RMB67.3 million (for the six months ended 30 June 2022: approximately RMB97.1 million).

The Company has established an effective compensation management system and talent incentive mechanism by following the principle of “competitive compensation to attract high-quality talent”. The Company’s compensation system is linked to the performance appraisal system and the Group’s operating results to create a more fair and humane working environment for each employee to fully exert his/her own value, so as to provide human resources guarantee for the Group’s sustainable and stable development. In addition, the Company focuses on the establishment of the employees’ training system, including induction training for new employees and on-the-job training for current employees, 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 further information regarding the 51 Stock Scheme and 51 Award Scheme, please refer to the annual report of the Company for the year ended 31 December 2022.

REVIEW OF THE INTERIM RESULTS

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

The Audit Committee has reviewed the unaudited consolidated interim results and interim report of the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2023. The Audit Committee has also reviewed and confirmed the accounting policies and practices adopted by the Company and have no disagreement.

EVENTS AFTER THE REPORTING PERIOD

There is no material event affecting the Company or the Group since 30 June 2023 and up to the date of this announcement.

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.u51.com). The interim report will be despatched to the Shareholders and published on the aforementioned websites in due course.

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

By Order of the Board

51 Credit Card Inc.

Sun Haitao

Chairman, Chief Executive Officer and Executive Director

31 August 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.