51 CREDIT CARD INCORPORATED:

HOW WOULD YOU VIEW THE FINANCIAL RESULTS

FOR THE FIRST HALF OF THIS YEAR ?

On August 2, 2018, Mr Sun Hai Tao (), Chairman and Chief Executive Officer of 51 Credit Card Incorporated (51) (Code: 2051, Main Board, The Stock Exchange of Hongkong Ltd), announced that which was headlined as being '***POSITIVE PROFIT ALERT***'.

At Paragraph Two of this Announcement, it was stated:

> '*The board (the "**Board**") of directors (the "**Directors**") of the Company wishes to inform shareholders and potential investors of the Company that based on the preliminary assessment of the unaudited consolidated management accounts of the Group and information currently available, the Group expects to record a significant consolidated net profit for the six months ended 30 June 2018 as compared to a consolidated net loss for the six months ended 30 June 2017, which is primarily attributable to (i) the fair value gain upon the conversion of redeemable convertible preferred shares as a result of the completion of the global offering and the listing of shares of the Company on the Main Board of the Stock Exchange in July 2018; and (ii) a year-on-year growth in the revenue for the six months ended 30 June 2018.*'

Clearly, on reading the above paragraph, the '*fair value gain*' from the conversion of Redeemable Convertible Preferred Shares could hardly be considered much more than just that: A fair value gain – and little else.

This fair value gain has little bearing on the business activities of the Company and is, simply put, a correctly mentioned item in accordance with accepted accounting practices.

But that which it is not is a part of any '*real*' profit of a company in terms of its operations.

On Thursday, August 30, 2018, the Company announced its Interim Results in respect of the six months, ended June 30, 2018.

In the '***Financial Highlights***', the Company informed its shareholders:

- Revenue for the six months ended 30 June 2018 was RMB1,275.3 million, increased by 50.5% as compared to RMB847.5 million for the corresponding period in 2017.
- Profit for the six months ended 30 June 2018 was RMB2,086.3 million compared with a loss of RMB330.1 million for the corresponding period in 2017.
- Adjusted net profit for the six months ended 30 June 2018 was RMB254.1 million, increased by 48.9% as compared to RMB170.7 million for the corresponding period in 2017.

Turning to Page Six of the Interim Announcement, a much-clearer picture of the Company's Results indicates, definitively, how the '*Fair Value Gain of Preferred Shares*' managed to balloon the Bottom Line:

		'For the six months ended 30 June	
	Note	***2018***	*2017*
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
Credit facilitation and service fee	*3*	***934,062***	*689,888*
Credit card technology service fee		***116,259***	*45,381*

Loan referral service fee		***84,014***	*61,535*
Other revenue	*4*	***140,944***	*50,673*
Total revenue		***1,275,279***	***847,477***
Origination and servicing expenses	*5*	***(345,270)***	*(175,428)*
Sales and marketing expenses		***(283,831)***	*(194,744)*
General and administrative expenses		***(188,878)***	*(52,419)*
Research and development expenses		***(171,218)***	*(105,451)*
Other (losses)/gains, net		***(127,302)***	*19,251*
Total operating expenses		***(1,116,499)***	*(508,791)*
Operating profit		***158,780***	*338,686*
Share of net gain/(loss) of associates accounted for using equity method		***720***	*(1,198)*
Fair value gain/(loss) of preferred shares		***1,905,589***	*(489,474)*
Fair value gain of financial liabilities designated at fair value through profit or loss		***33,805***	—
Finance expenses, net		***(15,477)***	*(5,555)*
Profit/(loss) before income tax		***2,083,417***	*(157,541)*
Income tax credit/(expense)		***2,874***	*(172,565)*
Profit/(loss) for the period		***2,086,291***	*(330,106)*
Profit/(loss) for the period attributable to:			
– Owners of the Company		***2,087,657***	*(330,106)*
– Non-controlling interests		***(1,366)***	*—'*

Even so, it is, also, very obvious that the Company is making positive progress, as is shown in the breakdown of Total Revenue for the First Half of the Current Financial Year.

Although, it is, also, very obvious, that this positive factor is offset by an increase in the Total Operating Expenses that increased by 119.44 percent, compared with the like period in respect of the 2017 Financial Year.

Also, the Operating Profit for the First Half of the Current Financial Year fell by about 53 percent, Year-On-Year.

<u>The Global Offering Of 51 Credit Card Incorporated</u>

At **...**